



PAYNES FIND GOLD LIMITED

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ABN: 45 141 450 624

16 May 2012

The Manager  
Company Announcements  
Australian Securities Exchange Limited  
Level 6, 20 Bridge Street  
Sydney NSW 2000

**By e-lodgement**

**Notice of Meeting**

Please find attached a Notice of Meeting of Shareholders being dispatched with personalized proxy form. The \$4m Fully Underwritten Rights Issue Prospectus will be released later this week.

For and on behalf of the Board.

**Carl Popal**  
Director

For further information please contact:

Carl Popal  
Director  
T: + 61 8 9481 3992

Jane Flegg  
Company Secretary  
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# **Paynes Find Gold Limited**

**ACN 141 450 624**

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

**Date of General Meeting: Friday, 15 June 2012**  
**Time of General Meeting: 2.00pm (WST)**  
**Place of General Meeting: UWA Club**  
**Seminar Room 1**  
**Hackett Drive**  
**Crawley**

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Shareholders of Paynes Find Gold Limited will be held at UWA Club, Seminar Room 1, Hackett Drive, Crawley, Perth, Western Australia on Friday, 15 June 2012 at 2.00pm (WST).

An Explanatory Memorandum containing information in relation to each of the following matters to be considered at the meeting accompanies and forms part of this Notice.

### AGENDA

#### 1. RESOLUTION 1 – APPROVAL OF RIGHTS ISSUE

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

*“That, as required by the ASX Waiver, approval is given for the Company to proceed with a non-renounceable entitlement issue on the basis of two new Shares for every Share held by Eligible Shareholders at a subscription price of \$0.02 per Share with one Attaching Option for every two new Shares subscribed on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by any substantial shareholder of the Company, any underwriter or sub-underwriter of the entitlement issue, and any associate of those parties. 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 a direction on the proxy form to vote as the proxy decides.

#### 2. RESOLUTION 2 - APPROVAL OF ISSUE OF SHARES AND ATTACHING OPTIONS TO DELECTA LIMITED

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

*“That, for the purpose of ASX Listing Rule 7.1, approval is given for the Company to issue up to a maximum of 75,000,000 Shares and 37,500,000 Attaching Options to Delecta Limited (but only to the extent that Delecta Limited’s shareholding in the Company after the issue of Shares and Attaching Options pursuant to this resolution does not exceed 20% of the total Shares on issue in the Company) on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by Delecta Limited and any associate of Delecta Limited. 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 a direction on the proxy form to vote as the proxy decides.

**3. RESOLUTION 3 - APPROVAL OF ISSUE OF SHARES AND ATTACHING OPTIONS TO RELATED PARTIES IN REPAYMENT OF LOANS**

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

*“That for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, approval is given for the Company to issue up to 45,047,534 Shares and 22,523,767 Attaching Options to related parties of the Company in repayment of loans advanced to the Company on the terms and conditions in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by the related parties and any associate of the related parties. 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 a 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. RESOLUTION 4 - APPROVAL OF GRANT OF INCENTIVE OPTIONS TO DIRECTORS OR THEIR NOMINEES**

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

*“That for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, approval is given for the Company to issue 25,200,000 Incentive Options to Directors or their nominees on the terms and conditions in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by the Directors and any associate of the Directors. However, the Company need not disregard a vote cast 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 a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

**5. RESOLUTION 5 - APPROVAL OF GRANT OF INCENTIVE OPTIONS TO MARBLE BEACH CONSULTING PTY LTD**

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

*“That for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, approval is given for the Company to issue 5,600,000 Incentive Options to Marble Beach Consulting Pty Ltd (being an entity controlled by Adam Bennett) or its nominee on the terms and conditions in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by Marble Beach Consulting Pty Ltd and any associate. However, the Company need not disregard a vote cast 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 a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

**6. RESOLUTION 6 - APPROVAL OF GRANT OF OPTIONS TO CONSULTANTS AND EMPLOYEES**

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

*“That, for the purpose of ASX Listing Rule 7.1, approval is given for the Company to issue up to 4,000,000 Incentive Options to consultants or employees of the Company on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates 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 a direction on the proxy form to vote as the proxy decides.

**7. RESOLUTION 7 – APPROVAL OF ISSUE OF SHARES AND ATTACHING OPTIONS – PROPOSED PLACEMENT**

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

*“That, for the purpose of ASX Listing Rule 7.1, approval is given for the Company to issue up to 50,000,000 Shares and 25,000,000 Attaching Options to investors entitled to subscribe for securities pursuant to section 708 of the Corporations Act and on the terms and conditions set out in the Explanatory Memorandum.”*

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates 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 a direction on the proxy form to vote as the proxy decides.

**BY ORDER OF THE BOARD**



Jane Flegg  
Company Secretary

## PROXY INSTRUCTIONS

Members are advised that:

- each member has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint either 1 or 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for 2 proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the *Corporations Act*, each proxy may exercise half of the votes.

The member may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section 250BA of the *Corporations Act*, the Company specifies that 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:

- posted to the Company's share registry, Computershare Investment Services Pty Limited, Level 2, 45 St Georges Terrace, Perth, Western Australia, 6000, or sent to the share registry by facsimile on +61 8 9323 2033; or
- posted or delivered to the registered office of the Company at Ground Floor, 1 Havelock Street, West Perth, Western Australia 6005, or sent to the registered office by facsimile on +61 8 9324 2400.

Those documents must be received by the Company at least 48 hours before the time for holding the General Meeting, or adjourned General Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a body corporate, in a manner permitted by the *Corporations Act*. In the case of Shares jointly held by two or more persons, at least one joint holder must sign the proxy form.

A proxy form is enclosed with this Notice.

## VOTING ENTITLEMENT

In accordance with Regulation 7.11.37 of the *Corporations Act*, the Directors have set a date to determine the identity of those entitled to attend and vote at the General Meeting. For the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding at 2.00pm (WST) on **Wednesday, 13 June 2012**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

## DEFINITIONS

For assistance in considering the Notice and accompanying Explanatory Memorandum, the following words are defined here:

**General Meeting** means the general meeting of the Company scheduled for 2.00pm (WST) on 15 June 2012.

**Attaching Options** means Options to be issued on the terms set out in Schedule 1.

**ASX** means ASX Limited ACN 008 624 691.

**ASX Waiver** means the waiver of ASX Listing Rules 7.11.3 and 7.15 granted to the Company by ASX.

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

**Chairman** means the chairman of the General Meeting.

**Company** means Paynes Find Gold Ltd ABN 45 141 450 624.

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

**Delecta** means Delecta Limited (ACN 009 147 924)

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

**Eligible Shareholder** means a Shareholder as at the Record Date.

**Explanatory Memorandum** means the explanatory memorandum enclosed with and comprising part of this notice of annual general meeting.

**Incentive Options** means Options to be issued on the terms set out in Schedule 2.

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

**Marble Beach** means Marble Beach Consulting Pty Ltd ACN 144 736 783.

**Notice** means this notice of annual general meeting.

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

**Patersons** means Patersons Securities Limited ABN 69 008 896 311.

**Prospectus** means the prospectus to be lodged with ASIC on or about 15 May 2012 in relation to the Rights Issue.

**Proxy Form** means the proxy form enclosed with the Notice.

**Record Date** means the record date for the Rights Issue which is anticipated to be 24 May 2012.

**Resolutions** means the resolutions proposed in the Notice.

**Rights Issue** means a fully underwritten pro rata renounceable rights issue on the basis of two new Shares for every Share held at a subscription price of \$0.02 per Share with one Attaching Option for every two new Shares subscribed.

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

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

**Substantial Shareholder** means a Shareholder who has a substantial holding in the Company as that term is defined in the Corporations Act.

**WST** means Australian Western Standard Time.

# PAYNES FIND GOLD LTD

ABN 45 141 450 624

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with information to assess the merits of the Resolutions contained in the accompanying Notice.

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

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### Overview

As part of the Company's previously announced refinancing the Company is looking to recapitalise by:

- (a) Seeking approval from Shareholders to raise approximately \$4,000,000 through a proposed Rights Issue.
- (b) Seeking approval from Shareholders for the conversion of short term loans from related parties into equity on the same terms as the Rights Issue, to preserve the cash to be raised by the Rights Issue to fund the Company's exploration and working capital going forward.

The Company is also seeking approval from Shareholders to:

- (c) Issue Delecta (the sub-underwriter to the Rights Issue) additional securities on the same terms as the Rights Issue to the extent that Delecta's shareholding after the Rights Issue is less than 20%.
- (d) Issue Incentive Options to Directors, staff and consultants.
- (e) Issue up to an additional 50,000,000 Shares and 25,000,000 Attaching Options on the same terms as the Rights Issue by way of a placement to raise additional funds if required.

The following table provides a summary of the effect of the Resolutions proposed in the Notice on the Company's capital structure:

	Assuming no Shortfall from Rights Issue		Assuming $\geq 50\%$ Shortfall from Rights Issue	
	Shares	Options	Shares	Options
Currently on issue	100,452,503	95,685,000 <sup>1</sup>	100,452,503	95,685,000 <sup>1</sup>
Resolution 1 – Rights Issue	200,905,006	100,452,503	200,905,006	100,452,503
Resolution 2 – Issue to Delecta	75,000,000 <sup>3</sup>	37,500,000 <sup>3</sup>	- <sup>2</sup>	- <sup>2</sup>
Resolution 3 – Repayment of related party loans	45,047,534	22,523,767	45,047,534	22,523,767
Resolution 4 – Issue of Incentive Options to Directors	-	25,200,000	-	25,200,000
Resolution 5 – Issue of Incentive Options to Marble Beach		5,600,000		5,600,000

	Assuming no Shortfall from Rights Issue		Assuming ≥50% Shortfall from Rights Issue	
	Shares	Options	Shares	Options
<b>Resolution 6 – Issue of Incentive Options to consultants/employees</b>	-	4,000,000	-	4,000,000
<b>Resolution 7 – Placement of Shares</b>	50,000,000	25,000,000	50,000,000	25,000,000
<b>Maximum Total</b>	471,405,043 <sup>4</sup>	315,961,270 <sup>4</sup>	396,405,043	278,461,270

<sup>1</sup> Existing Options exercisable at 20 cents, 25 cents or 35 cents.

<sup>2</sup> No Shares or Attaching Options will be issued to Delecta pursuant to Resolution 2 in the event there is sufficient shortfall under the Rights Issue available to Delecta as sub-underwriter to subscribe for at least 100,000,000 Shares and 50,000,000 Attaching Options.

<sup>3</sup> The maximum number of Shares and Attaching Options to be issued to Delecta to increase their shareholding to no more than 20% if Shareholders approve Resolution 1 and 2. The maximum number of Shares and Attaching Options will only be issued if there is no shortfall under the Rights Issue available to Delecta as sub-underwriter.

<sup>4</sup> The maximum number of Shares and Options on issue if all Resolutions are approved, there is no shortfall under the Rights Issue available to Delecta as sub-underwriter and the maximum number of Shares and Attaching Options are placed pursuant to the Placement.

## Resolution 1: Approval of Rights Issue

### Background

Resolution 1 seeks Shareholder approval of a non-renounceable Rights Issue of new shares to all Eligible Shareholders.

The Rights Issue is proposed to be made on the basis that for every 1 Share held as at the Record Date, Eligible Shareholders will have the right to subscribe for 2 new Shares at a subscription price of \$0.02 per Share with one Attaching Option for every two new Shares subscribed.

The Prospectus for the Rights Issue is expected to be lodged with ASIC and released to the ASX on 15 May 2012 and dispatched to Shareholders on 30 May 2012.

The indicative timetable for the Rights Issue is as follows:

Announcement of Rights Issue, Appendix 3B and dispatch of letters to Option holders	17 May 2012
Lodgement of Prospectus with ASIC	17 May 2012
Notice sent to Shareholders	21 May 2012
Ex Date to determine entitlements	22 May 2012
Record Date to determine entitlements	28 May 2012
Dispatch of Prospectus to Eligible Shareholders and announcement to ASX that dispatch has been completed	1 June 2012
Shareholder meeting	15 June 2012

Acceptances close	18 June 2012
Notice to ASX of under-subscriptions	20 June 2012
Allotment of Securities	26 June 2012
Despatch of Holding Statements	26 June 2012

Full details in relation to the Rights Issue will be contained in the Prospectus. A summary of the terms of the Rights Issue is as follows:

- (a) the Company is making a non-renounceable offer to Eligible Shareholders of 2 New Shares for every Share held at a subscription price of \$0.02 per Share with one Attaching Option for every two new Shares subscribed;
- (b) based on the Company's current share capital, the total number of new Shares to be issued under the Rights Issue will be up to approximately 200,905,006 and the total number of Attaching Options will be up to approximately 100,452,503 although the actual number of new Shares that are issued on completion of the Rights Issue will depend on whether any of the existing option holders exercise their options before the Record Date; and
- (c) the Rights Issue will be fully underwritten by Patersons and sub-underwritten to the amount of \$2,000,000 by Delecta by way of priority sub-underwriting.

Patersons could acquire a voting power of up to 33.5% under the Rights Issue (after taking account of the priority sub-underwriting) in the event that no Eligible Shareholders take up their rights, no other sub-underwriting arrangements are put in place and none of the resolutions at the General Meeting are approved apart from approval of the Rights Issue. Patersons have advised the Company that they intend to obtain sub-underwriting commitments for the entire underwriting amount and this is a condition precedent of the Underwriting Agreement.

The maximum voting power Delecta could obtain under the Rights Issue pursuant to the priority sub-underwriting is 33.2% in the event that Eligible Shareholders take up less than 50% of their rights and none of the resolutions at the General Meeting are approved apart from approval of the Rights Issue.

### **Reason approval required**

ASX Listing Rule 7.11.3 does not allow a company to offer a pro-rata entitlement issue of securities that is greater than 1 share for each share held, unless the offer is renounceable. The Company's shares have been suspended from trading on ASX since 3 October 2011 and ASX have advised the Company that they will not reinstate trading until completion of the Rights Issue. ASX have also advised the Company that in their opinion an entitlement issue cannot be renounceable if the Company's shares are not trading on ASX during the entitlement issue period. ASX has granted the ASX Waiver to enable the Company to undertake the Rights Issue on a non-renounceable basis subject to various conditions, including Shareholder approval.

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## **Resolution 2: Approval of Issue of Shares and Attaching Options to Delecta Limited**

### **Background**

Resolution 2 seeks Shareholder approval in accordance with Listing Rule 7.1 for the issue of Shares and Attaching Options to Delecta.

Delecta has lent the Company \$900,000 to enable the Company to repay the debt incurred before the appointment of the current Board (that resulted in a winding up petition being lodged against the Company that was withdrawn on repayment of the debt) and to fund working capital on the basis the Company has agreed:

- (a) in consultation with Patersons as underwriter to provide Delecta a \$2,000,000 priority sub-underwriting position in relation to the Rights Issue; and

- (b) to the extent that after the Rights Issue and before the issue of any other Shares Delecta's shareholding in the Company is less than 20%, to seek Shareholder approval to enable Delecta to subscribe for additional Shares and Attaching Options on the same terms as the Rights Issue to increase Delecta's shareholding to no more than 20%.

If the Resolution is not approved the Company will be required to repay Delecta's loan and interest on or before 30 June 2012.

### **Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversation to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) Number of Shares and Attaching Options to be allotted – up to 75,000,000 Shares and 37,500,000 Attaching Options provided that the maximum number of Shares that will be issued pursuant to this Resolution will be that number of Shares that take Delecta's shareholding to no more than 20% of the total issued Shares in the Company after the Rights Issue and before the issue of any other Shares.
- (b) The Shares and Attaching Options will be issued no later than 3 months after the date of the meeting.
- (c) The Shares will be issued for \$0.02 per Share and the Attaching Options will be issued for no monetary consideration on the basis of one Attaching Option for every two Shares.
- (d) The allottee will be Delecta.
- (e) The Shares will rank equally with the Company's existing Shares and the Attaching Options will be issued on the terms set out in Schedule 1.
- (f) The allotment will occur on the one date on or before 30 June 2012.
- (g) A voting exclusion statement is included in the Notice.
- (h) The proceeds of the issue will be used to repay the money already advanced by Delecta and any surplus will be used to fund exploration and working capital.

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## **Resolution 3: Approval of Issue of Shares and Attaching Options in Repayment of Related Party Loans**

### **Background**

Resolution 3 seeks Shareholder approval in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act for the issue of Shares and Attaching Options to related parties of the Company in repayment of loan funds advanced to the Company.

The related parties have lent the Company \$850,000 to enable the Company to repay the debt incurred before the appointment of the current Board (that resulted in a winding up petition being lodged against the Company that was withdrawn on repayment of the debt). The funds were required by the Company on an urgent basis given the lodgment of the winding up petition, and therefore the Company did not have sufficient time to seek shareholder approval to raise the funds by way of equity. Shareholder approval was not required for the loans because they were made on an unsecured basis and the terms of the loans were substantially more favourable to the Company than the terms (if any) on which the Company would have been able to borrow the funds from lenders other than related parties. The loans are repayable on 30 June 2012 if not converted to equity and interest of 12% per annum is payable on repayment or conversion (in cash or equity respectively).

Each of the lenders have agreed to convert the principal and interest on those loans into Shares and Attaching Options in the Company on the same terms as Shareholders are being offered under the Rights Issue. If the Resolution is passed, the Company will have no debt apart from the Delecta loan referred to in Resolution 2, which will be repaid from the proceeds of the Rights Issue.

### Reason approval required

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because the Directors (and any person who has been a Director in the previous six months) and their associates are related parties of the Company.

If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

If approval is not given, the loans will be repayable in cash on 30 June 2012 out of the proceeds of the Rights Issue, thereby reducing the amount of funds available to the Company for exploration and working capital.

### Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant:

- (a) 45,047,534 Shares and 22,523,767 Attaching Options will be issued to the related parties of the Company (being companies or individuals associated with Directors or former Directors) as follows:

Name of Director/ Former Director	Name of Lender	Loan Principal	Interest to 30 June 2012	Number of Shares to be issued	Number of Attaching Options to be issued
John Hatherley	Francis Xavier Pte Ltd	200,000	11,375.34	10,568,768	5,284,383
Doug Taylor	Murchison Earthmoving & Rehabilitation Pty Ltd	100,000	5,687.67	5,284,383	2,642,192
Adam Bennett	Kane Bennett	100,000	5,687.67	5,284,383	2,642,192
Peter Landau	Okap Ventures Pty Ltd	100,000	5,687.67	5,284,383	2,642,192
Carl Popal	Ghan Resources Pty Ltd	350,000	22,512.33	18,625,617	9,312,808
Total		850,000	50,950.68	45,047,534	22,523,767

- (b) Each Share will be issued for \$0.02 consideration and one Attaching Options will be issued for every two Shares issued.
- (c) Each Attaching Options entitles the holder to subscribe for one Share at an exercise price of \$0.03, exercisable on or before 30 June 2015. The full terms and conditions of the Attaching Options are set out in Schedule 1.
- (d) The Company will issue the Shares and Attaching Options no later than one month after the date of the General Meeting.
- (e) Each of the Directors have an interest in Resolution 3 and therefore believe it inappropriate to make a recommendation.

- (f) The dilution effect if the issue of all Shares and Attaching Options are approved cannot be determined given the number of permutations arising from the proposed Rights Issue and the Resolutions. Please see the summary table at the beginning of the Explanatory Memorandum, in relation to the effect of all prospective transactions on the overall capital structure of the Company. The number of Shares to be issued pursuant to Resolution 3 represents:
- (i) 44.84% of the current issued Shares; and
  - (ii) 14.95% of the number of Shares that will be on issue after the Rights Issue (if Resolution 1 is approved) but before the issue of any Shares pursuant to Resolution 2 or 7.

- (g) The current relevant interests in securities of the Directors and former Director are as follows:

Name of Director/ Former Director	Shares	Options
John Hatherley	2,500,000	1,145,833 options exercisable at 20c on or before 1 November 2012
Doug Taylor	3,575,000	947,916 options exercisable at 20c on or before 1 November 2012
Adam Bennett	3,200,001	8,700,000 options exercisable at 25c on or before 1 May 2015 4,000,000 options exercisable at 35c on or before 1 May 2016
Peter Landau	500,000	125,000 options exercisable at 20c on or before 1 November 2012
Carl Popal	1,980,000	75,000 options exercisable at 20c on or before 1 November 2012 3,500,000 options exercisable at 25c on or before 1 May 2015 1,500,000 options exercisable at 35c on or before 1 May 2016

- (h) A voting exclusion statement is included in the Notice.
- (i) No funds will be raised by the issue of Shares and Attaching Options as they are being issued for repayment of loans provided.
- (j) The current remuneration of each of the Directors is as follows:
- |   |                    |
|---|--------------------|
| Carl Popal (Executive Director)         | \$96,000 per annum |
| Doug Taylor (Executive Director)        | \$50,000 per annum |
| Peter Landau (Non-Executive Chairman)   | \$60,000 per annum |
| John Hatherley (Non-Executive Director) | \$40,000 per annum |

- (k) From 1 April 2012 Marble Beach (a company controlled by Adam Bennett) is entitled to a monthly consultancy fee of \$10,000 for providing the services of Adam Bennett. Adam Bennett and his associated entities also received remuneration of \$40,050 in the current financial year during the period Mr Bennett was a director of the Company.
- (l) Whilst the issue of the Shares and Attaching Options constitutes a financial benefit, the Company considers the value of the financial benefit to be nil as all Shareholders are being offered the opportunity to invest on the same basis.
- (m) Historical share price information for the last twelve months is as follows:

	Price	Date
<b>Highest</b>	\$0.1950	10 June 2011
<b>Lowest</b>	\$0.0600	3 October 2011
<b>Last<sup>1</sup></b>	\$0.0600	3 October 2011

<sup>1</sup> The Company's Shares have been suspended from trading on ASX since 3 October 2011

- (n) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to consider Resolution 3.

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## Resolution 4: Approval of Grant of Incentive Options to Directors

### Background

Resolution 4 seeks Shareholder approval in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act for the grant of a total of 25,200,000 Incentive Options to Directors (or their nominees).

The purpose of the grant of the Incentive Options is for the Company to retain directors of high calibre. The Board considers the issue of Incentive Options in Resolution 4 to be reasonable in the circumstances given the Company's size, stage of development, and the need to attract and retain directors of high calibre, whilst still maintaining cash reserves through the payment of directors' fees below the average for comparable companies.

### Reason approval required

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because the Directors are related parties of the Company.

If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant:

- (a) 25,200,000 Incentive Options will be offered to the Directors (or their nominees) as follows:

<b>Name of Director</b>	<b>Total Number of Incentive Options to be issued</b>
Carl Popal	10,000,000
Peter Landau	6,000,000
Doug Taylor	4,600,000
John Hatherley	4,600,000

- (b) Each Incentive Option will be granted for no monetary consideration.
- (c) Each Incentive Option entitles the holder to subscribe for one Share at an exercise price of \$0.03, exercisable on or before 30 June 2015, or such earlier date as determined by the terms and conditions.
- (d) The Incentive Options will be unlisted.
- (e) The full terms and conditions of the Incentive Options are set out in Schedule 2.
- (f) The Company will issue the Incentive Options no later than one month after the date of the General Meeting.
- (g) Each of the Directors has an interest in Resolution 4 and therefore believe it inappropriate to make a recommendation.
- (h) The dilution effect if Resolution 4 is approved cannot be accurately stated given the number of permutations arising from the proposed Rights Issue and the Resolution. Please see the summary table at the beginning of the Explanatory Memorandum, in relation to the effect of all prospective transactions on the overall capital structure of the Company. The maximum number of Shares to be issued on exercise of the Incentive Options represents:
- (i) 25.08% of the current issued Shares; and
- (ii) 8.36% of the number of Shares on issue after the Rights Issue (if Resolution 1 is approved) but before the issue of any Shares pursuant to Resolutions 2, 3 or 7.
- (i) The current relevant interests in security holdings of the Directors are as follows:

<b>Name of Director</b>	<b>Shares</b>	<b>Options</b>
Carl Popal	1,980,000	75,000 options exercisable at 20c on or before 1 November 2012 3,500,000 options exercisable at 25c on or before 1 May 2015 1,500,000 options exercisable at 35c on or before 1 May 2016
Peter Landau	500,000	125,000 options exercisable at 20c on or before 1 November 2012
Doug Taylor	3,575,000	947,916 options exercisable at 20c on or before 1 November 2012

<b>Name of Director</b>	<b>Shares</b>	<b>Options</b>
John Hatherley	2,500,000	1,145,833 options exercisable at 20c on or before 1 November 2012

Parties related to the Directors will also be issued additional Shares and Attaching Options if Resolution 3 is passed as detailed in the explanatory information concerning Resolution 3.

- (j) A voting exclusion statement is included in the Notice.
- (k) No funds will be raised by the grant of the Incentive Options.
- (l) The current remuneration of each of the Directors is as follows:
- |   |                    |
|---|--------------------|
| Carl Popal (Executive Director)         | \$96,000 per annum |
| Doug Taylor (Executive Director)        | \$50,000 per annum |
| Peter Landau (Non-Executive Chairman)   | \$60,000 per annum |
| John Hatherley (Non-Executive Director) | \$40,000 per annum |
- (m) On the basis of the assumptions below the Company has determined the technical value of one Incentive Option approximates A\$0.0131. This valuation imputes a total value of approximately A\$330,120 to the Incentive Options offered to the Directors.

The value may go up or down after that date as it will depend on the future price of a Share. Black & Scholes methodology has been used, together with the following assumptions:

- (i) interest rate set at 3.26% which is based on indicative rate of the capital market bonds by the Reserve bank of Australia for similar term;
- (ii) the date of valuation for the purposes of settling the current market value of a Share is 3 May 2012;
- (iii) a Share price of A\$0.02 being the price Shares are to be offered under the Rights Issue given there is no market price for Shares currently;
- (iv) the exercise price of A\$0.03;
- (v) volatility of 120% which is based on annualised volatility calculator; and
- (vi) the Incentive Options will be exercisable upon issue.
- (n) The market price of Shares would normally determine whether the Directors will exercise the Incentive Options or not. If the Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.
- (o) Historical share price information for the last twelve months is as follows:

	<b>Price</b>	<b>Date</b>
<b>Highest</b>	\$0.1950	10 June 2011
<b>Lowest</b>	\$0.0600	3 October 2011
<b>Last<sup>1</sup></b>	\$0.0600	3 October 2011

<sup>1</sup> The Company's Shares have been suspended from trading on ASX since 3 October 2011

- (p) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to consider Resolution 4.

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## **Resolution 5: Approval of Grant of Incentive Options to Marble Beach Consulting Pty Ltd**

### **Background**

Resolution 5 seeks Shareholder approval in accordance with Listing Rule 10.11 and Chapter 2E of the Corporations Act for the grant of a total of 5,600,000 Incentive Options to Marble Beach (being an entity controlled by Adam Bennett).

Marble Beach has entered into a consultancy agreement with the Company under which Mr Bennett will provide project management services for gold exploration at Paynes Find. Marble Beach is to be paid a monthly fee of \$10,000 for these services and the Company has also agreed to issue Marble Beach the Incentive Options subject to Shareholder approval. Marble Beach is a related party of the Company because Mr Bennett was a director of the Company in the six month period prior to the date it agreed to issue the Incentive Options to Marble Beach.

The Board considers the issue of Incentive Options in Resolution 5 to be reasonable in the circumstances given the Company's size, stage of development, and the need to engage project management services, whilst still maintaining cash reserves through the payment of consultancy fees below the average for comparable companies.

### **Reason approval required**

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because Directors of the Company within the previous six months and their controlled entities are related parties of the Company.

If Shareholder approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

### **Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act**

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant:

- (a) 5,600,000 Incentive Options will be offered to Marble Beach (or its nominee) as follows:
- (b) Each Incentive Option will be granted for no monetary consideration.
- (c) Each Incentive Option entitles the holder to subscribe for one Share at an exercise price of \$0.03, exercisable on or before 30 June 2015, or such earlier date as determined by the terms and conditions.
- (d) The Incentive Options will be unlisted.
- (e) The full terms and conditions of the Incentive Options are set out in Schedule 2.
- (f) The Company will issue the Incentive Options no later than one month after the date of the General Meeting.
- (g) Each of the Directors will also receive Incentive Options if Resolution 4 is passed and therefore believe it is inappropriate to make a recommendation on this Resolution.

- (h) The dilution effect if the issue of Incentive Options in Resolution 5 is approved cannot be accurately stated given the number of permutations arising from the proposed Rights Issue and the Resolution. Please see the summary table at the beginning of the Explanatory Memorandum, in relation to the effect of all prospective transactions on the overall capital structure of the Company. The maximum number of Shares to be issued on exercise of the Incentive Options represents:
- (i) 5.57% of the current issued Shares; and
  - (ii) 1.86% of the number of Shares on issue after the Rights Issue (if Resolution 1 is approved) but before the issue of any Shares pursuant to Resolutions 2, 3 or 7.

- (i) The current relevant interest in securities of Mr Bennett is as follows:

Shares	Options
3,200,001	8,700,000 options exercisable at 25c on or before 1 May 2015 4,000,000 options exercisable at 35c on or before 1 May 2016

In addition, Mr Bennett's brother (Kane Bennett) will be issued with 5,284,383 Shares and 2,642,191 Attaching Options if Resolution 3 is passed as detailed in the explanatory information concerning Resolution 3.

- (j) A voting exclusion statement is included in the Notice.
- (k) No funds will be raised by the grant of the Incentive Options.
- (l) From 1 April 2012 Marble Beach is entitled to a monthly consultancy fee of \$10,000 for providing the services of Adam Bennett. Adam Bennett and his associated entities also received remuneration of \$40,050 in the current financial year during the period Mr Bennett was a director of the Company.
- (m) On the basis of the assumptions below the Company has determined the technical value of one Incentive Option approximates A\$0.0131. This valuation imputes a total value of approximately A\$73,360 to the Incentive Options offered to Marble Beach.

The value may go up or down after that date as it will depend on the future price of a Share. Black & Scholes methodology has been used, together with the following assumptions:

- (i) interest rate set at 3.26% which is based on indicative rate of the capital market bonds by the Reserve bank of Australia for similar term;
  - (ii) the date of valuation for the purposes of settling the current market value of a Share is 3 May 2012;
  - (iii) a Share price of A\$0.02 being the price Shares are to be offered under the Rights Issue, given there is no market price for Shares currently;
  - (iv) the exercise price of A\$0.03;
  - (v) volatility of 120% which is based on annualised volatility calculator; and
  - (vi) the Incentive Options will be exercisable upon issue.
- (n) The market price of Shares would normally determine whether Marble Beach will exercise the Incentive Options or not. If the Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.

- (o) Historical share price information for the last twelve months is as follows:

	<b>Price</b>	<b>Date</b>
<b>Highest</b>	\$0.1950	10 June 2011
<b>Lowest</b>	\$0.0600	3 October 2011
<b>Last<sup>1</sup></b>	\$0.0600	3 October 2011

<sup>1</sup> The Company's Shares have been suspended from trading on ASX since 3 October 2011

- (p) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to consider Resolution 5.

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## **Resolution 6: Approval of Grant of Options to Consultants and Employees**

### **Background**

The Board has approved the grant of up to 4,000,000 Incentive Options to employees and consultants of the Company (other than Directors or other related parties).

### **Reason Approval Required**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversation to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

### **Information Required by Listing Rules**

For the purposes of Listing Rule 7.3, the following information is provided:

- (a) The maximum number of Incentive Options to be issued – 4,000,000.
- (b) The Incentive Options will be issued no later than 3 months from the date of the General Meeting or such longer period of time as ASX in its discretion allows.
- (c) The Incentive Options will be issued for no monetary consideration.
- (d) The allottees will be employees and consultants of the Company (other than Directors).
- (e) The Incentive Options will be granted on the terms set out in Schedule 2.
- (f) The issue of the Incentive Options will not raise any funds.
- (g) The allotment will occur progressively.
- (h) A voting exclusion statement is included in the Notice.

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## Resolution 7: Approval of Placement

### Background

Resolution 7 seeks Shareholder approval for the Company to issue up to 50,000,000 Shares and 25,000,000 Attaching Options on the same terms as the Rights Issue. The Company is seeking this approval for the purpose of a placement to raise additional funds if required for the Company's activities.

### Reason Approval Required

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

### Information Required by Listing Rules

For the purpose of Listing Rule 7.3, the following information is provided:

- (a) Number of Shares and Attaching Options to be allotted – up to 50,000,000 Shares and 25,000,000 Attaching Options.
- (b) The Shares and Attaching Options will be issued no later than 3 months after the date of the meeting.
- (c) The Shares will be issued for \$0.02 per Share and the Attaching Options will be issued for no monetary consideration on the basis of one Attaching Option for every two Shares.
- (d) The allottees will be sophisticated, professional and other investors who are entitled to receive exempt offers under section 708 of the Corporations Act. No related parties of the Company will be entitled to participate in the placement.
- (e) The Shares will rank equally with the Company's existing Shares and the Attaching Options will be issued on the terms set out in Schedule 1.
- (f) Any funds raised from the placement will be used to further the Company's principal activity of mining exploration and for working capital purposes.
- (g) Any allotment of Shares and Attaching Options will occur progressively over the period referred to in paragraph (b) above as and when the Company requires funds.
- (h) A voting exclusion statement is included in the Notice.

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## Schedule 1 – Terms and Conditions of Attaching Options – Resolutions 1, 2 and 3

- a) The Attaching Options will expire at 5:00pm (WST) on 30 June 2015 ("Expiry Date"). Any Attaching Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- b) The amount payable upon exercise of each Attaching Option will be \$0.03, as applicable ("Exercise Price").
- c) Each Attaching Option gives the holder the right to subscribe for one Share.
- d) The Attaching Options held by each holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- e) A holder may exercise their Attaching Options by lodging with the Company, before the Expiry Date:
  - i) a written notice of exercise of Attaching Options specifying the number of Attaching Options being exercised; and
  - ii) a cheque or electronic funds transfer for the Exercise Price for the number of Attaching Options being exercised,("Exercise Notice").
- f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Attaching Options specified in the Exercise Notice.
- h) All Shares allotted upon the exercise of Attaching Options will upon allotment rank pari passu in all respects with other Shares.
- i) The Company will apply for quotation of the Attaching Options on ASX. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- j) If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- k) There are no participating rights or entitlements inherent in the Attaching Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Attaching Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give holders the opportunity to exercise their Attaching Options prior to the date for determining entitlements to participate in any such issue.
- l) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Attaching Options, the exercise price of the Attaching Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- m) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Attaching Options, the number of securities over which a Attaching Option is exercisable may be increased by the number of securities which the holder would have received if the Attaching Option had been exercised before the record date for the bonus issue.

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## Schedule 2 – Terms and Conditions of Incentive Options – Resolutions 4, 5 and 6

- a) The Incentive Options will expire at 5:00pm (WST) on or before 30 June 2015 or on such earlier date as determined pursuant to paragraph (o) below ("Expiry Date"). Any Incentive Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- b) The amount payable upon exercise of each Incentive Option will be \$0.03, as applicable ("Exercise Price").
- c) Each Incentive Option gives the holder the right to subscribe for one Share.
- d) The Incentive Options held by each holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- e) A holder may exercise their Incentive Options by lodging with the Company, before the Expiry Date:
  - i) a written notice of exercise of Incentive Options specifying the number of Incentive Options being exercised; and
  - ii) a cheque or electronic funds transfer for the Exercise Price for the number of Incentive Options being exercised,
- f) ("Exercise Notice").
- g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Incentive Options specified in the Exercise Notice.
- i) All Shares allotted upon the exercise of Incentive Options will upon allotment rank pari passu in all respects with other Shares.
- j) The Company will not apply for quotation of the Incentive Options on ASX. The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- k) If at any time the issued capital of the Company is reconstructed, all rights of a holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- l) There are no participating rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give holders the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.
- m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Incentive Options, the exercise price of the Incentive Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Incentive Options, the number of securities over which an Incentive Option is exercisable may be increased by the number of securities which the holder would have received if the Incentive Option had been exercised before the record date for the bonus issue.

- o) In the event that the holder is dismissed from employment, removed from office or terminated as a consultant for wilful misconduct, repeated disobedience after prior written warning, incompetence, fraud or dishonesty the Options will automatically lapse. In the event that the holder voluntarily resigns as a director or employee or gives notice of termination of their consultancy the Options may only be exercised within one month after such resignation or termination (or such longer period as the Company determines) and any Options not exercised within such period will automatically lapse. If the holder ceases to be an employee, director or consultant by reason of death, total permanent disability, retirement or redundancy the Options may only be exercised within one year after such event (or such longer period as the Company determines) and any Options not exercised within that period will automatically lapse.
  
- p) The Incentive Options are not transferrable except with the consent of the Company.