

**RMG LIMITED**  
**ACN 065 832 377**

**NOTICE OF GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**  
**AND**  
**PROXY FORM**

**Date of Meeting**

14 September 2012

**Time of Meeting**

4.00pm (WST)

**Place of Meeting**

The Irish Club  
61 Townshend Road  
Subiaco WA 6008

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**RMG LIMITED**  
**ACN 065 832 377**  
**NOTICE OF GENERAL MEETING**

Notice is hereby given that the General Meeting of Shareholders of RMG Limited ACN 065 832 377(**Company**) will be held at The Irish Club, 61 Townshend Road, Subiaco WA 6008, on 14 September 2012 at 4.00pm (WST) for the purpose of transacting the following business.

**RESOLUTION 1 - RATIFICATION OF PRIOR ISSUE OF SHARES**

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

*"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 20,000,000 Shares to Stonehenge Metals Ltd, on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 1 by Stonehenge Metals Ltd and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

**RESOLUTION 2 - RATIFICATION OF PRIOR ISSUE OF EMPLOYEE OPTIONS**

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

*"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 20,000,000 Employee Options to Mr Damon Elder, a senior manager of the Company, on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

**Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr Damon Elder, and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

**RESOLUTION 3 - RATIFICATION OF PRIOR ISSUE OF FIRST TRANCHE NOTES**

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

*"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 700,000 convertible notes (each having a face value of \$1.00) to Simpaug Investment Fund LP (**First Tranche Notes**) and the issue of Shares to Simpaug Investment Fund LP upon conversion of any First Tranche Notes, on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 3 by Simpaug Investment Fund LP, and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

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## RESOLUTION 4 - APPROVAL FOR THE ISSUE OF THE SECOND TRANCHE NOTES

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

*"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of the 300,000 convertible notes (each having a face value of \$1.00) to Simpaug Investment Fund LP (**Second Tranche Notes**) and the issue of Shares to Simpaug Investment Fund LP upon conversion of any Second Tranche Notes, on the terms and conditions and in the manner set out in the Explanatory Memorandum. "*

### Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by Simpaug Investment Fund LP, and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

## RESOLUTION 5 – APPROVAL FOR THE ISSUE OF DIRECTOR OPTIONS TO ROBERT KIRTLAN

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

*"That, for the purposes of section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of 25,000,000 Director Options to Robert Kirtlan, a director of the Company, on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Mr Kirtlan and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

### Voting Prohibition

In accordance with the Corporations Act, a vote on Resolution 5 must not be cast by a person appointed as a proxy if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 5.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairperson; and
- (b) the appointment expressly authorises the Chairperson to exercise the proxy even if Resolution 5 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## RESOLUTION 6 – APPROVAL FOR THE ISSUE OF DIRECTOR OPTIONS TO PETER ROLLEY

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

*"That, for the purposes of section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of 25,000,000 Director Options to Peter Rolley, a director of the Company, on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 6 by Mr Rolley and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

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## Voting Prohibition

In accordance with the Corporations Act, a vote on Resolution 6 must not be cast by a person appointed as a proxy if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 6.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairperson; and
- (b) the appointment expressly authorises the Chairperson to exercise the proxy even if Resolution 6 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## RESOLUTION 7 – APPROVAL FOR THE ISSUE OF DIRECTOR OPTIONS TO STEVEN CHADWICK

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

*"That, for the purposes of section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue of 10,000,000 Director Options to Steven Chadwick, a director of the Company, on the terms and conditions set out in the Explanatory Memorandum."*

## Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 7 by Mr Chadwick and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

## Voting Prohibition

In accordance with the Corporations Act, a vote on Resolution 7 must not be cast by a person appointed as a proxy if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 7.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairperson; and
- (b) the appointment expressly authorises the Chairperson to exercise the proxy even if Resolution 7 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## RESOLUTION 8 – APPROVAL FOR THE ISSUE OF SECRETARY OPTIONS TO LLOYD FLINT

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

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of 10,000,000 Secretary Options to Lloyd Flint, the company secretary of the Company, on the terms and conditions set out in the Explanatory Memorandum."*

## Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 8 by Mr Flint and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a 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.

## Voting Prohibition

In accordance with the Corporations Act, a vote on Resolution 8 must not be cast by a person appointed as a proxy if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and

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- (b) the appointment does not specify the way the proxy is to vote on Resolution 8.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairperson; and
- (b) the appointment expressly authorises the Chairperson to exercise the proxy even if Resolution 8 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## **RESOLUTION 9 – ADOPTION OF THE EMPLOYEE INCENTIVE PLAN**

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

*“That for the purposes of ASX Listing Rule 7.2, Exception 9(b) and for all other purposes, the grant of Options and the issue of Shares upon exercise of those Options under the Company’s Employee Incentive Plan, details of which are described in the Explanatory Memorandum, be approved.”*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 9 by a Director (except a Director who is ineligible to participate in any employee incentive scheme of the Company) and any associate of the Director. However, the Company need not disregard a vote if it is cast by a person as a 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.

### **Voting Prohibition**

In accordance with the Corporations Act, a vote on Resolution 9 must not be cast by a person appointed as a proxy if:

- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 9.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairperson; and
- (b) the appointment expressly authorises the Chairperson to exercise the proxy even if Resolution 9 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

### **Proxy Form**

A Proxy Form is attached.

To be valid, properly completed proxy forms must be received by the Company no later than 4.00pm (WST) on 12 September 2012:

- by post at PO Box 2025, Subiaco, WA 6904; or
- by facsimile on +61 8 9388 2355.

### **By order of the Board**

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Lloyd Flint

Company Secretary

Date: 1 August 2012

## **PROXIES**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

1. the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
2. if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
3. if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll and must vote that way; and
4. if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way.

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

1. an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
2. the appointed proxy is not the chair of the meeting; and
3. at the meeting, a poll is duly demanded on the resolution; and
4. either of the following applies:
  - (a) the proxy is not recorded as attending the meeting;
  - (b) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

### ***Voting on Resolutions connected with the remuneration of the Company's Key Management Personnel***

The Corporations Act now places restrictions on the ability of Key Management Personnel and their Closely Related Parties to vote on resolutions connected directly or indirectly, with the remuneration of the Company's Key Management Personnel, such as Resolutions 5, 6, 7, 8 and 9. Accordingly, Shareholders are encouraged to direct their proxy as to how to vote on those resolutions. If you do not do so, you risk your vote not being cast.

## **ENTITLEMENT TO VOTE**

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001 and ASX Settlement Operating Rule 5.6.1, the Company determines that members holding Shares at 5.00pm (WST) on 12 September 2012 will be entitled to attend and vote at the Meeting.

## **CORPORATIONS**

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company, before the Meeting.

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the Shareholders of RMG Limited ACN 065 832 377 (**Company**) in connection with the business to be conducted at the General Meeting of the Company to be held at The Irish Club, 61 Townshend Rd Subiaco WA, on 14 September 2012 commencing at 4.00pm (WST).

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

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

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### **1. RESOLUTION 1 - RATIFICATION OF PRIOR ISSUE OF SHARES**

#### **1.1 Background**

On 13 December 2011, the Company announced that it had entered into an agreement to acquire 100% of two licenses in the Zeehan district of Tasmania from Stonehenge Metals Ltd. The purchase price was \$70,000 in cash and the issue of 20 million Shares at a deemed price of \$0.01 per Share. The acquisition was contingent upon the approval of the transfer of the licenses to the Company by the Minister of the Department of Infrastructure, Energy and Resources Tasmania. The transfers have since been approved and the Shares have been issued to Stonehenge Metals Ltd.

#### **1.2 Regulatory requirements - ASX Listing Rule 7.4**

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to issuing, or agreeing to issue, equity securities (including Shares) in excess of 15% of the total number of ordinary securities on issue in any 12 month period.

ASX Listing Rule 7.4 provides that where ordinary shareholders ratify a previous issue of securities which was made without approval under ASX Listing Rule 7.1, and the previous issue did not breach ASX Listing Rule 7.1, those securities are treated to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

The approval of Resolution 1 will enable the Company to issue further securities up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period in accordance with ASX Listing Rule 7.1 without the Shares the subject of Resolution 1 counting towards that 15% threshold.

In accordance with ASX Listing Rule 7.5, the following information is provided to Shareholders for the purpose of obtaining Shareholder approval for Resolution 1:

- (a) 20,000,000 Shares were allotted on 2 April 2012.
- (b) The Shares were issued at a deemed price of \$0.01 per Share.
- (c) The Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with all other Shares on issue.
- (d) The Shares were allotted and issued to Stonehenge Metals Ltd.
- (e) The allotment and issue of the Shares did not raise any funds. The Shares were issued as part of the purchase price for two licenses in the Zeehan district in Tasmania.

#### **1.3 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 1.

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### **2. RESOLUTION 2 - RATIFICATION OF PRIOR ISSUE OF EMPLOYEE OPTIONS**

#### **2.1 Background**

In order to attract suitably qualified and experienced staff to implement the exploration strategy of the Company, the Board of Directors has resolved to incentivise and reward certain employees by issuing Options to those employees (**Employee Options**).

On 24 April 2012, the Company issued 20 million Employee Options to Mr Damon Elder, a senior manager of the Company. Mr Elder is not a related party of the Company.

## **2.2 Regulatory requirements - ASX Listing Rule 7.4**

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to issuing, or agreeing to issue, equity securities (including Employee Options) in excess of 15% of the total number of ordinary securities on issue in any 12 month period.

ASX Listing Rule 7.4 provides that where ordinary shareholders ratify a previous issue of securities which was made without approval under ASX Listing Rule 7.1, and the previous issue did not breach ASX Listing Rule 7.1, those securities are treated to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

The approval of Resolution 2 will enable the Company to issue further securities up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period in accordance with ASX Listing Rule 7.1 without the Employee Options the subject of Resolution 2 counting towards that 15% threshold.

In accordance with ASX Listing Rule 7.5, the following information is provided to Shareholders for the purpose of obtaining Shareholder approval for Resolution 2:

- (a) 20,000,000 Employee Options were allotted on 24 April 2012.
  - (b) The Employee Options were issued for nil consideration.
  - (c) The following Employee Options were issued:
    - (i) 10,000,000 Employee Options which are exercisable at \$0.02 per Employee Option on or before 1 April 2015 (**Tranche 1 Employee Options**); and
    - (ii) 10,000,000 Employee Options which are exercisable at \$0.02 per Employee Option on or before 1 April 2017 (**Tranche 2 Employee Options**).
- The terms and conditions of the Tranche 1 Employee Options and the Tranche 2 Employee Options are identical except for their expiry dates. The full terms on which the Employee Options were issued are set out in full in Annexure A.
- (d) The Employee Options were allotted and issued to Mr Damon Elder.
  - (e) The allotment and issue of the Employee Options did not raise any funds. Any funds raised on the exercise of the Employee Options will be put towards the general working capital requirements.

## **2.3 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 2.

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## **3. RESOLUTIONS 3 AND 4 - APPROVAL OF CONVERTIBLE NOTE FACILITY**

### **3.1 Background**

On 1 August 2012, the Company announced it had entered into two unsecured convertible note facility agreements for an aggregate of \$1 million (**Facility**) with Simpaug Investment Fund LP (**Simpaug** or **Noteholder**).

The Company has drawn down the full amount of \$700,000 under the first of the Facilities and allotted and issued 700,000 convertible notes at an issue price of \$1.00 per convertible note to Simpaug (**First Tranche Notes**). The second of the Facilities is for \$300,000 and is conditional upon Shareholder approval. Subject to receiving Shareholder approval at the Meeting, the Company proposes to draw down the remaining \$300,000 available under the second of the Facilities and allot and issue a further 300,000 convertible notes at an issue price of \$1.00 per convertible note to Simpaug (**Second Tranche Notes**).

If Resolution 4 is not passed and Shareholder approval is not obtained for the issue of the Second Tranche Notes, RMG may have to explore alternative funding arrangements and Shareholders may not receive any of the benefits of the funding to be received as a result of the issue of the Second Tranche Notes.



### **3.2 Key terms of the Facilities**

The key terms of the Facilities are set out below. Unless otherwise stated the terms of each of the Facilities are identical.

<b>Security</b>	Unsecured convertible notes ( <b>Convertible Note</b> )
<b>Issue size</b>	In aggregate, 1 million Convertible Notes (with an aggregate face value of \$1 million), comprising: <ul style="list-style-type: none"><li>• 700,000 First Tranche Notes (with an aggregate face value of \$700,000); and</li><li>• 300,000 Second Tranche Notes (with an aggregate face value of \$300,000).</li></ul>
<b>Condition Precedent</b>	The issue of the Second Tranche Notes is conditional on Shareholders approving the issue for the purposes of ASX Listing Rule 7.1.
<b>Issue Date</b>	The First Tranche Notes were issued on or around 3 August 2012.  Subject to Shareholder approval, the Company intends to issue the Second Tranche Notes immediately after the Meeting on one date and in any event no later than 3 months after the date of the Meeting.
<b>Issue Price</b>	\$1.00 per Convertible Note.
<b>Interest Rate</b>	The interest rate on each Convertible Note is 5% per annum and is payable on the outstanding principal amount of a Convertible Note. Interest accrues from the date of issue of the Convertible Note until the earlier of redemption, conversion or maturity.
<b>Interest Period</b>	Each six month period commencing on the date of issue of the relevant tranche of Convertible Notes (and each subsequent six month period thereafter).
<b>Interest Payment Dates</b>	Interest is payable in arrears on the last day of each Interest Period, and any earlier date of conversion or redemption.
<b>Maturity Date</b>	The maturity date for the First Tranche Notes is the date that is 2 years after the Issue Date.  The maturity date for the Second Tranche Notes is 2 years after the date of issue of the Second Tranche Notes.
<b>Early redemption by Issuer</b>	The Company may redeem the Convertible Notes at any time between the date that is 12 months after the date of issue and the Maturity Date, provided the Noteholder has not elected to convert the Convertible Note before the proposed redemption date.
<b>Redemption Price</b>	The redemption price is \$1.00 per Convertible Note, plus all accrued but unpaid interest on the Convertible Note up to and including the date of redemption.
<b>Conversion by Noteholders</b>	<i>Conversion to Shares</i>  At any time after the date of issue and before 10 Business Days before the earlier of redemption, conversion or maturity ( <b>Conversion Period</b> ), the Noteholder may, within 5 Business Days after the end of each quarter commencing on the date of issue ( <b>Quarter</b> ), convert any or all of its Convertible Notes into Shares.  Each Convertible Note will convert into the number of Shares equal to \$1.00 divided by 90% of the volume-weighted average price for the 10 trading days preceding the date of conversion ( <b>Conversion Price</b> ), provided always that the applicable Conversion Price will be no less than \$0.0035 (subject to the below) and no more than \$0.08.  The Noteholder has protective covenants in the event the Company issues Shares at less than \$0.0035 per Share. Where the Company issues Shares during the term of the

relevant Convertible Notes at less than the minimum Conversion Price of \$0.0035, the Noteholder will have an ability to convert those Convertible Notes at the higher of the Conversion Price and the lowest issue price that the Company has issued Shares after the issue date of the relevant Convertible Note.

*Conversion to a joint venture interest in the Kamarga Project*

Provided the Noteholder has not converted any of its Convertible Notes into Shares, the Noteholder may elect to convert its Convertible Notes into ordinary shares in Sunlander Nominees Pty Ltd (**Sunlander**), a wholly-owned subsidiary of the Company that holds all of the Company's interests in the Kamarga Project. More particularly, at any time during the Conversion Period, the Noteholder may elect, within 5 Business Days after the end of each Quarter, to convert:

- all of the First Tranche Notes into that number of ordinary shares in Sunlander equal to 1.75% of the issued ordinary share capital of Sunlander; and / or
- all of the Second Tranche Notes into that number of ordinary shares in Sunlander equal to 0.75% of the issued ordinary share capital of Sunlander.

<b>Assignment</b>	Simpaug may transfer its rights, benefits or obligations under the Facility to any third party with the prior written consent of the Company.
<b>Reconstruction of capital</b>	If there is any bonus issue of Shares or reconstruction of the issued share capital of the Company or Sunlander (including any consolidation, subdivision, reduction, cancellation or return), the number of Convertible Notes issued to each holder will be adjusted (as appropriate) to ensure that the proportion which the Shares to be issued to that holder on exercise of its conversion rights after the bonus issue or reorganisation has occurred bears to the total Shares on issue, is the same as it would have been had the bonus issue or reorganisation not occurred.
<b>Listing</b>	The Convertible Notes will not be listed on ASX.
<b>Voting rights</b>	Noteholders have no right to vote at general meetings of the Company.
<b>Other terms</b>	The Company will give standard undertakings and warranties usually provided by an issuer of convertible notes. The events of default will also be standard for a facility of this nature, including non-payment of interest or the principal and breaches of undertakings and warranties.

### **3.3 Regulatory requirements – Resolution 3 – ASX Listing Rule 7.4**

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to issuing, or agreeing to issue, equity securities (including securities with which are convertible by the holder into equity securities such as the First Tranche Notes) in excess of 15% of the total number of ordinary securities on issue in any 12 month period.

ASX Listing Rule 7.4 provides that where ordinary shareholders ratify a previous issue of securities which was made without approval under ASX Listing Rule 7.1, and the previous issue did not breach ASX Listing Rule 7.1, those securities are treated to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

Resolution 3 seeks Shareholder approval under ASX Listing Rule 7.4 for the issue of the First Tranche Notes to Simpaug and any issue of Shares to Simpaug upon conversion of any First Tranche Note. The approval of Resolution 3 will enable the Company to issue further securities up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period in accordance with ASX Listing Rule 7.1 without the First Tranche Notes the subject of Resolution 3 counting towards that 15% threshold.

In accordance with ASX Listing Rule 7.5, the following information is provided to Shareholders for the purpose of obtaining Shareholder approval for Resolution 3:

- (a) 700,000 First Tranche Notes were issued.

- (b) Each First Tranche Note was issued for \$1.00.
- (c) The terms of the First Tranche Notes are summarised in section 3.2 of this Explanatory Memorandum.
- (d) The First Tranche Notes were issued to Simpaug Investment Fund LP.
- (e) The proposed use of the funds raised from the First Tranche Notes is to progress the Kamarga and Zeehan projects in far north Queensland and Tasmania respectively and for general working capital requirements.

### **3.4 Regulatory requirements – Resolution 4 – ASX Listing Rule 7.1**

As set out above, ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to issuing, or agreeing to issue, equity securities (including securities which are convertible by the holder into equity securities such as the Second Tranche Notes) in excess of 15% of the total number of ordinary securities on issue in any 12 month period.

Resolution 4 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of the Second Tranche Notes to Simpaug and any issue of Shares to Simpaug upon conversion of any Second Tranche Note. The approval of Resolution 4 will enable the Company to issue further securities up to 15% of the number of ordinary shares on issue at the beginning of the relevant 12 month period in accordance with ASX Listing Rule 7.1 without the Second Tranche Notes the subject of Resolution 4 counting towards that 15% threshold.

In accordance with ASX Listing Rule 7.3, the following information is provided to Shareholders for the purpose of obtaining Shareholder approval for Resolution 4:

- (a) 300,000 Second Tranche Notes will be issued.
- (b) If Shareholder approval is obtained, the Second Tranche Notes will be issued immediately after the Meeting on one date and in any event no later than 3 months after the date of the Meeting.
- (c) Each Second Tranche Note will be issued for \$1.00.
- (d) The Second Tranche Notes will be issued to Simpaug Investment Fund LP.
- (e) The terms of the Second Tranche Notes are summarised in section 3.2 of this Explanatory Memorandum.
- (f) The proposed use of the funds raised from the Facility is to progress the Kamarga and Zeehan projects in far north Queensland and Tasmania respectively and for general working capital requirements.

### **3.5 Directors' recommendation**

The Directors have considered the funding options available to the Company and unanimously recommend that Shareholders vote in favour of Resolutions 3 and 4.

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## **4. RESOLUTIONS 5 TO 8 – APPROVAL TO GRANT OF DIRECTOR OPTIONS AND SECRETARY OPTIONS**

### **4.1 Background**

The Board has resolved, subject to obtaining Shareholder approval, to issue a total of 60,000,000 Options to Mr Kirtlan, Mr Rolley and Mr Chadwick (**Director Options**) as follows:

<b>Director</b>	<b>Number of Director Options</b>
Mr Robert Kirtlan	25,000,000
Mr Peter Rolley	25,000,000
Mr Steven Chadwick	10,000,000

The Board has also resolved, subject to obtaining Shareholder approval, to issue 10,000,000 Options to Mr Flint (**Secretary Options**).

The Director Options are to be granted for nil consideration on the terms and conditions set out in Annexure B. The Secretary Options are to be granted for nil consideration on the terms set out in paragraph 4.3 of this Explanatory Memorandum. The primary purpose of the grant of Director Options to Mr Kirtlan, Mr Rolley and Mr Chadwick and Secretary Options to Mr Flint is to provide cost effective consideration to Mr Kirtlan, Mr Rolley, Mr Chadwick and Mr Flint for their ongoing commitment and contribution to the Company in their respective roles as Directors and Secretary. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options and Secretary Options upon the terms proposed. The grant of Director Options and Secretary Options forms part of the Company's long-term incentive objectives to encourage Directors and the Secretary to have a greater involvement in the achievement of the Company's objectives and to provide them with the opportunity to participate in the future growth and prosperity of the Company through share ownership. The primary purpose of the grant of the Director Options and Secretary Options is to fulfil the Company's long-term incentive objectives, not to raise capital.

The Company acknowledges that the grant of Director Options to Mr Steven Chadwick, a non-executive Director of the Company, is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Mr Chadwick reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

The number of Director Options and Secretary Options to be issued to each Director and the Secretary has been determined based on factors such as length of service of each Director and Secretary, continuity of executive management (if applicable), significant contribution to the Company's success and to provide ongoing equity incentives to advance the Company and its assets. Regard has also been given to less tangible issues such as alignment of interests to the Company through an equity holding.

The Board considers the number of Director Options and Secretary Options issued to Directors and the Secretary will ensure that overall Director and Secretary emoluments remain competitive with market standards.

#### **4.2 Regulatory requirements – Director Options - ASX Listing Rule 10.11 and section 208 of the Corporations Act**

As Directors, each of Mr Kirtlan, Mr Rolley and Mr Chadwick are related parties of the Company.

Listing Rule 10.11 requires shareholder approval for the issue of securities (including Options) to a related party of the Company.

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- the giving of the financial benefit falls within one of the nominated exceptions; or
- prior shareholder approval is obtained to the giving of the financial benefit.

The granting of Director Options to Mr Kirtlan, Mr Rolley and Mr Chadwick constitutes the giving of a financial benefit to a related party of the Company within the meaning of the Corporations Act. It is the view of the Directors that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 may not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to Mr Kirtlan, Mr Rolley and Mr Chadwick.

In accordance with section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to Shareholders for the purpose of obtaining Shareholder approval for Resolutions 5 to 7:

(a) A total of 60,000,000 Director Options will be granted to the Directors as follows:

<b>Director</b>	<b>Number of Director Options</b>
Mr Robert Kirtlan (Executive Chairman)	25,000,000
Mr Peter Rolley (Executive Director)	25,000,000
Mr Steven Chadwick (Non-executive Director)	10,000,000

- (b) The Director Options will be granted no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Options will be issued on one date.
- (c) Each Director Option will be granted for nil consideration. Each Director Option entitles the holder to subscribe for one share at an exercise price of 100% above the prevailing market price of the Shares on ASX on the date of issue of the Director Option, and are exercisable on or before 31 August 2016. The full terms and conditions of the Director Options are set out in Annexure B.
- (d) No funds will be raised by the grant of the Director Options as they are being granted for nil consideration. Any funds raised from the exercise of the Director Options will be used for general working capital requirements.
- (e) As at the date of this Notice of Meeting, Mr Kirtlan, Mr Rolley and Mr Chadwick have the following interests in securities of the Company

<b>Director</b>	<b>Number of Shares</b>	<b>Number of Options</b>
Mr Robert Kirtlan (Executive Chairman)	74,600,000	5,000,000
Mr Peter Rolley (Executive Director)	125,600,000	8,000,000
Mr Steven Chadwick (Non-executive Director)	29,000,000	5,000,000

- (f) The total remuneration and emoluments from the Company to Mr Kirtlan, Mr Rolley and Mr Chadwick for the previous financial year ending 30 June 2012 and the proposed remuneration and emoluments for the current financial year ending 30 June 2013 (excluding the value of the Director Options the subject of Resolutions 5 to 7) are as follows:

<b>Director</b>	<b>Financial Year ended 30 June 2013</b>	<b>Financial Year ended 30 June 2012</b>
Mr Kirtlan	\$120,000	\$150,000
Mr Rolley	\$240,000	\$230,000
Mr Chadwick	\$36,000	\$36,000

- (g) The value of the Director Options and the pricing methodology is set out in Annexure C.
- (h) If the Director Options granted are exercised, a total of 60,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 1,375,134,592 to 1,435,134,592 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 4.36%.
- (i) The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.
- (j) The trading history of the Shares on ASX in the 12 months before the date of this Notice of Meeting is set out below:

	Price	Date
Highest	\$0.021	8 September 2011
Lowest	\$0.004	28 June 2012
Last	\$0.005	27 July 2012

- (k) There are no significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed. Mr Kirtlan, Mr Rolley and Mr Chadwick must each contribute their own money to the Company to fund the exercise price of the Director Options.
- (l) Australian International Financial Reporting Standards require the Director Options to be expensed which is guided by *AASB 2 – Share Based Payments*. In accordance with AASB 2, these Director Options will be expensed in the financial year ended 30 June 2013. Expensing the Director Options will have the effect of increasing both the expenses and contributed equity of the Company. Whilst there will be a reduction in profit, there will be no impact on the net assets or the cash position or financial resources of the Company as a result of expensing the Director Options. There are no tax implications for the Company in issuing these Director Options.
- (m) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision as to whether or not it is in the best interests of the Company to pass Resolutions 5 to 7.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to Mr Kirtlan, Mr Rolley and Mr Chadwick as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

#### **4.3 Regulatory requirements – Secretary Options - ASX Listing Rule 7.1**

In accordance with ASX Listing Rule 7.3, the following information is provided to Shareholders for the purpose of obtaining Shareholder approval for Resolution 8:

- (a) 10,000,000 Secretary Options will be granted.
- (b) If Shareholder approval is obtained, the Secretary Options will be issued immediately after the Meeting on one date and in any event no later than 3 months after the date of the Meeting.
- (c) Each Secretary Option will be granted for nil consideration.
- (d) The Secretary Options will be granted to Mr Lloyd Flint, the company secretary of the Company.
- (e) The key commercial terms of the Secretary Options are as follows:
- (i) The amount payable upon exercise of each Secretary Option will be at a price 100% above the prevailing market price of the Shares on ASX on the date of issue of the Director Option; and
- (ii) The Secretary Options will expire at 5.00pm (WST) on 31 August 2016. Any Secretary Option not exercised before the Expiry Date will automatically lapse on the Expiry Date..

The Secretary Options will otherwise be granted on the terms of, but not under, the EIP, which are summarised below in Resolution 9.

- (f) The allotment and issue of the Secretary Options will not raise any funds. Any funds raised on the exercise of the Secretary Options will be put towards the general working capital requirements.

#### **4.4 Directors' recommendation**

- (a) Mr Kirtlan has a material personal interest in the outcome of Resolution 5 because it relates to the issue of Director Options to him. Mr Kirtlan voted on the Board resolution to approve the issue of Director Options to him, subject to Shareholders approving that proposed issue (being the subject

of Resolution 5). Mr Kirtlan declines to make a recommendation to Shareholders in relation to Resolution 5 given his material personal interest in the outcome of Resolution 5.

- (b) Mr Rolley has a material personal interest in the outcome of Resolution 6 because it relates to the issue of Director Options to him. Mr Rolley voted on the Board resolution to approve the issue of Director Options to him, subject to Shareholders approving that proposed issue (being the subject of Resolution 6). Mr Rolley declines to make a recommendation to Shareholders in relation to Resolution 6 given his material personal interest in the outcome of Resolution 6.
- (c) Mr Chadwick has a material personal interest in the outcome of Resolution 7 because it relates to the issue of Director Options to him. Mr Chadwick voted on the Board resolution to approve the issue of Director Options to him, subject to Shareholders approving that proposed issue (being the subject of Resolution 7). Mr Chadwick declines to make a recommendation to Shareholders in relation to Resolution 7 given his material personal interest in the outcome of Resolution 7.
- (d) In addition to paragraphs 4.4 (a) to (c) above, the Directors decline to make a recommendation to Shareholders in relation to Resolutions 5 to 7 so as to avoid any perceived conflict of interest in making a recommendation on the issue of Director Options to other Directors.
- (e) The Directors recommend that Shareholders vote in favour of Resolution 8.

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## **5. RESOLUTION 9 - EMPLOYEE INCENTIVE PLAN**

### **5.1 Background**

An Employee Incentive Plan (**EIP**) forming part of the Company's employee remuneration and incentive program was adopted by the Board on 9 July 2012. There have been no Options issued under the EIP since its adoption by the Board.

### **5.2 Summary of key terms of the EIP**

A summary of the terms and conditions of the EIP is set out below. A copy of the complete terms of the EIP can be obtained by either contacting the Company Secretary, Lloyd Flint, on (08) 9381 1177.

<b>Eligibility</b>	The Board may offer Options to full or part-time employees (including executive Directors) or any other person that the Board determines to be eligible to receive a grant of Options under the EIP in accordance with the rules of the EIP and any applicable law or regulatory requirements.
<b>Terms and Conditions</b>	An Option issued under the EIP will vest and become exercisable (if applicable) to the extent that the applicable performance conditions specified at the time of grant are satisfied. The Board has the discretion under the EIP as to the terms on which it will offer Options under the EIP.
<b>Entitlement</b>	Each Option issued under the EIP will, upon vesting and exercise, entitle the holder to subscribe for one fully paid ordinary Share in the capital of the Company. When issued, each Share will rank equally with all other Shares then on issue, except any rights attaching to such Shares by reference to a record date prior to the date of their issue.
<b>Issue Price</b>	The Options issued under the EIP will be issued for nil consideration, unless otherwise determined by the Board.
<b>Exercise Price</b>	The exercise price for an Option issued under the EIP will be the amount determined by the Board at the time of the grant of the Option.
<b>Transfer of Options</b>	Options issued under the EIP may not be transferred except: <ul style="list-style-type: none"><li>• with the prior consent of the Board;</li><li>• upon death, to the holder's legal personal representative; or</li><li>• upon bankruptcy, to the holder's trustee in bankruptcy.</li></ul>

<b>Lapse of Options</b>	<p>The Options issued under the EIP will lapse on the earlier of:</p> <ul style="list-style-type: none"><li>• the date specified by the Board in the offer;</li><li>• the date the holder purports to deal with the Options other than in accordance with the EIP;</li><li>• unless subject to a specific agreement with the Board, the date the holder ceases to be an employee of the Company or a subsidiary of the Company (unless the holder ceases to be an employee by reason of his death, disability, bona fide redundancy or other reason with approval of the Board and at that time the holder continues to satisfy any other relevant conditions imposed by the Board at the time of grant and the Board determines that the Options held by the holder are to vest);</li><li>• unless varied by prior agreement with the Board, if the holder acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Company deeming that any unvested or unexercised Options held by the holder have lapsed;</li><li>• the occurrence of certain events relating to the Company being the subject of a compromise or arrangement or winding up (unless the Board determines that the Options held by the holder are to vest);</li><li>• failure to meet any performance conditions applicable to the Option within the prescribed period; or</li><li>• the date 7 years of the date of grant of the Option.</li></ul>
<b>Dividend and voting rights</b>	<p>Options granted under the EIP do not carry any dividend or voting rights.</p>
<b>Takeover bids</b>	<p>Subject to the terms of grant of an Option issued under the EIP, if:</p> <ul style="list-style-type: none"><li>• a takeover bid is made for Shares in the Company; or</li><li>• the Board recommends that Shareholders accept the takeover; or</li><li>• the takeover bid becomes unconditional,</li></ul> <p>any unvested Options will immediately vest and become capable of exercise until the Option lapses.</p>
<b>Change of Control</b>	<p>If a company obtains control of the Company as a result of a takeover bid, a proposed scheme of arrangement between the Company and its members, a selective capital reduction or another corporate action, the holder may upon exercise of Options issued under the EIP be provided with shares in the acquiring company in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the Shares.</p>
<b>Board's power to adjust Options and exercise price</b>	<p>Subject to the ASX Listing Rules and the Corporations Act, prior to the allocation of Shares upon exercise of any Options granted under the EIP, the Board may make any adjustments it considers appropriate to the terms of an Option granted under the EIP in order to minimise or eliminate any material advantage or disadvantage to an Optionholder resulting from a corporate action such as a capital raising or capital reconstruction.</p>
<b>Board discretion</b>	<p>Notwithstanding the Board's current policy (which may be changed from time to time), under the terms of the EIP, the Board has absolute discretion (in accordance with applicable securities regulations) to determine the exercise price, the expiry date and vesting conditions of any grants made under the EIP, without the requirement for further Shareholder approval.</p>
<b>Amendment</b>	<p>The Board may at any time amend the EIP, the terms or conditions of any Options granted under the EIP or suspend or terminate the operation of the EIP.</p>



**Quotation**            The Company will not apply to the ASX for official quotation of the Options. The Company will apply for official quotation of any Shares issued under the EIP.

### **5.3        Regulatory Requirements – ASX Listing Rule 7.1**

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to issuing, or agreeing to issue, equity securities (including Shares) in excess of 15% of the total number of ordinary securities on issue in any 12 month period.

ASX Listing Rule 7.2 (Exception 9) provides that issues under an employee incentive scheme are exempt from ASX Listing Rule 7.1 if, within three years before the date of issue, shareholders approved the issue of securities under the employee incentive scheme.

The EIP is an employee incentive scheme for the purposes of ASX Listing Rule 7.2.

Resolution 9 seeks Shareholder approval for future issues of Options under the EIP for the purposes of ASX Listing Rule 7.2, Exception 9(b) for the three year period from the date of the Meeting. If Resolution 9 is passed, the issue of Options under the EIP will not impact on the Company's ability under ASX Listing Rule 7.1 to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

### **5.4        Directors' recommendation**

As executive Directors, Mr Kirtlan and Mr Rolley are eligible to participate in the EIP, and accordingly each of them declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9.

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## **6.        DIRECTORS' INTENTIONS**

To the extent they are permitted to vote, each of the Directors currently intends to vote all Shares held or controlled by them in favour of the Resolutions.

Robert Kirtlan, as Chairperson of the Meeting, currently intends to vote all available proxies in favour of the relevant Resolutions.

**GLOSSARY**

In the Notice and Explanatory Memorandum, the following terms have the following meanings unless the context otherwise requires:

<b>ASX</b>	ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
<b>Board</b>	The board of Directors of the Company.
<b>Chairperson</b>	The chairperson of the Meeting.
<b>Closely Related Party</b>	of a member of the Key Management Personnel means: (a) a spouse or child of the member; or (b) a child of the member's spouse; or (c) a dependent of the member or the member's spouse; or (d) anyone else who is one of the member's family any may be expected to influence the member or be influenced by the member in the member's dealings with the Company; or (e) a company the member controls; or (f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
<b>Company</b>	RMG Limited ACN 065 832 377.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director</b>	A director of the Company.
<b>Director Options</b>	The Options the subject of Resolutions 5 to 7.
<b>Employee Options</b>	The Options issued to Mr Damon Elder the subject of Resolution 2.
<b>Explanatory Memorandum</b>	The explanatory memorandum accompanying the Notice.
<b>Key Management Personnel</b>	has the same meaning as in the accounting standards. Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors.
<b>Listing Rules</b>	The Official Listing Rules of ASX.
<b>Meeting</b>	The general meeting of Shareholders convened by the Notice, to be held on 14 September 2012.
<b>Notice or Notice of Meeting</b>	The notice of meeting accompanying this Explanatory Memorandum.
<b>Option</b>	The right to acquire a fully paid ordinary share in the capital of the Company.
<b>Resolutions</b>	The resolutions contained in the Notice.
<b>Secretary</b>	The company secretary of the Company.
<b>Director Options</b>	The Options the subject of Resolution 8.
<b>Share</b>	A fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	The holder of a Share.
<b>Tranche 1 Employee Options</b>	10,000,000 Employee Options which are exercisable at \$0.02 per Employee Option on or before 1 April 2015.
<b>Tranche 2 Employee Options</b>	10,000,000 Employee Options which are exercisable at \$0.02 per Employee Option on or before 1 April 2017.
<b>WST</b>	Western Standard Time.

**ANNEXURE A – TERMS AND CONDITIONS OF EMPLOYEE OPTIONS**

The Employee Options entitle the holder to subscribe for Shares on the following terms and conditions in accordance with Listing Rules 6.14 to 6.23:

- (a) Other than in relation to the expiry date of the Employee Options as set out in paragraph (c) below, the terms and conditions of the Employee Options are identical.
- (b) Each Employee Option gives the Employee Option holder the right to subscribe for one Share.
- (c) The Tranche 1 Employee Options will expire at 5.00pm (WST) on 1 April 2015 while the Tranche 2 Employee Options will expire at 5.00pm (WST) on 1 April 2017 (**Expiry Date**). Any Employee Option not exercised before the Expiry Date will automatically lapse on the relevant Expiry Date.
- (d) The amount payable upon exercise of each Employee Option will be \$0.02 (**Exercise Price**).
- (e) The Employee Options held by each Employee Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Employee Option holder may exercise their Employee Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Employee Options specifying the number of Employee Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Employee Options being exercised (**Exercise Notice**);
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Employee Options specified in the Exercise Notice.
- (i) The Employee Options may be transferred at any time, in accordance the Corporations Act, ASTC Settlement Rules and the ASX Listing Rules, with the consent of the Board.
- (j) All Shares allotted upon the exercise of Employee Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Employee Options will not be quoted on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Employee Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Employee Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Employee Options and Employee Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Employee 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 Employee Option holders the opportunity to exercise their Employee Options prior to the date for determining entitlements to participate in any such issue.
- (n) An Employee Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Employee Option can be exercised.

**ANNEXURE B – TERMS AND CONDITIONS OF DIRECTOR OPTIONS**

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

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Director Options will expire at 5.00pm (WST) on 31 August 2016 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Director Option will be at a price 100% above the prevailing market price of the Shares on ASX on the date of issue of the Director Option (**Exercise Price**).
- (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director 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 Director Options specified in the Exercise Notice.
- (h) The Director Options may be transferable subject to Board approval and compliance with the Corporations Act and the ASX Listing Rules (where applicable).
- (i) If any of the following events occur (**Trigger Event**):
  - (i) the Company is subject to a takeover bid;
  - (ii) the Company proposes a scheme of arrangement with its members under Part 5.1 of the Corporations Act; or
  - (i) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons,then the Board may:
  - (iv) determine that Director Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or
  - (v) use its reasonable endeavours to procure that an offer is made to holder of Director Options on like terms to the terms proposed in such event.
- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares. To the extent any Shareholder or regulatory approval is required by the Company for the issue of any Shares the subject of any exercise notice (**Approval**), the Company shall use its best endeavours to seek the Approval and upon receipt, the Company will allot the relevant Shares within five (5) Business Days following Approval.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director

**RMG LIMITED**  
**ACN 065 832 377**

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 Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (n) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

**ANNEXURE C - VALUATION OF DIRECTOR OPTIONS**

The Director Options to be issued to Mr Kirtlan, Mr Rolley and Mr Chadwick pursuant to Resolutions 5 to 7 have been valued using the Black-Scholes pricing model and based on the following assumptions:

- (a) the Director Options expire on 31 August 2016;
- (b) the exercise price of the Director Options is \$0.008 being 100% above the prevailing share price which is \$0.004 at the date of this Notice of Meeting;
- (c) an underlying security spot price per share of \$0.004;
- (d) a weighted average volatility of 70%;
- (e) a risk free rate of 2.60%;
- (f) the valuations ascribed to the various Director Options may not necessarily represent the market price of the Director Options at the date of valuation; and
- (g) the valuation date for the Director Options is 31 July 2012.

Based on the above the Director Options have been valued at \$0.001494 each.

Accordingly, the total value of Director Options to be issued are as follows:

<b>Director</b>	<b>Value</b>
Mr Kirtlan	\$37,350
Mr Rolley	\$37,350
Mr Chadwick	\$14,940

# RMG Limited

ABN 51 065 832 377

## Lodge your vote:



### By Mail:

The Company Secretary  
RMG Limited  
PO Box 2025  
Subiaco WA 6904

Alternatively you can fax your form to  
(within Australia) 08 9388 2355  
(outside Australia) +61 8 9388 2355

### For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

For your vote to be effective it must be received by 4:00pm (WST) Wednesday 12 September 2012

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** →



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**

- Review your securityholding
- Update your securityholding

**Your secure access information is:**

**SRN/HIN: I999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of RMG Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of RMG Limited to be held at The Irish Club, 61 Townshend Road, Subiaco WA 6008 on Friday, 14 September 2012 at 4:00pm (WST) and at any adjournment of that meeting.

#### IMPORTANT FOR ITEMS 5, 6, 7, 8 AND 9 - If the Chairperson of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairperson of the Meeting to vote in accordance with the Chairperson's voting intentions on Items 5, 6, 7, 8 and 9 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Items 5, 6, 7, 8 and 9, the Chairperson of the Meeting will not cast your votes on Items 5, 6, 7, 8 and 9 and your votes will not be counted in computing the required majority if a poll is called on these items. If you appoint the Chairperson of the Meeting as your proxy you can direct the Chairperson how to vote by either marking the boxes below (for example, if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairperson of the Meeting will vote in favour of Items 5, 6, 7, 8 and 9).

**The Chairperson of the Meeting intends to vote all available proxies in favour of Items 5, 6, 7, 8 and 9.**

I/We direct the Chairperson of the Meeting to vote in accordance with the Chairperson's voting intentions on Items 5, 6, 7, 8 and 9 (except which I/we have indicated a different voting intention below) and acknowledge that the Chairperson of the Meeting may exercise my proxy even though Items 5, 6, 7, 8 and 9 are connected directly or indirectly with the remuneration of a member of Key Management Personnel and/or even if the Chairperson of the Meeting has an interest in the outcome of the resolution and that votes cast by the Chairperson of the Meeting for those resolutions other than as proxy holder would be disregarded because of that interest.

### STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

#### ORDINARY BUSINESS

	For	Against	Abstain
Item 1 Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Ratification of Prior Issue of Employee Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Ratification of Prior Issue of First Tranche Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval for the Issue of Second Tranche Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approval for the Issue of Director Options to Robert Kirtlan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Approval for the Issue of Director Options to Peter Rolley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Approval for the Issue of Director Options to Steven Chadwick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Approval for the Issue of Secretary Options to Lloyd Flint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 9 Adoption of Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_

RMG

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