

18 April 2012

Company Advisers  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

Dear Sir or Madam

**Notice of General Meeting to primarily consider matters relating to the acquisition of Lamboo Resources Pty Limited (“Lamboo”) and McKintosh Resources Limited (“McKintosh”)**

We confirm that the Notice of General Meeting has today been dispatched to shareholders.

A copy of the Notice is attached.

Ian Gilmour  
Company Secretary



**FLUOROTECHNICS LIMITED**  
**ACN 099 098 192**  
**(to be renamed 'Lambo Resources Limited')**  
**(Company)**

**NOTICE OF MEETING OF SHAREHOLDERS**  
**AND EXPLANATORY STATEMENT**

A General Meeting to be held at **10:00am (Sydney time)** on **Monday, 21<sup>st</sup> May 2012** at the offices of Sydney Capital Partners – Level 6, 2 Bulletin Place Sydney NSW, all proxy forms for use at this Meeting must be returned to the Company by no later than **10:00am (Sydney time)** on **Thursday, 17<sup>th</sup> May 2012**.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to what you should do or how to deal with this document, you should consult your legal, financial or other professional adviser.

**Notice is hereby given** that a General Meeting of Shareholders of Fluorotechnics Limited (ACN 099 098 192) will be held at the following date, time and place:

Date: **Monday, 21<sup>st</sup> May 2012**

Time: **10:00am (Sydney time)**

Place: Offices of Sydney Capital Partners – Level 6, 2 Bulletin Place Sydney NSW

This Notice of Meeting should be read in conjunction with the Explanatory Statement.

#### **BUSINESS**

The business to be transacted at the Meeting is the consideration of Resolutions 1 to 8 (inclusive) as set out below.

##### **Resolution 1 - Consolidation of Existing Shares**

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

*“That, subject to Resolutions 2 to 4 (inclusive) and Resolutions 6 to 8 (inclusive) being passed, and in accordance with and for the purposes of section 254H of the Corporations Act, Listing Rules 7.20 to 7.22 (inclusive) and for all other purposes, approval be and is hereby given to the consolidation of Existing Shares in the Company on the basis that every 16 Existing Shares be consolidated into 1 Share in the Company with any fractional entitlements being rounded down to the nearest whole number, such consolidation to take effect in the manner and on the date described in the Explanatory Statement.”*

##### **Voting exclusion**

No voting exclusions apply to Resolution 1.

##### **Resolution 2 - Change to the scale and nature of the Company’s activities**

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

*“That, subject to Resolutions 1, 3, 4 and 6 to 8 (inclusive) being passed, and in accordance with and for the purposes of Listing Rule 11.1 and for all other purposes, approval be and is hereby given for the Company to change the scale and nature of its activities to include mineral exploration and processing.”*

##### **Voting exclusion**

No voting exclusions apply to Resolution 2.

##### **Resolution 3 – Issue of New Shares to the Vendors**

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

*“That, subject to Resolutions 1, 2 and 4 and Resolutions 6 to 8 (inclusive) being passed, and in accordance with and for the purposes of Listing Rule 7.1 and item 7 of section 611 of the Corporations Act and for all other purposes, approval be and is hereby given for:*

*(a) the Company to acquire Lamboo Resources Pty Ltd (Lamboo) and McKintosh Resources Pty Ltd (McKintosh); and*

*(b) the Company to issue to the Vendors, and for the Vendors to acquire, 17,500,000 New Shares, in each case as consideration for the acquisition by the Company of Lamboo and McKintosh and otherwise on the terms and conditions of the Share Purchase and Subscription Agreement, as detailed in the Explanatory Statement.”*

**Voting exclusion**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by:

- any of the Vendors,
- any person who might obtain a benefit, except a benefit solely in the capacity of a security holder of ordinary securities, if the Resolution is passed; and
- any of their respective associates.

In accordance with Listing Rule 7.1 and item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast in favour of the resolution by the Vendors and their associates.

The Vendors have informed the Company that it is not aware of any such persons holding shares in the Company.

**Resolution 4 – Issue of New Shares**

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

*“That, subject to Resolutions 1 to 3 (inclusive) and Resolutions 6 to 8 (inclusive) being passed, and in accordance with and for the purposes of Listing Rule 7.1 and for all other purposes, approval be and is hereby given, to the issue of between 17,500,000 to 35,000,000 New Shares at an issue price of \$0.20 cents per New Share to raise between \$3,500,000 and \$7,000,000 as detailed in the Explanatory Statement.”*

**Voting exclusion**

Any person who might obtain a benefit, except a benefit solely in the capacity of a security holder of ordinary securities, if the Resolution is passed, and any of their Associates. All shareholders who intend (or have associates that intend) to subscribe for any shares pursuant to Resolution 4 should abstain from voting on Resolution 4.

**Resolution 5 - Change of Name of Company**

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

*“That in accordance with section 157 of the Corporations Act and for all other purposes, approval be and is hereby given to change the name of the Company to ‘Lamboo Resources Limited’ as detailed in the Explanatory Statement.”*

**Voting exclusion**

No voting exclusions apply to Resolution 5.

**Resolution 6 – Approval of 2011 Convertible Notes**

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

*“That, subject to Resolutions 1 to 4 (inclusive) and Resolutions 7 and 8 being passed, and in accordance with and for the purposes of ASX Listing Rules Chapter 7, the Corporations Act and for all other purposes, approval be and is hereby given, to the issue of the 2011 Convertible Notes in the manner and on the terms and conditions of the 2011 Convertible Notes subscription agreements, as detailed in the Explanatory Statement.”*

**Voting exclusion**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6 by:

- a person who participated in the issue or is a holder of 2011 Convertible Notes and any of their respective associates.

**Resolution 7 – Provision of benefits to Richard Trevillion, Richard Taylor and Brian Damian Pethica**

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

*“That in accordance with and for the purposes of Listing Rule Chapter 10 and the Corporations Act and for all other purposes, approval be and is hereby given, for:*

- (a) the provision of benefits which may become payable to Richard Trevillion, Executive Chairman of the Company;*
- (b) the provision of benefits which may become payable to Richard Taylor, Executive Director of the Company, and*
- (c) the provision of deferred fees which are payable to Brian Damian Pethica, Executive Director of the Company,*

*in each case, under the terms of the Executive Services Agreements to be entered into between Richard Trevillion, Richard Taylor and Brian Damian Pethica and the Company as detailed in the Explanatory Statement.”*

**Voting exclusion**

In accordance with Listing Rule 14.11, and the Corporations Act, the Company will disregard any votes cast on Resolution 7 by or on behalf of:

- Richard Trevillion, Richard Taylor, Brian Damian Pethica and any director of the Company; and
- any of their respective associates.

**Resolution 8 – Issue of New Shares to Richard Trevillion, Richard Taylor and Brian Damian Pethica**

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

*“That, subject to Resolutions 1 to 4 (inclusive) and Resolutions 6 and 7 being passed, and in accordance with and for the purposes of Listing Rule Chapter 10 and the Corporations Act and for all other purposes, approval be and is hereby given, to:*

- (a) issue Shares in the form of New Shares to the value of \$540,000 to Richard Trevillion;*
- (b) issue Shares in the form of New Shares to the value of \$360,000 to Richard Taylor; and*
- (c) issue Shares in the form of New Shares to the value of \$50,000 to Brian Damian Pethica,*

*in each case, under the terms of the Executive Services Agreement to be entered into between Richard Trevillion, Richard Taylor and Brian Damian Pethica and the Company, as detailed in the Explanatory Statement.”*

**Voting exclusion**

In accordance with Listing Rule 14.11 and the Corporations Act, the Company will disregard any votes cast on Resolution 8 by or on behalf of:

- Richard Trevillion, Richard Taylor and Brian Damian Pethica; and
- any of their respective associates.

**Additional points pertaining to Voting exclusions in regards to Resolutions 3, 4, 6 and 8:**

The Company need not disregard a vote if it is cast by:

- a person as proxy for a Shareholder who is entitled to vote on Resolution 3, 4, 6 and 8, in accordance with the directions on the Proxy Form; or
- the person chairing the Meeting as proxy for a Shareholder who is entitled to vote on Resolution 3, 4, 6 and 8 in accordance with a direction on the Proxy Form to vote as the proxy decides.

**By order of the Board**

Date: 18<sup>th</sup> April 2012

.....  
**Company Secretary**

# **FLUOROTECHNICS LIMITED**

**(ACN 099 098 192)**

## **EXPLANATORY STATEMENT TO SHAREHOLDERS**

### **IMPORTANT NOTICE**

**Shareholders should read this Explanatory Statement in full and if they have any questions, obtain professional advice before making any decisions in relation to the resolutions.**

This Explanatory Statement includes information and statements that are both historical and forward looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to the minerals exploration and processing industry as well as matters such as general economic conditions. Actual events or results may differ materially. None of the Company, its existing Directors, future Directors or their advisors can assure Shareholders about future outcomes.

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## LETTER FROM THE CHAIRMAN

18<sup>th</sup> April 2012

Dear Shareholder,

Since 4 May 2011 Fluorotechnics' focus has been that of a strategic acquisition. The Board have consequently been sourcing and reviewing multiple acquisition opportunities and at the same time completing the restructuring of the Company. In 22 June 2011 we announced the focus had been narrowed to the resources sector where the review process continued. I am therefore delighted to present the conclusion of this process, the acquisition of Lamboo and McKintosh (the "Lamboo" Projects) and invite you to be a part of this exciting opportunity.

The Lamboo Projects have been advanced by the current owners such that the exploration activities indicate they have good potential to contain significant quantities of graphite, precious and base metal commodities. They are situated in established mining areas bordering a number of established mines such as the Sally Malay.

Lamboo's Project focus is as follows:

- Flake graphite deposits in the McIntosh area, East Kimberley WA.
- Porphyry molybdenum Valla area, Northern NSW.
- Lode gold – copper mineralization and volcanic massive sulphide base metal mineralization, Halls Creek, East Kimberley WA.
- Gabbroid – style Voisey Bay type nickel – copper mineralization, McIntosh area, East Kimberley WA.

In conjunction with this acquisition, the Board of Fluorotechnics intend to seek shareholder consent to:

1. Change the name of the business to Lamboo Resources Limited;
2. Restructure the Board of the Company; and
3. Raise between \$3,500,000 and \$7,000,000 of new equity finance to be applied to the continued exploration and development of the Company's projects including further drilling and resource estimation studies.

Further details of the Lamboo and McKintosh assets are contained in section 5 of this document.

I am excited to offer you the opportunity to become involved with the further development of the Company and the evaluation of its exciting new exploration and development projects. This is a unique opportunity to acquire high quality assets in established prospective territories.

Yours sincerely

**Richard Trevillion**  
**Executive Chairman and CEO**

## 1 OVERVIEW OF PROPOSED TRANSACTION

Item	Summary	Further information
<b>A. Introduction</b>		
<b>What is the Proposed Transaction?</b>	The Proposed Transaction is the transactions contemplated by the Resolutions.	Section 4.1
<b>What is the nature of the Company's business and rationale for Proposed Transaction?</b>	<p>The Company's historic business was the development and manufacture of fluorescent compounds and fluorescence based kits for the global biotechnology industry. Unfortunately due to the 'Global Financial Crisis' and changes to the pharmaceutical industry the business model was deemed unsustainable. Consequently the Company decided in 2010 to wind down its operations and seek acquisition opportunities.</p> <p>During the second half of 2011 the Company announced its focus would be acquiring resource assets. On 13 February 2012 the Company announced an option to acquire Lamboo Resources Pty Ltd and McKintosh Resources Pty Ltd.</p>	
<b>B. Key features of the Company's proposed business</b>		
<b>What are the key features of the Company's proposed business?</b>	<p>Fluorotechnics Limited (The "Company": "FLS") has entered into an agreement such that, subject to regulatory approval, confirmatory due diligence, financing and shareholder approval, Fluorotechnics has the right to acquire the businesses of Lamboo Resources Pty Ltd and McKintosh Resources Pty Ltd with highly prospective base and precious metals exploration assets located in Valla (NSW), Halls Creek (WA) and McIntosh (WA). The option has now been exercised, subject to the required due diligence, approvals, and financing, the acquisition price would be \$3.5 million payable in equity.</p> <p>Lamboo and McKintosh have been set up specifically to hold these mineral assets held by founder directors Rod Williams and Dr Craig Rugless who will join the Board of FLS upon completion. Rod has been an economic geologist for over 40 years and most recently a founder Board Director of Xanadu Mines Limited. Dr Craig Rugless has been an economic geologist for over 40 years and has wide ranging experience in exploration and development in Australia and elsewhere.</p> <p>The tenements owned by Lamboo and McKintosh comprise advanced exploration projects in the East Kimberley of Western Australia and Northern NSW. The project tenements are either under application or granted and contain drill-ready targets for copper, zinc, gold, silver, molybdenum and nickel.</p>	Section 5
<b>C. Key effects of the Proposed Transaction</b>		
<b>Share Consolidation</b>	<p>Every 16 Shares will be consolidated into 1 Share.</p> <p>Immediately after the Share Consolidation, but before the issue of any New Shares under the Proposed Transaction, the conversion of any convertible notes issued by the Company or the exercise of any options issued by the Company, each Shareholder will hold the same proportion of Shares as before the Share Consolidation (subject to the effect of any rounding of fractional entitlements).</p>	Section 4.2
<b>Change to the nature of the Company's activities</b>	The Company will change its business from the development and manufacture of fluorescent compounds and fluorescence based kits for the global biotechnology industry to mineral exploration and processing.	Section 9.2
<b>Change to the capital structure of the Company</b>	Approvals being sought at this meeting involves the Company issuing Shares to various persons. The maximum number of New Shares that may be issued under the Proposed Transaction is 61,980,769 New Shares (being Vendor – 17,500,000; Capital raise – 35,000,000; 2011 Convertible Note – 4,730,769; New Shares to Directors – 4,750,000). This represents a dilution of 94 % to the Shareholding of existing Shareholders.	Section 4 Schedule 1

Item	Summary	Further information
<b>D. Key risks of the Proposed Transaction</b>		
<b>Exploration and evaluation risk</b>	Potential investors should understand that mineral exploration and development are high risk undertakings. For example, minerals mined at the Lamboo's Projects may be of a different quality, tonnage or strip ratio from that estimated. The Company's strategy for reducing this risk is to select projects that have identified prospective mineral targets. However, none of the Company, Directors or any other person named, with their consent, in this document can guarantee the success of these projects. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.	Section 7a
<b>Commercialisation risk</b>	The business of commodity development and processing involves a degree of risk. Amongst other things, success is dependent on the successful design, construction and operation of efficient gathering, processing and transportation facilities.	Section 7b
<b>Regulatory risk</b>	The Company must receive the necessary regulatory and environmental approvals before it can implement all of its proposed activities.	Section 7c
<b>Operational Risk</b>	If the Company decides to develop and commission a mine, the operations of the Company including mining and processing may be affected by a range of factors.	Section 7d
<b>Resources and reserves</b>	The future success of the Company will depend on its ability to find or acquire reserves that are economically recoverable. There can be no assurance that the Company's planned exploration activities will result in significant resources or reserves or that it will have success in mining.	Section 7e
<b>E. Key people</b>		
<b>Who will be the directors of the Company and what is their experience?</b>	It is the current intention of the Company that following completion of the Proposed Transaction, the directors of the Company will comprise of:	Section 6.4
	<b>Director and Experience</b>	
	<p><b>Richard Trevillion (<i>Executive Chairman and CEO</i>)</b>  Richard is the founder of Amity Partners and Adillion Pty Ltd, both principal financial investment and corporate consulting businesses. He previously served as director within the corporate finance group at Close Brothers Corporate Finance. He has not been a director of any other Australian listed company in the last three years.</p>	
	<p><b>Rod Williams (<i>Non-executive Director</i>)</b>  Rod Williams is a geologist with over 40 years' experience in mineral exploration, evaluation, project development and mining. From 2005 to early 2012 he was the Technical Director and is now a non-executive director of Xanadu Mines Ltd, an Australian company focused on exploration and evaluation. Activities in Mongolia for Xanadu included locating and drilling out a +300Mt coal resource under the JORC Code. Xanadu Mines Ltd listed on the Australian Stock Exchange (ASX) in December 2010.</p>	
<p><b>Dr Craig Rugless (<i>Executive Technical Director</i>)</b>  Dr Craig Rugless is an economic geologist who has over 40 years of wide ranging</p>		

Item	Summary	Further information
	<p>experience in exploration and project development in Australia and Oceania. Dr Rugless has been involved with the management of exploration programs in Kalgoorlie and Mt. Gibson in Western Australia that contributed to the location of significant ore deposits.</p> <p>Richard Taylor (<i>Non-executive Director</i>) Richard is a chartered accountant with 30 years' experience and is a member of the Australian Institute of Company Directors.</p> <p>He was formerly a tax partner for 20 years with a Big 4 chartered accounting firm. In this role, he was a lead partner in structuring and advising on mergers and acquisitions, helping companies IPO and structuring funding arrangements across a broad range of industries.</p> <p>Richard is a director of Kresta Holdings Limited and Wintech Group Limited and was a director of Hunter Hall International Limited until he resigned on 29 April 2010. He has not been a director of any other Australian listed company in the last three years.</p> <p>Richard Trevillion and Richard Taylor are existing Directors of the Company.</p>	

#### F. Interests, benefits and other related party transactions

What significant benefits and interests are payable to related parties to the Company?	Related party	Interest or benefit	Section 9.7
	Richard Trevillion	Benefits under proposed Executive Service Agreement: including a base salary, deferred salary and Shares in the form of New Shares	
	Richard Taylor	Benefits under proposed letter of confirmation: including a base salary, deferred salary and Shares in the form of New Shares	
	Brian Damian Pethica	Deferred salary and Shares in the form of New Shares	

## 2 KEY DATES

### 2.1 Indicative timetable

Set out in the following table is the proposed timing for completion of the Proposed Transaction, subject to compliance with all regulatory requirements. These dates are indicative only. The Company reserves the right to vary this timetable at any time without prior notice.

Event	Proposed Date
Despatch of this Notice	18 <sup>th</sup> April 2012
General Meeting of Shareholders	21 <sup>st</sup> May 2012
The last day of trading on a pre-Consolidated basis	21 <sup>st</sup> May 2012
Shares suspended from Quotation	21 <sup>st</sup> May 2012
Announcement of the results of the Meeting	21 <sup>st</sup> May 2012
Trading (if relevant) on a deferred settlement basis of consolidated securities	23 <sup>rd</sup> May 2012
Last day for registration of pre-consolidation transfers	29 <sup>th</sup> May 2012
New Shares registered on a post-Share consolidation basis	29 <sup>th</sup> May 2012
Issue of notices to shareholders	30 <sup>th</sup> May 2012
Dispatch of holding statements to Existing Shareholders for consolidated Shares	5 <sup>th</sup> June 2012
Completion of Acquisition	6 <sup>th</sup> June 2012
Commencement of trading of New Shares on ASX	6 <sup>th</sup> June 2012
Reorganisation of 2010 Convertible Notes and Existing Options	13 <sup>th</sup> June 2012
Issue of New Shares to 2010 Convertible Note holders and related Options 2010 Convertible Note holders.	20 <sup>th</sup> June 2012

### 2.2 Quotation of Shares on ASX

The Company is already admitted to the Official List of ASX. However, the Existing Shares will be suspended from Quotation from the date of the Meeting and will remain suspended from Quotation until the Company complies with all of the requirements under Chapters 1 and 2 of the Listing Rules.

At the conclusion of the meeting, the Company will apply to ASX for re-quotation of Shares.

Reinstatement to Quotation on ASX is at the discretion of ASX and will be subject to compliance by the Company with the Listing Rules and the Corporations Act. At the date of this Explanatory Statement, ASX has indicated to the Company that on the basis of the information provided to ASX, the Proposed Transaction will not affect the Company's Shares being reinstated to Quotation.

### 3 OTHER IMPORTANT INFORMATION FOR SHAREHOLDERS

#### 3.1 Scope of Disclosure

The Corporations Act requires that this Explanatory Statement sets out information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolution.

The Company is not aware of any relevant information which would materially affect the decision on how to vote on the Resolutions, other than as is disclosed in this Explanatory Statement or previously disclosed to Shareholders including notification to the ASX.

#### 3.2 Voting intention and interests of Existing Directors

The existing Directors of the Company are set out in the table below. At the date of this Explanatory Statement, the existing directors intend to vote all shares they hold in favour of the Resolutions other than in regards to Resolutions 7 and 8 where they have a personal interest and are excluded as set out in the Notice of Meeting.

Except as otherwise disclosed in the Notice of Meeting and Explanatory Statement, the existing Directors have no interest in the outcome of the Resolutions (other than Resolutions 7 and 8) except as Shareholders of the Company. In this regard the table below sets out the details of the shareholdings held (directly or indirectly) by the existing Directors and their Associates in shares in the Company.

Name of Director	Number of Existing Shares held	Maximum New Shares issued under Resolution 8
Richard Trevillion	0	2,700,000 New Shares
Richard Taylor	2,462,922 (or 153,932 post consolidation)	1,800,000 New Shares
Brian Damian Pethica	0	250,000 New Shares

Messrs Trevillion, Taylor and Pethica recommend the Shareholders to vote in favour of the Proposed Transaction and approve all the Resolutions except in respect to Resolutions 7 and 8, in which Richard Trevillion, Richard Taylor and Brian Damian Pethica make no recommendation due to their personal interest in the outcome of those Resolutions. Subject to applicable voting exclusions, each Director intends to vote all of the Shares in which they have a relevant interest in and in respect to which they have the power to vote in favour of each of the Resolutions.

#### 3.3 Reasons relevant to your vote

3.3.1 Reasons to vote in favour of the Proposed Transaction. The rationale for the Board's recommendation that you vote in favour of the Proposed Transaction is as follows:

- Extinguishment of significant existing liabilities (by conversion into shares).
- The net asset backing of each Share could be expected to increase.
- The acquisition of Lamboo Projects and participating in its prospective growth.

3.3.2 Possible reason not to vote in favour of the Proposed Transaction. Shareholders may choose to vote against the Proposed Transaction for the following reason:

- The principal disadvantage to Shareholders is that their Existing Shares will be significantly diluted due to the issue of New Shares, pursuant to the Resolutions. However, this must be balanced with the fact that their Shareholdings currently have nominal value.

#### 3.4 Taxation

The Proposal may give rise to income tax implications for the Company.

Shareholders are advised to seek their own specialist taxation advice on the effect of the Resolutions on their personal circumstances. None of Company, the Directors and any adviser to the Company accepts any responsibility for the tax consequences of any aspect of the Proposal on any Shareholder.

### **3.5 ASIC and ASX**

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX and/or ASIC is not to be taken as an indication of the merits of the Proposed Transaction or the Company. ASIC, ASX and its officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

## 4 DETAILS OF PROPOSED TRANSACTION

### 4.1 Description of the Proposed Transaction

Under the Proposed Transaction, subject to Shareholder approval, the Company will:

- undertake a consolidation of its Share capital on the basis that every 16 Shares will be consolidated into 1 Share. As a result of the consolidation of the Share capital of the Company, the Company will also reorganise the 2010 Convertible Notes and Options into New Shares in accordance with their terms and Listing Rule 7.22.1;
- acquire Lamboo and McKintosh, pursuant to the terms of the Share Purchase and Subscription Agreement, and change the nature of its activities;
- issue up to \$3,500,000 of New Shares at \$0.20 per New Share as the consideration for the acquisition of Lamboo and McKintosh;
- raise cash by the issue of between \$3,500,000 and \$7,000,000 of New Shares at \$0.20 per New Share;
- convert the 2011 Convertible Notes;
- change its name to 'Lamboo Resources Limited';
- enter into Executive Services Agreements with the Participating Directors, and
- Issue \$540,000 of New Shares to Richard Trevillion, \$360,000 of New Shares to Richard Taylor and \$50,000 of New Shares to Brian Damian Pethica, each of which are subject to vesting conditions.

Further details of each of the key elements of the Proposed Transaction are set out below in this Section 4.

### 4.2 Share Consolidation

The Share capital of the Company will be consolidated on the basis that every 16 Shares will be consolidated into 1 Share. This is required in order for the Company to satisfy condition 2 of Listing Rule 2.1, which requires that the issue price of all the securities for which the Company seeks Quotation be at least 20 cents in cash.

The Company will also reorganise the 2010 Convertible Notes and the Existing Options into New Shares and options over New Shares as a result of the consolidation of the Share capital of the Company.

Immediately after implementation of the Share consolidation referred to above (and before the issue of any New Shares under the Proposed Transaction, the conversion of any convertible notes issued by the Company or the exercise of any options issued by the Company), each Shareholder will hold the same proportion of Shares as before the consolidation, subject to the effect of any rounding of fractional entitlements.

### 4.3 Acquisition of Lamboo and McKintosh

On completion of the Share Purchase and Subscription Agreement, the Company will become the owner of the Lamboo and McKintosh entities and projects. As a result of this acquisition, the Company will change the nature and scale of its activities to a company which undertakes mineral exploration and processing.

Further information about the assets of Lamboo and McKintosh are set out in Section 5.

### 4.4 Issue of Shares to Vendors

In consideration for the acquisition of Lamboo and McKintosh, the Company will pay to the Vendors a total consideration of \$3,500,000. This purchase consideration is to be satisfied by the Company issuing up to 17,500,000 of New Shares at \$0.20 per New Share to the Vendors.

As a result, the Vendors will obtain a Shareholding in the Company of 80 % prior to the Issue of New Shares and conversion of the 2011 Convertible Notes.

Under the Share Purchase and Subscription Agreement, the Vendors will also be entitled to nominate Dr Craig Rugless and Rod Williams to be appointed to the Board. Any nominee appointed to the Board in this manner must, in accordance with clause 3.3 of the Company's Constitution, automatically retire at the next annual general meeting following that Director's appointment. The Director will be eligible for re-election at that annual general meeting.

#### **4.5 Issue of New Shares**

The Company is proposing to raise between \$3,500,000 and \$7,000,000 by an issue of between 17,500,000 and 35,000,000 New Shares at \$0.20 per New Share.

ASX has also determined that because of the significance of the change in the nature and scale of the Company's activities that will result from the acquisition of the Vendors business, the Company is required to satisfy the requirements of Chapters 1 and 2 of the Listing Rules as if the Company were re-applying for admission to the Official List. In addition to satisfying the requirements of the Listing Rules referred to above, the funds raised will be used primarily to:

- undertake further exploration work in relation to the Vendors business;
- meet the Company's ongoing administration and corporate expenses; and
- meet the expenses of the New Share Offer and the expenses associated with implementing the Proposed Transaction.

#### **4.6 2011 Convertible Notes**

Approval is being sought under Listing Rule 7.1 for the issue of the 2011 Convertible Note Holders, the particulars of whom are set out in Schedule 1. Under Listing Rule 7.2 the approval of the Convertible Note automatically allows for the issuance of shares when they convert without additional shareholder approval being required.

##### **Listing Rule 7.1**

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. The limitation is 15% of a company's capital in any 12 month period.

The Company issued the 2011 Convertible Notes in August 2011 and these Notes hold rights to convert to shares, subject to Shareholder approval. The Company now seeks the relevant shareholder approval for the issue of the Notes. For additional information refer to section 9.6.

#### **4.7 Executive Directors' benefits**

The Company has entered into Executive Service Agreements with Richard Trevillion, Richard Taylor and Brian Damian Pethica, each of whom is an Executive Director and their contracts are subject to shareholder approval. Under the proposed Executive Services Agreements, each Executive Director will be entitled to be issued with Shares to acquire New Shares in the Company. These will only be capable of vesting subject to a Share price performance criteria being met. The key terms of these proposed Executive Services Agreements are summarised in Schedule 3.

## 5 LAMBOO & MCKINTOSH PROJECT OVERVIEW

### 5.1 Exploration Focus

The exploration assets are to be acquired from companies controlled by Dr Craig Rugless and Rod Williams, who have extensive experience exploring in the East Kimberly region of Western Australia. They have been exploring at Valla area New South Wales, since 2004.

They have built up a portfolio of 100% owned exploration assets that are in varying stages of development.

These exploration assets are to be acquired by the Company, Rugless and Williams will join the Company team with Rugless directing the exploration program.

The Company considers the tenements offer the potential for world class deposits.

Graphite is the highest priority target for exploration drilling. The McIntosh Graphite project is located approximately 60 km north of Halls Creek in the East Kimberley, Western Australia.

The Valla Molybdenum project, located near Nambucca Heads in northern New South Wales is viewed by the Company as having a high priority and will represent an early drilling target.

In addition, the Company will acquire a portfolio of tenements that are at different stages of exploration and are considered to be highly prospective for gold, copper, nickel in the East Kimberley, with drill-ready targets available. We will look to add value for shareholders of the Company by bringing on the development of these tenements as is sensible having regard to our resources and time commitments.

### 5.2 Project Overview

#### (a) Graphite

Flake graphite is a mineral that is experiencing an increase in demand due to various factors such as its use in lithium batteries and fuel cells which are increasingly used in electric motor vehicles.

The McIntosh project area contains evidence of potentially mineable flake graphite within graphitic schist rock unit.

This project is located 60 kilometers north of Halls Creek and is between 1 to 3 kilometres of the all weather Great Northern Highway (Highway 1) that connects with the deep-water port of Wyndham 300 kilometres to the north.

The Company at the time of sending this notice of meeting is in the process of planning a drilling program with a view to quantifying the amount and quality of the graphite in a timely fashion.

#### (b) Molybdenum

The Valla Project area contains evidence of molybdenum minerals with a granite host rock.

Rugless and Williams have advanced the exploration for molybdenum at Valla over a number of years to a relatively advanced stage. A high priority of the Company is to further advance this exploration by determining the size and tenor of the mineralization. The Company's exploration plans are broadly in place and can be implemented promptly when sufficient funds are available.

#### (c) Copper, Gold and Nickel

The tenements to be acquired in the East Kimberley north of Halls Creek are in an actively explored region with operating mines including:

- Lode gold mineralisation present at Nicholson's Find where Bulletin Resources Ltd (ASX:BNR) reported recently an inferred and indicated resource of 1.38 million tonnes,
- Golden Crown deposit is being explored by Northern Star Ltd (ASX:NST) who have achieved promising RC intercepts.
- Panoramic Resources (ASX:PAN) operate the Savannah project (50 kilometres north of the tenements) and evaluating the Copernicus project (adjacent to the tenements) which are copper-nickel deposits

The Company will look to further explore the East Kimberly tenements in a prudent manner having regard to available funding.

## 6 KEY EFFECTS OF PROPOSED TRANSACTION

### 6.1 Effect on activities of the Company

Following completion of the Proposed Transaction, the Company will have acquired the Vendors business and the Company will change its business from the development and manufacture of fluorescent compounds and fluorescence based kits for the global biotechnology industry to mineral exploration and processing.

### 6.2 Effect of Share Consolidation

The principal effects of the Share Consolidation will be that:

- every 16 Shares will be consolidated into 1 Share;
- immediately after implementation of the Share Consolidation (and before the issue of any New Shares under the Proposed Transaction, the conversion of any convertible notes issued by the Company or the exercise of any options issued by the Company), each Shareholder will hold the same proportion of Shares as before the Share Consolidation, subject to the effect of any rounding of fractional entitlements

The Share capital of the Company will be consolidated on the basis that every 16 Shares will be consolidated into 1 Share. This is required in order for the Company to satisfy condition 2 of Listing Rule 2.1, which requires that the issue price of all the securities for which the Company seeks Quotation be at least 20 cents in cash.

The Company will also reorganise the 2010 Convertible Notes and the Existing Options into New Shares as a result of the Share consolidation.

### 6.3 Effect on the capital of the Company

Set out in Schedule 1 is the pro forma capital structure of the Company before and after completion of the Proposed Transaction, assuming that all of the Resolutions are passed and the maximum number of New Shares are issued under each Resolution.

### 6.4 Effect on management of the Company

Following completion of the Proposed Transaction and before the New Share Offer, the Vendors will obtain a Shareholding in the Company of 80 %. Under the Share Purchase and Subscription Agreement, the Vendors will participate in the management of the Company through its Board representation.

## 7 KEY RISKS

Risks that the Directors believe are key risks are described in this section 7. The key risks are the risks that have the potential, if they occurred, to result in very significant consequences for the Company and an investment in it.

Many of the risks described in this section 7 are outside the control of the Company, its Directors and management. As a result, there can be no guarantee that the company will achieve its stated objectives.

It should note that this section 7 does not contain an exhaustive list of the risks associated with the Company and should be considered in conjunction with other information disclosed in this Explanatory Statement.

### Key risks

#### (a) *Exploration and evaluation risk*

Potential investors should understand that mineral exploration and development are high risk undertakings. For example, minerals mined at the Lamboo and McKintosh Projects may be of a different quality, tonnage or strip ratio from that estimated. The Company's strategy for reducing this risk is to select projects that have identified prospective mineral targets. However, none of the Company, the Directors and any other person named, with their consent, in this Explanatory Statement can guarantee the success of these projects. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The Company's exploration and appraisal activities are dependent upon the grant and maintenance of appropriate licences, permits, resource consents, access arrangements and regulatory authorities (collectively, Authorisations) which may not be granted or may be withdrawn or made subject to limitations. Although the Authorisations may be renewed following expiry or granting (as the case may be), there can be no assurance that such Authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such Authorisations.

If the Company does not meet its work and/or expenditure obligations under its Authorisations, this may lead to a loss of such Authorisations.

#### (b) *Commercialisation risk*

The business of mineral exploration and processing involves a degree of risk. Amongst other things, success is dependent on successful designing, construction and operation of efficient gathering, processing and transportation facilities. Even if the Company discovers or recovers potentially commercial quantities of base or precious metals from its exploration activities, there is no guarantee that the Company will achieve a commercial return. The Company may not be able to extract base or other precious metals at a reasonable cost, or successfully transport these mineral to commercially viable markets, or sell the minerals to customers at a rate which would cover its operating and capital costs.

#### (c) *Regulatory risk*

The Company must receive the necessary regulatory and environmental approvals before it can implement all of its proposed activities. The process of obtaining the approvals may be lengthy and costly. There is also a risk that applications for these approvals are rejected.

Future changes to laws and regulations or accounting standards which apply to the Company could materially adversely affect the Company's future financial performance.

#### (d) *Operational risk*

If the Company decides to develop and commission a mine, the operations of the Company including mining and processing may be affected by a range of factors. These include failure to achieve predicted grade in exploration,

mining and processing, technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment.

(e) *Resources and reserves*

The future success of the Company will depend on its ability to find or acquire reserves that are economically recoverable. There can be no assurance that the Company's planned exploration activities will result in significant resources or reserves or that it will have success in mining. Even if the Company is successful in finding or acquiring reserves or resources, reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from resources or reserves will in fact be realised or that an identified resource will ever qualify as commercially viable which can be legally and economically exploited.

Market price fluctuations in the price of minerals, as well as increased production costs or reduced recovery rates may render material containing relatively lower grades of mineralisation uneconomic. Short-term operating factors relating to reserves and resources may cause a mining operation to be unprofitable in any particular accounting period and may adversely affect the Company's profitability.

(f) *Commodity price and foreign exchange risk*

The Company's plans for revenue are to be derived mainly from the sale of mineral products in the international markets. The predominant currency in which trading will be conducted is in US dollars. Consequently, the Company's financial position, operating results and future growth will closely depend on the market price of commodities and exchange rate.

The commodity price of base and other relevant precious metals are subject to fluctuations in response to changes in demand and/or supply and various other factors. These changes may be the result of uncertainty or several industry and macroeconomic factors beyond the control of the Company, including political instability, governmental regulation, forward selling by producers, climate, inflation, interest rates and currency exchange rates. If the price at which any resource is sold by the Company falls below processing costs for a sustained period of time, the Company would be likely to experience losses, having a material adverse effect on the Company.

Any fluctuations in the Australian dollar as compared to foreign currencies have the potential to impact on the Australian dollar revenue and returns to the Group.

(g) *Native title risk*

There are native title applications reflecting the entitlement of indigenous inhabitants to traditional lands in respect of the Company's interest in the Projects. Exploration and/or mining restrictions may be imposed on, or claims for compensation may be made against, the Company. The Directors intends to deal with any such matters by engaging relevant experts and taking expert advice.

(h) *Key personnel risk*

The success of the Company and the Group depends to a significant extent on its key personnel, in particular the senior management team described in section 1 these individuals have extensive experience in and knowledge of the resources industry. Changes that adversely affect the Group's ability to retain key personnel or an inability to recruit or retain suitable replacement or additional personnel could materially impact the Group's business, operational performance and financial results.

(i) *Competition risk*

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will

have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

*(j) Force majeure events*

Events such as acts of terrorism, an outbreak of international hostilities or natural disasters may occur within or outside Australia that have an impact on the Group's business. Any such force majeure events may have a negative impact on the value of an investment in Shares in the Company.

## 8 FINANCIAL INFORMATION

The selected financial information in relation to FLS set out in this section is extracted from audit reviewed financial statements of FLS released to the ASX for the 6 month period ended 31 December 2011 with subsequent adjustments as shown below.

The Pro Forma balance sheet reflects the conversion of the 2010 and 2011 Convertible Notes in FLS on the terms identified in this Explanatory Statement. The balance sheet has been modified to reflect the funds being raised as identified in Resolution 4.

### Statement of Financial Position

	The Company	Lambo & McKintosh	Pro-Forma	Pro-Forma
	as at 31 Dec 2011	as at 13 Mar 2012	showing raising of \$3.5 million	showing raising of \$7 million
Current Assets				
Cash	\$351,631		\$3,170,767	\$6,460,767
Trade and other receivables	\$78,494		\$78,494	\$78,494
Total Current Assets	\$430,125	\$0	\$3,249,261	\$6,539,261
Non Current Assets				
Investment in Subsidiaries/goodwill			\$3,500,000	\$3,500,000
Other Assets	\$29,865	\$2	\$29,867	\$29,867
Total Non Current Assets	\$29,865	\$2	\$3,5029,867	\$3,5029,867
Total Assets	\$459,990	\$2	\$6,779,128	\$10,069,128
Current Liabilities				
Trade & Other Payables	\$598,241		\$241,877	\$241,877
Borrowings	\$1,289,185		\$174,185	\$174,185
Total Current Liabilities	\$1,887,426	\$0	\$416,062	\$416,062
Total Liabilities	\$1,887,426	\$0	\$416,062	\$416,062
Net Assets	(\$1,427,436)	\$2	\$6,363,066	\$9,653,066
Equity				
Issued Capital	\$18,796,705	\$2	\$26,587,207	\$29,877,207
Accumulated Losses	(\$20,224,141)		(\$20,224,141)	(\$20,224,141)
Total Equity	(\$1,427,436)	\$2	\$6,363,066	\$9,653,066

The above Pro Forma illustration reflects the following entries:

- a) The effect of raising a possible \$3.5 million and \$7 million by the Company less raising costs
- b) The effect of the 2010 Convertible Notes and 2011 Convertible Notes being converted into equity

#### Reconciliation of Movement in Cash

Opening cash balance	\$351,631	\$351,631
Funds Raised	3,500,000	7,000,000
Cost of raise	(324,500)	(534,500)
Directors Fees & Salaries Paid	(356,364)	(356,364)
	<u>\$3,170,767</u>	<u>\$6,460,767</u>

## 9 ITEMS OF BUSINESS

### 9.1 Resolution 1 – Consolidation of Existing Shares

Resolution 1 is an ordinary resolution. Resolution 1 is conditional on Resolutions 2 to 4 (inclusive) and Resolutions 6 to 8 (inclusive) being passed.

#### 9.1.1 Background to the proposed consolidation

The Company has 54,147,874 Shares on issue as at the date of the Notice of Meeting. Other than the Shares, there are no other classes of shares on issue and all Shares are fully paid. The Company also has the following securities on issue:

- \$500,000 of 2010 Convertible Notes, which are currently convertible into 16,666,667 existing Shares and 16,666,667 2010 Options. Each 2010 Option entitles the holder of that 2010 Option to acquire 1 Share in the capital of the Company on the payment of the exercise price of the 2010 Option of 3 cents per Share; and
- \$615,000 2011 Convertible Notes, details of which are set out in Schedule 2.

The Company proposes that its issued Share capital be altered by consolidating the Existing Shares in the ratio of 1 New Shares for every 16 Existing Shares held, with fractions of a Share being rounded down to the nearest whole number (subject to the comments below).

As mentioned in Section 9.2, the ASX has confirmed that the Acquisition constitutes a change in the nature and scale of the Company's activities in terms of Listing Rule 11.1 and the Company is required under Listing Rule 11.1.3 to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules before a re-quotations on the ASX.

Condition 2 of Listing Rule 2.1 requires the issue price or sale price of all the Company's Shares must be at least 20 cents in cash (20 cent rule). The price of the Company's Shares as at close of trading on ASX on 9 March 2012 was 1.6 cents. The Company is therefore proposing to consolidate its Existing Shares as described in this Section 9 to satisfy the 20 cent rule.

In theory, the trading price of each Share following the Share Consolidation should increase proportionately to the conversion ratio. In practice however, as the trading price of Shares depends on a number of factors (including many outside the control of the Company), the trading price of the Company's Shares following the Share Consolidation may be higher or lower than the theoretical post-Share Consolidation trading price.

#### 9.1.2 Regulatory requirements

##### Corporations Act requirements

Section 254H of the Corporations Act enables a company to convert all or any of its shares into a smaller number of shares by a resolution passed at a general meeting. The conversion proposed by Resolution 1 is permitted under section 254H of the Corporations Act. As an ordinary resolution, Resolution 1 will be passed if at least 50% of the votes cast in person or by proxy by Shareholders entitled to vote on the Resolution are cast in favour of Resolution 1.

##### Listing Rule requirements

The Share Consolidation does not require the approval of Shareholders under the Listing Rules. However, the following information is provided to Shareholders for the purposes of Listing Rule 7.20:

- (i) **(Effect on number of Shares)** The Company has 54,147,874 Shares on issue as at the date of the Notice of Meeting. There are no other classes of Shares on issue in the Company and all Shares are fully paid.

If Resolution 1 is passed, the number of Shares on issue in the Company will be reduced from 54,147,874 Shares to 3,384,242 Shares.

The substantive rights and obligations of Existing Shareholders will not change. The effect of the Share Consolidation will be to reduce the number of Existing Shares held by a Shareholder. For

example, a Shareholder currently holding 10,000 Shares will, as a result of the Share Consolidation, hold 625 Shares.

The Company's balance sheet and tax position will not be affected by the Share Consolidation.

However, Shareholders should consult their own tax adviser for specific taxation advice in connection with the Share Consolidation in order to assess the impact on their own particular circumstances.

- (ii) **(Fractional entitlements)** Any fractional entitlements arising from the Share Consolidation as a result of holdings not being evenly divisible by 16 will be rounded down to the nearest whole number.
- (iii) **(Effect on 2010 Convertible Notes and 2010 Options)** Under the terms of the 2010 Convertible Notes, on a consolidation of Shares:
  - the number of Shares into which each 2010 Convertible Note is convertible are adjusted so that the 2010 Convertible Note is convertible into the same percentage of the issued share capital as a percentage into which they are convertible immediately before the Share Consolidation; and
  - the number of 2010 Options into which the 2010 Convertible Note is convertible is consolidated in the same ratio as the Share Consolidation and the exercise price of each 2010 Option is amended in inverse proportion to that ratio.

Therefore, if Resolution 1 is passed:

- in accordance with the terms of issue of the 2010 Convertible Notes and Listing Rule 7.21, the number of Shares each 2010 Convertible Note is convertible into will be 1 Share and 1 2010 Option for each 20 cents of the principal sum of that 2010 Convertible Note outstanding as at the conversion date. In accordance with the terms of the 2010 Convertible Notes, an entitlement to a fraction of a Share or 2010 Option on conversion of a 2010 Convertible Note will be rounded up to the next whole number; and
- in accordance with the terms of issue of the 2010 Convertible Notes and Condition 11 of Listing Rule 1.1, the conversion or exercise price of each 2010 Share or Option will be adjusted from 3 cents to 20 cents i.e. 1,041,667 New Shares and 1,041,667 Options over New Shares exercisable at 48 cents each.

The effect of this reorganisation of the 2010 Convertible Notes and 2010 Options is to ensure that the holders of the 2010 Convertible Notes will not receive a greater benefit on conversion of the 2010 Convertible Notes or on exercise of the 2010 Options after the Share Consolidation than if the conversion or exercise occurred before the Share Consolidation.

No reorganisation or other change will be made to the 2011 Convertible Notes as the conversion ratio of the 2011 Convertible Notes was agreed upon on the basis that the Shares of the Company had already been consolidated to meet the 20 cent rule.

### 9.1.3 Consolidated capital of the Company

In summary, if Resolutions 1 and 3 are passed, the Company's issued capital (prior to issue of New Shares to Vendors) before and after the Share Consolidation will be as follows:

	Pre Consolidation	Post Consolidation
Existing shares on issue	54,147,874	3,384,242
Convertible Notes (2010)	<u>16,666,667</u>	<u>1,041,667</u>
Total	<u>70,814,541</u>	<u>4,425,909</u>

## 9.2 Resolutions 2 and 3 – Change to the nature of the Company's activities and issue of New Shares to the Vendors

Resolutions 2 and 3 are ordinary resolutions and seek the approval of Shareholders to the proposed acquisition by the Company of Lamboo and McKintosh, the issue of 17,500,000 New Shares to the Vendors in consideration for the

Acquisition (**Consideration Shares**) and the consequent change to the nature of the Company's activities. Resolution 2 is conditional on Resolution 1, 3, 4 and Resolutions 6 to 8 (inclusive) being passed and Resolution 3 is conditional on Resolution 1, 2, 4 and Resolutions 6 to 8 (inclusive) being passed.

Listing Rule 11.1 provides that if a company proposes to make a significant change to the nature or scale of its activities, it must provide full details to ASX as soon as practicable, and in any event, before making the change. Listing Rule 11.1.2 provides that if ASX requires, the company must obtain the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting.

The New Shares will not be issued to the Vendors until the Company has obtained ASX's approval for reinstatement of its securities to quotation upon the Company's re-compliance with Chapters 1 and 2 of the listing rules.

### 9.2.1 Background and rationale for Acquisition

As mentioned in Section 4, the Company entered into the Share Purchase and Subscription Agreement with the Vendors on 13 February 2011 for the Company to acquire the Vendors business. The Acquisition will result in the Company holding 100% of the issued share capital of Lamboo Resources Pty Ltd and McKintosh Resources Pty Ltd.

Completion of the Acquisition is subject to the satisfaction (or waiver) of the remaining conditions precedent:

- Government agencies approval or consents for the acquisition
- No material adverse change in the position of Fluorotechnics Limited.

### 9.2.2 Board recommendation

The Board believes that, subject to Shareholder approval, the Acquisition and other elements of the Proposed Transaction represent an attractive opportunity for Shareholders.

### 9.2.3 Suspension from Quotation and re-compliance with Chapters 1 and 2 of Listing Rules

ASX has advised the Company that in view of the significance of the proposed changes in relation to the Proposed Transaction, the Company is required, under Listing Rule 11.1.3, to meet the requirements of Chapters 1 and 2 of the Listing Rules as if it were applying for admission to the Official List.

The Company proposes to request a trading halt for the date of the Meeting, and if the Transaction Resolutions are approved at the Meeting, the Company's Shares will be suspended from Quotation from that time until the Company has satisfied the requirements of Chapters 1 and 2 of the Listing Rules.

### 9.2.4 Listing Rule requirements

As noted in section 9.4.1, Listing Rule 7.1 provides that a company must not (subject to certain exceptions), without shareholder approval, issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as an option), representing more than 15% of its total issued ordinary capital.

As the proposed issue of the Consideration Shares to the Vendors will result in an issue by the Company of more than 15% of its ordinary capital in a 12 month period, approval of Shareholders is required under Listing Rule 7.1 for the issue of the Consideration Shares.

The following information is provided to Shareholders for the purposes of Listing Rule 7.1 in accordance with the requirements of Listing Rule 7.3:

- (i) **(Number of Shares)** The maximum number of New Shares to be issued under Resolution 3 is 17,500,000 New Shares.
- (ii) **(Issue and Allotment date)** 17,500,000 New Shares will be issued to the Vendors on the date of completion of the Acquisition, which is expected to be 14 May 2012 (subject to the satisfaction of the

conditions precedent to completion under the Share Purchase and Subscription Agreement) but in any case, will be no later than 3 months after the meeting.

- (iii) **(Issue price)** The Consideration Shares will be issued at a deemed issue price of \$0.20 per Consideration Share.
- (iv) **(Allottees)** The Consideration Shares will be issued to the Vendors. Allotment will occur progressively as and when allottees are identified.
- (v) **(Terms of issue)** The Consideration Shares will be ordinary fully paid shares in the capital of the Company, which upon issue will rank equally with the existing Shares issued by the Company (post-Share Consolidation).  
The Consideration Shares will be escrowed for a period of at least 12 months and possibly 24 months from the date on which they are issued, pursuant to a restriction agreement required by ASX. Subject to the Company's Shares being reinstated to Quotation, application will be made to ASX for Quotation of the Consideration Shares when they are released from escrow.
- (vi) **(Use of funds raised)** No funds will be raised by the issue of the Consideration Shares as they are to be issued as consideration for the Acquisition pursuant to the Share Purchase and Subscription Agreement.
- (vii) **(Excluded Persons)** The Company will disregard any vote(s) cast on Resolution 3 by a person that is an Excluded Person in relation to that Resolution. Further information on excluded persons is set out in the Voting Exclusion Statement contained in the Notice of Meeting.

### 9.3 Section 611 of the Corporations Act

Resolution 3 also seeks Shareholder approval required under item 7 of section 611 of the Corporations Act for the acquisition by new shareholders of a Relevant Interest in the Consideration Shares upon the issue of those Consideration Shares.

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person or any other person would have a relevant interest or voting power in excess of 20% of the voting shares in that company.

Item 7 of section 611 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of a relevant interest in the voting shares in a company if the company has agreed to the acquisition by resolution passed at a general meeting at which no votes are cast in relation to the resolution by the person to whom the shares are to be issued or by an associate of that person.

Under section 610 of the Corporations Act, a person's voting power is defined as the percentage of the total voting shares in the Company held by the person and the person's associates.

Following the issue of Shares to the Vendors, two Vendors may have a Relevant Interest in 20% or more of the Shares.

The Company is seeking Shareholder approval under item 7 of Section 611 of the Corporations Act in respect of the Shares to be issued to the Vendors under Resolution 3 because the issue of these securities may result in parties having a relevant interest in an aggregate of more than 20% of the voting shares in the Company once the Shares are issued.

As set out in the Voting Exclusion Statements in the Notice of Meeting and in accordance with the Listing Rules, each of the Vendors and any Associates are precluded from voting on Resolution 3.

At the date of the Notice of Meeting, to the best of the knowledge of the Company, the Vendors did not hold any Ordinary Shares in the Company.

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 to the extent it applies pursuant to ASIC Regulatory Guide 159.

1. *Identity of Persons who will hold a relevant interest in the securities to be issued*  
If Resolution 3 is passed, the Shares are proposed to be issued to the Vendors as set out in Schedule 1. Two vendors, in conjunction with persons who may be considered to be Associates, may each hold a separate relevant interest.
  
2. *Impact of the Transactions on the Voting Power in the Company's Shares*
  - (a) Current voting power of the Vendors  
As at the date of the Notice of Meeting, the Vendors do not have a relevant interest in any Shares and their voting power is nil.
  - (b) Voting power of the Vendors after the issue of New Shares  
Once all of the Shares referred to in this Notice of Meeting have been issued or granted, the two Vendors and their Associates may have a relevant voting power, as follows:

Rod Williams	10 % voting power
Dr Craig Rugless	16 % voting power
  - (c) Intentions as to the Future of the Company  
The present intentions of the above Vendors regarding the future of the Company, if the Resolutions in the Notice of Meeting are approved by Shareholders, are as follows:
    - (i) To maintain Lamboo's and McKintosh's ongoing business and operations as a subsidiary of the Company and make this the sole business undertaking of the Company.
    - (ii) To seek to acquire resources directly or in conjunction with other parties so as to enable the Company to become a significant growing explorer and producer of precious and base metals
    - (iii) Except as set out in the previous paragraphs, the Vendors have no present intentions to change the business of the Company.
    - (iv) The Company presently has no employees other than the executive directors. The Vendor employees will remain employed by Lamboo and McKintosh.
  - (d) Financial and Dividend Policies of the Company  
The Company has no dividend policy and there is no immediate intention to change the financial or dividend policies of the Company.

## 9.4 Resolution 4 – Issue of New Shares

Resolution 4 is an ordinary resolution to approve a proposed offer by the Company to issue between 17,500,000 and 35,000,000 New Shares under the at an issue price of 20 cents per New Share. Resolution 4 is conditional on Resolutions 1 to 3 (inclusive) and Resolutions 6 to 8 (inclusive) being passed.

### 9.4.1 Listing Rule requirements

As noted in section 9.2.4, Listing Rule 7.1 relevantly provides that a company must not (subject to certain exceptions), without shareholder approval, issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as an option), representing more than 15% of its total issued ordinary capital.

The proposed issue of the New Shares will result in an issue by the Company of more than 15% of its ordinary capital in a 12 month period. As such, the Company is seeking Shareholder approval to the issue of New Shares for the purposes of Listing Rule 7.1.

The following information is provided to Shareholders for the purposes of Listing Rule 7.1 in accordance with the requirements of Listing Rule 7.3:

- (i) **(Number of Shares)** The maximum number of New Shares to be issued is 35,000,000.

- (ii) **(Issue and Allotment date)** All New Shares issued will be issued within three months after the date of this Meeting. Allotment will occur progressively as and when allottees are identified. The proposed timetable for the issue of New Shares is set out in Section 9.1 of this Section. The dates in the timetable are indicative, and may vary without notice.
- (iii) **(Issue price)** The issue price payable for the New Shares issued will be 20 cents.
- (iv) **(Allottees)** The allottees of the New Shares to be issued are not yet identified. However, they will comprise of persons who have made an application and whose applications are accepted by the Company at its sole discretion. None of the allottees will be Related Parties or Associates of the Company. Allotment will occur progressively as and when allottees are identified. All shareholders that intend (or have associates that intend) to subscribe for any shares pursuant to Resolution 4 should abstain from voting on Resolution 4).
- (v) **(Terms of issue)** The New Shares issued will be ordinary fully paid shares in the capital of the Company, which upon issue will rank equally with the existing Shares issued by the Company (post-Share Consolidation).
- (vi) **(Use of funds raised)** Between \$3,500,000 and \$7,000,000 will be raised. The Company intends to use the funds raised to meet the costs associated with the execution and implementation of the Proposal and to fund a number of other expenditure plans, as set out in the following table.

Use	\$'s on a \$3.5 m raise	\$'s on a \$7m raise
Drill, assay and related activities	1,425,500	3,515,500
Scoping (pre-feasibility)	500,000	900,000
Corporate & administration	300,000	400,000
Staffing	300,000	500,000
Capital raise	324,500	534,500
Deferred Directors Salaries	356,364	356,364
Working capital	293,636	793,636
<b>Total</b>	<b>3,500,000</b>	<b>7,000,000</b>

- (vii) **(Excluded Persons)** The Company will disregard any vote(s) cast on Resolution 4 by a person that is an Excluded Person in relation to that Resolution.

## 9.5 Resolution 5 - Change of Name of Company

Resolution 5 is a special resolution. For a special resolution to be passed, it must be passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

The Company seeks Shareholder approval to change the name of the Company from “Fluorotechnics Limited” to “Lambo Resources Limited”. This change of name reflects the new direction and activities of the Company.

The adoption of the new name under Resolution 5 is required to be approved by Shareholders pursuant to section 157 of the Corporations Act.

The change of the Company’s name will take effect on the day that ASIC alters the details of the Company’s registration to reflect the change. The name change does not affect the legal status of the Company.

## 9.6 Resolution 6 – Issue of 2011 Convertible Notes

Resolution 6 is an ordinary resolution. Resolution 6 is conditional on Resolutions 1 to 4 (inclusive) and Resolutions 7 and 8 being passed.

Approval is sought under Listing Rules Chapter 7 for the issue of the 2011 Convertible Notes. Conversion of each of the 2011 Convertible Notes into shares can be made by the Company or the Noteholders subject to:

- Shareholder approval to the conversion being obtained on or prior to conversion
- Completing a larger capital raising and its issue of shares as contemplated under the 2011 Convertible Notes Subscription Agreement

As noted in section 9.2.4, the Listing Rules Chapter 7 relevantly provides that a company must not (subject to certain exceptions), without shareholder approval, issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as an option), representing more than 15% of its total issued ordinary capital. However approval of the type being sought by this resolution satisfies the requirements of the Listing Rules.

The 2011 Convertible Notes may be subject to ASX escrow.

The following information is provided to Shareholders for the purposes of Listing Rule 7.4 in accordance with the requirements of Listing Rule 7.5:

- I. **(Number of securities)** 615,000 Notes were allotted.
- II. **(Issue price)** The notes were issued for \$1.00 each which was fully received in cash.
- III. **(Terms of issue)** The notes do not earn interest. If converted into shares the conversion price will be calculated according to a formula which is a 35% discount to the capital raisings contemplated under the Notes. This is anticipated to be by reference to the proposed capital raising at \$0.20 per New Share. The maximum number of shares for which issue approval is being sought is 4.731 million New Shares. These shares would be issued after and not before the completion of the proposed capital raising. The Notes or some part of them may be subject to mandatory ASX escrow. The other key terms of the 2011 Convertible Notes are summarised in Schedule 2.
- IV. **(Allottees)** As set out in Schedule 1. The allottees were determined by a private placement offer made available to Sophisticated Investors or Professional Investors.
- V. **(Use of funds raised)** \$615,000 was raised by the Company by the issue of the 2011 Convertible Notes. The Company has, and intends to continue to, use the funds raised by the issue of the 2011 Convertible Notes in connection with the Proposed Transaction and for general working capital purposes.
- VI. **(Excluded Persons)** The Company will disregard any vote(s) cast on Resolution 6 by a person that is an Excluded Person in relation to that Resolution. Further information on Excluded Persons is set out in the Voting Exclusion Statements.

## 9.7 Resolutions 7 and 8 – Provision of benefits and issue Shares in the form of New Shares to Richard Trevillion, Richard Taylor and Brian Damian Pethica.

Resolutions 7 and 8 are ordinary resolutions and seek the approval of Shareholders to the benefits and potential benefits that may be provided to Richard Trevillion, Richard Taylor and Brian Damian Pethica (**Participating Directors**) under the proposed terms of each of their Executive Service Agreement. Resolution 7 is conditional on Resolution 1 to 4 (inclusive) and Resolutions 6 and 8 being passed and Resolution 8 is conditional on Resolution 1 to 4 and Resolutions 6 and 7 being passed.

### 9.7.1 Background

The Company has entered into Executive Service Agreements with the Participating Directors to set out the terms on which they are employed as executives of the Company, in the following roles:

- Richard Trevillion – Executive Chairman
- Richard Taylor – Executive Director
- Brian Damian Pethica – Executive Director

The remuneration packages payable by the Company under each of the proposed Executive Service Agreements include:

- an “Accrued Remuneration” payable in respect of the services provided by the relevant executive to the Company in respect of the period from 15 March 2011, for which the executive has not been paid;
- a “Base Remuneration” in respect of the relevant executive’s employment with the Company from 15 January 2012 ; and
- entitlements under an annual incentive plan as may be adopted by the Company from time to time.

Further details of the remuneration payable by the Company under the Executive Service Agreements, if approved by Shareholders, are summarised in Section 9.

The maximum number of New Shares that may be issued to the Participating Directors is as follows:

Name of Participating Executive	Position	Maximum number of New Shares proposed to be issued to Participating Executive
Richard Trevillion	Executive Chairman	2,700,000
Richard Taylor	Executive Director	1,800,000
Brian Damian Pethica	Executive Director	250,000

### 9.7.2 Listing Rule and Corporations Act requirements

Listing Rule 10.11 provides that the Company may only permit a Director to acquire securities where that Director's participation has been approved by an ordinary resolution of Shareholders.

If Resolution 8 is passed Shares in the form of New Shares will be issued to the Participating Directors.

Under Listing Rule 10.11, the notice of meeting to approve the acquisition of securities for the purposes Listing Rule 10.11 must comply with either Listing Rule 10.15 or Listing Rule 10.15A. The following information is provided to Shareholders in accordance with the requirements of Listing Rule 10.15A:

- (i) **(Maximum number of securities)** 4,750,000
- (ii) **(Issue price)** Nil cents
- (iii) **(Persons who received securities)** No securities have ever been issued under the Executive Service Agreement.
- (iv) **(Persons entitled to participate)** Richard Trevillion, Richard Taylor and Brian Damian Pethica
- (v) **(Excluded Persons)** The Company will disregard any vote(s) cast on each of Resolutions 7 and 8 by a person that is an Excluded Person in relation to each of the relevant Resolutions.
- (vi) **(Issue date)** The Company will issue Shares in the form of New Shares that the Participating Directors are entitled to under the Executive Service Agreement within one month of the date of this Meeting. Vesting is deferred until criteria have been satisfied.

Details of any New Shares to be issued to Participating Directors will be published in each annual report of the Company relating to the period in which the New Shares have been issued, including that approval for the issue of those New Shares have been obtained under Listing Rule 10.11.

Additional information is provided to Shareholders. :

- (i) **(Recipient of benefit)** If Resolutions 7 and 8 are passed, the Participating Directors, being Richard Trevillion, Richard Taylor and Brian Damian Pethica, will receive financial benefits from the Company, by way of the payment by the Company of their remuneration package under the Executive Service Agreements, including the issue of Shares in the form of New Shares to those Participating Directors.
- (ii) **(Financial benefit)** As noted above, if Resolutions 7 and 8 are passed, each of the Participating Directors will:
  - receive the cash component of their remuneration package; and
  - receive Shares in the form of New Shares in the Company.

The proposed issue of Shares in the form of New Shares to the Participating Directors is for the work to be undertaken by them in relation to the Proposed Transaction and executing the objectives of the business going forward.

- (iii) **(Valuation information relating to the financial benefit)** The value of each Participating Executive's total remuneration package before and after the issue of New Shares is set out below.

Name of Participating Executive(i)	Maximum number of Shares as New Shares	Value of Shares,	Value of total remuneration package excluding Shares
Richard Trevillion	2,700,000	\$540,000	200,000
Richard Taylor	1,800,000	\$360,000	65,000 (ii)
Brian Damian Pethica	250,000	\$50,000	Nil (iii)

Note:

- (i) The value of each Participating Executive's remuneration package is summarised in Schedule 3.
- (ii) The \$100,000 remuneration will reduce to \$65,000 when Richard Taylor changes from an Executive Director to a Non-Executive Director at the conclusion of capital raise.
- (iii) Brian Damian Pethica is currently an executive director receiving fees of \$100,000 per annum, but will retire from the company shortly after the conclusion of the capital raise.
- (iv) **(Recommendations of Directors)** See Sections 3.2 and 10 for the voting directions of the Directors on Resolutions 7 and 8.
- (v) **(Dilution effect of Resolution 8)** If Resolution 8 is passed and the Company issues the maximum number of New Shares that each Participating Executive is entitled to, this will result an increase in the number of Shares held by each Participating Executive and their respective Voting Powers in the Company.

The Shareholdings and Voting Powers of the Participating Directors before and after the issue of the maximum number of New Shares they are entitled to are set out in the following table.

Name of Participating Executive	Number of New Shares held (directly and indirectly)		% Voting Power	
	<i>Before</i>	<i>After</i>	<i>Before</i>	<i>After</i>
Richard Trevillion	0	2,700,000	0	4.1%
Richard Taylor	153,932	1,953,932	4.5%	2.9%
Brian Damian Pethica	0	250,000	0%	0.4%

Notes:

- (i) This table has been prepared on the following assumptions:  
 \* 2010 and 2011 Convertible Notes have been accounted for as issued New Shares  
 \* New Shares to Directors under Resolution 8 have been included as being issued
- (ii) The figures in this table assume that the Participating Directors and none of their associates acquire any New Shares under Resolution 4.

Other than as disclosed in this Explanatory Statement, or previously disclosed by the Company to Shareholders by notification to ASX, the Company is not aware of any information known to the Company or any of the Directors that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolutions 7 and 8.

## 10 DIRECTORS REPORT TO SHAREHOLDERS ON CONTROL TRANSACTIONS

Corporations Act section 611 permits transactions of the type proposed under Resolution 3 where one or more parties may acquire an interest of 20% or more in a public company, provided it is approved by shareholders in general meeting.

As part of the explanatory statement for any such meeting ASIC regulatory guide 111 requires shareholders to be provided with information as to whether the transaction is fair and is reasonable. As this transaction does not involve any related parties, then the Directors are permitted to provide this information.

### Assessment of Transaction

ASIC Regulatory Guide 111 at 111.11 sets out the long standing convention that the key determinant of whether an offer is fair is whether the value being received by Company shareholders for their securities is equal to or greater than the present value of the securities. The Directors have considered this and provide the following information for shareholders.

### Current Value of Company Shares

The Company had its shares suspended from trading on the ASX for 5 months from 1 October 2010 to 3 March 2011. During that time the US subsidiary business was sold and the German Gel business sold the distribution rights and became a manufacturer only. The German subsidiary was placed into administration in November 2011. After reinstatement the Company announced a focus of the business on the resource sector (22 June 2011). On 13 February 2012 the Company announced the Acquisition of Lamboo and McKintosh. The last traded price on the ASX at that date was 1.5 cents per share. As a consequence of divested business activities and low trading price on thin trading it appears the shares have limited value.

Securities convertible into shares have been issued since October 2010. The prices at which the securities convertible into shares have been issued are as follows:

Dec 2010	3 cents per share and 1:1 options
Aug 2011	Shares at a value of 35% discount to Public Offer price (Sydney Capital Partner clients discount applies to lower of any capital raise or Public Offer).

The Company has liabilities exceeding assets by some \$1.4 million. The Company has no employees other than Directors and no trading business activities since end February 2012.

In the view of the Directors the fair value of the existing shares in the Company in the absence of the approval of the Proposed Transaction is close to nil.

### Value of consideration to be received for Company shares

The value to be received by shareholders in exchange for issuing the shares which provide control is to be measured by the opportunity associated with the assets of Lamboo and McKintosh.

There are a number of practices by which the value of the Lamboo and McKintosh project may be determined. These include the possible value of minerals to be extracted from projects. The directors of Lamboo and McKintosh consider the sale value of these minerals to be many millions of dollars based on reports from 2 independent geologists.

The Directors consider reports from independent geologists as the most appropriate to build up an indicative valuation for Lamboo and McKintosh.

Based on the information provided in 2 independent geologist report which have been reviewed by the FLS Directors, interviewing the founders of Lamboo and McKintosh with their long lineage in the mining and resources industry and

the proximity of the sites to existing sites owned by other mining companies, the valuation of Lamboo and McKintosh, of \$3.5 million is considered as being reasonable.

**Conclusion**

The current value of the shares prior to the Proposed Transaction is close to nil. Under the Proposed Transaction, the shareholders of the Company after the passing of Resolutions 3 and 6 should have a value of 1 cent per share. ASIC Regulatory Guide 111 at paragraph 111.11 sets out the long standing convention that if the value of the consideration being received by Company shareholders for their securities is equal to or greater than the value of the securities, then the offer is fair. This is the circumstance which now exists. As noted in paragraph 111.12 of the regulatory guide, an offer is also reasonable if it is fair.

The Directors have considered all the above information in reaching their recommendation to shareholders to proceed with the proposed transactions as being fair and reasonable.

## VOTING INFORMATION

### How to vote

If you are a Shareholder, you can vote by:

- (a) attending and voting at the Meeting; or
- (b) appointing someone as your proxy to attend and vote at the Meeting on your behalf, by completing and returning the Proxy Form to the Company in the manner set out on the Proxy Form.

If you are entitled, and intend, to appoint a proxy, please note that:

- if you hold 2 or more Shares in the Company, you may appoint up to 2 proxies, and may specify the proportion or number of votes each proxy is appointed to exercise on your behalf, but where the proportion or number is not specified, each proxy may exercise half of the votes;
- a proxy need not be a Shareholder;
- you may appoint a body corporate or individual as your proxy;
- if you appoint a body corporate as your proxy, the body corporate may appoint an individual as its representative, in accordance with this Section, to exercise any of the powers that the body may exercise as your proxy;
- unless you specifically direct a proxy on how to exercise the votes for which it has been appointed to exercise, that proxy may vote as it thinks fit or abstain from voting;
- the chairperson of the Meeting intends to vote all undirected proxies in favour of all of the Resolutions; and
- to be valid, the Company must receive your duly completed Proxy Form by no later than 10 am (Sydney time) on 17 May 2012.

The Proxy Form provides further details on the appointment of proxies and the lodgement of the Proxy Form.

### Corporate Representative

A body corporate which is a Shareholder may appoint an individual as its representative to exercise any of the powers that the body may exercise at the Meeting (**Corporate Representative**). To appoint a Corporate Representative, a body corporate:

- (a) should provide its Corporate Representative with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative (Authority); and
- (b) should send a copy of that Authority to the Company at its registered address in advance of the Meeting or instruct the Corporate Representative to hand in a copy of that Authority on attendance and registration at the Meeting as a Corporate Representative.

### Eligibility to vote

In accordance with regulations 7.11.37 of the Corporations Regulations, the Board has determined that a person's entitlement to attend and vote at the Meeting will be the entitlement of that person as a Shareholder as at **10 am (Sydney time) on 17<sup>th</sup> May 2012, not more than 48 hours before the Meeting.**

Accordingly, transfers of Shares registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## GLOSSARY AND INTERPRETATION

### Definitions

The following terms used in the Notice of Meeting and this Explanatory Statement have the meanings given to them below, unless the context requires otherwise.

<b>2010 Convertible Notes</b>	means the convertible notes issued by the Company on or around 20 December 2010.
<b>2010 Options</b>	means the options that will be issued on the conversion of the 2010 Convertible Notes in accordance with their terms.
<b>2011 Annual Report</b>	means the annual report of the Company for the financial year ended 30 June 2011.
<b>2011 Convertible Notes</b>	means the convertible notes issued by the Company on or around 30 August 2011.
<b>Acquisition</b>	means the purchase of Lamboo and McKintosh assets/tenements and entities and issuance of Consideration Shares.
<b>ASIC</b>	means the Australian Securities & Investments Commission.
<b>ASX</b>	means the ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
<b>Board</b>	means the board of Directors of the Company.
<b>Buyer</b>	means Fluorotechnics Limited (ACN 099 098 192)
<b>Company</b>	means Fluorotechnics Limited (ACN 099 098 192) or whatever the Company's name may be from time to time.
<b>Constitution</b>	means the constitution of the Company, as amended from time to time.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	means the <i>Corporations Regulations 2001</i> (Cth).
<b>Director</b>	means a director of the Company.
<b>Executive Service Agreement</b>	means the Executive Service Agreement of Richard Trevillion and Letters of Confirmation for Richard Taylor and Brian Damian Pethica.
<b>Existing Options</b>	means the 16,666,667 options on issue in the Company prior to the Share Consolidation.
<b>Existing Shares</b>	means the 54,147,874 Shares on issue in the Company prior to the Share Consolidation, and <b>Existing Share</b> means any one of them.
<b>Excluded Persons</b>	means people who are excluded to vote on Resolutions.
<b>Explanatory Statement</b>	means this explanatory statement.
<b>General Meeting</b>	means the general meeting of Shareholders which is the subject of this Notice.
<b>Listing Rules</b>	means the official listing rules of ASX, as amended or replaced from time to time.
<b>Meeting</b>	has the same meaning as <b>General Meeting</b> .
<b>New Share</b>	means a Share after the Share Consolidation.
<b>New Share Offer</b>	means the offer of between of between 17,500,000 and 35,000,000 of New Shares at \$0.20 per New Share.
<b>Notice</b>	means this notice prepared by the Company for the purposes of convening the Meeting, including the Notice of Meeting, Explanatory Statement and all Schedules.
<b>Notice of Meeting</b>	means the notice of Meeting contained in Part B.
<b>Official List</b>	means the official list of entities that ASX has admitted and not removed.
<b>Professional Investor</b>	has the meaning given to that term in section 708(11) of the Corporations Act.
<b>Proposed Directors</b>	means Dr Craig Rugless and Rod Williams.
<b>Proposed Transaction</b>	means the transactions contemplated by the Resolutions, and includes the following transactions: <ul style="list-style-type: none"> <li>(a) the Share Consolidation;</li> <li>(b) the proposed acquisition of Lamboo and McKintosh;</li> <li>(c) the proposed issue of New Shares to the Vendors;</li> <li>(d) the proposed issue of New Shares;</li> <li>(e) the proposed change of name of the Company;</li> <li>(f) the proposed issue of the 2011 Convertible Notes;</li> <li>(g) the proposed provision of benefits for Directors; and</li> <li>(h) the proposed issue of Shares in the form of New Shares to the Directors.</li> </ul>
<b>Proxy Form</b>	means the proxy form accompanying this Notice.
<b>Quotation</b>	means official quotation by ASX in accordance with the Listing Rules.

<b>Related Party</b>	has the meaning given to that term in section 228 of the Corporations Act, and <b>Related Parties</b> has a corresponding meaning.
<b>Relevant Interest</b>	has the meaning given to that term in sections 608 and 609 of the Corporations Act.
<b>Resolution</b>	means a resolution to be considered at the Meeting as contained in the Notice of Meeting.
<b>Share Consolidation</b>	means the consolidation of the Existing Shares of the Company on a 16 for 1 basis as proposed under Resolution 1 and detailed in Section 9.
<b>Share Purchase and Subscription Agreement</b>	means the share purchase and subscription agreement entered into between the Company and the Vendors on 13 February 2012.
<b>Share</b>	means a fully paid ordinary share in the issued capital of the Company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>Sophisticated Investor</b>	means a “sophisticated investor” for the purposes of section 708(8) of the Corporations Act.
<b>Vendors</b>	means each of the shareholders of Lamboo Resources Pty Ltd and McKintosh Resources Pty Ltd.
<b>Vendor Business</b>	means the tenements of the Lamboo and McKintosh.

#### Interpretation

- (a) In the Notice of Meeting and this Explanatory Statement, unless the context requires otherwise:
- (b) terms not otherwise defined have the meaning (if any) given to them in the Corporations Act;
- (c) a reference to a word includes the singular and the plural of the word and vice versa;
- (d) a reference to a gender includes any gender;
- (e) a reference to a “Section” is to a section in this Explanatory Statement;
- (f) a reference to a “Schedule” is to a schedule to this document;
- (g) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (h) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (i) headings are included for convenience only and do not affect interpretation;
- (j) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (k) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (l) the terms “included”, “including” and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (m) a reference to a statute or statutory provision includes but is not limited to:
- i. a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - ii. a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - iii. subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (n) reference to “\$”, “A\$”, “Australian Dollars” or “dollars” is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (o) references to time are references to time in Sydney, Australia; and
- (p) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

**SCHEDULE 1: IDENTITY OF PARTIES FOR RESOLUTIONS****Resolution 3 – issue of New Shares to the Vendors**

17,500,000 New Shares are to be allotted to Vendors in accordance with the Share Purchase and Subscription Agreement. For the purpose of the Notice of Meeting the beneficiaries of the shares to be issued to Vendors are:

Pathfinder Exploration Pty Limited (ACN 009 214 859)	10,500,000	60%
Norvale Pty Limited (ACN 009 333 742)	7,000,000	<u>40%</u>
Total		<u>100%</u>

**Resolution 4 – Allottees of Future Issue of New Shares**

This refers to the proposed raise of up between \$3.5 million and \$7 million and these monies have not yet been received, but the Company intends that New Shares will be raised via brokers.

**Resolution 6 – Conversion of 2011 Convertible Notes and the issue of New Shares on such conversion**

Below are the relevant Noteholders and shares on conversion before Consolidation.

<b>Note Holders – Issued on 30<sup>th</sup> August 2011</b>	<b>Cash Received (\$)</b>	<b>Shares (pre Consolidation)</b>
Laguna Bay Capital	150,000	18,461,538
RI Webb Nominees Pty Ltd	100,000	12,307,692
Sydney Capital Partners (clients)	100,000	12,307,692
Domain Capital Biotech Investments Pty Ltd	70,000	8,615,384
Austin 4 Pty Ltd (R & S Towner Family A/C)	50,000	6,153,846
Mandolin Pty Ltd	50,000	6,153,846
Lambrook Pty Ltd (Raymonde Superfund No 1 A/C)	30,000	3,692,308
Leslie Webb	20,000	2,461,538
Bligh Partnership Pty Ltd	15,000	1,846,154
Mr Ian Marshall (New Luscar Super Fund A/C)	10,000	1,230.769
Mr Richard Ian Marshall	10,000	1,230.769
Molloy Super Fund	10,000	1,230.769
	615,000	75,692,304

**Resolutions 1, 3, 4, 6 and 8 – Capital structure**

The exact number of shares which will be on issue if all resolutions are passed will depend on the amount of capital raised, but should all resolutions proceed and should FLS raise additional funds as set out in section 9.3 then the number of Ordinary Shares may change as follows:

Resolution:	Authorised shares Millions
Present number of shares on issue	54.1
Maximum number of shares from 2010 Convertible Notes	<u>16.7</u>
Maximum number of shares before consolidation and Acquisition	70.8
Maximum number of authorised shares after consolidation	4.4
Maximum number of shares under Resolution 3	<u>17.5</u>
<b>Maximum number of authorised shares before capital raise</b>	<b>21.9</b>
Directors New Shares under Resolution 8	4.8
Number of shares under Resolution 4 at \$7 million	35.0
Number of shares under Resolution 6	4.7
Other creditor liabilities payable by shares (\$75,000)	<u>.4</u>
<b>Maximum number of shares authorised to be issued on \$7 m raise</b>	<b><u>66.8</u></b>
<b>Options:</b>	
2010 Convertible Note Options for New Shares	1.0

## SCHEDULE 2: SUMMARY OF 2011 CONVERTIBLE NOTE TERM

### Summary of terms of Notes

Set out below is a summary of the key terms of the Notes as set out in the Convertible Note Subscription Agreement for each Noteholder:

- Each Note has a principal amount of \$1.00 and bears no interest.
- Each Note is convertible into that number of ordinary shares in the Company in accordance with the following formula: 100 cents, divided by the amount (in cents) which is a 35% discount on the issue price per ordinary share under the Public Offer. For \$100,000 of Convertible Notes held by clients of Sydney Capital Partners the conversion will be discounted at the lower of the Public Offer or any capital raise prior to the Public Offer.
- The terms of the Notes include customary adjustments to the Noteholders' entitlements to ordinary shares in the event of a bonus issue, pro rata offer to ordinary shareholders, or reconstruction of capital.
- Conversion of the Notes is subject to the following conditions:
  - the minimum subscription under the Public Offer having been reached on or prior to the date which is 24 months after the date of the Convertible Note Subscription Agreement ("End Date"); and
  - shareholder approval to the conversion having been obtained on or prior to the End Date.
- The Notes may be redeemed at the election of the Noteholder if any of the following events ("Redemption Events") occurs:
  - an insolvency event occurs in relation to the Company;
  - the Company breaches a material term of the Convertible Note Subscription Agreement and does not remedy that breach within 10 business days of receipt of a notice from the Noteholder requiring the Company to remedy the breach; or
  - the Notes are not converted by the End Date, shareholder or governmental agency approval is required for their conversion, and the Noteholder (acting reasonably and in good faith, and after consultation with the Company) considers that such approval is withheld or will not be obtained.
- Noteholders have 3 months from the occurrence of a Redemption Event to give the Company a redemption notice. Once the Company receives a redemption notice from a Noteholder, it must redeem all of that Noteholder's Notes within 15 business days by paying the Noteholder the principal amount of their Notes.
- The Notes are not transferable except with the prior written approval of the Company.
- The Notes will be subject to any escrow imposed by ASX.

**SCHEDULE 3: SUMMARY OF BENEFITS UNDER AGREEMENTS WITH DIRECTORS**

The Directors have entered into Executive Service Agreements dated 15 March 2012. Following are the key terms under these Agreements:

**Richard Trevillion**

- Base remuneration: \$200,000 pa as the Executive Chairman and CEO.
- Accrued remuneration: \$172,141 of unpaid salaries and services through to 15 April 2012 are to be paid on a successful capital raise.
- Under the executive service agreement Richard Trevillion is to be issued with New Shares to the value of \$540,000 at the issue price of the Public Offering with the Shares being subject to vesting condition.
- Vesting condition for the Shares being the share trading price exceeding the Public Offer issue price by 75% (issue price being \$0.20 and the vesting condition price being \$0.35) in the 5 years from the Public Offering. 50% of vested share will not be restricted from sale, and the remaining 50% will be restricted for a further 2 year.
- If Richard Trevillion leaves the Company before the share price has reached \$0.35, there will be a pro rata vesting of half of his shares calculated by reference to the extent the price of the shares is between \$0.20 and \$0.35 - for example, if the share price is \$0.25, then 450,000 shares will vest, being one third of half of 2,700,000 shares. The directors will have the discretion to allow vesting in relation to a similar portion of the other half of his shares.
- If the directors determine there will be a change of control of the Company, the shares immediately vest and there will be no restrictions on their sale or transfer.
- The Executive can participate in an annual incentive plan adopted by the Company from time to time.
- The Executive may be entitled to the long term incentive entitlements subject to achievements of performance targets and other criteria following shareholder approval.
- The Executive Service Agreement has no period of term however, there is a 6 month notice period for termination by either party applies.

**Richard Taylor**

- Base remuneration: \$100,000 pa as an Executive Director. This will reduce to \$65,000 pa when he becomes a Non-Executive Director on the conclusion of the Public Offer.
- Accrued remuneration: \$92,112 of unpaid fees and salaries through to 15 April 2012 fees are to be paid on a successful capital raise.
- Under the executive service agreement Richard Taylor is to be issued with New Shares to the value of \$360,000 at the issue price of the Public Offering with the Shares being subject to vesting condition.
- Vesting condition for the Shares being the share trading price exceeding the Public Offer issue price by 75% (issue price being \$0.20 and the vesting condition price being \$0.35) in the 5 years from the Public Offering. 50% of vested share will not be restricted from sale, and the remaining 50% will be restricted for a further 2 year.
- If Richard Taylor leaves the Company before the share price has reached \$0.35, there will be a pro rata vesting of half of his shares calculated by reference to the extent the price of the shares is between \$0.20 and \$0.35 - for example, if the share price is \$0.25, then 300,000 shares will vest, being one third of half of 1,800,000 shares. The directors will have the discretion to allow vesting in relation to a similar portion of the other half of his shares.
- If the directors determine there will be a change of control of the Company, the shares immediately vest and there will be no restrictions on their sale or transfer.
- The Executive can participate in an annual incentive plan adopted by the Company from time to time.
- The Executive may be entitled to the long term incentive entitlements subject to achievements of performance targets and other criteria following shareholder approval.
- The Executive Service Agreement has no period of term however, there is a 6 month notice period for termination by either party applies.

**Brian Damian Pethica**

Brian Damian Pethica through his affiliated company Newmarket Consulting Limited has entered into a service agreement with the following key terms:

- Accrued fees: \$92,112 of unpaid fees through to 15 April 2012 is to be paid on a successful capital raise.
- Under executive service agreement Newmarket Consulting Limited is to be issued with New Shares to the value of \$50,000 at the issue price of the Public Offering with the Shares being subject to vesting condition.
- Vesting condition for the Shares being the share trading price exceeding the Public Offer issue price by 75% (issue price being \$0.20 and the vesting condition price being \$0.35) in the 5 years from the Public Offering. 50% of vested share will not be restricted from sale, and the remaining 50% will be restricted for a further 2 year.
- Brian Damian Pethica will be leaving the Company soon after the capital raising and there will be no restriction on the vesting of shares for Newmarket Consulting Limited by virtue of Mr Pethica leaving.
- If the directors determine there will be a change of control of the Company, the shares immediately vest and there will be no restrictions on their sale or transfer.
- Will resign as a Director following the planned capital raise.

**FLUOROTECHNICS LIMITED**  
**(ACN 099 098 192)**  
**PROXY FORM**

**Shareholder Details**

Name: .....Address: .....

Contact Telephone No: .....Contact Name (if different from above): .....

**Appointment of Proxy**

I/We being a shareholder/s of Fluortechcnics Limited and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of to be held at Level 6, 2 Bulletin Place Sydney on 21 May 2012 at 10am (AEST) and any adjournment of that meeting.

**The Chairman of the meeting**  
 (mark with an 'X')

OR .....

**IMPORTANT:**

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do not wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of each resolution.

If the person you are appointing as your proxy is someone other than the Chairman of the meeting:  
 Write the name of that person in the box below.

 %\*

If you hold 2 or more Shares in Fluorotechnics Limited you may appoint a second proxy:  
 Write the name of your second proxy in the box below.

 %\*

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of the Company to be held at Level 6, 2 Bulletin Place Sydney on 17 May 2012 at 10am (AEST) and at any adjournment of that meeting.

Voting directions to your proxy - Please mark only one of the boxes with an "X" for each resolution to indicate your directions.

Special Business	For	Against	Abstain
Resolution 1:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the "Abstain" box with an "x" for a particular resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

**PLEASE SIGN HERE** This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

**Individual or Shareholder 1**

**Shareholder 2**

**Shareholder 3**

.....

.....

.....

**Sole Director and  
 Sole Company Secretary**

**Director**

**Director/Company Secretary**

**FLUOROTECHNICS LIMITED**  
**(ACN 099 098 192)**  
**PROXY FORM**

**How to complete this Proxy Form**

**1. Your Name and Address**

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

**2. Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

**3. Votes on Resolutions**

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

**4. Appointment of a Second Proxy**

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy please write the name of that person. To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

**5. Signing Instructions**

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

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share 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.

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

**6. Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting, i.e. no later than 10:00 am (AEST) on 17 May 2012. Any Proxy Form received after that time will not be valid for the scheduled meeting. This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to PO Box 1658 Sydney 2001 Australia or sent by facsimile to (02) 8264 2411 before 10:00 am (AEST) Thursday 17<sup>th</sup> May 2012