



GENESIS RESOURCES LIMITED

(ASX: GES)

ASX Release

29 August 2012

The Manager
Company Announcements Office
ASX Limited
Level 45 – South Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Dear Sir/ Madam

Letters to Shareholders – Pro-Rata Non-Renounceable Rights Issue

On 27 August 2012, Genesis Resources Limited announced it would undertake a pro-rata non-renounceable rights issue (the **Offer**).

I attach a letter relating to the Offer which is being mailed to all shareholders today.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sophie Karzis', written in a cursive style.

Sophie Karzis
Company Secretary

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29 August 2012

Dear Shareholder

Pro-Rata Non-Renounceable Rights Issue

On 27 August 2012 Genesis Resources Limited (**Genesis** or the **Company**) announced that it would undertake a fully underwritten pro-rata non-renounceable rights issue on a 1 for 3 basis (**Offer**) to holders of ordinary shares (**Shares**) in the Company (**Shareholders**) with a registered address in Australia or New Zealand (**Eligible Shareholders**) as at 7:00pm (Melbourne time) on Wednesday 5 September 2012 (**Record Date**).

The Company has prepared an Offer Information Document for the Offer. The Offer Information Document was lodged with the Australian Securities Exchange (**ASX**) on Tuesday 28 August 2012 and a copy is available on the ASX website and the Company's website at www.genesisresourcesltd.com.au.

The Offer Information Document will be despatched to Eligible Shareholders in Australia and New Zealand on Monday 10 September 2012.

Treatment of ineligible shareholders

The Company has determined that it would be unreasonable to extend the Offer to any shareholder with a registered address outside Australia or New Zealand, having regard to:

- the small number of shareholders with addresses in such other countries;
- the number and value of the shares they hold; and
- the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

Accordingly, Eligible Shareholders are those shareholders who:

- will be on the Company's register of shareholders as at the Record Date; and
- have a registered address in Australia or New Zealand.

Details of the Offer

Pursuant to the Offer, the Company will issue 30,494,892 fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of 9 cents each, to raise approximately \$2,744,540 (before costs). The issue price represents a discount of approximately 5.3% to the closing price of 9.5 cents for Shares last traded on the Australian Securities Exchange (**ASX**) on 24 August 2012.

The Rights Issue offers Eligible Shareholders the right to take up one New Share for every three Shares held as at 7:00pm (Melbourne time) on Wednesday 5 September 2012 at an issue price of

9 cents per New Share (**Entitlement**). The right to subscribe for New Shares in accordance with an Entitlement under the Offer will be non-renounceable.

The Rights Issue Offer is to be fully underwritten by Tigermoth Investments Limited, a major shareholder of the Company (**Tigermoth** or **Underwriter**).

The New Shares issued under the Offer will be fully paid and will rank equally with the Company's existing Shares. The Company will make an application to the ASX for official quotation of the New Shares.

The number of Shares on issue in the Company at the date of this letter and the total number of Shares that will be on issue in the Company following the Offer are as follows:

EVENT	NUMBER OF SHARES
Shares on issue at date of Offer Information Document	91,484,676
New Shares issued pursuant to the Rights Issue Offer*	30,494,892
TOTAL SHARES ON ISSUE AFTER COMPLETION OF THE OFFER	121,979,568

**this number may vary due to the rounding up of fractional entitlements under the offer*

The number of options on issue in the Company at the date of this letter is as follows:

CLASS OF OPTIONS	NUMBER OF OPTIONS
Unlisted options exercisable at \$0.20 on or before 27 October 2012	500,000
Unlisted options exercisable at \$0.10 on or before 4 May 2014	19,429,424
Unlisted options exercisable at \$0.10 on or before 11 May 2014	7,110,952
TOTAL OPTIONS CURRENTLY ON ISSUE:	27,040,376

After payment of the costs and expenses of the Offer, the proceeds of the Rights Issue will be applied, over the next 12 months, to:

- (a) fund the Company's minimum expenditure commitments for its mining and exploration licences and permits;
- (b) fund further exploration costs associated with its Plavica Project, which will be necessarily incurred as a result of the Company's stated intentions of rapidly and significantly progressing this project;
- (c) fund further exploration costs associated with its Australian projects; and
- (d) to meet the Company's general working capital requirements

Whilst the Company has successfully undertaken two capital raisings this year by way of a rights issue and a placement, the Board has determined a need for further capital in order for it to significantly progress the Plavica Project in Macedonia in line with its previously stated objectives. To this end, the Company has recently appointed a consultant to undertake a scoping study for the Plavica Project, which will focus on moving it towards a prefeasibility study stage, and eventually a final feasibility study. Further, the Company has engaged a drilling contractor to complete a minimum of 7,000 meters of reverse circulation drilling and 2,500 meters of diamond core drilling at the Plavica Project.

The Board appreciates the support demonstrated by shareholders in the Company's rights issue conducted in March this year, and remains committed to striking an appropriate balance between preventing unnecessary dilution of existing shareholders and raising an appropriate amount of funds as the need arises, in the best interests of all shareholders. To this end, the Board has strategically endeavoured to conduct rights issues of smaller proportions to raise funds which are strictly necessary, albeit more frequently. The Board believes that this allows the Company to better align the offer price per share of each rights issue with the market price of Genesis shares (which has increased since the Company's rights issue conducted in March 2012) thus minimising any dilutionary effect the rights issues may have on non-participating shareholders. The last closing price of Genesis shares traded on the ASX on 24 August 2012 was 9.5 cents, in comparison to the last closing price of 7 cents on 22 March 2012, prior to the announcement of the Company's rights issue on 27 March 2012.

Offer timetable

EVENT	DESCRIPTION	PROPOSED DATE (2012)
Announcement date of Rights Issue	The Offer will be announced to ASX and the market	Monday 27 August
Lodging of Offer information documents and Appendix 3B with ASX	The Offer information documents and Appendix 3B will be lodged with ASX.	Tuesday 28 August
Sending of letter to option holders	A letter to option holders will be sent	Tuesday 28 August
Sending of notice of the Offer to shareholders	Letters to ineligible and eligible shareholders will be sent notifying them of the Offer.	Wednesday 29 August
"Ex" date	Existing shares commence trading without the entitlement to participate in the Offer	Thursday 30 August
Record date	The date for determining entitlements to new shares under the Offer	Wednesday 5 September
Offer information documents despatch date	Offer information documents lodged with ASX and despatched to eligible shareholders	Monday 10 September
Opening date	The Offer opens	Monday 10 September
Closing date	The Offer closes	Monday 24 September
Securities quoted on a deferred settlement basis	Deferred settlement trading commences	Tuesday 25 September
Shortfall notification date	ASX is notified of any shortfall	Thursday 27 September
Despatch date	New securities applied for under the Offer are issued and entered onto shareholders' uncertificated security holdings	Tuesday 2 October
End of deferred settlement trading	Deferred settlement trading ends	Tuesday 2 October
Normal trading commences	Normal trading commences	Wednesday 3 October
Holding statement mail-out date	Holding statements for shares are despatched to participating shareholders.	Thursday 4 October

This timetable is indicative only and subject to change. Subject to the *Corporations Act 2001 (Cth)* (**Corporations Act**) and the ASX Listing Rules, the Company, in conjunction with the Underwriter, reserves the right to vary these dates, including the closing date of the Offer, without prior notice.

The Company also reserves the right not to proceed with the whole or part of the Offer at any time prior to the issue date. In that event, application monies will be refunded in full without interest.

Dealing with Entitlements

Eligible Shareholders have the following alternatives available in relation to the Rights Issue:

1. accept their Entitlement in full;
2. accept their Entitlement in full and apply for additional New Shares over and above their Entitlement;
3. partially accept their Entitlement; or
4. allow their Entitlement to lapse.

To the extent that Shareholders do not take up their Entitlement, their interest in the Company will be diluted.

Full details of the terms and conditions of the Offer will be contained in the Offer Information Document to be lodged with ASX and despatched to Eligible Shareholders in accordance with the timetable set out above.

For further information on your Entitlement please contact the share registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am to 5.00pm (Melbourne time) Monday to Friday.

Yours faithfully



Eddie Pang
Chairman
Genesis Resources Limited