

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

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

**Date of Meeting**  
28 August 2014

**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 a 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 28 August 2014 at 4.00pm (WST) for the purpose of transacting the following business.

**RESOLUTION 1 – RATIFICATION OF FIRST TRANCHE PLACEMENT**

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 366,407,689 Shares at an issue price of \$0.0015 each to sophisticated and professional investors 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 any person who participated in the issue of securities the subject of this Resolution 1 and any associates of those persons.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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 – APPROVAL OF SECOND TRANCHE PLACEMENT**

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 up to 1,633,592,311 Shares at an issue price of \$0.0015 each and 1,000,000,000 Attaching Options to sophisticated and professional investors 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 2 by:

- (a) any person who may participate in the proposed issue of securities the subject of this Resolution 2, if Resolution 2 is passed;
- (b) any person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 2 is passed; and
- (c) any associates of a person referred to in (a) or (b) above.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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 – APPROVAL FOR THE ISSUE OF SHARES AND ATTACHING OPTIONS IN LIEU OF AMOUNTS OWING TO MR 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 ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 40,000,000 Shares and 20,000,000 Attaching Options to Mr Robert Kirtlan (and/or his nominees) 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 Mr Kirtlan, his nominees and any of their associates.

However, the Company need not disregard a vote if:

- (a) 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

- (b) it is cast by the Chairperson 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**

The Company will also disregard any votes cast on Resolution 3 by a person appointed as a proxy if:

- (a) the person 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 3.

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 3 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **RESOLUTION 4 – APPROVAL FOR THE ISSUE OF SHARES AND ATTACHING OPTIONS IN LIEU OF AMOUNTS OWING TO MR 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 ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 30,000,000 Shares and 15,000,000 Attaching Options to Mr Peter Rolley (and/or his nominees) 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 Mr Rolley, his nominees and any of their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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**

The Company will also disregard any votes cast on Resolution 4 by a person appointed as a proxy if:

- (a) the person 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 4.

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 4 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **RESOLUTION 5 – APPROVAL FOR THE ISSUE OF AUGUST 2017 OPTIONS TO MR 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 195(4) and Chapter 2E of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 200,000,000 August 2017 Options to Mr Robert Kirtlan (and/or his nominees) 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 5 in any capacity by Mr Kirtlan, his nominees and any of their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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**

The Company will also disregard any votes cast on Resolution 5 by a person appointed as a proxy if:

- (a) the person is either:
- (i) a member of the Key Management Personnel; or

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- (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 AUGUST 2017 OPTIONS TO MR 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 195(4) and Chapter 2E of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 200,000,000 August 2017 Options to Mr Peter Rolley (and/or his nominees) 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 6 in any capacity by Mr Rolley, his nominees and any of their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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**

The Company will also disregard any votes cast on Resolution 6 by a person appointed as a proxy if:

- (a) the person 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 AUGUST 2017 OPTIONS TO MR MICHAEL GRIFFITHS**

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 195(4) and Chapter 2E of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 100,000,000 August 2017 Options to Mr Michael Griffiths (and/or his nominees) 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 7 in any capacity by Mr Griffiths, his nominees and any of their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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**

The Company will also disregard any votes cast on Resolution 7 by a person appointed as a proxy if:

- (a) the person 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

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- (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 SECURITIES FOR SERVICES PROVIDED TO THE COMPANY**

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 15,000,000 Shares, 372,156,921 Attaching Options and 215,000,000 August 2017 Options for services provided to 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 Resolution 8 by:

- (a) any person who may participate in the proposed issue of securities the subject of this Resolution 8, if Resolution 8 is passed;
- (b) any person who may obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 8 is passed; and
- (c) any associates of a person referred to in (a) or (b) above.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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**

The Company will also disregard any votes cast on Resolution 8 by a person appointed as a proxy if:

- (a) the person 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 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 – APPROVAL FOR THE CONSOLIDATION OF CAPITAL**

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 254H of the Corporations Act, Rule 10.1 of the Company's constitution and for all other purposes, approval be given for the consolidation of the Company's issued capital on the basis that every 33 Shares be consolidated into 1 Share, with the consolidation taking effect on a date announced to ASX in accordance with the ASX Listing Rules and with any fractional entitlements being rounded down to the nearest whole number, on the terms and conditions and in the manner set out in the Explanatory Memorandum."*

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

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Lloyd Flint

Company Secretary

Date: 15 July 2014

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

A Shareholder may appoint not more than 2 proxies to attend and act for the Shareholder at the General Meeting and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of those votes. Any fraction of votes shall be disregarded.

An appointment of a proxy or power of attorney is not effective for the General Meeting unless:

- (a) in the case of a proxy, the Proxy Form and, if it is executed by an attorney, the relevant power of attorney or a certified copy of it; and
- (b) in the case of an attorney, the power of attorney or a certified copy of it.

To be valid, properly completed Proxy Forms must be received by the Company no later than 4.00pm (WST) on 26 August 2014:

- by post at PO Box 2025, Subiaco, WA 6904; or
- by facsimile on +61 8 9387 6602.

Please refer to the enclosed Proxy Form for more information about submitting proxy votes.

***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; or
  - (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.

The Chairperson intends to vote all undirected proxies in favour of the Resolutions.

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

The Corporations Act 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 3 to 8. 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. Where you nominate the Chairperson as your proxy but do not direct the Chairperson how to vote on the relevant Resolutions, the Chairperson intends to vote those proxies in favour of the relevant Resolution.

**ENTITLEMENT TO VOTE**

For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) and ASX Settlement Operating Rule 5.6.1, the Company determines that members holding Shares at 7.00pm (Sydney time) on 26 August 2014 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** or **RMG**) 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 28 August 2014 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. If you have any questions regarding the matters set out in the Notice of Meeting or the Explanatory Memorandum, please contact your accountant, solicitor or other professional adviser.

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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**RESOLUTIONS 1 AND 2 – RATIFICATION OF FIRST TRANCHE PLACEMENT AND APPROVAL OF SECOND TRANCHE PLACEMENT**

**Background**

As announced on 3 July 2014, the Company has received firm commitments for a placement to a range of existing and new investors at an issue price of \$0.0015 per Share. The Company now hopes to raise up to \$3,000,000 before expenses through the issue of up to 2,000,000,000 Shares and up to 1,000,000,000 Attaching Options (**Placement**).

It is anticipated that funds raised from the Placement will be applied as follows:

- Up to 70% of the funds raised will be used to initially develop the Tuina copper-silver project located 50 kilometres from the city of Calama in Chile (**Tuina Project**) (refer to expenditure table below);
- Up to 15% of the funds raised will be used to meet the Company's minimum expenditure obligations on the Kamarga base metal project in North Queensland (**Kamarga Project**) and existing projects; and
- The balance of funds raised will be used for the Company's general working capital.

An estimate of the next 12 months of expenditure on the Tuina Project is set out below:

<u>Year One Activity</u>	<u>Expenditure</u> <u>AUD\$</u>
Drilling - Porvenir	750,000
Drilling - Santa Lucia	150,000
IP Survey	100,000
Regional exploration	50,000
Dump retreatment investigation	250,000
<b>TOTAL</b>	<b>1,300,000</b>

The Placement is being conducted in two tranches:

- 1 an initial tranche of 366,407,689 Shares to sophisticated and professional investors (**First Tranche Placement**) which completed on 15 July 2014 and raised approximately \$549,612 before costs, the ratification of which is the subject of Resolution 1; and
- 2 a second tranche of up to 1,633,592,311 Shares and 1,000,000,000 Attaching Options to sophisticated and professional investors to raise up to \$2,450,388 before costs, subject to Shareholder approval, being the subject of Resolution 2 (**Second Tranche Placement**).

Each Attaching Option will be exercisable at \$0.003 each and will expire on 31 August 2016. The Attaching Options will not be listed on ASX. The terms of the Attaching Options are set out in Annexure A of this Explanatory Memorandum.

**Resolution 1 – Ratification of First Tranche Placement**

The First Tranche Placement was undertaken within the Company's 15% placement capacity under ASX Listing Rule 7.1, raising approximately \$549,612 before costs.

ASX Listing Rule 7.1 provides that a company must not issue, or agree to issue, equity securities during any 12 month period which, when aggregated, exceeds 15% of the number of that company's fully paid ordinary securities on issue at the commencement of that 12 month period, unless one of the exceptions in ASX Listing Rule 7.1 applies or Shareholders approve the issue for the purposes of ASX Listing Rule 7.1.

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ASX Listing Rule 7.4 provides that an issue of securities made without Shareholder approval under ASX Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 at the time the issue was conducted and shareholders subsequently ratify the issue.

Resolution 1 seeks Shareholder approval to ratify the issue of the Shares and Attaching Options the subject of the First Tranche Placement for the purposes of ASX Listing Rule 7.4.

The approval of Resolution 1 will provide the Company with greater flexibility to issue further securities up to its 15% placement capacity in accordance with ASX Listing Rule 7.1 without needing to obtain the prior approval of its Shareholders.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 1:

- (a) the number of Shares allotted was 366,407,689;
- (b) the Shares were issued at \$0.0015 each;
- (c) the Shares were issued on the same terms and conditions as the Company's existing Shares on issue and rank equally in all respects with all other Shares on issue;
- (d) the Shares were issued to various sophisticated and professional investors under sections 708(8) – (11) of the Corporations Act, being clients of various stockbrokers who undertook the First Tranche Placement on behalf of the Company; and
- (e) the intended use of the funds amounts raised from the issue of the Shares is outlined above.

### **Resolution 2 – Approval of Second Tranche Placement**

Resolution 2 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of the Shares and Attaching Options the subject of the Second Tranche Placement.

As outlined above, ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of that company's fully paid ordinary securities on issue at the commencement of that 12 month period without obtaining the prior approval of the Shareholders. None of the exceptions to ASX Listing Rule 7.1 apply to the Company's proposed issue of the Shares and Attaching Options contemplated in the Second Tranche Placement.

If approved by Shareholders, the effect of Resolution 2 will be to allow the Directors to issue up to 1,633,592,311 Shares and 1,000,000,000 Attaching Options to sophisticated and professional investors under the Second Tranche Placement without using up the Company's 15% placement capacity under ASX Listing Rule 7.1. 183,203,844 of the Attaching Options will be issued to subscribers for Shares under the First Tranche Placement with the remainder to be issued to subscribers for Shares under the Second Tranche Placement.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) the maximum number of Shares to be issued is 1,633,592,311 and the maximum number of Attaching Options to be issued is 1,000,000,000;
- (b) the Shares and Attaching Options will be issued and allotted on one date and as soon as practicable after the General Meeting and in any event within three (3) months after the date of the General Meeting or such later date as may be permitted pursuant to the terms of any waiver granted by the ASX;
- (c) the Shares will be issued at \$0.0015 each, and one Attaching Option is issued for every 2 Shares subscribed for under the First Tranche Placement or the Second Tranche Placement (as the case may be) for no additional consideration;
- (d) the Shares and Attaching Options will be issued to sophisticated and professional investors under sections 708(8) – (11) of the Corporations Act;
- (e) the Shares will be issued on the same terms and conditions as the Company's existing Shares on issue and will rank equally in all respects with all other Shares on issue. The terms and conditions of the Attaching Options are set out in Annexure A to this Explanatory Memorandum; and
- (f) the intended use of the funds amounts raised from the issue of the Shares is outlined above. No funds will be raised from the issue of the Attaching Options although the Company will raise \$0.003 per Attaching Option if and when these options are exercised.

**Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolutions 1 and 2.

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**RESOLUTIONS 3 AND 4 – APPROVAL FOR THE ISSUE OF SHARES AND ATTACHING OPTIONS IN LIEU OF AMOUNTS OWING TO MESSRS ROBERT KIRTLAN AND PETER ROLLEY**

**Background**

In order to preserve the limited cash resources of the Company, Messrs Kirtlan and Rolley have not been paid in full the amounts due to them pursuant to their service agreements since July 2013.

The Board proposes to issue them a number of Shares with one free Attaching Option for every two Shares issued, in lieu of amounts owing to them under their service agreements. The Attaching Options proposed to be issued will not be listed on the ASX.

The table set out below sets out the number of securities to be issued to each of Messrs Kirtlan and Rolley.

Director	Fees owed	Number of Shares	Free Attaching Options
Robert Kirtlan (Executive Chairman)	\$60,000	40,000,000	20,000,000
Peter Rolley (Executive Director)	\$45,000	30,000,000	15,000,000

The primary purpose of the issue of these Shares and Attaching Options is to conserve the Company's existing cash reserves so that cash can be used to fund the Company's projects.

**Regulatory requirements**

ASX Listing Rule 10.11 provides that a company must not issue, or agree to issue, securities to a related party without prior shareholder approval being obtained. For the purposes of ASX Listing Rule 10.11, each of Mr Kirtlan and Mr Rolley are related parties of the Company as they are directors of the Company. Accordingly, Shareholder approval is being sought under ASX Listing Rule 10.11 to issue Shares and Attaching Options in lieu of cash payments to which Messrs Kirtlan and Rolley are otherwise entitled to receive.

As the Company is seeking Shareholder approval under ASX Listing Rule 10.11, the Company is not required to seek separate Shareholder approval under ASX Listing Rule 7.1 to exempt the proposed issue of Shares and Attaching Options to Messrs Kirtlan and Rolley from the 15% limitation on the Company's ability to issue, or agree to issue, new equity securities. The effect of this is that if Resolutions 3 and 4 are approved, the proposed issue of Shares and Attaching Options to Messrs Kirtlan and Rolley will not be included within the Company's 15% placement capacity under ASX Listing Rule 7.1.

Pursuant to ASX Listing Rule 10.13, the Company provides the following information to Shareholders in respect of Resolutions 3 and 4:

- (a) the related parties to whom Shares and Attaching Options may be issued are Messrs Kirtlan and Rolley (and/or their nominees);
- (b) the maximum number of Shares to be issued by the Company is 70,000,000 Shares (40,000,000 Shares under Resolution 3 and 30,000,000 Shares under Resolution 4), and the maximum number of Attaching Options to be issued by the Company is 35,000,000 (20,000,000 under Resolution 3 and 15,000,000 under Resolution 4). The allocation of securities to each person is set out in the table above;
- (c) subject to receiving Shareholder approval, the Shares and Attaching Options will be issued to Messrs Kirtlan and Rolley (and/or their nominees) as soon as practicable following the General Meeting and in any event no later than one month after the date of the General Meeting or such later date as may be permitted pursuant to the terms of any waiver granted by the ASX;
- (d) the Shares will be issued for a notional consideration of \$0.0015 each and will be issued on the same terms and conditions as the Company's existing Shares on issue and will rank equally in all respects with all other Shares on issue. One Attaching Option is issued for every 2 Shares issued for no additional consideration. The terms and the conditions of the Attaching Options are set out in Annexure A of this Explanatory Memorandum; and

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(e) no funds will be raised from the issue of the Shares and Attaching Options because the issue is in lieu of payment of the amounts owing to Messrs Kirtlan and Rolley in cash.

**Corporations Act requirements**

Chapter 2E of the Corporations Act prohibits an Australian public company from providing a financial benefit to a related party unless a specific statutory exception applies or prior shareholder approval is obtained to the giving of the financial benefit. A related party under the Corporations Act includes directors of the Company.

Exceptions to the requirement to obtain shareholder approval under Chapter 2E of the Corporations Act apply where the financial benefit constitutes part of the related party's "reasonable remuneration" or the benefits are otherwise given on arm's length terms. As the issue of the Shares and Attaching Options will settle the outstanding amounts that would otherwise have been paid in cash to Messrs Kirtlan and Rolley, the Board (noting that Messrs Kirtlan and Rolley were not able to make recommendations approving the issue of securities to them in relation to Resolutions 3 and 4 respectively, because they have a material personal interest in the outcome of that particular Resolution) considers the issue of the Shares and Attaching Options to constitute part of each of Mr Kirtlan and Mr Rolley's reasonable remuneration. Further, it is noted that the notional consideration to issue is the same as that paid by unrelated third party investors under the capital raising the subject of Resolutions 1 and 2 for the purposes of determining the number of Shares and Attaching Options issued. Accordingly, Shareholder approval under Chapter 2E is not being sought.

**Directors' recommendation**

Mr Robert Kirtlan declines to make a recommendation to Shareholders in relation to Resolution 3 approving the issue of securities to himself because he has a material personal interest in the outcome of Resolution 3. However, Messrs Peter Rolley and Michael Griffiths recommend that Shareholders vote in favour of the Resolution 3.

Mr Peter Rolley declines to make a recommendation to Shareholders in relation to Resolution 4 approving the issue of securities to himself because he has a material personal interest in the outcome of Resolution 4. However, Messrs Robert Kirtlan and Michael Griffiths recommend that Shareholders vote in favour of the Resolution 4.

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**RESOLUTIONS 5, 6 AND 7 – APPROVAL FOR THE ISSUE OF AUGUST 2017 OPTIONS TO DIRECTORS**

**Background**

The Company proposes to issue the following August 2017 Options to all of the Directors:

<b>Director</b>	<b>August 2017 Options</b>
Mr Robert Kirtlan (Executive Chairman)	200,000,000
Mr Peter Rolley (Executive Director)	200,000,000
Mr Michael Griffiths (Non Executive Director)	100,000,000

The issue of the August 2017 Options is designed to encourage the Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

The August 2017 Options will be exercisable at \$0.003 each and will expire on 31 August 2017. The August 2017 Options will not be listed on the ASX. The full terms of the August 2017 Options are set out in Annexure B of this Explanatory Memorandum.

The Company acknowledges that the issue of securities to Mr Michael Griffiths, 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 issue of the August 2017 Options to Mr Griffiths (and/or his nominee) pursuant to Resolution 7 to be in the best interests of Shareholders to attract and retain the highest calibre of professionals to the role given the Company's size and stage of development whilst preserving the Company's cash reserves.

**ASX Listing Rule 10.11**

As set out above, ASX Listing Rule 10.11 provides that a company must not issue, or agree to issue, securities to a related party without prior shareholder approval being obtained. For the purposes of ASX Listing Rule 10.11, each of Mr Kirtlan, Mr Rolley, and Mr Griffiths are related parties of the Company as they are directors of the Company. Accordingly, Shareholder approval is being sought under ASX Listing Rule 10.11 to issue the August 2017 Options to each of Messrs Kirtlan, Rolley and Griffiths (and/or their nominees).

As the Company is seeking Shareholder approval under ASX Listing Rule 10.11, the Company is not required to seek separate Shareholder approval under ASX Listing Rule 7.1 and if approved, the issue of the August 2017 Options will

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not be included in the 15% calculation of the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1.

Pursuant to ASX Listing Rule 10.13, the Company provides the following information to Shareholders in respect of Resolutions 5, 6 and 7:

- (a) the related parties to whom August 2017 Options may be issued are Messrs Kirtlan, Rolley and Griffiths (and/or their nominees);
- (b) the maximum number of August 2017 Options to be issued by the Company are 500,000,000 August 2017 Options (being 200,000,000 August 2017 Options under each of Resolutions 5 and 6 and 100,000,000 August 2017 Options under Resolution 7). The allocation to each person is set out in the table above;
- (c) subject to receiving Shareholder approval, the August 2017 Options will be issued to the Directors as soon as practicable following the General Meeting and in any event no later than one month after the date of the General Meeting or such later date as may be permitted pursuant to the terms of any waiver granted by the ASX;
- (d) the August 2017 Options are issued for no consideration and will be exercisable at \$0.003 each. The terms and the conditions of the August 2017 Options are set out in Annexure B of this Explanatory Memorandum; and
- (e) no funds will be raised from the issue of the August 2017 Options as they are issued to incentivise the Directors although the Company will raise \$0.003 per August 2017 Option if and when those options are exercised.

**Material personal interest**

Section 195 of the Corporations Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered. Resolutions 5 to 7 propose to issue August 2017 Options to all Directors. It is therefore arguable that even though the Resolutions are not inter-dependent, each Director has an interest in each of these Resolutions to the extent that they are a proposed recipient of August 2017 Options under one of those Resolutions.

The Directors therefore consider it prudent to consider that each Director holds a "material personal interest" in the consideration of the matter and so a quorum cannot be formed to consider the matter at Board level. However, by reason of section 195(4) of the Corporations Act, the Directors are permitted in such instances to put the matter before Shareholders to resolve. The Directors have accordingly exercised their right under section 195(4) of the Corporations Act and have resolved to put the proposed issue of the August 2017 Options to the Directors to Shareholders to consider, and if thought fit, approve.

**Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits an Australian public company from providing a financial benefit to a related party unless a specific statutory exception applies or prior shareholder approval is obtained to the giving of the financial benefit. A related party under the Corporations Act includes directors of the Company. The issue of August 2017 Options to each of Messrs Kirtlan, Rolley and Griffiths amounts to the provision of a "financial benefit" to related parties.

As no statutory exception applies, Shareholder approval is required to be obtained for Resolutions 5, 6 and 7.

Accordingly, pursuant to Chapter 2E of the Corporations Act, the Company provides the following information to Shareholders in respect of Resolutions 5, 6 and 7:

***Financial benefit and to whom it is being given***

- (a) The nature of the financial benefit to be given is the issuing of the August 2017 Options to each of Messrs Kirtlan, Rolley and Griffiths (and/or their nominees) for no additional consideration. Please refer to the table above for the allocation of the securities.
- (b) As indicated above, the August 2017 Options will be exercisable at \$0.003 each and will expire on 31 August 2017.
- (c) The number of August 2017 Options to be issued to each of the Directors has been determined taking into account the significant contribution that these Directors are likely to have to the Company's success, and to provide ongoing equity incentives to advance the Company and its assets.

***Directors' interests in outcome and valuation of the options***

- (d) As at the date of this Notice of Meeting, Messrs Kirtlan, Rolley and Griffiths have the following interests in securities of the Company:

Director	Number of Shares	Number of Options
Robert Kirtlan (Executive Chairman)	124,600,000	25,000,000
Peter Rolley (Executive Director)	165,850,000	25,000,000
Michael Griffiths (Non Executive Director)	-	-

- (e) Under the Corporations Act, the Company is required to attribute a value to the August 2017 Options for the purposes of the approval sought from Shareholders.

The August 2017 Options will not be listed on any stock exchange and so there is no readily ascertainable market value of the August 2017 Options. Accordingly, in such circumstances the Australian Securities & Investments Commission has indicated that option values should be determined in accordance with Accounting Standard AASB 2 (Share-based payment). The Board notes that the value of options can vary significantly depending on the methodology used and the assumptions made and any one particular valuation methodology is not necessarily representative of the actual value of the August 2017 Options.

Assuming that the requirements of Accounting Standard AASB 2 apply, the indicative value of the August 2017 Options as at 4 July 2014 was calculated using the Black-Scholes pricing model. The value of the August 2017 Options together with the assumptions underlying the respective valuations are set out in Annexure C of this Explanatory Memorandum.

- (f) The table below sets out the total remuneration and emoluments from the Company to Messrs Kirtlan, Rolley and Griffiths for the:
- previous financial year ending 30 June 2013;
  - current financial year ending 30 June 2014 (excluding Resolutions 3 to 7); and
  - current financial year ending 30 June 2014 if Resolutions 3 to 7 are approved.

	Financial Year ended 30 June 2013	Financial Year ended 30 June 2014	Proposed remuneration and emoluments for the current financial year ending 30 June 2014
Mr Robert Kirtlan	\$147,650	\$120,000	\$164,000
Mr Peter Rolley	\$268,610	\$245,760	\$289,760
Mr Michael Griffiths	\$3,000	\$36,000	\$58,000

#### *Dilutive effect*

- (g) The issue of the August 2017 Options will not have any immediate dilutive effect. However, if all of the August 2017 Options issued to Directors pursuant to Resolutions 5 to 7 were to be converted, Shareholders would be diluted by an aggregate of 14%.

#### *Opportunity costs*

- (h) There are no significant opportunity costs to the Company or benefits foregone by the Company in issuing the August 2017 Options upon the terms proposed. As noted above, the August 2017 Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation. Each Director must contribute their own money to the Company to fund the exercise price of the August 2017 Options.

#### *Trading history*

- (i) As indicated above, the August 2017 Options proposed to be issued will not be listed on the ASX.
- (j) The trading history of the Shares on ASX in the 12 months before the date of this Explanatory Memorandum is set out below.

	Price	Date
Highest	\$0.003	12 May 2014
Lowest	\$0.001	18 February 2014
Last	\$0.001	4 July 2014

#### *Alternative options to issue of August 2017 Options*

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- (k) The Board has considered a wide range of alternatives, including incentivising the Directors by providing cash compensation. However, the Board considers the issue of August 2017 Options to the Directors to be in the best interests of Shareholders because it purports to incentivise the Directors and would provide cost effective consideration to Directors for their ongoing commitment and their contribution to the Company whilst preserving the Company's cash reserves which can be used to fund the Company's projects.

***Impact on the Company***

- (l) Expensing the August 2017 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 August 2017 Options.
- (m) There are no tax implications for the Company in issuing these August 2017 Options.

***Funds***

- (n) No funds will be raised from the issue of the August 2017 Options as they are issued to incentivise the Directors, although the Company will raise \$0.003 per August 2017 Option if and when those options are exercised.

***Other information***

- (o) Other than as set out above and in Annexure C of this Explanatory Memorandum, 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.

**Directors' recommendation**

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 that they may have in the outcome of the Resolution as it relates to the proposed issue of securities to them (or their nominees).

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**RESOLUTION 8 – APPROVAL FOR THE ISSUE OF SECURITIES FOR SERVICES PROVIDED TO THE COMPANY**

**Background**

The Board has resolved, subject to obtaining Shareholder approval, to issue a total of 15,000,000 Shares, 372,156,921 Attaching Options and 215,000,000 August 2017 Options in accordance with the table below in lieu of each payment for services provided to the Company.

Subscriber	Services	Shares	Attaching Options	August 2017 Options
Lloyd Flint	Company secretarial services	15,000,000	7,500,000	50,000,000
Zenix Nominees Pty Ltd	Capital raising services in relation to the Placement the subject of Resolutions 1 and 2	-	364,656,921	-
Andrew Shaw	"In-country" geological and project management services in Chile	-	-	66,000,000
Julie Bostrom	"In-country" administration services in Chile	-	-	33,000,000
Nolan Corporate Pty Ltd	"In-country" corporate advisory services in Chile	-	-	33,000,000
Gandria Capital Pty Ltd	Corporate finance services	-	-	33,000,000
<b>Total</b>		<b>15,000,000</b>	<b>372,156,921</b>	<b>215,000,000</b>

**Regulatory requirements**

As noted above, ASX Listing Rule 7.1 imposes a 15% limit on the number of equity securities the Company can issue within a 12 month period without shareholder approval. The Shares, Attaching Options and August 2017 Options proposed to be issued under Resolution 8 will reduce the number of equity securities that the Company can issue without obtaining Shareholder approval under ASX Listing Rule 7.1.

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Accordingly, the approval of Resolution 8 will provide the Company with greater flexibility to issue further securities up to its 15% placement capacity in accordance with ASX Listing Rule 7.1 without needing to obtain the prior approval of its Shareholders.

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) as set out in the table above, the maximum number of securities to be issued pursuant to Resolution 8 are 15,000,000 Shares, 372,156,921 Attaching Options and 215,000,000 August 2017 Options;
- (b) if Shareholder approval is obtained, the Shares, Attaching Options and August 2017 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 or such later date as may be permitted pursuant to the terms of any waiver granted by the ASX;
- (c) each of the Shares, Attaching Options and August 2017 Options will be issued in lieu of cash payment for services provided to the Company;
- (d) the Shares, Attaching Options and August 2017 Options will be issued and granted to the persons set out in the table above (and/or their nominees);
- (e) the Shares will be issued on the same terms and conditions as the Company's existing Shares on issue and will rank equally in all respects with all other Shares on issue. The terms and conditions of the Attaching Options and August 2017 Options are set out in Annexures A and B respectively of this Explanatory Memorandum. The Attaching Options and August 2017 Options will otherwise be granted on the terms of, but not under, the employee incentive plan previously adopted by the Company on 14 September 2012; and
- (f) the allotment and issue of Shares, Attaching Options and August 2017 Options will not raise any funds. The Company will raise \$0.003 per Attaching Option or August 2017 Option if and when those options are exercised with any funds raised on the exercise of the Attaching Options or August 2017 Options being put towards the Company's general working capital requirements.

**Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 8.

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**RESOLUTION 9 – APPROVAL FOR THE CONSOLIDATION OF CAPITAL**

**Background**

Resolution 9 seeks Shareholder approval for the Company to undertake a consolidation of the number of Shares on issue on the basis that every 33 Shares be consolidated into one Share (**Consolidation**).

The Company has a large number of Shares on issue (currently 3,575,792,281) due to historical equity based capital raisings and corporate transactions. Following completion of the Placement the subject of Resolutions 1 and 2, the number of Shares on issue will increase to 5,209,384,592 Shares. For a company of the Company's size, this is a large number of securities to have on issue and it subjects the Company to a number of potential disadvantages including:

- that the Company has a greater number of Shares on issue than many comparable companies, meaning that its Share price is lower for reasons other than valuation;
- negative perceptions associated with a low Share price versus the overall value;
- negative perceptions for potential international investors that generally deal in markets where companies generally have far fewer shares on issue; and
- administrative inconvenience and increased registry costs.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to enable the Company to achieve a competitive advantage over its peers in the commodities exploration industry and capital markets to further progress its existing projects and explore new opportunities.

**Legal Requirements**

Section 254H of the Corporations Act and Rule 10.1 of the Company's constitution enables the Company to convert all or any of its Shares into a smaller number of Shares by resolution passed at a general meeting of Shareholders.

ASX Listing Rule 7.20 requires a company that proposes to reorganise its capital to advise equity security holders in writing of:

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- the effect of the proposal on the number of securities and the amount unpaid (if any) on the securities;
- the proposed treatment of any fractional entitlements arising from the reorganisation; and
- the proposed treatment of any convertible securities on issue.

That information is set out below.

The Company currently has Options on issue and proposes to issue additional Options pursuant to Resolutions 2 to 8 (Resolution 1 relates to securities already issued). ASX Listing Rule 7.22.1 requires that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio. If the Consolidation is approved by Shareholders, the Company will reorganise the terms of all Options in accordance with their terms and the ASX Listing Rules.

**Effect of the Consolidation and capital structure**

Following completion of the Consolidation, the table below shows the proposed capital structure of the Company and treatment of the Options on issue (subject to the rounding of fractional entitlements).

	Shares	April 2015 Options	April 2017 Options	August 2016 Options	Attaching Options	August 2017 Options
Number of securities on issue pre-Consolidation (including if Resolutions 1 to 8 above are passed)	5,294,384,592	10,000,000	10,000,000	80,000,000	1,407,156,921	715,000,000
Number of securities on issue post-Consolidation	160,435,896	303,030	303,030	2,424,242	42,641,118	21,666,666
Revised exercise price of Options (cents each)		<u>66.00</u>	<u>66.00</u>	<u>19.80</u>	<u>9.90</u>	<u>9.90</u>

There are no amounts unpaid on any of the Shares currently on issue.

As the Consolidation applies equally to all of the Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares on issue in the Company (subject only to the rounding down of fractional entitlements). Accordingly, the Consolidation will have no material effect on the percentage interest of each individual Shareholder. The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

Similarly, the aggregate value of each Shareholder's holding (and the Company's market capitalisation) should not materially change – other than minor changes as a result of rounding – as a result of the Consolidation alone (assuming no other market movements or impacts occur). However, the price per Share can be expected to increase to reflect the reduced number of Shares on issue.

**Fractional Entitlements and Taxation**

Not all Shareholders and Optionholders will hold a number of Shares and Options that can be evenly divided by 33. Where a fractional entitlement occurs, the Directors will round that fraction down to the nearest whole Share or Option, as the case may be.

It is not expected that any taxation implications will exist for Shareholders or Optionholders arising from the Consolidation. However, particular taxation implications will depend upon the circumstances of each Shareholder or Optionholder. Shareholders and Optionholders are advised to seek their own taxation advice on the effect of the Consolidation. Neither the Company nor the Directors (or the Company's advisors) assume any liability or accept any responsibility for any individual's taxation implications arising from the Consolidation.

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**Holding Certificates and Option Certificates**

If approved by Shareholders, from the date of the Consolidation (being the date advised to the ASX):

- (a) all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis;
- (b) all certificates for unlisted Options (if any) will cease to have any effect, except as evidence of entitlement to a certain number of Options on a post-Consolidation basis;
- (c) after the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those securities and, to the extent required, new certificates for unlisted Options to be issued to Optionholders; and
- (d) it is the responsibility of each Shareholder or Optionholder to check the number of Shares or Options held prior to disposal or exercise (as the case may be).

**Timetable**

If approved by Shareholders, the proposed Consolidation will take effect on or around 19 September 2014, being after the date of issue of any securities the subject of Resolutions 2 to 8. The following is an indicative timetable (subject to change) of the key events:

Key Event	Indicative Date
General Meeting	28 August 2014
Issue of securities subject to approval of Resolutions 2 to 8	4 September 2014
Last day for trading in pre-consolidated securities	9 September 2014
Trading in the consolidated securities on a deferred settlement basis commences	10 September 2014
Last day to register transfers on a pre-Consolidation basis	12 September 2014
Registration of securities on a post-Consolidation basis	15 September 2014
Issue date and deferred settlement trading ends	19 September 2014

**Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 9.

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**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, currently intends to vote all available proxies in favour of all Resolutions.

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**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>ASX Listing Rules</b>	The Official Listing Rules of ASX.
<b>Attaching Option</b>	An option that is exercisable into one Share in the Company on payment of the exercise price of \$0.003 on or before 31 August 2016.
<b>August 2017 Option</b>	An option that is exercisable into one Share in the Company on payment of the exercise price of \$0.003 on or before 31 August 2017.
<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: <ul style="list-style-type: none"><li>(a) a spouse or child of the member; or</li><li>(b) a child of the member's spouse; or</li><li>(c) a dependent of the member or the member's spouse; or</li><li>(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or</li><li>(e) a company the member controls; or</li><li>(f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).</li></ul>
<b>Company or RMG</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>Explanatory Memorandum</b>	The explanatory memorandum accompanying the Notice.
<b>General Meeting or Meeting</b>	The general meeting of Shareholders convened by the Notice, to be held on 28 August 2014.
<b>Notice or Notice of Meeting</b>	The notice of meeting accompanying this Explanatory Memorandum.
<b>Option</b>	The right to acquire one Share in the Company by payment of the applicable exercise price on or before the relevant expiry date, and includes an Attaching Option and an August 2017 Option.
<b>Optionholder</b>	A holder of an Option.
<b>Key Management Personnel</b>	Has the same meaning as in the Australian 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>Resolutions</b>	The resolutions contained in the Notice.
<b>Share</b>	A fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	The holder of a Share.
<b>WST</b>	Western Standard Time.

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

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

- (a) Each Attaching Option gives the Attaching Option holder the right to subscribe for one Share.
- (b) The Attaching Options will expire at 5.00pm (WST) on 31 August 2016 (**Expiry Date**). Any Attaching Option not exercised before the Expiry Date will automatically lapse on the relevant Expiry Date.
- (c) The amount payable upon exercise of each Attaching Option will be \$0.003 (**Exercise Price**).
- (d) The Attaching Options held by each Attaching Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000,000 must be exercised on each occasion.
- (e) An Attaching Option holder may exercise their Attaching Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Attaching Options specifying the number of Attaching Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Attaching Options being exercised,**(Exercise Notice)**.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Attaching Options specified in the Exercise Notice.
- (h) The Attaching Options may be transferable subject to Board approval and compliance with the Corporations Act, ASX Settlement Operating Rules and the ASX Listing Rules (where applicable).
- (i) All Shares allotted upon the exercise of Attaching Options will upon allotment rank pari passu in all respects with other Shares and will be held subject to the constitution of the Company.
- (j) The Attaching Options will not be quoted on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Attaching 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 an Attaching 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.
- (l) There are no participating rights or entitlements inherent in the Attaching Options and Attaching Option holders will not be entitled to participate in new issues of capital offered to Shareholders without first exercising the Attaching Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Attaching Option holders the opportunity to exercise their Attaching Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Attaching Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Attaching Option can be exercised.

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**ANNEXURE B – TERMS AND CONDITIONS OF AUGUST 2017 OPTIONS**

The August 2017 Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each August 2017 Option gives the August 2017 Option holder the right to subscribe for one Share.
- (b) The August 2017 Options will expire at 5.00pm (WST) on 31 August 2017 (**Expiry Date**). Any August 2017 Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each August 2017 Option will be \$0.003 (**Exercise Price**).
- (d) The August 2017 Options held by each August 2017 Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000,000 must be exercised on each occasion.
- (e) An August 2017 Option holder may exercise their August 2017 Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of August 2017 Options specifying the number of August 2017 Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of August 2017 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 August 2017 Options specified in the Exercise Notice.
- (h) The August 2017 Options may be transferable subject to Board approval and compliance with the Corporations Act, ASX Settlement Operating Rules and the ASX Listing Rules (where applicable).
- (i) All Shares allotted upon the exercise of August 2017 Options will upon allotment rank pari passu in all respects with other Shares and will be held subject to the constitution of the Company.
- (j) The Company will not apply for quotation of the August 2017 Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of August 2017 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 an August 2017 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.
- (l) There are no participating rights or entitlements inherent in the August 2017 Options and August 2017 Option holders will not be entitled to participate in new issues of capital offered to Shareholders without first exercising the August 2017 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 August 2017 Option holders the opportunity to exercise their August 2017 Options prior to the date for determining entitlements to participate in any such issue.
- (m) An August 2017 Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the August 2017 Option can be exercised.

**ANNEXURE C - VALUATION OF AUGUST 2017 OPTIONS TO DIRECTORS**

The August 2017 Options to be issued to Mr Kirtlan, Mr Rolley and Mr Griffiths pursuant to Resolutions 5 to 7 have been valued using the Black-Scholes pricing model and based on the following assumptions:

August 2017 Options :

- (a) the assumed grant date of the August 2017 Options was 4 July 2014;
- (b) the August 2017 Options expire on 31 August 2017;
- (c) the exercise price of the August 2017 Options is \$0.003;
- (d) the market price per Share on the assumed date of grant was \$0.001, being the closing Share price for the Shares on the ASX on 4 July 2014;
- (e) a weighted average volatility of 70%;
- (f) a risk free interest rate on that date of 2.63%;
- (g) no dividend is paid during the life of the August 2017 Option;
- (h) the valuations ascribed to the August 2017 Options may not necessarily represent the market price of the August 2017 Options at the date of valuation; and
- (i) the valuation date for the August 2017 Options is 4 July 2014.

Based on the above the August 2017 Options have been valued at \$0.00022 each.

Accordingly, the total value of August 2017 Options to be issued are as follows:

Mr Kirtlan	\$44,000
Mr Rolley	\$44,000
Mr Griffiths	\$22,000

Shareholders should be aware that the indicative value of the August 2017 Options set out above are considered to represent the theoretical value for those options given the following inherent limitations of the Black-Scholes model. In particular:

- as the Black-Scholes model calculates a value to the end of the option period rather than at any time during that period, the amount calculated represents a maximum theoretical value; and
- the Black-Scholes model assumes that there is a liquid market for the August 2017 Options. The August 2017 Options will not be listed. Accordingly, any value inherent in the August 2017 Options may be difficult to access without exercising the August 2017 Options and so a marketability discount would generally be applicable. This discount has been reflected in the valuation by assuming the August 2017 Options have a three year term (rather than four years), which is an approach recognised in AASB 2.

Any change in the variables applied in the Black-Scholes Model between the date of valuation and the date the August 2017 Options are granted may have a material impact on the value of those options.



1. A Shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Meeting as the Shareholder's proxy. A proxy need not be a Shareholder of the Company.
2. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the Shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the Shareholder or its attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with the Corporations Act. In the case of joint Shareholders, the proxy form must be signed by each of the joint Shareholders, personally or by a duly authorised attorney.
4. If a proxy form is executed by an attorney of a Shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, completed and signed forms to appoint proxies **must be received by the Company by 4.00pm (WST) on 26 August 2014** by post or facsimile to the respective addresses stipulated in this proxy form. Any proxy form received after that time will not be valid for the scheduled Meeting.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
  - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
  - (b) 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
  - (c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way; and
  - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
7. If a proxy is also a Shareholder, the proxy can cast any votes the proxy holds as a Shareholder in any way that the proxy sees fit.
8. In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Company has determined that the shareholding of each person for the purpose of determining entitlements to attend and vote at the Meeting will be the entitlement of that person set out in the Company's share register as at 7.00 pm (Sydney time) on 26 August 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.