

**ETHAN MINERALS LIMITED
(ACN 124 354 329)**

(Subject to Deed of Company Arrangement)

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

DATE AND TIME OF MEETING:
28 February 2012 at 2:00pm (WST)

VENUE OF MEETING:
The University Club of Western Australia
Hackett Drive
Crawley WA 6009
(Entrance No.1, Carpark No.3)

NOTE: Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) has prepared the Independent Expert's Report and has provided an opinion that it believes the proposals as outlined in Resolutions 3, 4 and 5 of the Notice are fair and reasonable to the non-associated Shareholders of the Company. A copy of the Independent Expert's Report is contained in Annexure C of the Notice. It is recommended that all Shareholders read the Independent Expert's Report in full.

These documents should be read in their entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

Should you wish to discuss the matters in this Notice, please do not hesitate to contact Mr Neil Hackett on +61 8 9217 3300.

LETTER TO SHAREHOLDERS

Dear Shareholder,

As you are aware, on 1 July 2011, Ethan Minerals Limited (ACN 124 354 329) (subject to Deed of Company Arrangement) (**the Company**) appointed Bradley Tonks and John Vouris of Lawler Partners as the Joint and Several Administrators of the Company, whom thereafter assumed control of the Company and its business, property and affairs.

The Creditors of the Company have agreed to a proposal presented by a syndicate (**the Syndicate**) headed by Pager Partners Corporate Advisory Pty Ltd (ACN 123 845 401) as trustee for the Pager Partners Investment Trust (**Pager Partners**) for the restructure and recapitalisation of the Company (**the Proposal**). If completed, the Proposal will result in the Company becoming debt free and sufficient capital being injected into the Company to enable it to continue its business and apply for the reinstatement of its Securities to official quotation on the Australian Securities Exchange Limited (**the ASX**) for the benefit of Creditors and Shareholders.

A deed of company arrangement was entered into by the Company on 25 November 2011 (**the DOCA**) where the Administrators were appointed as the Deed Administrators in order to effect the terms of the Proposal.

The Proposal requires, and is subject to, various approvals being obtained from the Shareholders of the Company. Accordingly, the Directors have called an Extraordinary General Meeting of the Company to obtain the necessary Shareholder approvals. The Extraordinary General Meeting will be held at 2:00pm (WST) on 28 February 2012 at The University Club of Western Australia, Hackett Drive, Crawley WA 6009 (Entrance No.1, Carpark No.3) (**the Meeting**). Enclosed with this letter are the Notice of the Extraordinary General Meeting (**the Notice**), the Explanatory Statement and the Independent Expert's Report prepared by Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**).

In addition to the necessary Shareholder approvals being obtained, the Proposal is also subject to further conditions, including those conditions outlined below under the heading 'A summary of the conditions of the Proposal'.

1. A summary of the terms of the Proposal

The Proposal involves:

- (a) The Syndicate arranging for the injection of approximately \$2,151,500 of cash into the Company in return for an issue of Shares in the Company representing an interest of approximately 77.83% of the total issued capital of the Company (as well as 60,000,000 Options) (**the Capital Raising**).
- (b) The retention of certain assets, including but not limited to its existing fully and partly owned Western Australian exploration licences and those licenses the subject of mining access agreements, within the Company to ensure it can continue its existing business.
- (c) The entry by the Company into a creditors trust deed for the purposes of satisfying approved Creditor claims (**the Creditors Trust**).
- (d) The Company making available any cash at bank, its rights in its sundry debtors, its claims against its Subsidiaries and shares in its Subsidiaries (as well as any other assets not purchased by the Syndicate) for the benefit of the Creditors of the Company pursuant to the terms of the DOCA.
- (e) The payment of \$950,000 in cash to the Deed Administrators for the benefit of the Creditors Trust in return for the Company's Creditors releasing all claims against the Company and participating as creditors of the Creditors Trust, with all other liabilities and obligations of the Company being compromised under the DOCA.

- (f) The Company will complete the Capital Raising by way of the following placements (which will be made pursuant to a prospectus):
- (i) 100,000,000 Shares (**the First Placement Shares**) to be issued to the Syndicate (or its nominees) at an issue price of \$0.0025 per First Placement Share to raise \$250,000, and 60,000,000 Options (**the First Placement Options**) to be granted to the Syndicate (or its nominees) at an issue price of \$0.000025 per First Placement Option exercisable at \$0.015 per First Placement Option on or before 30 June 2015 to raise \$1,500 (**the First Placement**) (as proposed by Resolution 1 of the Notice).
 - (ii) A public placement of up to 190,000,000 Shares (**the Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share to raise up to \$1,900,000 (**the Second Placement**) (as proposed by Resolution 2 of the Notice).

It is noted that it is proposed that the Directors of the Company, Messrs Hugh Warner, Jonathan Pager and Michael Pollak, will receive a combined total of up to 96,000,000 First Placement Shares, up to 54,000,000 First Placement Options and up to 90,000,000 Second Placement Shares (**the Related Party Securities**) (as proposed by Resolutions 3, 4 and 5 of the Notice).

- (g) After payment of the \$950,000 to the Creditors Trust and before the costs of the Proposal, the Company will have \$1,201,500 in working capital.
- (h) All Options on issue in the Company as at the date of the Notice, being 12,349,000 Unlisted Options, remain unchanged.
- (i) The Directors of the Company at the time of executing the DOCA (being, Mr Kenneth Fitzgerald and Ms Julie Glanville) having resigned before the Meeting, and Messrs Hugh Warner, Jonathan Pager and Michael Pollak having been appointed to the Board as the new Directors of the Company (which occurred on 3 January 2012).
- (j) The change of the Company's name to "Prospect Resources Limited" (as proposed by Resolution 11 of the Notice).

2. A summary of the conditions of the Proposal

In addition to the required Shareholder approvals (as detailed in the Notice), the Proposal is also subject to the following general conditions:

- (a) The Company's liabilities and long term commitments being released and compromised under the DOCA, with the DOCA being wholly effectuated and the appointment of the Deed Administrators terminating simultaneously with the payment of the cash consideration of \$950,000 into the Creditors Trust.
- (b) The Creditors of the Company being bound by the DOCA and being required to prove in accordance with the terms of the DOCA and the Creditors Trust, with no creditor having the right to claim payment against the Company.
- (c) The Subsidiaries of the Company being excised from the Company and dealt with by the Deed Administrators in accordance with the DOCA (unless otherwise requested by the Syndicate).
- (d) The employment of all employees of the Company (if any) being terminated at no cost to the Company following effectuation of the DOCA.
- (e) During the term of the DOCA, any transfers of Shares and any alteration in the status of Shareholders or the issue of Shares being void, except so far as a Court otherwise orders.

- (f) The ASX providing written confirmation to the Company that it will lift the suspension on the trading of the Securities of the Company without the need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.
- (g) If Shareholders do not approve the Resolutions contained in the Notice at the Meeting, the DOCA may terminate in which case the Company shall be placed in liquidation.

3. Proposed pro-forma capital structure of the Company

The proposed capital structure of the Company following completion of the Proposal is summarised below:

Capital Structure	Shares	Unlisted Options
Securities on issue as at the date of the Notice	82,593,287	12,349,000
First Placement (Resolution 1) ⁽¹⁾	100,000,000	60,000,000
Second Placement (Resolution 2) ⁽²⁾	190,000,000	Nil
Completion of all the Resolutions	372,593,287	72,349,000

Notes:

- (1) The First Placement Securities include the issue of the Related Party Securities to the Directors pursuant to Resolutions 3, 4 and 5 of the Notice.
- (2) Assumes that the Second Placement is fully subscribed.

4. The proposed use of the funds raised by the Company

The Company's plans are the best indicators available to Shareholders at this time as to the proposed use of the funds to be raised from the Capital Raising. It is important to recognise that the proposed use of funds is subject to change in line with emerging results, circumstances and opportunities.

Ethan intends to continue minerals exploration over its existing fully and partly owned Exploration Licenses and those licenses the subject of mining access agreements, all located in Western Australia.

Ethan's tenement holdings are in the Northampton Mineral belt. Ethan continues to own 100% of exploration licenses E66/56, E66/80 and E66/81; and 80% interest in E66/53, E66/73 (formerly E66/63) and E66/64; as well as 6 mining access agreements with owners of the Queen Victoria Crown grants.

The tenement package contains three main project areas: Baddera, Mary Springs and Narra Tarra, which in turn contain a number of prospects and exploration targets. The Mary Springs Project hosts a JORC compliant Mineral Resource of contained lead as follows: Indicated 240,311t @ 6.6% Pb and Inferred 154,108t @ 6.2% Pb for a total of 394,419t @ 6.5% Pb.

The Company will maintain an active program of identifying additional projects that are in line with the Company's strategy and complement the existing portfolio.

If the full amount of \$2,151,500 is raised from the Capital Raising (assuming the Second Placement is fully subscribed), the Company intends to apply the funds raised as follows:

Proposed use of funds	Year 1	Year 2	Total
Payment to the Creditors Trust ⁽¹⁾	\$950,000	Nil	\$950,000
Cost of the Proposal	\$80,000	Nil	\$80,000
Development of existing assets	\$255,000	\$285,000	\$540,000
Review and evaluation of new projects	\$105,000	\$100,000	\$205,000
Working capital	\$190,000	\$186,500	\$376,500
Total	\$1,580,000	\$571,500	\$2,151,500

Notes:

- (1) The Company will use the cash consideration of \$950,000 to satisfy approved Creditors claims in accordance with the terms of the DOCA.

5. Reinstatement to Official quotation of the ASX

Subject to the Resolutions contained in this Notice being passed at the Meeting, the Company intends to seek reinstatement to official quotation on the ASX. The Company will therefore need to satisfy the requirements of the ASX prior to reinstatement.

The ASX has not requested that the Company re-comply with Chapters 1 and 2 of the ASX Listing Rules.

6. Summary

Shareholders are urged to give careful consideration to the Notice, the Explanatory Statement and the Independent Expert's Report prepared by Stantons, as the Resolutions contained in the Notice are important and affect the future of the Company.

In considering the Resolutions contained in the Notice, Shareholders should bear in mind the Company's current financial circumstances. The Securities of the Company have been suspended from trading on the ASX since 21 February 2011 and the Company requires recapitalisation in order to continue its operations and seek reinstatement of its Securities to official quotation on the ASX.

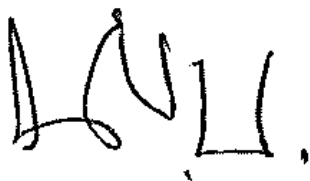
Ultimately, if the Resolutions proposed by the Notice are approved by Shareholders and implemented, the Company will be debt free, able to continue its business in Australia and be in a position to apply to the ASX for the reinstatement of its Securities to official quotation on the ASX. The Deed Administrators and the Directors consider this to be a realistic option to enable the Company to continue operating.

If the Resolutions proposed by the Notice are not approved by Shareholders at the Meeting, the conditions precedent of the Proposal will have failed, the DOCA may terminate in which case the Company shall be placed into liquidation and it is expected that there will be no return to Shareholders.

On behalf of the Board, I look forward to your support for the Resolutions proposed by the Notice in order for the Company's Shares to be reinstated to official quotation on the ASX.

Yours faithfully

ETHAN MINERALS LIMITED



Hugh Warner
Director and Chairman
(Subject to Deed of Company Arrangement)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting of Shareholders of Ethan Minerals Limited (ACN 124 354 329) (subject to Deed of Company Arrangement) (**the Company**) will be held at 2:00pm (WST) on 28 February 2012 at The University Club of Western Australia, Hackett Drive, Crawley WA 6009 (Entrance No.1, Carpark No.3) (**the Meeting**).

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's Share Register at 7.00pm (WST) on 26 February 2012 (**the Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

The Explanatory Statement that accompanies and forms part of this Notice of Extraordinary General Meeting (**the Notice**) describes in more detail the matters to be considered at the Meeting. In addition, the Explanatory Statement should be read in conjunction with the Independent Expert's Report prepared by Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) contained in Annexure C.

The Deed Administrators have been appointed under the DOCA and have the authority to appoint the Directors who shall have the power to convene the Meeting to give effect to the Proposal. The Deed Administrators do not take any responsibility for the contents of the Notice and Explanatory Statement and the Directors assume all liabilities and obligations with respect to the Notice and Explanatory Statement.

Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency. Please refer to section 8 of the Explanatory Statement accompanying this Notice for a glossary of terms and abbreviations used in this Notice.

AGENDA:

1. Resolution 1: Issue of the First Placement Securities (the First Placement)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2 to 9 (inclusive), pursuant to ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue:

- (a) *up to 100,000,000 Shares in the Company (**the First Placement Shares**) at an issue price of \$0.0025 per First Placement Share to raise up to \$250,000; and*
- (b) *up to 60,000,000 Options to each subscribe for one (1) Share in the Company (**the First Placement Options**) at an issue price of \$0.000025 per First Placement Option to raise \$1,500 with each First Placement Option exercisable at \$0.015 on or before 30 June 2015;*

*further details of which are described in the Explanatory Statement accompanying this Notice (**the First Placement**).*"

Voting Exclusion Statement

In accordance with ASX Listing Rule 7.3.8, the Company will disregard any votes cast on this resolution by any person who may participate in the First Placement and any other person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and any of their associates.

However, the Company need not disregard a vote if.

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Important: Shareholders should note that if they vote in respect of Resolution 1, they will automatically be disqualified from subscribing for any First Placement Securities under the First Placement.

2. Resolution 2: Issue of the Second Placement Shares (the Second Placement)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 1 and Resolutions 3 to 9 (inclusive), pursuant to ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 190,000,000 Shares in the Company (**the Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share to raise up to \$1,900,000, further details of which are described in the Explanatory Statement accompanying this Notice (**the Second Placement**).”*

Voting Exclusion Statement

In accordance with ASX Listing Rule 7.3.8, the Company will disregard any votes cast on this resolution by any person who may participate in the Second Placement and any other person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Important: Shareholders should note that if they vote in respect of Resolution 2, they will automatically be disqualified from subscribing for any Second Placement Shares under the Second Placement.

3. Resolution 3: Issue of First Placement Securities and Second Placement Shares to a Related Party of the Company - Mr Hugh Warner, Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 and 2 and Resolutions 4 to 9 (inclusive), pursuant to sections 208 and 611 (item 7) of the Corporations Act 2001, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to:

- (a) 32,000,000 First Placement Shares;
- (b) 18,000,000 First Placement Options; and
- (c) 40,000,000 Second Placement Shares,

to Mr Hugh Warner (or his nominees), who is a Director of the Company and therefore a related party of the Company pursuant to section 228 of the Corporations Act 2001, further details of which are described in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this resolution by Mr Hugh Warner (or his nominees) and any associate of Mr Hugh Warner (or his nominees).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Resolution 4: Issue of First Placement Securities and Second Placement Shares to a Related Party of the Company – Mr Jonathan Pager, Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 3 (inclusive) and Resolutions 5 to 9 (inclusive), pursuant to sections 208 and 611 (item 7) of the Corporations Act 2001, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to:

- (a) 32,000,000 First Placement Shares;
- (b) 18,000,000 First Placement Options; and
- (c) 25,000,000 Second Placement Shares,

to Mr Jonathan Pager (or his nominees), who is a Director of the Company and therefore a related party of the Company pursuant to section 228 of the Corporations Act 2001, further details of which are described in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this resolution by Mr Jonathan Pager (or his nominees) and any associate of Mr Jonathan Pager (or his nominees).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

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

5. Resolution 5: Issue of First Placement Securities and Second Placement Shares to a Related Party of the Company - Mr Michael Pollak, Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 4 (inclusive) and Resolutions 6 to 9 (inclusive), pursuant to sections 208 and 611 (item 7) of the Corporations Act 2001, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue up to:

- (a) 32,000,000 First Placement Shares;
- (b) 18,000,000 First Placement Options; and
- (c) 25,000,000 Second Placement Shares,

to Mr Michael Pollak (or his nominees), who is a Director of the Company and therefore a related party of the Company pursuant to section 228 of the Corporations Act 2001, further details of which are described in the Explanatory Statement accompanying this Notice.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this resolution by Mr Michael Pollak (or his nominees) and any associate of Mr Michael Pollak (or his nominees).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Resolution 6: Re-election of Mr Hugh Warner as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 5 (inclusive) and Resolutions 7 to 9 (inclusive), pursuant to the Corporations Act 2001, the ASX Listing Rules, the Constitution of the Company and for all other purposes, Mr Hugh Warner, a Director who was appointed by the Deed Administrators as a Director of the Company, who retires from office, and being eligible, offers himself for re-election as a Director, be re-elected as a Director of the Company effective immediately.”

7. Resolution 7: Re-election of Mr Jonathan Pager as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 6 (inclusive) and Resolutions 8 and 9, pursuant to the Corporations Act 2001, the ASX Listing Rules, the Constitution of the Company and for all other purposes, Mr Jonathan Pager, a Director who was appointed by the Deed Administrators as a Director of the Company, who retires from office, and being eligible, offers himself for re-election as a Director, be re-elected as a Director of the Company effective immediately.”

8. Resolution 8: Re-election of Mr Michael Pollak as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 7 (inclusive) and Resolution 9, pursuant to the Corporations Act 2001, the ASX Listing Rules, the Constitution of the Company and for all other purposes, Mr Michael Pollak, a Director who was appointed by the Deed Administrators as a Director of the Company, who retires from office, and being eligible, offers himself for re-election as a Director, be re-elected as a Director of the Company effective immediately.”

9. Resolution 9: Section 195 approval

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolutions 1 to 8 (inclusive), for the purposes of section 195(4) of the Corporations Act 2001 and for all other purposes, Shareholders approve and authorise the Company to complete the transactions as contemplated in this Notice.”

10. Resolution 10: Adoption of new company constitution

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, pursuant to section 136(2) of the Corporations Act 2001 and for all other purposes, the Company adopts a new constitution in the form as signed by the Chairman of the Meeting for identification purposes, in lieu of the existing constitution of the Company.”

11. Resolution 11: Change of company name

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, pursuant to section 157(1) of the Corporations Act 2001 and for all other purposes, approval is given for the Company to change its name from “Ethan Minerals Limited” to “Prospect Resources Limited”.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders of Ethan Minerals Limited (ACN 124 354 329) (subject to Deed of Company Arrangement) (**the Company**) in connection with Resolutions 1 to 11 (inclusive) (**the Resolutions**) to be considered at the Extraordinary General Meeting of Shareholders to be held at 2:00pm (WST) on 28 February 2012 at The University Club of Western Australia, Hackett Drive, Crawley WA 6009 (Entrance No.1, Carpark No.3) (**the Meeting**).

The purpose of this Explanatory Statement is to provide information to Shareholders which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Extraordinary General Meeting (**the Notice**).

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice and the Independent Expert's Report prepared by Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) contained in Annexure C.

Please refer to section 8 of this Explanatory Statement for a glossary of terms and abbreviations used in the Notice and this Explanatory Statement.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Indicative Timetable

The indicative timetable for the transactions contemplated by the Notice and this Explanatory Statement is outlined below. However, the Board advises that the dates contained in the following timetable are indicative only and may change without further notice.

Event	Date
Despatch of the Notice and Explanatory Statement	27 January 2012
The Meeting	28 February 2012
Notification to the ASX of the results of the Meeting	28 February 2012
Lodgment of the Prospectus in relation to the Capital Raising	2 March 2012
Closing date of the Capital Raising	March 2012
Reinstatement to official quotation on the ASX*	March 2012

*The Company's Securities will continue to remain suspended from official quotation on the ASX until such time as the transactions the subjects of this Notice have been completed and the Company has complied with the requirements of the ASX. Accordingly, there will be no trading in the Company's Securities until the Company has been reinstated to official quotation.

1. RESOLUTION 1: Issue of the First Placement Securities (the First Placement)

1.1 Background to Resolution 1

The Company's Shares have been suspended from trading on the ASX since 21 February 2011. In order for the Company's Shares to be reinstated to official quotation on the ASX and to continue its operations, the Company must be recapitalised.

Accordingly, it is a term of the Proposal that the Company conduct the Capital Raising as proposed by Resolutions 1 and 2 of the Notice.

1.2 Shareholder Approval

Subject to the passing of Resolutions 2 to 9 (inclusive), Resolution 1 is an ordinary resolution that seeks Shareholder approval for the Directors to allot and issue the following securities (**the First Placement Securities**):

- (a) up to 100,000,000 Shares in the Company (**the First Placement Shares**) at an issue price of \$0.0025 per First Placement Share to raise up to \$250,000; and
- (b) up to 60,000,000 Options to subscribe for one (1) Share in the Company (**the First Placement Options**) at an issue price of \$0.000025 per First Placement Option to raise \$1,500 with each First Placement Option exercisable at \$0.015 on or before 30 June 2015,

(the First Placement).

The Company intends to conduct the First Placement through the issue of a prospectus.

Other than the Directors, whose participation in the First Placement (either directly or through their nominees) must be approved by Shareholders pursuant to Resolutions 3, 4 and 5 of the Notice, none of the remaining subscribers pursuant to the First Placement will be related parties of the Company as defined by the Corporations Act 2001 and the ASX Listing Rules.

1.3 Requirements of the Corporations Act 2001 and the ASX Listing Rules

ASX Listing Rule 7.1 provides that (subject to certain exemptions, none of which are relevant here) prior approval of shareholders is required for an issue of Securities by a company if the Securities will, when aggregated with the Securities issued by the Company during the previous 12 months, exceed 15% of the number of the Securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue the First Placement Securities pursuant to the First Placement during the period of 3 months after the Meeting (or a longer period if allowed by the ASX) without using the Company's annual 15% placement capacity.

The following information is provided in accordance with ASX Listing Rule 7.3 to enable Shareholders to assess the merits of Resolution 1:

(a) Details of the First Placement Shares:

- (i) The maximum number of Shares to be issued by the Company pursuant to Resolution 1 is 100,000,000.
- (ii) The First Placement Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (iii) The issue price of each First Placement Share will be \$0.0025.
- (iv) The First Placement Shares will be fully paid ordinary shares and will rank equally in all respects with the existing Shares of the Company on issue as at the date of the Notice.

(b) Details of the First Placement Options:

- (i) The maximum number of Options to be granted by the Company pursuant to Resolution 1 is 60,000,000;

- (ii) The First Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
 - (iii) The issue price of each First Placement Option will be \$0.000025.
 - (iv) The exercise price of each First Placement Option will be \$0.015.
 - (v) The expiry date of each First Placement Option will be 30 June 2015.
 - (vi) The terms of the First Placement Options are summarised in Annexure B.
- (c) The Board will determine to whom the First Placement Securities will be issued but these persons will not be related parties of the Company as defined by the Corporations Act 2001 and the ASX Listing Rules (other than those First Placement Securities issued to the Directors (or their nominees) in accordance with Resolutions 3, 4 and 5 of the Notice).
- (d) It is intended that allotment of the First Placement Shares will occur on the same date on which they are issued.

All Shares issued pursuant to the exercise of First Placement Options will be allotted within 10 Business Days after the exercise of the First Placement Options and the subsequent issue of the Shares.

- (e) The Company intends to use the amounts raised from the First Placement to retain and exploit its interest in its business in the ordinary course and to exploit complementary and any other business opportunities.

A more detailed outline of the proposed use of the funds raised from the First Placement is outlined under the heading 'Use of Funds' in the Letter to Shareholders on page 4 of the Notice.

1.4 Detailed effect of the First Placement – Proposed Capital Structure of the Company

A pro-forma capital structure of the Company is provided in Annexure A assuming the approval by Shareholders of the Resolutions proposed by the Notice, that the conditions precedent of the Proposal are satisfied and that the Resolutions are implemented and the Proposal is completed on the terms proposed.

2 RESOLUTION 2: Issue of the Second Placement Shares (the Second Placement)

2.1 Background to Resolution 2

The Company's Shares have been suspended from trading on the ASX since 21 February 2011. In order for the Company's Shares to be reinstated to official quotation on the ASX and to continue its operations, the Company must be recapitalised.

Accordingly, it is a term of the Proposal that the Company conduct the Capital Raising as proposed by Resolutions 1 and 2 of the Notice.

2.2 Shareholder Approval

Subject to the passing of Resolution 1 and Resolutions 3 to 9 (inclusive), Resolution 2 is an ordinary resolution that seeks Shareholder approval for the Directors to allot and issue up to 190,000,000 Shares in the Company (**the Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share in order to raise a maximum of \$1,900,000 (**the Second Placement**).

The Company intends to conduct the Second Placement through the issue of a prospectus.

Other than the Directors, whose participation in the Second Placement (either directly or through their nominees) must be approved by Shareholders pursuant to Resolutions 3, 4 and 5 of the Notice, none of the remaining subscribers pursuant to the Second Placement will be related parties of the Company as defined by the Corporations Act 2001 and the ASX Listing Rules.

2.3 Requirements of the Corporations Act 2001 and the ASX Listing Rules

The legal requirements in respect of ASX Listing Rule 7.1 are set out above in section 1.3 of this Explanatory Statement.

The effect of Resolution 2 will be to allow the Directors to issue the Second Placement Shares pursuant to the Second Placement during the period of 3 months after the Meeting (or a longer period if allowed by the ASX) without using the Company's annual 15% placement capacity.

The following information is provided in accordance with ASX Listing Rule 7.3 to enable Shareholders to assess the merits of Resolution 2:

- (a) The maximum number of Shares to be issued by the Company pursuant to Resolution 2 is 190,000,000.
- (b) The Second Placement Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (c) The issue price of each Second Placement Share will be \$0.01.
- (d) The Second Placement Shares will be fully paid ordinary shares and will rank equally in all respects with the existing Shares of the Company on issue as at the date of the Notice.
- (e) It is intended that allotment of the Second Placement Shares will occur on the same date on which they are issued.
- (f) The Board will determine to whom the Second Placement Shares will be issued but these persons will not be related parties of the Company as defined by the Corporations Act 2001 and the ASX Listing Rules (other than those Second

Placement Shares issued to the Directors (or their nominees) in accordance with Resolutions 3, 4 and 5 of the Notice).

- (g) The Company intends to use the amounts raised from the Second Placement to retain and exploit its interest in its business in the ordinary course and to exploit complementary and any other business opportunities.

A more detailed outline of the proposed use of the funds raised from the Second Placement is outlined under the heading 'Use of Funds' in the Letter to Shareholders on page 4 of the Notice.

2.4 Effects of the Second Placement on Shareholding – Proposed Capital Structure of the Company

A pro-forma capital structure of the Company is provided in Annexure A assuming the approval by Shareholders of the Resolutions proposed by the Notice, that the conditions precedent of the Proposal are satisfied and that the Resolutions are implemented and the Proposal is completed on the terms proposed.

3. RESOLUTIONS 3, 4 and 5: Issue of First Placement Securities and Second Placement Shares to Related Parties of the Company – the Directors (the Related Party Placement)

3.1 Background to Resolutions 3, 4 and 5 and Shareholder Approval

Messrs Hugh Warner, Jonathan Pager and Michael Pollak (**the Directors**) were appointed by the Deed Administrators as Directors of the Company on 3 January 2012.

In accordance with section 228(2) of the Corporations Act 2001, the Directors are considered to be related parties of the Company. Accordingly, Resolutions 3, 4 and 5 are ordinary resolutions that seek Shareholder approval (subject to the passing of Resolutions 1 and 2 and Resolutions 6 to 9 (inclusive)) for the purposes of section 208 of the Corporations Act 2001 and ASX Listing Rule 10.11 for the Company to allot and issue the First Placement Securities and the Second Placement Shares detailed in the following table (collectively, **the Related Party Securities**) to the Directors (or their nominees) (**the Related Party Placement**) as the Related Party Placement constitutes giving a financial benefit to a related party of the Company.

Director	Maximum First Placement Shares (issue price \$0.0025)	Maximum First Placement Options (issue price \$0.000025)	Maximum Second Placement Shares (issue price \$0.01)
Mr Hugh Warner	32,000,000	18,000,000	40,000,000
Mr Jonathan Pager	32,000,000	18,000,000	25,000,000
Mr Michael Pollak	32,000,000	18,000,000	25,000,000

In addition, as a result of the Directors being issued the Related Party Securities, the Directors will (in aggregate) acquire a relevant interest in greater than 20% of the Company's Shares in the manner and for the reasons described in section 3.3(a) of this Explanatory Statement. Accordingly, Shareholder approval is also being sought under item 7 of section 611 of the Corporations Act 2001.

3.2 Shareholder approval – Section 208 of the Corporations Act 2001 and ASX Listing Rule 10.11

Section 228(2) of the Corporations Act 2001 provides that a director of a public company is a related party of the public company.

Section 208(1) of the Corporations Act 2001 provides that a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to that section applies or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

The issue of the Related Party Securities to the Directors (or their nominees) in accordance with the Proposal will constitute the provision of a financial benefit to related parties of the Company.

It is the view of the Directors that the exceptions under the Corporations Act 2001 to the provision of financial benefits to related parties may not apply in the current circumstances and so the Directors have determined to seek Shareholder approval to permit the issue of the Related Party Securities to the Directors (or their nominees).

ASX Listing Rule 10.11 provides that the issue of securities to a related party of the company is required to be approved by Shareholders.

The term "related party" is defined for the purposes of the ASX Listing Rules to include a related party within the meaning of section 228 of the Corporations Act 2001 and a

person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained.

As approval is being sought in respect of Resolutions 3, 4 and 5 pursuant to ASX Listing Rule 10.11, in accordance with exception 14 of ASX Listing Rule 7.2, Shareholder approval is not required under ASX Listing Rule 7.1. Notwithstanding this, as the Related Party Securities form part of the First Placement Securities and the Second Placement Shares (the issue of which are to be approved pursuant to Resolutions 1 and 2 of the Notice), Shareholder approval will be sought pursuant to ASX Listing Rule 7.1 for the issue of the Related Party Securities. Accordingly, the issue of Related Party Securities to the Directors (or their nominees) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The following information is provided in accordance with section 219 of the Corporations Act 2001 and ASX Listing Rule 10.13 to enable Shareholders to assess the merits of Resolutions 3, 4 and 5:

- (a) The Related Party Securities will be issued to each of the Directors (or their nominees) listed in the table in section 3.1 of this Explanatory Statement.
- (b) The maximum number of Related Party Securities (being the nature of the financial benefit to be provided) to be issued to the Directors (or their nominees) pursuant to Resolutions 3, 4 and 5 is set out in the table in section 3.1 of this Explanatory Statement.
- (c) The Related Party Securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

All Shares issued pursuant to the exercise of First Placement Options will be allotted within 10 Business Days after the exercise of the First Placement Options and the subsequent issue of the Shares.

- (d) The terms of each Related Party Security are as follows:
 - (i) The issue price of each First Placement Share will be \$0.0025 and the First Placement Shares to be issued to the Directors (or their nominees) will rank equally in all respects with the existing Shares of the Company on issue as at the date of the Notice.
 - (ii) The issue price of each First Placement Option will be \$0.000025 and each First Placement Option will be exercisable at \$0.015 on or before 30 June 2015.

The terms of the First Placement Options are summarised in Annexure B.

In addition, ASIC policy in relation to documents lodged under section 218 relating to the giving of financial benefits to related parties of public companies requires explanatory information regarding the value of the First Placement Options proposed to be issued. Accordingly, Shareholders are referred to the IER contained in Annexure C which provides explanatory information regarding the value of the First Placement Options.

- (iii) The issue price of each Second Placement Share will be \$0.01 and the Second Placement Shares to be issued to the Directors (or their nominees) will rank equally in all respects with the existing Shares of the Company on issue as at the date of the Notice.
- (e) As at the date of the Notice, the Directors of the Company have no interest (either directly or indirectly) in the Securities of the Company.

- (f) If Shareholders approve the issue of the Related Party Securities, the maximum percentage of Shares that the Directors (or their nominees) will be entitled to and the voting power of the Directors (or their nominees) assuming that all the Resolutions contemplated by this Notice are passed and implemented, that no other Shares are issued by the Company and that no Options are exercised (including the First Placement Options) has been outlined in Annexure A. Annexure A also sets out the dilutionary effect of the issue of the First Placement Securities as a whole, including in the circumstance where the First Placement Options are exercised.
- (g) The Directors have not received any remuneration and/or emoluments from the Company during either the current or previous financial year.
- (h) Assuming Shareholder approval of Resolutions 3, 4 and 5, a maximum of \$1,141,350 will be raised from the Directors (or their nominees), being approximately 53.05% of the total funds raised from the Capital Raising.

A pro-forma capital structure of the Company is provided in Annexure A assuming the approval by Shareholders of the Resolutions proposed by the Notice, that the conditions precedent of the Proposal are satisfied and that the Resolutions are implemented and the Proposal is completed on the terms proposed.

The Company intends to use the amounts raised from the Capital Raising to retain and exploit its interest in its business in the ordinary course and to exploit complementary and any other business opportunities. A more detailed outline of the proposed use of the funds raised from the Capital Raising is outlined under the heading 'Use of Funds' in the Letter to Shareholders on page 4 of the Notice.

- (i) In the 12 months before the date of the Notice, the highest, lowest and last trading prices of the Shares of the Company on the ASX are as set out below.

	Date	Price
Highest	19 January 2011	\$0.295
Lowest	11 February 2011	\$0.140
Last Trading Price	21 February 2011	\$0.145

The Directors note that the Company's Shares were suspended from trading on the ASX on 21 February 2011.

- (j) The Directors do not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company through issuing the Related Party Securities to the Directors on the terms proposed.
- (k) Each of the Directors have a material personal interest in the outcome of Resolutions 3, 4 and 5 as they (or their nominees) will be issued the Related Party Securities.
- (l) A voting exclusion statement is included in the Notice.

The Directors believe that there is no other information that is reasonably required by Shareholders to make a decision on whether or not to pass Resolutions 3, 4 and 5 that is not otherwise provided in the Notice, this Explanatory Statement and the IER.

3.3 Shareholder Approval - Item 7 of section 611 of the Corporations Act 2001

The following information is required to be provided to Shareholders under the Corporations Act 2001 and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval for item 7 of section 611 of the Corporations Act 2001 for Resolutions 3, 4 and 5. Shareholders are also referred to the IER contained in Annexure C.

(a) The reason why approval under item 7 of section 611 of the Corporations Act 2001 is required:

Section 606(1) of the Corporations Act 2001 states that a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act 2001. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

Pursuant to section 12(2) of the Corporations Act 2001, a person (**the second person**) will be an 'associate' of the other person (**the primary person**) if, and only if, one or more of the following paragraphs applies:

- (a) the primary person is a body corporate and the second person is:
 - (i) a body corporate the primary person controls; or
 - (ii) a body corporate that controls the primary person; or
 - (iii) a body corporate that is controlled by an entity that controls the primary person;
- (b) the second person is a person with whom the primary person has, or proposes to enter into, a relevant agreement for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs;
- (c) the second person is a person with whom the primary person is acting, or proposed to act, in concert in relation to the company's affairs.

Pursuant to section 608 of the Corporations Act 2001, a person has a relevant interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Item 7 of section 611 of the Corporations Act 2001 provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under item 7 of the section 611 of the Corporations Act 2001 for the proposed issue of the Related Party Securities to the Directors is required because

Mr Jonathan Pager is a related party of Pager Partners and the remaining Directors are arguably acting in concert with Pager Partners in relation to the First Placement and the Second Placement.

Following completion of the First Placement and the Second Placement, the Directors will no longer be acting in concert, however for the present purposes of the approvals required under Resolutions 3, 4 and 5, it is arguable that their interests should be aggregated.

Accordingly, the Directors' relevant interest in the Company after implementation of all the Resolutions (when aggregated) will exceed 20% of the total issued capital of the Company.

(b) Relevant interests and voting power:

The table in Annexure A shows the maximum percentage of Shares that the Directors (or their nominees) will be entitled to and the voting power of the Directors (or their nominees) after the implementation of the Resolutions contained in the Notice.

As at the date of the Notice, the Directors of the Company have no interest (either directly or indirectly) in the Securities of the Company.

For the purpose of item 7 of section 611 of the Corporations Act 2001, each Director is deemed to hold a relevant interest in each other Director's Shares. Accordingly, assuming that the Resolutions contemplated by the Notice are passed and implemented, that no other Shares are issued by the Company and that no Options are exercised other than the First Placement Options held by the Directors:

- (i) The maximum combined number of Shares that the Directors will hold is 240,000,000 Shares.
- (ii) The maximum combined voting power that the Directors will hold will increase from 0% of the total issued capital of the Company to approximately 54.68% of the total issued capital of the Company.

(c) Directors' Intentions:

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the Directors:

- (i) have no intention of making any significant changes to the Company's business, however it is intended the Company will consider new opportunities as and when they may arise. If the Company identifies new businesses or assets for acquisition, the ASX may require the Company to seek Shareholder approval pursuant to ASX Listing Rule 11.1.2, which concerns changes in the nature or scale of activities conducted by listed entities. In addition, the ASX may require the Company to meet the requirements under Chapters 1 and 2 of the ASX Listing Rules, as if the Company was applying for admission to the Official List
- (ii) do not presently intend to re-deploy any fixed assets of the Company;
- (iii) do not have any present intention to inject further capital into the Company;
- (iv) do not intend to transfer any property between the Company or any person associated with it; and

(v) have no current intention to change the Company's existing policies in relation to financial matters.

(d) Effects of the Related Party Placement on Shareholding – Proposed Capital Structure of the Company:

A pro-forma capital structure of the Company is provided in Annexure A assuming the approval by Shareholders of the Resolutions proposed by the Notice, that the conditions precedent of the Proposal are satisfied and that the Resolutions are implemented and the Proposal is completed on the terms proposed.

(e) Identity, associations and qualifications of the Directors:

The experience and qualifications of the Directors are set out in sections 4.3, 4.4 and 4.5 of this Explanatory Statement.

3.4 The Independent Expert's Report

The ASX Listing Rules and the Corporations Act 2001 provides that an independent expert's report on the transaction must be provided to Shareholders (**the IER**). The IER provides an opinion as to whether the acquisition of the voting power referred to in this section by the Directors is fair and reasonable to the non-associated Shareholders of the Company.

Accordingly, the Board has appointed Stantons to produce the IER as an independent expert. The IER is enclosed with the Notice and this Explanatory Statement and can be found in Annexure C.

Stantons has concluded that the acquisition of the voting power by the Directors **is fair and reasonable to Shareholders of the Company**.

The advantages and disadvantages of the acquisition of the voting power by the Directors are outlined in the IER and are provided to enable non-associated Shareholders of the Company to determine whether they are better off if the acquisition of the voting power proceeds than if it does not.

Shareholders are urged to carefully read the IER in deciding how to vote on Resolutions 3, 4 and 5.

4. RESOLUTIONS 6, 7 and 8: Re-election of Directors – Messrs Hugh Warner, Jonathan Pager and Michael Pollak

4.1 Background to Resolutions 6, 7 and 8

It is a condition precedent of the Proposal that the directors of the Company at the time the DOCA was executed (being, Mr Kenneth Fitzgerald and Ms Julie Glanville) resign as directors of the Company on or before the Meeting, and that Messrs Hugh Warner, Jonathan Pager and Michael Pollak be appointed to the Board as the new Directors of the Company.

Accordingly, the Deed Administrators appointed Messrs Hugh Warner, Jonathan Pager and Michael Pollak as Directors of the Company on 3 January 2012, and Mr Kenneth Fitzgerald and Ms Julie Glanville resigned as directors of the Company on 3 January 2012.

In accordance with the Corporations Act 2001, the ASX Listing Rules and the Constitution of the Company, Messrs Hugh Warner, Jonathan Pager and Michael Pollak are retiring as Directors of the Company, and seek re-election as Directors of the Company.

4.2 Shareholder Approval

Subject to the passing of Resolutions 1 to 5 (inclusive) and Resolution 9, Resolutions 6, 7 and 8 seek to re-elect Messrs Hugh Warner, Jonathan Pager and Michael Pollak as Directors of the Company.

Set out below is a summary of the background of Messrs Hugh Warner, Jonathan Pager and Michael Pollak as well as a disclosure of their interest in the total issued capital of the Company as at the date of the Notice.

4.3 Curriculum Vitae of Mr Hugh Warner

Pursuant to Resolution 6, Mr Hugh Warner seeks re-election as a Director, effective immediately.

Mr Warner holds a Bachelor of Economics from the University of Western Australia. He has a broad experience as a public company director having been a director of more than 20 publicly listed companies involved in the mining, oil and gas, biotechnology and service industries. Mr Warner is currently the Chairman of Modun Resources Ltd, Chairman of TPL Corporation Ltd, a Director of PLD Corporation Ltd and a Director of Frigrite Limited (Subject to Deed of Company Arrangement) a company he is in the process of recapitalising, all of which are listed on the ASX.

As at the date of the Notice, Mr Hugh Warner has no interest (either directly or indirectly) in the Securities of the Company.

4.4 Curriculum Vitae of Mr Jonathan Pager

Pursuant to Resolution 7, Mr Jonathan Pager seeks re-election as a Director, effective immediately.

Mr Pager has over 18 years' experience as a management consultant across a wide range of industries in Australia and overseas, and is currently Managing Director of Pager Partners Business Consultants and Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. Jonathan has recapitalised several ASX-listed companies and is currently a Director of PLD Corporation Ltd and Frigrite Limited (Subject to Deed of Company Arrangement), a company he is in the process of recapitalising, both of which are listed on the ASX. He was previously a director of both TPL Corporation Ltd and Modun Resources Ltd.

As at the date of the Notice, Mr Jonathan Pager has no interest (either directly or indirectly) in the Securities of the Company.

4.5 Curriculum Vitae of Mr Michael Pollak

Pursuant to Resolution 8, Mr Michael Pollak seeks re-election as a Director, effective immediately.

Mr Pollak holds a bachelor of Commerce, is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers 15 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Michael has been involved in the recapitalisation of a number of ASX-listed companies. Mr Pollak is currently a Director of PLD Corporation Ltd and Frigrite Limited (Subject to Deed of Company Arrangement), a company he is in the process of recapitalising, both of which are listed on the ASX.

As at the date of the Notice, Mr Michael Pollak has no interest (either directly or indirectly) in the Securities of the Company.

5. RESOLUTION 9: Section 195 approval

5.1 Background to Resolution 9

Approval of Resolutions 3, 4 and 5 may result in the Directors having a “material personal interest” in the recapitalisation and other matters referred to in the Notice. In the absence of this Resolution 9, the Directors may not be able to form a quorum at any meetings necessary to carry out the transactions contemplated by the Notice.

5.2 Shareholder Approval

Resolution 9 is an ordinary resolution that seeks Shareholder approval (subject to the passing of Resolutions 1 to 8 (inclusive)) in accordance with section 195(4) of the Corporations Act 2001 to enable the Company to complete the transactions contemplated in the Notice.

5.3 Requirements of the Corporations Act 2001

Section 195(1) of the Corporations Act 2001 provides that a director of a public company who has a material personal interest in a matter that is being considered at a directors’ meeting must not:

- (a) be present while the matter is being considered at the meeting; or
- (b) vote on the matter.

However, section 195(4) of the Corporations Act 2001 provides that if there are not enough directors to form a quorum for a directors’ meeting because of subsection (1), 1 or more of the directors (including those who have a material personal interest in that matter) may call a general meeting and the general meeting may pass a resolution to deal with the matter.

6. RESOLUTION 10: Adoption of new company constitution

6.1 Shareholder Approval

Resolution 10 is a **special resolution** that proposes the adoption of a new constitution for the Company in lieu of the existing constitution of the Company.

6.2 Requirements of the Corporations Act 2001 and the ASX Listing Rules

Section 136(2) of the Corporations Act 2001 states that a Company may modify or repeal its constitution, or a provision of its constitution, by special resolution.

The new constitution is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act 2001 and the ASX Listing Rules.

The new constitution is broadly consistent with the provisions of the existing Constitution of the Company. Many of the proposed changes are administrative or minor in nature, including but not limited to:

- (a) updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd and ASTC Settlement Rules); and
- (b) expressly providing for statutory rights by mirroring these rights in provisions of the proposed constitution.

It is not practicable to list all of the changes to the Constitution of the Company in this Explanatory Statement and Shareholders are invited to contact the Company if they have any queries or concerns. For this purpose, a copy of the proposed constitution is available for review by Shareholders at the Meeting or at the office of the Company.

7. RESOLUTION 11: Change of company name

7.1 Background to Resolution 11

Pursuant to section 157(1) of the Corporations Act 2001, Resolution 11 is a **special resolution** which seeks the approval of Shareholders for the Company to change its name to "Prospect Resources Limited".

7.2 Reasons for the change of company name

The Directors believe that this new name is more appropriate for the Company.

This change in the name of the Company will not, in itself, affect the legal status of the Company or any of its assets or liabilities.

7.3 Requirements of the Corporations Act 2001

Section 157(1) of the Corporations Act 2001 requires, amongst other actions, a company to pass a special resolution adopting a new name if it wants to change its name.

The Company will make an application to ASIC for the change of name. The new name will take effect upon a new certificate of registration being issued.

8. GLOSSARY

In this Explanatory Statement the following terms have the meaning set out below:

ACN	Australian Company Number.
ASIC	The Australian Securities and Investments Commission.
The ASX	ASX Limited (ACN 008 624 691) and the financial market that it operates of 20 Bridge Street, Sydney, NSW 2000
The ASX Listing Rules	The official listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the Official List of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.
The Capital Raising	The First Placement and the Second Placement.
The Company	Ethan Minerals Limited (ACN 124 354 329) (subject to Deed of Company Arrangement) of Suite 24, 443 Albany Highway, Victoria Park WA 6100.
The Constitution of the Company	The constitution of the Company as at the date of the Notice.
The Corporations Act 2001	The Corporations Act 2001 (Commonwealth) as amended or replaced from time to time.
The Corporations Regulations 2001	The Corporations Regulations 2001 (Commonwealth) as amended or replaced from time to time.
Creditors	The creditors of the Company as at the date of the Notice.
The Creditors Trust	The trust to be established in accordance with the terms of the Proposal and the DOCA for the purposes of satisfying approved Creditors' claims.
The Deed Administrators	Bradley Tonks and John Vouris of Lawler Partners.
The Directors	The directors of the Company as at the date of the Notice, being Messrs Hugh Warner, Jonathan Pager and Michael Pollak.
The DOCA	The deed of company arrangement entered into by the Company on 25 November 2011 in order to effect the terms of the Proposal.
The Entitlement Time	7.00pm (WST) on 26 February 2012.
The Existing Shareholders	The persons or companies registered in the register of Shareholders of the Company as the holder of one or more Shares as at the Entitlement Time.
The Explanatory Statement	The Explanatory Statement accompanying the Notice.
The First Placement	The issue of the First Placement Securities to the Syndicate (or its nominees) as proposed by Resolution 1 of the Notice and described in section 1 of the Explanatory Statement.
The First Placement Securities	The First Placement Shares and the First Placement Options.
First Placement Shareholder(s)	A person or entity whom subscribes for, is issued and is registered in the register of Shareholders of the Company as the holder of one or more First Placement Shares under the First Placement.
The First Placement Shares	The 100,000,000 Shares to be issued to the Syndicate (or its nominees) at an issue price of \$0.0025 per Share under the First Placement.

The First Placement Options	The 60,000,000 Options to be granted to the Syndicate (or its nominees) at an issue price of \$0.000025 per Option and exercisable at \$0.015 per Option on or before 30 June 2015 under the First Placement.
The IER	The Independent Expert's Report prepared by Stantons and contained in Annexure C of the Notice and Explanatory Statement.
Lawler Partners	Lawler Partners of Level 9, 1 O'Connell Street, Sydney NSW 2000.
The Meeting	The Extraordinary General Meeting of the Company to be held at 2:00pm (WST) on 28 February 2012 at The University Club of Western Australia, Hackett Drive, Crawley WA 6009 (Entrance No.1, Carpark No.3).
The Notice	The notice convening the Meeting.
Option(s)	An option to subscribe for one (1) Share in the Company.
Optionholder(s)	A holder of one or more Options as at the Entitlement Time.
Pager Partners	Pager Partners Corporate Advisory Pty Ltd (ACN 123 845 401) as trustee for the Pager Partners Investment Trust of 58 Oceanview Avenue, Vaucluse in the State of New South Wales.
The Proposal	The proposal of the Syndicate for the restructure and recapitalisation of the Company as contemplated by the Resolutions proposed by the Notice and effected in the DOCA.
The Resolutions	Resolutions 1 to 11 (inclusive) as set out in the Notice and described in the Explanatory Statement.
The Second Placement	The issue of the Second Placement Shares as proposed by Resolution 2 of the Notice and described in section 2 of the Explanatory Statement.
Second Placement Shareholder(s)	A person or entity whom subscribes for, is issued and is registered in the register of Shareholders of the Company as the holder of one or more Second Placement Shares under the Second Placement.
The Second Placement Shares	The 190,000,000 Shares to be issued by the Company at an issue price of \$0.01 per Share under the Second Placement.
Securityholder	A Shareholder and/or Optionholder.
Share(s)	A fully paid ordinary share in the capital of the Company.
Shareholder(s)	A person or company registered in the register of Shareholders of the Company as the holder of one or more Shares as at the Entitlement Time.
Stantons	Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities of Level 1, Havelock Street, West Perth in the State of Western Australia.
Subsidiaries	PT Ethan Mining Celebes and Allegra Mining Zambia Ltd.
The Syndicate	The syndicate headed by Pager Partners.
The Related Party Placement	The issue of the Related Party Securities to the Directors (or their nominees) as proposed by Resolutions 3, 4 and 5 of the Notice and described in section 3 of the Explanatory Statement and in the IER.
The Related Party Securities	Up to 96,000,000 First Placement Shares, up to 54,000,000 First Placement Options and up to 90,000,000 Second Placement Shares proposed to be issued to the Directors (or their nominees)

	under the Related Party Placement.
Unlisted Options	The 12,349,000 Options on issue in the Company as at the date of the Notice.
WST	Western Standard Time.

PROXY FORM

ETHAN MINERALS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 124 354 329

EXTRAORDINARY GENERAL MEETING

1. Appointment of Proxy

I/We

of

being a member of Ethan Minerals Limited (Subject to Deed of Company Arrangement) entitled to attend and vote at the Extraordinary General Meeting to be held at 2:00pm (WST) on 28 February 2012 at The University Club of Western Australia, Hackett Drive, Crawley WA 6009 (Entrance No.1, Carpark No.3), and at any adjournment thereof (**the Meeting**), hereby

Appoint

OR

the Chair of the Meeting (**the Chair**) as your proxy

or failing the person so named or, if no person is named, the Chair of the Meeting, or the Chair's nominee, to vote in accordance with the following Direction to Vote, at the Meeting, and at any adjournment thereof.

2. Direction to Vote

You may direct your Proxy (which may be the Chair, if so appointed) on how to vote on Resolutions 1 to 11 (inclusive) by marking one of the boxes with an "X" for each Resolution. If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If the Chair is appointed as your proxy and no specific direction is given, you acknowledge that the Chair will exercise your proxy in favour of all the Resolutions, even if the Chair has an interest in the outcome of any of the Resolutions.

Voting Directions on Items of Business of the Meeting

	For	Against	Abstain
Resolution 1: Issue of the First Placement Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: Issue of the Second Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3: Issue of First Placement Securities and Second Placement Shares to Mr Hugh Warner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4: Issue of First Placement Securities and Second Placement Shares to Mr Jonathan Pager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5: Issue of First Placement Securities and Second Placement Shares to Mr Michael Pollak	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6: Re-election of Mr Hugh Warner as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: Re-election of Mr Jonathan Pager as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8: Re-election of Mr Michael Pollak as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9: Section 195 Approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10: Adoption of new company constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11: Change of company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Member(s):

Date: _____ 2011

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____

Contact Ph (daytime): _____

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the Meeting is advised:
 - they are entitled to appoint a proxy to attend and vote at the Meeting on their behalf;
 - a duly appointed proxy need not be a member of the Company; and
 - a member entitled to attend and cast two or more votes at the Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf.

(Appointment of the Chair as Proxy): A member may appoint the Chair as their proxy by marking the box at the beginning of the Proxy Form. If the Chair is appointed, a member may direct how the Chair is to vote by marking one of the boxes opposite each item of business, and they must vote as directed. If the appointed Proxy is the Chair and the member does not direct the Chair how they are to vote, the member will be taken to have directed the Chair to vote in favour of all the Resolutions, even if the Chair has an interest in the outcome of any of the Resolutions. By failing to nominate a proxy, a member will be taken to have appointed the Chair as their proxy and to have directed the Chair to vote in favour of all the Resolutions, even if the Chair has an interest in the outcome of any of the Resolutions.

(Appointment of a Third Party as Proxy): If the person to be appointed as a proxy is someone other than the Chair, that person's name or name of the office of that person must be written in the specified box on the Proxy Form. If this box is left blank, or the named proxy does not attend the Meeting, the Chair will be the member's proxy and the member will be taken to have directed the Chair to vote in favour of all the Resolutions, even if the Chair has an interest in the outcome of any of the Resolutions.

(Appointment of a Second Proxy): The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

(Direction to Vote): A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked, the proxy may vote as they choose. If a member wishes to apportion their voting rights, they may do so by inserting a percentage or number of securities they wish to vote in the 'For', 'Against' or 'Abstain' boxes. The sum of the votes cast must not exceed their voting entitlement or 100%. If a person appointed as a proxy for a member who is entitled to vote (and such proxy is not chairing the Meeting) abstains from voting and the directions on the Proxy Form require that person to vote, the votes not exercised by that person will be given to the Chair to vote in accordance with the directions on the Proxy Form, even if the Chair has an interest in the outcome of any of the Resolutions.
2. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Company or registry (as the circumstances require) with a Power of Attorney, please attach a certified photocopy of the Power of Attorney to the Proxy Form when it is returned.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
3. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Meeting.
4. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return:
 - **(by post):** to Ethan Minerals Limited (Subject to Deed of Company Arrangement), PO Box 1273, Subiaco, Western Australia, 6904.
 - **(by facsimile):** to Mr Neil Hackett on fax number (61 8) 9388 3006; or
 - **(by email):** to Mr Neil Hackett at email Neil.Hackett@optusnet.com.au,so that it is received at least 48 hours before the Meeting.

Proxy forms received later than this time will be invalid

Annexure A - Pro-Forma Capital Structure

Related Party	Issued Shares as at the date of this Notice of Meeting	First Placement Shares to be issued	Second Placement Shares to be issued	Total Shares issued	Dilutionary effect upon issue of First Placement Shares and Second Placement Shares (undiluted)	Granted Options as at the date of this Notice of Meeting	First Placement Options to be granted	Issued Shares upon issue of Second Placement Shares and issue of First Placement Securities (fully diluted)	Dilutionary effect upon issue of First Placement Securities (fully diluted) and issue of Second Placement Shares ³
Hugh Warner	0	32,000,000	40,000,000	72,000,000	19.32%	0	18,000,000	90,000,000	20.23%
Jonathan Pager	0	32,000,000	25,000,000	57,000,000	15.30%	0	18,000,000	75,000,000	16.86%
Michael Pollak	0	32,000,000	25,000,000	57,000,000	15.30%	0	18,000,000	75,000,000	16.86%
Total Related Party Interest	0	96,000,000	90,000,000	186,000,000	49.92%	0	54,000,000	240,000,000	53.94%
Other Shareholders	0	4,000,000	100,000,000	104,000,000	27.91%	0	6,000,000	110,000,000	24.72%
Existing Shareholders	82,593,287	0		82,593,287	22.17%	12,349,000	0	94,942,287	21.34%
Total Shareholders	82,593,287	100,000,000	190,000,000	372,593,287	100.0%	12,349,000	60,000,000	444,942,287	100.0%

Annexure B – Terms of the First Placement Options

The Options entitle the Optionholder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one (1) Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with these terms and conditions.
- (b) The Options will expire at 5:00pm (AEST) on 30 June 2015 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.015 (**Exercise Price**).
- (d) The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
- (e) Optionholders may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are freely transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of the Optionholders are to be changed in a manner consistent with the Corporations Act 2001 and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give the Optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.
- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

Annexure C – Independent Expert’s Report

9 January 2012

Ethan Minerals Limited
(Subject to Deed of Company Arrangement)
C/- Pager Partners Corporate Advisory Pty Ltd
PO Box 96
ROSE BAY NSW 2029

Dear Sirs

RE: ETHAN MINERALS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (ACN 124 354 329) MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT ("TCA") AND AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE 10.11

1. Introduction

1.1 We have been requested by Pager Partners Corporate Advisory Pty Ltd as trustee for the Pager Partners Investment Trust ("Pager Partners") to prepare an independent expert's report to determine the fairness and reasonableness of the transactions referred to in Resolutions 3, 4 and 5 as detailed in the Notice of Meeting ("the Notice") to Ethan Minerals Limited's (Subject to a Deed of Company Arrangement) ("Ethan" or "the Company") shareholders to be issued in January 2012. On 1 July 2011 Bradley Tonks and John Vouris of Lawler Partners were appointed as Joint and Several Administrators ("Administrators") of the Company and on 25 November 2011 a Deed of Company Arrangement ("DOCA") was executed between the Administrators, the Company and Pager Partners. The creditors of the Company have agreed to a proposal by Pager Partners for the restructure and recapitalisation of the Company ("Recapitalisation Proposal"). The Recapitalisation Proposal requires and is subject to various approvals being obtained from the shareholders of the Company and accordingly the directors have called for an Extraordinary General Meeting of the Company ("Meeting"). Pager Partners via Messrs Hugh Warner ("Warner"), Jonathan Pager ("Pager") and Michael Pollak ("Pollak") or entities associated with each of these individuals ("the Syndicate") has provided the funding to meet the costs associated with the Notice and funding to meet certain on-going costs of Ethan. Nominees of Pager Partners, being Messrs Warner, Pager and Pollak were appointed by the Deed Administrators as directors of Ethan on 3 January 2012 following the resignation of the former directors. Messrs Warner, Pager and Pollak are seeking re-election as directors of the Company following shareholder approval at the forthcoming Meeting that is expected to occur in February 2012.

Resolution 1 relates to the proposal for the Company to allot and issue up to 100,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.25 cents per ordinary share pursuant to a prospectus to raise up to \$250,000 ("First Placement Shares") and the issue of 60,000,000 share options at an issue price of 0.0025 cents per option for a total consideration of \$1,500 with each option exercisable at 1.5 cents each, on or before 30 June 2015 ("First Placement Options"). The First Placement Shares and the First Placement Options are together referred to as the First Placement Securities in this report.

Resolution 2 relates to the proposal to allot and issue up to 190,000,000 fully paid ordinary shares in the Company at an issue price of 1.0 cent per ordinary share pursuant to a prospectus to raise up to \$1,900,000 (“Second Placement Shares”).

Resolution 3 relates to the proposal for the Company to allot and issue up to 32,000,000 First Placement Shares, up to 18,000,000 First Placement Options and up to 40,000,000 Second Placement Shares to Warner (or his nominees).

Resolution 4 relates to the proposal for the Company to allot and issue up to 32,000,000 First Placement Shares, up to 18,000,000 First Placement Options and up to 25,000,000 Second Placement Shares to Pager (or his nominees).

Resolution 5 relates to the proposal for the Company to allot and issue up to 32,000,000 First Placement Shares, up to 18,000,000 First Placement Options and up to 25,000,000 Second Placement Shares to Pollak (or his nominees).

The recipients of such shares and share options may be nominees of the current directors appointed on 3 January 2012. Further details are noted below and in the Explanatory Statement to Shareholders of Ethan attached to the Notice.

- 1.2 On 21 February 2011, the securities in Ethan were suspended from quotation on the Official List of the ASX pending an announcement. On 4 July 2011 the Company announced that Bradley Tonks and John Vouris were appointed Joint and Several Administrators of the Company. At a second meeting of creditors held on 4 November 2011 the creditors approved a proposal to recapitalise the Company and on 25 November 2011 a Deed of Company Arrangement (“DOCA”) was executed between the Administrators, the Company and Pager Partners. Bradley Tonks and John Vouris were subsequently appointed Joint and Several Deed Administrators (“Deed Administrators”) of the Company. Under the Recapitalisation Proposal and the DOCA, \$950,000 will be made available to pay the Deed Administrators and to the creditors to meet the terms of the Recapitalisation Proposal and the DOCA.

Further background information is set out in the Letter to Shareholders forming part of the Notice and the Explanatory Statement to Shareholders.

- 1.3 Pager Partners via the Syndicate has provided the funding to meet the costs associated with the Notice and funding to meet certain costs of Ethan. As part of the DOCA, and Recapitalisation Proposal put forward by Pager Partners, the shareholders are being asked to approve the following:
- (a) the issue and allotment of up to 100,000,000 shares at an issue price of 0.25 cents per share to raise up to \$250,000 for working capital and the issue of up to 60,000,000 share options at 0.0025 cents per share option for a total consideration of \$1,500 with each option exercisable at 1.5 cents each on or before 30 June 2015. The 100,000,000 shares and the 60,000,000 share options will be issued pursuant to a prospectus. The Board will determine to whom the shares and share options will be issued but these persons will not be related parties of the Company as defined by TCA other than those First Placement Securities issued to the current directors (or their nominees) in accordance with resolutions 3, 4 and 5 of the Notice (Resolution 1);
 - (b) the issue and allotment of up to 190,000,000 shares at an issue price of 1.0 cent per share to raise up to \$1,900,000 for working capital. The 190,000,000 shares will be issued pursuant to a prospectus. The Board will determine to whom the shares will be issued but these persons will not be related parties of the Company as defined by TCA other than those Second Placement Shares issued to the current directors (or their nominees) in accordance with resolutions 3, 4 and 5 of the Notice (Resolution 2);

- (c) allowing those parties (Messrs Warner, Pager and Pollak and/or their nominees) to acquire a relevant interest in up to 96,000,000 First Placement Shares (up to 32,000,000 to each of Messrs Warner, Pager and Pollak or their nominees), up to 54,000,000 First Placement Options (up to 18,000,000 to each of Messrs Warner, Pager and Pollak or their nominees) and up to 90,000,000 Second Placement Shares (up to 40,000,000 to Warner and up to 25,000,000 to each of Messrs Pager and Pollak or their nominees) (Resolutions 3, 4 and 5);
- (d) the re-election of Warner (Resolution 6), Pager (Resolution 7) and Pollak (Resolution 8) as directors of the Company;
- (e) obtaining Section 195 (of the TCA) approval to allow the completion of all of the proposals included in the Notice (Resolution 9);
- (f) the adoption of a new Constitution (Resolution 10); and
- (g) change the name of the Company to Prospect Resources Limited (Resolution 11).

The Syndicate collectively will pay \$950,000 to the Deed Administrators who will transfer the funds to the Trustees of the Creditors Trust in satisfaction of the DOCA and will be repaid out of the capital raisings noted in Resolutions 1 and 2. On completion of the Recapitalisation Proposal, there will be no residual creditors of the Company or potential recovery from former creditors against the Company.

- 1.4 For the purposes of Chapter 2E of the TCA, Warner, Pager and Pollak are each a related party of the Company by virtue of the fact that they are directors of Ethan and are Syndicate members. Pager is a director of Pager Partners and the only shareholder of Pager Partners.
- 1.5 Upon fulfilment of the terms of the DOCA all creditors' claims will be extinguished against the Company. Furthermore, upon successful completion of the DOCA, the Company will:
- be released from the DOCA;
 - apply to be quoted on the ASX;
 - have approximately a minimum of \$1,121,500 cash funds after recapitalisation costs but before any capital raising costs and spending funds on the Ethan activities as referred to in paragraph 3.3 below; and
 - have an interest in various tenements as referred to in paragraph 3.3 below.
- 1.6 There are eight other Resolutions (Resolutions 1 and 2 and 6 to 11) being put to the shareholders of Ethan. We are not reporting on the fairness and reasonableness of such Resolutions. This report specifically addresses Resolutions 3, 4 and 5 only. However, we note that all of the other Resolutions are all part of the recapitalisation process of Ethan and Resolutions 1 to 9 are interdependent upon each other.
- 1.7 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.8 Following the consummation of the Resolutions relating to the share structure of the Company, the following table depicts the new share structure of the Company. In addition, paragraph 3.1 refers to the shareholding details if all Resolutions are passed and consummated. Annexure A of the Explanatory Statement to the Notice also refers to the shareholder interests following the passing and consummation of the Resolutions.

	Existing shareholders and option holders	Maximum No. of First Placement Shares and Options to be issued pursuant to Resolutions 1, 3, 4 and 5)	Maximum No. of Second Placement Shares to be issued pursuant to Resolutions 2, 3, 4 and 5)	Total
Existing shareholders	82,593,287	-	-	82,593,287
Warner	-	32,000,000	40,000,000	72,000,000
Pager	-	32,000,000	25,000,000	57,000,000
Pollak	-	32,000,000	25,000,000	57,000,000
Total of the Syndicate	-	96,000,000	90,000,000	186,000,000
Unrelated investors nominated by the Syndicate	-	4,000,000	100,000,000	104,000,000
Total Shares	82,593,287	100,000,000	190,000,000	372,593,287
First Placement Options				
Warner	-	18,000,000	-	18,000,000
Pager	-	18,000,000	-	18,000,000
Pollak	-	18,000,000	-	18,000,000
Unrelated investors nominated by the Syndicate	-	6,000,000	-	6,000,000
Total First Placement Options	-	60,000,000	-	60,000,000
Total Shares and First Placement Options	82,593,287	160,000,000	190,000,000	432,593,287
Existing Options	12,349,000	-	-	12,349,000
Total Existing and First Placement Options	12,349,000	60,000,000	-	72,349,000
TOTAL SHARES AND OPTIONS	94,942,287	160,000,000	190,000,000	444,942,287

- 1.9 Messrs Warner, Pager and Pollack currently do not own any shares or share options in the Company.
- 1.10 We have been advised that there are currently 12,349,000 share options outstanding comprising 9,701,500 share options exercisable at 20 cents each and expiring on 18 October 2012, 647,500 share options exercisable at 20 cents each and expiring on 5 November 2013, and 2,000,000 share options exercisable at 23 cents each and expiring on 30 July 2012.

The fully paid ordinary shareholding interests of the Syndicate if it is assumed that 100,000,000 First Placement Shares will be issued pursuant to Resolution 1 and 190,000,000 Second Placement Shares will be issued pursuant to Resolution 2 would be as follows:

	Ignoring Options %	Including Options Exercised by Related Parties %
Warner	19.32	20.80
Pager	15.30	17.34
Pollak	15.30	17.34
The Syndicate	49.92	55.48
Third Parties to be Nominated by the Syndicate and pursuant to a prospectus	27.91	25.43
	<u>77.83</u>	<u>80.91</u>

The total number of fully paid ordinary shares on issue would be 372,593,287 (before exercise of the existing 12,349,000 share options and the 60,000,000 First Placement Options) and 444,942,287 (after the exercise of the existing 12,349,000 share options and the 60,000,000 First Placement Options). As noted in paragraph 1.10 above, of the existing 12,349,000 share options outstanding, 10,349,000 share options are exercisable at 20 cents each and 2,000,000 share options are exercisable at 23 cents each and all are therefore well out of the money. It is assumed that all these 12,349,000 existing share options on issue will expire unexercised or will not be exercised before the relevant expiry dates (unless cancelled earlier) and thus the above percentages (Including Options), excludes the existing 12,349,000 share options.

The combined ordinary fully paid shareholder interests of the Syndicate would initially be a minimum of 49.92% and 55.48% if only the 60,000,000 First Placement Options were exercised (that is, no exercise of any existing share options).

Therefore, an independent expert's report pursuant to Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolutions 3, 4 and 5. Also, as Messrs Warner, Pager and Pollak are deemed by ASX Listing Rules to be related parties, shareholder approval under Listing Rule 10.11 is required. The Syndicate via Pager Partners has requested Stantons International Securities to prepare an independent expert's report to assist the shareholders of Ethan in determining as to whether they vote for or against Resolutions 3, 4 and 5 as outlined in the Notice. To determine our conclusion on such Resolutions, we have considered the fairness and reasonableness of Resolutions 1 and 2 as the shares and share options to be issued to the current directors are part of the First Placement Shares, Second Placement Shares and First Placement Options noted in Resolutions 1 and 2.

1.11 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of Ethan
- Basis of technical valuation of Ethan
- Premium for control
- Fairness and reasonableness of the proposals
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A and Financial Service Guide

2. Summary of Opinion

- 2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolutions 3, 4 and 5 we have had regard to the guidelines set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Guideline 111 “Content of Expert Reports”. Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair”, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Regulatory Statement 111 also provides that an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transactions proceeds compared with if they do not. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees.

Accordingly, our report relating to Resolutions 3, 4 and 5 is concerned firstly with the fairness and reasonableness of the proposals with respect to the existing non-associated shareholders of Ethan (not associated with the Syndicate) and secondly whether the price payable for potential control includes a premium for control.

2.2 In our opinion:

The proposals as outlined in Resolutions 3, 4 and 5 that would allow the Syndicate to acquire up to 96,000,000 First Placement Shares, up to 90,000,000 Second Placement Shares and up to 54,000,000 First Placement Options in Ethan (and allow such share options to be exercised) are, in the absence of a superior offer acceptable to the creditors and after taking into account the advantages, disadvantages and other factors noted in this report, on balance, fair and reasonable to the non-associated shareholders of Ethan.

The opinions expressed above are to be read in conjunction with the more detailed analysis and comments made in this report.

3. Implications of the Proposals

- 3.1 Prior to the appointment of the Deed Administrators, the total number of ordinary fully paid shares on issue in Ethan was 82,593,287 and Ethan had three classes of share options outstanding as noted above under paragraph 1.10. If all the Resolutions are consummated the Syndicate or nominated third parties who are issued shares under a prospectus could own approximately 77.83% of the ordinary fully paid share capital of the Company (as depicted in paragraph 1.10) prior to the exercise of the 60,000,000 First Placement Options (or any existing options). As the third parties nominated by the Syndicate (being issued shares under a prospectus) are only deemed under TCA to be related, the actual holding of the ordinary share capital of the Company by the Syndicate is up to approximately 49.92%. If the 60,000,000 First Placement Options proposed to be issued pursuant to Resolution 2 are exercised, then the Syndicate and nominated third parties who had been issued First Placement Options pursuant to a prospectus collectively will own approximately 80.91% of the ordinary

share capital of the Company and the Syndicate only would own up to approximately 55.48% (assumes no existing share options are exercised).

- 3.2 It is estimated that the cost of the reconstruction process (including legal fees, corporate fees, expert's report but excluding capital raising fees) will be around \$80,000. The Administrators and Deed Administrators remuneration and expenses are payable out of the \$950,000 to be lent to the Company by the Syndicate pursuant to the terms of the DOCA.
- 3.3 Following the consummation of all terms and conditions of the various Deeds and assuming all Resolutions are consummated Ethan's unaudited pro-forma Statement of Financial Position is expected to disclose:

	Notes	Summary of Report to Creditors and information provided by Deed Administrators \$	Pro-forma after capital raisings and completion of DOCA and Resolutions 1 to 11 \$
Current and Non Current Assets			
Cash assets	1	2,139	1,121,500
R&D net funds and other refund Northampton Tenements (refer below for details)		629,672	-
		-	260,000
Total Assets		631,811	1,381,500
Liabilities			
Priority employee entitlements		32,572	-
Creditors		755,486	-
Administrators and liquidators fees and costs		742,459	-
Total Current Liabilities		1,530,517	-
Net Assets (Liabilities)		(898,706)	-
Equity (not disclosed in Reports by the Administrators)			
Issued capital	2	Not ascertainable	Not ascertainable
Option reserve		Not ascertainable	Not ascertainable
Other reserves		Not ascertainable	Not ascertainable
Accumulated losses		Not ascertainable	Not ascertainable
Total Equity (Deficiency)		Not ascertainable	1,381,500

Total equity per share based on 82,593,287 shares on issue before issue of First and Second Placement Shares	nil cents
Total equity per share based on 372,593,287 shares on issue after issue of First and Second Placement Shares (approximately)	0.37 cents
Total equity per share based on 432,593,287 shares on issue after issue of First and Second Placement Shares, and issue and exercise of First Placement Options (approximately)	0.53 cents
Net cash per share based on 372,593,287 shares on issue after issue of First and Second Placement Shares (approximately)	0.30 cents

The Deed Administrators also consider that, in the absence of Ethan being recapitalised under a DOCA proposal, the likely value of an Ethan share is nil as the creditors of Ethan would not be paid out in full as the Company is currently insolvent. **In view of the above, it is reasonable to assume that the value of an Ethan share prior to the recapitalisation proposal put forward by Pager Partners on behalf of the Syndicate is nil.**

1. The movement in the cash assets is reconciled as follows:

Note	\$
Cash assets:	
Opening balance	2,139
Transferred to Trustees	(2,139)
Issue of 100,000,000 First Placement Shares at 0.25 cents each	250,000
Issue of 190,000,000 Second Placement Shares at 1 cent each	1,900,000
Issue of 60,000,000 First Placement Options at 0.0025 cents each	1,500
Payment to satisfy obligations under DOCA	(950,000)
Costs of DOCA and holding shareholders meeting (approximate)	(80,000)
Closing balance	<u>1,121,500</u>

2. The movement in the issued capital is reconciled as follows:

	\$
Opening balance fully paid shares	Not ascertainable
Issue of 100,000,000 shares at 0.25 cents each	250,000
Issue of 190,000,000 shares at 1.0 cents each	<u>1,900,000</u>
Closing balance	<u>Not ascertainable</u>

Under the terms of the DOCA, the Company will retain an interest in various tenements. Ethan continues to hold 100% of exploration licences E66/56, E66/80 and E66/81 and an 80% interest in E66/53, E66/73 (formerly E66/53) and E66/64, as well as 6 mining access agreements with owners of the Queen Victoria Crown grants (together referred to as the “Northampton Tenements”). The interest in the Northampton Tenements to be retained has not been independently valued for the purposes of the pro-forma statement of financial position. The Administrators nor the proposed directors have undertaken a formal valuation of the Northampton Tenements and whilst it is difficult to estimate the value of the Northampton Tenements, the Company’s proposed directors consider that the Northampton Tenements may have a value of \$260,000. The Administrators believe that if the Company was liquidated, there may be a deficiency in net assets of over \$800,000 and not all creditors would be paid out in full. The assets (Northampton Tenements) would be subject to an impairment test under the Australian equivalents of International Financial Reporting Standards (“A-IFRS”). The proposed directors have committed new working capital to spend on assessing the viability of the Northampton Tenements. For the purposes of this report, we have accepted the proposed directors estimated value of \$260,000 in the absence of an independent valuation but note that the Northampton Tenements may have a higher or lower value in the future but not enough to conclude that the current value of a share in Ethan has any value. The Company will need to incur further exploration and evaluation costs on the Northampton Tenements to determine whether such tenements can be commercialised and currently, the Company has no such funds. Further details on the Northampton Tenements are included in the Explanatory Statement to the Notice.

- 3.4 The First Placement Options under Resolution 1 will be 60,000,000 share options exercisable at 1.5 cents each on or before 30 June 2015. It is assumed the existing share options will not be exercised as they are well out of the money.
- 3.5 It is proposed that Messrs Warner, Pager and Pollak will be re-appointed to the Ethan Board.

4. Future direction of Ethan

- 4.1 We have been advised by a proposed director of the Company who is also a representative of the Syndicate that:
- The short term intention is to complete the DOCA including the recapitalisation process;

- At the time of preparation of this report they are not aware of any proposals currently contemplated whereby Ethan will acquire any property or assets from the Syndicate or third parties nominated by the Syndicate or where Ethan is to transfer any of its property or assets to the Syndicate or third parties nominated by the Syndicate;
- Messrs Warner, Pager and Pollak will be seeking re-appointment as directors pursuant to Resolutions 6, 7 and 8 respectively;
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- As part of the recapitalisation process, the Company proposes to seek re-quotations of the Company's shares on the ASX; and
- The proposal by the Syndicate is to have Ethan continue minerals exploration over its existing fully and partly owned exploration licences and those licences the subject of mining access agreements, all located in Western Australia as well as identifying additional projects that are in line with the Company's strategy as outlined in the Letter to Shareholders accompanying the Notice and the Explanatory Statement to Shareholders.

5. Basis of Technical Valuation of Ethan

5.1 Allotment of Shares

5.1.1 In considering the proposals as outlined in Resolutions 3, 4 and 5 (and in effect Resolutions 1 and 2) we have sought to determine if the potential consideration payable by the Syndicate or third parties nominated by the Syndicate is fair and reasonable to the existing non-associated shareholders of Ethan.

5.1.2 The proposals pursuant to Resolutions 3, 4 and 5 would be fair to the existing non-associated shareholders if the value of the consideration being offered by the Syndicate or third parties nominated by the Syndicate is greater than the current implicit value of the shares and options of Ethan immediately prior to the transactions. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on the Ethan shares and share options for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of an Ethan share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and wind-up value; and
- The market value price of Ethan shares.

5.2 Capitalised maintainable earnings/discounted cash flow

5.2.1 As noted above, Ethan is under a DOCA and under the control of a Deed Administrators. Due to Ethan's current state of affairs, the lack of a profit history arising from business undertakings and the immediate lack of a reliable future cash flow from a business activity, we have considered these methods of valuation not to be relevant for the purposes of this report (also refer 3.3 above).

5.3 Takeover bid

There is no indication to date that any existing shareholder or potential shareholder proposes to takeover the Company in the immediate future. We are aware that other investor groups were interested in re-capitalising the Company (one at a higher net cash component as compared with the Syndicate), however the majority of the creditors who voted agreed to accept the Recapitalisation Proposal of the Syndicate. We note that under the DOCA and recapitalisation process, the Syndicate and third parties who receive shares pursuant to a prospectus collectively could own up to approximately 77.83% of the ordinary share capital of

the Company (or the Syndicate would own approximately up to 49.92%) before the exercise of the 60,000,000 First Placement Options and excluding the exercise of any existing share options as noted under paragraph 1.10 above.

5.4 Net asset backing and wind-up value

5.4.1 As noted in the Administrators' reports, prior to the DOCA, Ethan was insolvent and the Administrators of Ethan considered that on a wind-up basis, there would be a deficiency in funds resulting in the creditors receiving less than a 100% return on debts owing.

5.4.2 Immediately prior to the issue of the First and Second Placement Shares and First Placement Options, the net asset value per share would be nil.

5.4.3 Based solely on the book values of a reconstructed Ethan (assuming a value of \$260,000 for the Northampton Tenements), the net assets would be disclosed at approximately \$1,381,500 which would be equivalent to approximately 0.37 cents per ordinary fully paid share, assuming 372,593,287 shares on issue after the issue of the First and Second Placement Shares. This compares with the current value of an Ethan share of nil cents.

5.5 Market price of Ethan shares

5.5.1 As the Company is suspended from the ASX, we do not believe it is appropriate to value an Ethan share based on prior quoted prices of Ethan shares on the ASX.

5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of an Ethan share (prior to the recapitalisation process) is nil cents.

5.7 If the DOCA and the recapitalisation process are finalised, the cash value of an Ethan share immediately post reconstruction and recapitalisation could approximate 0.30 cents per ordinary fully paid share before capital raising costs (refer paragraph 3.3 above).

6. Premium for Control

6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, the Syndicate or nominated third parties who receive shares pursuant to a prospectus collectively could hold approximately 77.83% of the expanded ordinary fully paid issued capital of Ethan (or the Syndicate could own 49.92%) before the exercise of the 60,000,000 First Placement Options to be granted to the Syndicate or nominated third parties and any existing share options.

6.3 The Ethan shares that are proposed to be issued to the Syndicate or third parties nominated by the Syndicate are deemed to be theoretically worth nil cents. Of the amount raised, \$950,000 will be repaid to the Syndicate. The Syndicate will lend the Company \$950,000 in satisfaction of the DOCA and such funds are to be acquitted by the Deed Administrators (as Trustees of the Creditors Trust Fund). The \$950,000 will be used to pay the Administrators', Deed Administrators' and Trustees remuneration and expenses and the balance to creditors as full and final settlement of debts. After certain transaction costs, a cash balance of approximately \$1,121,500 will remain in the Company (after estimated reconstruction costs of \$80,000 but before any capital raising costs) plus the Northampton Tenements at an estimated value of \$260,000 and assuming Resolutions 1 to 5 are passed and consummated. In our opinion, with respect to the First and Second Placement shares it is possible that the Syndicate or third

parties nominated by the Syndicate are paying a premium for control, however, the non-associated shareholders of Ethan are benefiting in that the theoretical value of a Ethan share rises from nil cents (with significant liabilities) to a company with a theoretical cash backed value of approximately 0.30 cents per ordinary fully paid share, all liabilities extinguished and the ordinary fully paid shares re-quoted on the ASX.

7. Fairness and Reasonableness of the Proposals

We have set out below some of the advantages, disadvantages and other factors pertaining to the proposals, pursuant to Resolutions 3, 4 and 5 and the recapitalisation proposals generally.

Advantages

- 7.1 The passing and consummation of Resolutions 1 to 5 in conjunction with the completion of the DOCA and recapitalisation process would result in a net cash injection of approximately \$1,121,500 (after recapitalisation costs) into the Company plus the Northampton Tenements and having a company with no liabilities, compared with the current position whereby the Company is subject to a DOCA and is in a net liability position.
- 7.2 If the proposals per Resolutions 1 to 5 are consummated along with the completion of the DOCA, the book value and net asset backing of an Ethan ordinary fully paid share rises from nil cents to approximately 0.37 cents or 0.30 cents on a net cash basis.
- 7.3 If Resolutions 1 to 5 are passed together with the completion of the DOCA and recapitalisation process, the Company's chances to seek re-quotations of its shares on the ASX are enhanced. By obtaining re-quotations of the Company's shares, the existing shareholders are offered some liquidity to sell their shares on the ASX.
- 7.4 The Syndicate bring expertise to the Company in that Messrs Warner, Pager and Pollak have had experience as directors, managers or company secretaries of public listed companies. They will also seek new opportunities in the mining sector. Further details on the current directors are outlined in the Explanatory Statement to Shareholders.

Disadvantages

- 7.5 A significant shareholding in the Company is being obtained by the Syndicate or third parties nominated by the Syndicate by the subscription for ordinary fully paid shares. However, we note that Ethan will be recapitalised with approximately \$1,121,500 in cash (after recapitalisation costs), will have no debt and will have the opportunity to further explore and evaluate its current Northampton Tenements and will also consider other opportunities including the acquisition and exploration of other tenements.
- 7.6 The Syndicate or third parties nominated by the Syndicate are obtaining a material interest in Ethan (approximately 77.83% before exercise of any options) and it is assumed that such investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX. The Company has applied to the ASX seeking confirmation that it will not need to comply with Chapters 1 and 2 to obtain re-quotations of the Company's shares on ASX. It is a condition precedent of the DOCA that the Syndicate receives written assurance from the ASX that on termination of the DOCA, the suspension from the ASX will be lifted and the quotation of the shares on the ASX will be reinstated without the need for the Company to comply with Chapters 1 and 2 of the Listing Rules.
- 7.7 Ethan would only have cash of approximately \$1,121,500 (after recapitalisation costs but before any brokerage costs) after completion of the DOCA and the recapitalisation process. Further fundraisings may be required to be undertaken in the near future. If further shares are issued, the percentage share holding of the existing shareholders of Ethan may be diluted

down even further. However as noted above, the shares in Ethan prior to the recapitalisation process are considered to be of nil value.

- 7.8 The ultimate value of the Northampton Tenements is unknown. The Northampton Tenements may not be commercially exploited and further losses may be incurred.

Other

- 7.9 The 60,000,000 First Placement Options, if exercised, would result in an inflow of funds to Ethan of \$900,000. The exercise price of the 60,000,000 First Placement Options is 1.5 cents each. The trading price of an Ethan share (after re-quotation of the Company's shares on the ASX that is dependent upon completion of the recapitalisation process) at the date of exercise of the share options could be in excess of 1.5 cents before option holders exercised the share options.
- 7.10 The 60,000,000 First Placement Options to be issued for a total of \$1,500 have been valued using the Black Scholes option valuation methodology with the key assumptions of an exercise price of 1.5 cents, a share price of 0.30 cents, an interest rate of 3.0%, an issue date of 15 February 2012 and a volatility factor of 75%. The value ascribed is 0.052 cents per share option for a total value of approximately \$31,200 of which up to approximately \$28,080 relate to the share options to be issued to the Syndicate members and at least \$3,120 relate to share options to be issued to nominees of the Syndicate.
- 7.11 We are aware that other investor groups were interested in re capitalising the Company (one at a higher net cash component as compared with the Syndicate), however the majority of the creditors who voted agreed to accept the Recapitalisation Proposal of the Syndicate.

8. Conclusion as to Fairness and Reasonableness

8.1 In our opinion:

The proposals as outlined in Resolutions 3, 4 and 5 that would allow the Syndicate to acquire up to 96,000,000 First Placement Shares, up to 90,000,000 Second Placement Shares and up to 54,000,000 First Placement Options in Ethan (and allow such share options to be exercised) are, in the absence of a superior offer acceptable to the creditors and after taking into account the advantages, disadvantages and other factors noted in this report, on balance, fair and reasonable to the non-associated shareholders of Ethan.

9. Sources of Information

- 9.1 In making our assessment as to whether the proposals pursuant to Resolutions 3, 4 and 5 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of Ethan which is relevant in the current circumstances. In addition, we have held discussions with a representative of the Syndicate (and a proposed director of Ethan) about the present state of affairs of Ethan. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Syndicate and a current director of Ethan.
- 9.2 Information we have received includes, but is not limited to:
- Draft of Notice of General Meeting of Shareholders of Ethan (and Draft Explanatory Statement to Shareholders attached) prepared to 6 January 2012;
 - Discussions with a representative of Pager Partners, the Syndicate and a current director of Ethan;
 - Shareholding details of Ethan;
 - The Administrators' Reports pursuant to Section 439A of TCA for Ethan of 26 October 2011, 28 October 2011 and 28 November 2011;

- DOCA and the Creditors Trust Deed dated 25 November 2011;
- Ethan annual report for the year ended 30 June 2010;
- ASX information on Ethan;
- General information on Ethan;
- Draft submission to the ASX on the proposed recapitalisation; and
- The Detailed DOCA Proposal of Pager Partners regarding a proposal to recapitalise Ethan dated 17 October 2011.

9.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES

A handwritten signature in black ink, appearing to read 'J P Van Dieren', followed by a long horizontal flourish.

J P Van Dieren - FCA
Director

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Pty Ltd trading as Stantons International Securities dated 9 January 2012, relating to Resolutions 3, 4 and 5 (only) outlined in the Notice of Meeting of Shareholders of Ethan.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposals. There are no relationships with Ethan other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$5,500 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd or any directors of Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd do not hold any securities in Ethan. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Investment Advisers Licence (No 319600) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Audit and Consulting Pty Ltd. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of Pager Partners and the Syndicate in order to assist the shareholders of Ethan to assess the merits of the proposals (Resolutions 3, 4 and 5 only) to which this report relates. This report has been prepared for the benefit of the Ethan shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act and ASX Listing Rule 10.11 and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Ethan or the Ethan tenements. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Ethan or any of its subsidiaries. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities which, by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, Stantons International Audit and Consulting Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Pager Partners, its officers and other parties (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Pager Partners has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd to recover any loss or damage which Ethan may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Pager Partners and the other parties; and
- (b) to indemnify Stantons International Securities, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd against any claim arising (wholly or in part) from Pager Partners or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Pager Partners and its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Pager Partners, the current Directors and the Syndicate for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter. Whilst the Deed Administrators have viewed a draft of this report, neither the Deed Administrators, their professional advisers and Lawler Partners or its employees are responsible for comments in this report. The Deed Administrators do not accept any responsibility for any disclosures in or failure to include any disclosures in this report. The information contained in this report has not been verified independently by the Deed Administrators, their professional advisers and Lawler Partners or its employees who expressly disclaim responsibility for the accuracy or completeness of the information in the report.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 9 January 2012**

1. Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd (who may charge management fees to Stantons International Securities).

From time to time, SIS, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.