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**LACHLAN STAR LIMITED**

**ABN 88 000 759 535**

**NOTICE OF MEETING, EXPLANATORY MEMORANDUM AND  
MANAGEMENT INFORMATION CIRCULAR IN RESPECT OF  
THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

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TIME OF MEETING: 11am (WST)  
DATE OF MEETING: Thursday 27 November 2014  
PLACE OF MEETING: Second Floor  
91 Havelock Street  
West Perth WA 6005

This document is dated 27 October 2014.

*This document should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9481 0051.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The Annual General Meeting ("AGM") of the Shareholders to which this Notice of Meeting relates will be held at 11am (WST) on Thursday 27 November 2014 at Second Floor, 91 Havelock Street, West Perth WA 6005.

**HOW TO VOTE**

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You may vote by attending the AGM in person, by proxy, or (if you are a body corporate) by an authorised representative.

The Directors of Lachlan Star Limited ("Lachlan" or the "Company") have set 22 October 2014 as the record date for determining the Shareholders of the Company entitled to receive the Notice of Meeting and 5pm (WST) on Tuesday 25 November 2014 as the record date for determining the Shareholders of the Company entitled to vote at the meeting.

**YOUR VOTE IS IMPORTANT**

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The business of the AGM affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the AGM on the date and at the place set out above.

## VOTING BY PROXY

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A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may, if it wishes to exercise its rights and powers as a proxy at the AGM, appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the AGM.

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint an individual to act as its representative at the AGM in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Share Registrar, Computershare Investor Services Pty Limited, before the AGM or at the registration desk on the day of the AGM. Certificates of appointment of corporate representatives are available at [www.computershare.com.au](http://www.computershare.com.au) or on request by contacting Computershare Investor Services Pty Limited on telephone number 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

If you are entitled to cast two or more votes at the meeting, you may appoint two proxies and you may specify the proportion or number of votes each proxy may exercise. Where two proxies are appointed, a separate form should be used for each. You are requested to show on the form a specified proportion of your voting rights which a proxy may exercise. If you appoint two proxies and the appointment does not specify the number or proportion of votes each proxy may exercise, each proxy may exercise half the votes.

To vote by proxy, please complete and sign the enclosed Proxy Form and return (together with the original of any power of attorney or other authority, if any, or a certified copy of that power of attorney or other authority under which the proxy form is signed) and return it in accordance with the following:

***In respect of Shareholders registered on the Company's Australian share register***

- a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- d) in person to the Company at Second Floor, 91 Havelock Street, West Perth, WA 6005; or
- e) electronically at the Share Registry website [www.investorvote.com.au](http://www.investorvote.com.au),

by 11:00am (WST) Tuesday, 25 November 2014. Proxy Forms received later than the time specified will be invalid.

For intermediary Online Subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions so that it is received not later than 11am (WST) on Tuesday, 25 November 2014.

***In respect of Shareholders registered on the Company's Canadian share register***

- (a) by mail to Equity Financial Trust Company, attention Proxy Department, at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1; or
- (b) by facsimile to Equity Financial Trust Company at +1 416 595 9593

not later than 48 hours before the Meeting. Proxy Forms received later than the time specified will be invalid.

***Beneficial shareholders***

If you are a beneficial shareholder of the Company and receive these materials through your broker or through another intermediary, please complete and return the voting information form ("VIF") or proxy in accordance with the instructions provided to you, by your broker, or by the other intermediary.

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See the Management Information Circular attached hereto for additional details with respect to voting by proxy, including rights of revocation.

**ENQUIRIES**

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Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that an Annual General Meeting of Shareholders will be held at 11am (WST) on Thursday 27 November 2014 at Second Floor, 91 Havelock Street, West Perth WA 6005.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum forms part of this Notice of Meeting and Management Information Circular.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 5pm (WST) on Tuesday 25 November 2014.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary.

As explained in the Explanatory Memorandum:

- (i) Resolution 11 will only be presented to the Shareholders for vote if Mr Cipriano will be a director of the Company following the AGM.
- (ii) Resolution 12 will only be presented to the Shareholders for vote if Mr Franzmann will be a director of the Company following the AGM.
- (iii) Resolution 13 will only be presented to the Shareholders for vote if Mr Drobeck will be a director of the Company following the AGM.

## AGENDA

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### ORDINARY BUSINESS – FINANCIAL STATEMENTS AND REPORTS

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To receive and consider the Annual Financial Report, the Directors' Report and the Audit Report of Lachlan Star Limited for the financial year ended 30 June 2014.

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### RESOLUTION 1 – RE-ELECTION OF MR ANTHONY CIPRIANO AS A DIRECTOR

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

*“That Mr Anthony Cipriano, a director of the Company who retires by rotation in accordance with clause 13.2 of the Company’s Constitution and who, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

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## RESOLUTION 2 – RE-ELECTION OF MR DECLAN FRANZMANN AS A DIRECTOR

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

*“That Mr Declan Franzmann, a director of the Company who retires by rotation in accordance with clause 13.2 of the Company’s Constitution and who, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

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## RESOLUTION 3 – RE-ELECTION OF MR PETER BABIN AS A DIRECTOR

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

*“That Mr Peter Babin, a director of the Company who retires by rotation in accordance with clause 13.2 of the Company’s Constitution and who, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

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## RESOLUTION 4 – RE-ELECTION OF MR PETER DROBECK AS A DIRECTOR

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

*“That Mr Peter Drobeck, a director of the Company who retires by rotation in accordance with clause 13.2 of the Company’s Constitution and who, being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

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## RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES

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

*“That, for the purpose of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the 7 November 2013 allotment and issue of 7,500,000 Shares to clients of IG Investment Management Ltd. at a price of CDN\$0.20 per share (the “November Share Issue”), for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who participated in the November Share Issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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 6 – RATIFICATION OF PRIOR ISSUE OF SHARES

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

*“That, for the purpose of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the 30 June 2014 allotment and issue of 300,000 Shares to Sprott Resource Lending Partnership at a price of CDN\$0.20 per share (the “June Share Issue”) for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Sprott Resource Lending Partnership and any of their associates. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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 7 – RATIFICATION OF PRIOR ISSUE OF SHARES

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

*“That, for the purpose of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the 17 October 2014 allotment and issue of 16,403,486 Shares to Hamilton Place Associates LLC at a price of US\$0.0697 per share (the “October Share Issue”) for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Hamilton Place Associates LLC and any of their associates. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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 8 – APPROVAL OF 10% PLACEMENT FACILITY

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

*“That, in accordance with Listing Rule 7.1A and for all other purposes, the Company approves as a special resolution the issue of Equity Securities representing up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion** In accordance with Listing Rule 7.3A.7, the Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate

in the issue of Equity Securities contemplated by the Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares if the Resolution is passed, and any associates of those persons. However, the Company will not disregard a vote if it is cast by such 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 Chairman 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 9 – ISSUE OF UNLISTED OPTIONS AND ORDINARY SHARES TO EMPLOYEES OR CONSULTANTS**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of:*

- I. an aggregate of 1,850,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$0.125 per share on or before 27 November 2016, vesting immediately; and*
- II. an aggregate of 1,357,500 fully paid ordinary shares in the Company for no cash consideration*

*by way of remuneration to Ubirata De Oliveira, Gabriel Urra, Roberto Patricio Pardo, Guido Osvaldo Rojas Fuenzalida, Wilson Molina, Eduardo Llanos, Gastón Campos, Roberto Camargo, and César Chaibun subject to applicable securities laws, on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** In accordance with Listing Rule 7.3.8 the Company will disregard any votes cast on this Resolution by or on behalf of, Ubirata De Oliveira, Gabriel Urra, Roberto Patricio Pardo, Guido Osvaldo Rojas Fuenzalida, Wilson Molina, Eduardo Llanos, Gastón Campos, Roberto Camargo, and César Chaibun, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associates of those persons. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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. The individuals noted above in this voting exclusion are currently the beneficial owners of, or have control and direction over, 608,334 Ordinary Shares representing 0.41% of the issued and outstanding Ordinary Shares of the Company.

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## **RESOLUTION 10 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2014**

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

*“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report required by section 300A of the Corporations Act, as contained in the Directors’ Report of the Company for the year ended 30 June 2014, be adopted.”*



**Note:** Section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors.

**Voting Exclusion:** In accordance with section 250(4) of the Corporations Act, members of the key management personnel whose remuneration details are included in the remuneration report (and their closely related parties) are not permitted to vote on the resolution unless:

- (a) the voter is acting as a proxy appointed in writing and the proxy form specifies the way the proxy is to vote on the resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on the resolution; or
- (b) the voter is the Chairman as a proxy appointed in writing and the appointment of the chair as proxy (i) does not specify the way the proxy is to vote on the resolution (i.e. is an undirected proxy), and (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

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## RESOLUTION 11 – ISSUE OF UNLISTED OPTIONS TO DIRECTOR

Conditional upon Resolution 1 being passed, to consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of*

- (i) *150,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$0.125 per share on or before 27 November 2016; and*
- (ii) *150,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$0.25 per share on or before 27 November 2016*

*vesting immediately, by way of remuneration to Mr Anthony Cipriano, subject to applicable securities laws, for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Anthony Cipriano and any associate of Mr Cipriano. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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. Mr Cipriano is not currently the beneficial owner of, or has control and direction over, any of the issued and outstanding Ordinary Shares of the Company.

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## RESOLUTION 12 – ISSUE OF UNLISTED OPTIONS TO DIRECTOR

Conditional upon Resolution 2 being passed, to consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of 150,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$0.125 per share on or before 27 November 2016, vesting immediately, by way of remuneration to Mr Declan Franzmann, subject to applicable securities laws, for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Declan Franzmann and any associate of Mr Franzmann. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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. Mr Franzmann is currently the beneficial owner of, or has control and direction over 1,126,820 Ordinary Shares representing 0.76% of the issued and outstanding Ordinary Shares of the Company.

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## RESOLUTION 13 – ISSUE OF UNLISTED OPTIONS TO DIRECTOR

Conditional upon Resolution 4 being passed, to consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*“That, for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act, and for all other purposes, the Company approves the issue of 150,000 options to subscribe for fully paid ordinary shares in the Company exercisable at \$0.125 per share on or before 27 November 2016, vesting immediately, by way of remuneration to Mr Peter Drobeck, subject to applicable securities laws, for the purpose and on the terms and conditions set out in the Explanatory Memorandum and Management Information Circular accompanying this Notice of Meeting.”*

**Voting Exclusion:** In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Peter Drobeck and any associate of Mr Drobeck. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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. Mr Drobeck is not currently the beneficial owner of, or has control and direction over, any of the issued and outstanding Ordinary Shares of the Company.

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## RESOLUTION 14 – INCREASE IN NON-EXECUTIVE DIRECTORS' FEES

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

*"That, pursuant to article 13.7 of the Company's Constitution and ASX Listing Rule 10.17, the total amount of fees which may be provided in each financial year by the Company to its Non-Executive Directors for their services as Non-Executive Directors be increased by an amount of A\$75,000 from A\$250,000 to A\$325,000."*

**Voting Exclusion:** In accordance with Listing Rule 10.13.6 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by Mr Declan Franzmann, Mr Peter Babin, Mr Anthony Cipriano and Mr Peter Drobeck and any associates of those persons. However, the Company need not disregard a vote if it is cast by such 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 Chairman 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.

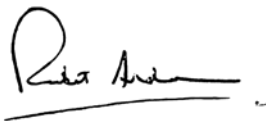
Mr Franzmann is currently the beneficial owner of, or has control and direction over 1,126,820 Ordinary Shares representing 0.69% of the issued and outstanding Ordinary Shares of the Company.

Mr Cipriano and Mr Drobeck are not beneficial owners of, nor have control and direction over, of any of the issued and outstanding Ordinary Shares in the Company.

Mr Babin's spouse is the sole trustee and the principal beneficiary of The Babin Family Trust, which holds 225,000 Ordinary Shares, which represents approximately 0.14% of the outstanding Ordinary Shares. The Babin Family Trust, Mr Babin's spouse and Mr Babin's children control Satuit LLC ("Satuit"), a Colorado private limited liability company. The managers of Satuit are Mr Babin and Mr Babin's spouse. Satuit holds 2,586,017 Ordinary Shares, representing approximately 1.58% of the outstanding Ordinary Shares. Strategic Natural Resources LLC ("SNR") is a Colorado private limited liability company that is owned 50% by Satuit and 50% by John Skadow. Mr Babin and Mr Skadow are the sole managers of SNR and all decisions of SNR are made by unanimous agreement of the managers. SNR holds 1,372,734 Ordinary Shares, representing 0.84% of the Outstanding Shares. Hamilton Place Associates LLC ("HPA") is a Colorado private limited liability company that is owned 40% by Satuit, 40% by John Skadow. Mr Babin and Mr Skadow are the sole managers of HPA and all decisions of HPA are made by unanimous agreement of the managers. HPA holds 16,403,486 Ordinary Shares, representing 9.99% of the Outstanding Shares.

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Dated: 27 October 2014, by order of the Board



Mr Robert Anderson  
Company Secretary

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## EXPLANATORY MEMORANDUM AND MANAGEMENT INFORMATION CIRCULAR

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This Explanatory Memorandum and Management Information Circular has been prepared for the information of the Shareholders and the solicitation of proxies in connection with the business to be conducted at the Annual General Meeting (“AGM”) to be held at 11am (WST) on Thursday, 27 November 2014 at Second Floor, 91 Havelock Street, West Perth WA 6005.

The Company is a “reporting issuer” in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations* (“NI 51-102”) of the Canadian Securities Administrators, the following disclosure is required to be included with this Explanatory Memorandum.

Unless otherwise stated, the information contained in this management information circular is as of 27 October, 2014. All dollar amount references, unless otherwise indicated, are expressed in Australian dollars.

### **Purpose of Solicitation**

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting. The Meeting will be held at Second Floor, 91 Havelock Street, West Perth, Western Australia at 11am (Perth time), for the purposes set forth in the Notice accompanying this Explanatory Memorandum and Management Information Circular.

It is expected that solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of the Company who will not be additionally compensated therefor. All costs of this solicitation will be borne by the Company.

### **Appointment of Proxies by Registered Shareholders**

Enclosed herewith is a form of proxy for use at the Meeting. **A Shareholder has the right to appoint up to two persons (who need not be Shareholders) to attend and act for the Shareholder and on the Shareholder’s behalf at the Meeting other than the person designated in the form of proxy and may exercise such right by inserting the full name of the desired person(s) in the blank space provide in the form of proxy.**

The proxy to be acted upon must be delivered:

#### ***In respect of Shareholders registered on the Company’s Australian share register***

- (a) to Computershare Investor Services Pty Limited in accordance with the instructions on the Proxy Form;
- (b) by post to Lachlan Star Limited, PO Box 1523, West Perth, Western Australia, 6872;
- (c) by facsimile to the Company on facsimile number (+61 8) 9481 0052;
- (d) in person to the Company at Second Floor, 91 Havelock Street, West Perth, WA 6005; or
- (e) electronically at the Share Registry website, [www.investorvote.com.au](http://www.investorvote.com.au)

by 11:00am (WST) Tuesday 25 November 2014. Proxy Forms received later than the time specified will be invalid.

For intermediary Online Subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions so that it is received not later than 11am (WST) on Tuesday 25 November 2014.

***In respect of Shareholders registered on the Company's Canadian share register***

- (a) by mail to Equity Financial Trust Company, attention Proxy Department, at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1; or
- (b) by facsimile to +1 416 595 9593

not later than 48 hours before the Meeting. Proxy Forms received later than the time specified will be invalid.

**Revocation of Proxies**

A Shareholder executing and delivering a proxy has the power to revoke it in accordance with the provisions of the Corporations Act, which provides that every proxy may be revoked by an instrument in writing executed by the Shareholder or by his or her attorney authorised in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

**Voting of Proxies**

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy will be voted for each of the matters to be voted on by Shareholders as described in this Management Information Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder on any ballot that may be called for. In the absence of such election, the form of proxy accompanying this Explanatory Memorandum and Management Information Circular confers discretionary authority upon the proxy for each matter for which no choice has been specified and with respect to any amendments or variations to the matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting. At the time of printing this Explanatory Memorandum and Management Information Circular, management knows of no such amendment, variation or other matter to come before the Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

It is intended that the person designated by management in the form of proxy (this being the Chairman of the Meeting) will vote the securities represented by the proxy in favour of each matter identified in the proxy form and for the election of the proposed director to the Board of Directors.

Section 250R(4) of the Corporations Act prohibits any votes on Resolution 10 (which is the non-binding resolution to adopt the Remuneration Report for the year ended 30 June 2013) being cast by senior executives (or their associates) whose remuneration details are disclosed in the Remuneration Report. However, an exception to this prohibition exists to enable the Chairman to vote shareholders' undirected proxy votes. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you indicate on the form of proxy that you do not wish to specify how the Chairman should vote on resolution 10, you will be deemed to have expressly directed the Chairman to cast your votes **in favour of resolution 10**. **If you wish to appoint the**

**Chairman as your proxy but do NOT want your votes to be cast in favour of resolution 10, you must indicate your voting intention by marking either 'against' or 'abstain' against resolution 10 in the Proxy Form.**

### **Advice for Beneficial Holders**

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the meeting. However, in many cases, Shares beneficially owned by a holder who is not a registered Shareholder, are registered either (i) in the name of an intermediary (which is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates) or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which an intermediary is a participant). **A non-registered Shareholder cannot be recognized at the Meeting for the purpose of voting his Shares unless such holder is appointed by the applicable intermediary as a proxyholder.**

The Company has distributed copies of the Meeting materials to intermediaries and clearing agencies for distribution to non-registered Shareholders. Intermediaries are required to deliver these materials to all non-registered Shareholders of the Company who have not waived their rights to receive these materials, and to seek instructions as to how to vote the shares. Often, intermediaries will use a service company (such as Broadridge Financial Solutions Inc.) to forward these meeting materials to non-registered Shareholders.

In substitution for the proxy, non-registered Shareholders who received meeting materials will be given a voting instruction form (a "VIF") which must be completed and signed by the non-registered Shareholder in accordance with the instructions noted on it. In this case, the mechanisms described above for registered Shareholders cannot be used and the instructions on the VIF **must** be followed (which in some cases may allow completion of the VIF by telephone or the Internet). The VIF is provided instead of a proxy. By returning the VIF in accordance with its instructions, a non-registered owner is able to instruct the registered Shareholder how to vote on behalf of the non-registered owner.

The purpose of these procedures is to allow non-registered Shareholders to direct the voting of the shares that they own but that are not registered in their name. Should a non-registered Shareholder wish to attend and vote at the Meeting in person (or have another person attend and vote on his behalf), the non-registered Shareholder should carefully follow the instructions provided on the VIF.

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the non-registered Shareholder with respect to the voting of certain shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having those Shares voted in respect of any such matter.

### **Voting Shares and Record Date**

The authorized capital of the Company consists of an unlimited number of shares of which as of 27 October 2014, a total of 164,035,759 Shares were issued and outstanding as fully paid ("Ordinary Shares"). The Ordinary Shares are the only shares of the Company entitled to be voted at the Meeting and subject to certain exclusions of votes described above, each Ordinary Share is entitled to one vote at the Meeting.

The directors of the Company have set 22 October 2014 as the record date for determining the Shareholders of the Company entitled to receive the Notice of Meeting

and 5pm (Perth time) on Tuesday, 25 November 2014 as the record date for determining the Shareholders of the Company entitled to vote at the Meeting.

Resolution 7 requires a 75% majority of those voting to approve the resolution. All other resolutions require a simple majority of votes cast to approve those resolutions.

### Principal Holders of Shares

As at the date hereof, to the knowledge of the directors and executive officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Ordinary Shares carrying more than 10% of the voting rights attaching to all issued and outstanding Ordinary Shares of the Company, except as follows:

Name	Designation of Class	Number	Percentage
Sentry Investments Inc., Sentry Capital Corp, Sean Driscoll	Ordinary Shares	26,430,382	16.1%
Sprott Asset Management LP	Ordinary Shares	23,777,823	14.5%
Baker Steel Capital Managers LLP	Ordinary Shares	17,393,457	10.6%

Please also refer to footnote 3 to the Director Information table.

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## EXPLANATORY MEMORANDUM (PARTICULAR OF MATTERS TO BE ACTED UPON)

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The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires the Annual Financial Report, the Directors' Report, and the Auditor's Report ("Annual Report") to be received and considered at the AGM. The Corporations Act does not require Shareholders to vote on the Annual Report. However, Shareholders attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the financial statements and reports contained within the Annual Report.

The Company's auditor, PricewaterhouseCoopers, will be present at the AGM and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Report; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 22 November 2014 to Mr. Robert Anderson, Company Secretary, Lachlan Star Limited, PO Box 1523, West Perth, Perth, Australia, 6872.

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**2. RESOLUTION 1 – RE-ELECTION OF MR ANTHONY CIPRIANO AS A DIRECTOR**

The Company's Constitution provides that at each AGM of the Company each of the Directors is required to retire but is eligible to be re-elected.

For this reason, Mr Cipriano retires by way of rotation and, being eligible, offers himself for re-election as a Director. Mr Cipriano was appointed a Director on 17 February 2014.

Mr Cipriano is a Chartered Accountant with 27 years' accounting and finance experience. Mr Cipriano was formerly a partner at Deloitte and at the time of his retirement in 2013 he was the Deloitte National Tax Leader for Energy & Resources and leader of its Western Australian Tax Practice. Mr Cipriano has significant experience working across tax, accounting, legal and financial aspects of corporate transactions. He is also a graduate of the Australian Institute of Company Directors.

Mr Cipriano was appointed a member and Chairman of the Audit Committee on 17 February 2014 on his appointment as a Director. During the past three years Mr Cipriano has held the following other listed company directorships:

Liontown Resources Limited	From July 2014 to present
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**3. RESOLUTION 2 – RE-ELECTION OF MR DECLAN FRANZMANN AS A DIRECTOR**

The Company's Constitution provides that at each AGM of the Company each of the Directors is required to retire but is eligible to be re-elected.

For this reason, Mr Franzmann retires by way of rotation and, being eligible, offers himself for re-election as a Director. Mr Franzmann was appointed a Director on 26 September 2007.

Mr Franzmann is a mining engineer with more than 22 years mining experience. His previous experience includes operational and technical roles at underground and open pit mines throughout Australia, Asia and Africa. He operates a consulting company providing mine engineering services to a variety of companies and is presently President and CEO of TSX listed African Gold Group Inc. Mr Franzmann was Managing Director from 1 December 2010 until his transition to a non-executive director on 1 May 2013.

During the past three years Mr Franzmann has held the following other listed company directorships:

African Gold Group Inc.	From May 2014 to present
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#### 4. RESOLUTION 3 – RE-ELECTION OF MR PETER BABIN AS A DIRECTOR

The Company's Constitution provides that at each AGM of the Company each of the Directors is required to retire but is eligible to be re-elected.

For this reason, Mr Babin retires by way of rotation and, being eligible, offers himself for re-election as a Director. Mr Babin was appointed a Director on 17 October 2014.

Mr Babin is an attorney admitted to practice in several of the United States, with more than 32 years' experience in the acquisition, disposition, financing and operations of precious metals mining projects and other natural resources projects. He was previously the Managing Director of DMC Newco Pty Ltd, (an unlisted Australian entity whose wholly-owned subsidiary, Compañía Minera Dayton, a Chilean mining company, owned the CMD Gold Mine), which was acquired by Lachlan Star Limited on 24 December 2010.

Mr Babin was appointed a member of the Company's Audit Committee on 17 October 2014. Mr Babin has not held any listed company directorships in the last three years other than as a director of Lachlan Star Limited from December 2010 to November 2013.

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#### 5. RESOLUTION 4 – RE-ELECTION OF PETER DROBECK AS A DIRECTOR

The Company's Constitution provides that at each AGM of the Company each of the Directors is required to retire but is eligible to be re-elected.

For this reason, Mr Drobeck retires by way of rotation and, being eligible, offers himself for re-election as a Director. Mr Drobeck was appointed a Director on 22 November 2012.

Mr Drobeck is a practicing geologist with 33 years of professional experience focused on exploration, development, and near-mine exploration in the Americas, Asia, Europe and Africa. He is presently Director Exploration for New Projects with Silver Standard Resources Inc., a leading intermediate silver producer. Past positions have included Sr. Vice-President of Exploration at AuRico Gold Inc., an intermediate gold producer with operations in Mexico and Canada, and Vice-President of Exploration at Electrum Ltd., a private exploration company dedicated to grass roots gold discovery world-wide. Mr Drobeck led the Newcrest team in the 1990s that discovered the giant Caspiche porphyry gold deposit in Chile, and also led the NGEX Resources (formerly Tenke Mining) team in the 2000s that discovered the Filo del Sol Cu-Au-Ag deposit on the Chile – Argentina border, and related porphyry gold-copper deposits in the region.

Mr Drobeck has not held any other listed company directorships in the last three years. Mr Drobeck was appointed a member of the Company's Audit Committee on 3 December 2012.

#### **Director Information**

The following table sets out the names of the nominees for election as directors of the Company, the province or state and the country in which each is resident, all positions with the Company now held by each of them, their

present principal occupation, business or employment in the five preceding years, the period of time for which each has served as a director of the Company, and the number of Shares of the Company or its subsidiaries beneficially owned or controlled or directed, directly or indirectly, by such person as at the date hereof.

<b>Name and Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation During Past Five Years</b>	<b>Director Since</b>	<b>Ordinary Shares beneficially owned directly or indirectly</b>
Declan T. Franzmann Queensland, Australia	Non-Executive Director	Mining engineer through his private consulting company, Citraen Pty Ltd. (2005 to present); Chief Executive Officer, director and President of gold explorer African Gold Group (April 2014 to present). Formerly executive director of gold producer Lachlan (September 26, 2007 to August 31, 2008 and October 1, 2010 to April 30, 2013); non-executive director of Lachlan (September 1, 2008 to November 30, 2010); director of mining contractor Every Day Mine Services Limited (March 2007 to November 2010); director of gold focused Luri Gold Limited (August 2009 to November 2010).	September 26, 2007 <sup>(1)</sup>	1,126,820 (0.76%)
Anthony J Cipriano <sup>(2)</sup> Western Australia, Australia	Non-Executive Director	Non-executive director of gold focused explorer Liontown Resources Limited (July 1, 2014 to present); Formerly 27 years' experience as Chartered Accountant working at Deloitte until his retirement in 2013. This included nearly 15 years as a partner, the last 12 years as leader of Deloitte's Perth Tax Practice, a member of the Deloitte National Tax Executive and most recently Deloitte National Tax Leader for Energy & Resources. A recent graduate of the Australian Institute of Company Directors.	February 17, 2014 <sup>(1)</sup>	Nil (0%)
Peter Babin <sup>(2)</sup> Colorado, USA	Non-Executive Director	Non-executive director of Lachlan Star Limited (December 24, 2010 to November 29, 2013). A private investor in the natural resources business.	October 17, 2014 <sup>(1)</sup>	Refer Note 3 below
Peter Drobeck <sup>(2)</sup> Colorado, USA	Non-Executive Director	Director Exploration – New Projects at precious metal producer Silver Standard Resources (May 2012 to present). Formerly Senior Vice President Exploration, AuRico Gold Inc. (September 2008 to December 2011).	November 21, 2012 <sup>(1)</sup>	Nil (0%)

**Notes:**

- Directors are subject to re-election at the annual general meeting.
- Indicates a member of the audit committee of the Board (the "Audit Committee").
- Mr Babin's spouse is the sole trustee and the principal beneficiary of The Babin Family Trust, which holds 225,000 Ordinary Shares, which represents approximately 0.14% of the outstanding Ordinary Shares. The Babin Family Trust, Mr Babin's spouse and Mr Babin's children control Satuit LLC ("Satuit"), a Colorado private limited liability company. The managers of Satuit are Mr Babin and Mr Babin's spouse. Satuit holds 2,586,017 Ordinary Shares, representing approximately 1.58% of the outstanding Ordinary Shares. Strategic Natural Resources LLC ("SNR") is a Colorado private limited liability company that is owned 50% by Satuit and 50% by John Skadow. Mr Babin and Mr Skadow are the sole managers of SNR and all decisions of SNR are made by unanimous agreement of the managers. SNR holds 1,372,734 Ordinary Shares, representing 0.84% of the Outstanding Shares. Hamilton Place Associates LLC ("HPA") is a Colorado private limited liability company that is owned 40% by Satuit, 40% by John Skadow. Mr Babin and Mr Skadow are the sole managers of HPA and all decisions of HPA are made by unanimous agreement of the managers. HPA holds 16,403,486 Ordinary Shares, representing 9.99% of the Outstanding Shares.

In accordance with the Company's Constitution all directors of the Company shall be subject to re-election at each annual general meeting of Shareholders held to elect Directors. Also, any Director appointed to fill a casual vacancy is required to retire at the next annual general meeting.

No proposed director of the Company is, as at the date hereof or has been within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company (including Lachlan Star Limited) that was the subject of a cease trade or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, issued: (1) while that person was acting as director, chief executive officer or chief financial officer; or (2) after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in that capacity.

No proposed director (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Lachlan Star Limited) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

No proposed director has (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

#### *Directors' recommendation*

The Directors unanimously recommend that Shareholders vote in favour of resolutions 1 to 4 other than any resolution relating to their own appointment.

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## **6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES**

### **6.1 Introduction**

The Company issued 7,500,000 Shares to a number of institutional and sophisticated investors as set out in Resolution 5 at CDN\$0.20 (\$A0.20 as at 7 November 2013) per share ("November Share Issue") on 7 November 2013.

Resolution 5 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares the subject of the November Share Issue. The Company will disregard any votes cast on this Resolution by any person who participated in the November Share Issue and any associates of those persons.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

If Resolution 5 is passed, the Company will not have to count the Shares the subject of the November Share Issue in the 15% limit of securities that can be issued without Shareholder approval in Listing Rule 7.1 and, accordingly, the Company's capacity to issue securities within that limit will be refreshed to the extent of the Shares the subject of the November Share Issue. The Directors consider it prudent to maintain future funding flexibility as part of the Company's capital management strategy. This can be done by seeking Shareholder ratification of the Shares the subject of the November Share Issue.

## 6.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the November Share Issue:

- (a) 7,500,000 Shares were allotted and issued on 7 November 2013;
- (b) the issue price per share was CDN\$0.20 (\$A0.20 as at 7 November 2013) per Share;
- (c) the Company raised CDN\$1,500,000 (A\$1,509,966 as at 7 November 2013) before costs from the issue of the Shares;
- (d) the Shares issued were fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares;
- (e) the Shares were issued to a number of institutional and sophisticated investors, being clients of IG Investment Management Ltd., none of whom were related parties of the Company;
- (f) the intended use of the funds raised from the November Share Issue is primarily for mining operations and general working capital at the Company's CMD Gold Mine in Chile, and;
- (g) a voting exclusion statement for Resolution 5 is included in the Notice of Meeting.

### *Directors' recommendation*

The Directors believe that the approval and ratification of November Share Issue is beneficial for the Company, as it allows the Company to (subject to ratification of the issues) retain flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 month period. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of this resolution.

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## 7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES

### 7.1 Introduction

The Company issued 300,000 Shares to Sprott Resource Lending Partnership (“Sprott”) as set out in Resolution 6 at a deemed issue price of CDN\$0.20 (A\$0.20 as at 30 June 2014) per share (“June Share Issue”) on 30 June 2014.

Resolution 6 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares the subject of the June Share Issue. The Company will disregard any votes cast on this Resolution by Sprott and any of its associates.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

If Resolution 6 is passed, the Company will not have to count the Shares and Options the subject of the June Share Issue in the 15% limit of securities that can be issued without Shareholder approval in Listing Rule 7.1 and, accordingly, the Company’s capacity to issue securities within the that limit will be refreshed to the extent of the Shares the subject of the June Share Issue. The Directors consider it prudent to maintain future funding flexibility as part of the Company’s capital management strategy. This can be done by seeking Shareholder ratification of the Shares the subject of the June Share Issue.

### 7.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the June Share Issue:

- (a) 300,000 Shares were allotted and issued on 30 June 2014;
- (b) The deemed issue price per share was CDN\$0.20 (A\$0.20 as at 30 June 2014) per Share;
- (c) the Company raised no funds from the issue of the Shares. The shares were issued to Sprott as an extension fee in accordance with a modification to a Credit Agreement dated 27 June 2014;
- (d) the Shares issued were fully paid ordinary shares in the Company and rank equally in all respects with the Company’s existing Shares;
- (e) the Shares were issued to Sprott, who is not a related party of the Company;
- (f) no funds were raised from the June Share Issue; and

- (g) a voting exclusion statement for Resolution 6 is included in the Notice of Meeting.

*Directors' recommendation*

The Directors believe that the ratification of June Share Issue is beneficial for the Company, as it allows the Company to (subject to ratification of the issue) retain flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 month period. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of this resolution.

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## **8. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF SHARES**

### 8.1 Introduction

On 17 October 2014 the Company issued 16,403,486 Shares to Hamilton Place Associates LLC ("Hamilton") as set out in Resolution 7 at US\$0.0697 (A\$0.08 as at 17 October 2014) per share ("October Share Issue").

Resolution 7 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Shares the subject of the October Share Issue. The Company will disregard any votes cast on this Resolution by Hamilton and any of its associates.

Listing Rule 7.1 provides that, subject to specified exceptions, a company must not issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where Shareholders subsequently approve a previous issue of securities made without approval under Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

If Resolution 7 is passed, the Company will not have to count the Shares the subject of the October Share Issue in the 15% limit of securities that can be issued without Shareholder approval in Listing Rule 7.1 and, accordingly, the Company's capacity to issue securities within the that limit will be refreshed to the extent of the Shares the subject of the October Share Issue. The Directors consider it prudent to maintain future funding flexibility as part of the Company's capital management strategy. This can be done by seeking Shareholder ratification of the Shares the subject of the October Share Issue.

### 8.2 Information required by Listing Rule 7.5

For the purpose of Listing Rule 7.5, the following information is provided in relation to the October Share Issue:

- (a) 16,403,486 Shares were allotted and issued on 17 October 2014;
- (b) the issue price per share was US\$0.0697 (A\$0.08 as at 17 October 2014) per Share;
- (c) the Company raised US\$1,143,426 (A\$1,319,743) from the issue of the Shares;

- (d) the Shares issued were fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares;
- (e) the Shares were issued to Hamilton, which is a related party of the Company. However, by virtue of ASX Listing Rule 10.12, exception 6, the issue did not require prior Shareholder approval;
- (f) the intended use of the funds raised from the October Share Issue is primarily for mining operations and general working capital at the Company's CMD Gold Mine in Chile; and
- (g) a voting exclusion statement for Resolution 7 is included in the Notice of Meeting.

#### *Directors' recommendation*

The Directors believe that the ratification of October Share Issue is beneficial for the Company, as it allows the Company to (subject to ratification of the issue) retain flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 month period. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of this resolution.

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## **9. RESOLUTION 8 – APPROVAL OF 10% PLACEMENT FACILITY**

### **9.1 General**

Listing Rule 7.1A enables 'eligible entities' to seek shareholder approval at an AGM to issue Equity Securities (that is to say, ordinary shares or securities, such as options, convertible into ordinary shares) representing up to 10% of its issued share capital over a 12 month period after the AGM ("10% Placement Facility"). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An 'eligible entity' for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less at the time of the entity's annual general meeting. As at the date of this Explanatory Memorandum and Management Information Circular, the Company is an eligible entity and is expected to be an eligible entity as at the time of the AGM.

The Company is seeking Shareholder approval to enable the Company to issue Equity Securities under the 10% Placement Facility over the 12 month period following the 2014 AGM. The effect of Resolution 7 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the period set out in section 9.2(f) below.

The maximum number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 9.2(c) below).

Resolution 7 is a special resolution and therefore requires approval of 75% of votes cast by Shareholders present and eligible to vote at the AGM (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative). The Directors believe that Resolution 8 is in the best interests of

the Company and accordingly, the Directors unanimously recommend that Shareholders vote in favour of this Resolution.

The Company notes that pursuant to the TSX Company Manual, even if shareholders approve Resolution 8, any future issuance of Equity Securities is subject to notification to and acceptance by the TSX and in certain circumstances the TSX may require that shareholder approval be obtained for an issue of Equity Securities.

## 9.2 Information required by Listing Rule 7.1A

For the purpose of Listing Rule 7.1A, the following information is provided in relation to the 10% Placement Facility:

### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at the AGM.

### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as the Company's existing quoted class of equity securities. As at the date of this Notice of Meeting, the Company has on issue one class of quoted Equity Securities, being Ordinary Shares.

### (c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities that have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period following the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of fully paid Ordinary Securities on issue 12 months before the date of issue or agreement to issue:

- a. plus the number of fully paid Ordinary Securities issued in the 12 months under an exception in Listing Rule 7.2;
- b. plus the number of partly paid Ordinary Securities that became fully paid in the 12 months;
- c. plus the number of fully paid Ordinary Securities issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Ordinary Securities under the entity's 15% placement capacity without shareholder approval; and
- d. less the number of fully paid Ordinary Securities cancelled in the 12 months.

**D** is 10%



**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 164,035,759 fully paid Ordinary Securities and has a capacity to issue, subject to the passing of Resolutions 5, 6 and 7 at this Annual General Meeting:

- (i) 24,230,264 Equity Securities under Listing Rule 7.1,; and
- (ii) 16,403,576 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 9.2(c) above).

(e) Minimum Issue Price

Pursuant to Listing Rule 7.1A, the issue price of Equity Securities issued under the 10% Placement Facility must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which days trades in those securities were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are actually issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM until the earlier of:

- (i) the first anniversary of the AGM; or
- (ii) the date of approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period as may be allowed by ASX ("10% Placement Period").

### 9.3 Effect of passing Resolution 8

The effect of Shareholders passing Resolution 8 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 8 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the AGM.

#### 9.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the 10% Placement Facility:

- (a) If Resolution 8 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the AGM; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Equity Securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2, subject to the passing of Resolution 8 at this Annual General Meeting. The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Equity Securities the Company has on issue. The number of Equity Securities on issue may increase as a result of issues of Equity Securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover bid), or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of the Equity Securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0375 50% decrease in Issue Price	\$0.075 Issue Price	\$0.1125 50% increase in Issue Price
Current Variable A 164,035,759	10% voting dilution	16,403,576	16,403,576	16,403,576
	Funds raised	\$615,134	\$1,230,268	\$1,845,402
50% increase in current Variable A 246,053,639	10% voting dilution	24,605,364	24,605,364	24,605,364
	Funds raised	\$922,701	\$1,845,402	\$2,768,103
100% increase in current Variable A 328,071,519	10% voting dilution	32,807,152	32,807,152	32,807,152
	Funds raised	\$1,230,268	\$2,460,536	\$3,690,805

The table has been prepared on the following assumptions:

- (i) Variable A is 164,035,759, being the number of Ordinary Shares on issue at the date of this Notice of Meeting.
  - (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (iii) No Options or Performance Rights are exercised into Shares before the date of issue of the Equity Securities.
  - (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the AGM. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
  - (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
  - (viii) The issue price is \$0.075, being the closing price of Shares on ASX on 6 October, 2014.
- (b) If Shareholders approve Resolution 8, the Company will only issue the Equity Securities during the 10% Placement Period (defined above in section 9.2(f)). The approval under Resolution 8 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).
- (c) The Company may issue Equity Securities under the 10% Placement Facility for the following purposes:

- (i) as non-cash consideration for transactions deemed by the Board to be in the best interests of the Company, such as for an asset acquisition or the payment for services. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) as cash consideration to raise additional funds. In such circumstances, the Company may use the funds raised towards potential transactions deemed by the Board to be in the best interests of the Company, continued exploration and development expenditure on the Company's current assets, general working capital, and / or debt repayment.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A and provide further information upon any issue of Equity Securities under the 10% Placement Facility.

The Company's allocation policy will depend on prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to various factors, including but not limited to the following:

- (i) the methods of raising funds that are then available to the Company;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from professional and corporate advisers.

Allottees under the 10% Placement Facility have not been determined as at the date of this Explanatory Memorandum, but may include existing Shareholders and/or new Shareholders who are not related parties of the Company.

Further, if the Company is successful in acquiring new resources, assets or investments, allottees under the 10% Placement Facility may include the vendors of those new resources, assets or investments.

- (d) A voting exclusion statement is included in the Notice of Meeting. At the date of this Explanatory Memorandum the Company has not approached any existing Shareholder or an identifiable class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Facility. No existing Shareholder's votes will therefore be excluded under the voting exclusion statement.
- (e) The Company last obtained Shareholder approval under Listing Rule 7.1A at its AGM held on 29 November 2013. A total of 49,942,888 shares and 2,647,561 warrants / options have been issued in the 12 months prior to the date of this Meeting, representing 43.0% of the number of shares and options on issue at the commencement of that 12 month period, the details of which are as follows:

<b>Number of equity securities issued</b>	32,514,402	1,097,561	725,000	1,550,000	300,000	16,403,486
<b>Class of equity security</b>	Fully paid ordinary shares	Unlisted warrants with an exercise price of CDN\$0.30 (A\$0.31) per warrant and an expiry date of 7 November 2015	Fully paid ordinary shares	Unlisted options with an exercise price of A\$0.25 per option and an expiry date of 29 November 2015	Fully paid ordinary shares	Fully paid ordinary shares
<b>Date of issue</b>	31,897,008 fully paid ordinary shares on 7 November 2013 and 617,394 fully paid ordinary shares on 11 November 2013	7 November 2013	29 November 2013	29 November 2013	30 June 2014	17 October 2014
<b>Basis on which allottees were determined</b>	Placement to sophisticated investors	Primary Capital Inc. and an investment bank, for services rendered in connection with a placement to sophisticated investors	As part of remuneration arrangements for senior management	As part of remuneration arrangements for senior management and directors	Payment of ordinary securities to Sprott Resource Lending Partnership in lieu of cash in respect of an extension fee payable under a Credit Agreement modification	Placement to sophisticated investors
<b>Issue price</b>	CDN\$0.20 (A\$0.20) per share	Nil	A\$0.20 per share	Nil	CDN\$0.10 (A\$0.10) per share	US\$0.0697 (A\$0.08) per share
<b>Discount of the issue price to the market price</b>	A 24.5% discount to the A\$0.265 closing share price on ASX on 7 November 2013, and a 27.3% discount to the closing share price on ASX on 11 November 2013	Not applicable	Not applicable	Not applicable	Nil	Nil
<b>Total cash consideration</b>	CDN\$6,502,880 (A\$6,594,300)	Nil	Nil	Nil	Nil	US\$1,143,426 (A\$1,319,743)
<b>Amount of consideration spent</b>	CDN\$6,502,880 (A\$6,594,300)	Not applicable	Not applicable	Not applicable	Not applicable	Nil

<b>Use of consideration spent</b>	Development and working capital at the Company's CMD Gold Mine in Chile, including the payment for mining contractors, power, cyanide and explosives, and the payment of share placement costs.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
<b>Amount of consideration unspent</b>	Nil	Not applicable	Not applicable	Not applicable	Not applicable	US\$1,143,426 (A\$1,319,743)
<b>Intended use of consideration unspent</b>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Development and working capital at the Company's CMD Gold Mine in Chile, including the payment for mining contractors, power, cyanide and explosives, and the payment of share placement costs.
<b>Non-cash consideration</b>	Not applicable	Finder's fee in connection with a placement to sophisticated investors	As part of remuneration arrangements for senior management	As part of remuneration arrangements for senior management and directors	Payment in respect of an extension fee payable under a Credit Agreement Modification.	Not applicable
<b>Current value of non-cash consideration</b>	Not applicable	A\$5 based on the ASX closing share price of A\$0.075 on 6 October 2014	A\$54,375 based on the ASX closing share price of A\$0.075 on 6 October 2014	A\$53 based on the ASX closing share price of A\$0.075 on 6 October 2014	A\$22,500 based on the ASX closing share price of A\$0.075 on 6 October 2014	Not applicable

*Directors' recommendation*

The Directors consider that the 10% Placement Facility is beneficial for the Company, as it will give the Company the flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of this resolution.

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**10. RESOLUTION 9 – ISSUE OF UNLISTED OPTIONS AND SHARES TO EMPLOYEES**

10.1 Shareholders are being asked to approve the issue of up to:

- I. an aggregate of 1,850,000 options ("Employee Options") to subscribe for fully paid Ordinary Shares exercisable at A\$0.125 per share on or before 27 November 2016, vesting immediately; and
- II. an aggregate of 1,357,500 fully paid Ordinary Shares (the "Employee Shares")

on the following terms to certain employees of or consultants to the Company at no cost and as part of their remuneration arrangements. The Employee Options expire 30 days after the allottee ceases to be an employee of or consultant to the Company. The Employee Options will not be listed or quoted for trading on the ASX, the TSX or any other exchange.

10.2 The employees are not related parties of the Company under the Corporations Act.

10.3 Resolution 9 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of these Employee Options and Employee Shares. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period. By approving this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

10.4 Shareholder approval of all security based compensation arrangements, including the issue of the above Employee Options is required pursuant to the TSX Company Manual, subject to limited exceptions that are not applicable in this case.

10.5 Information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the approval of the issue of the Employee Options and Employee Shares:

- (a) an aggregate of up to 1,850,000 Employee Options and 1,357,500 Employee Shares are proposed to be issued on the terms set out in paragraph 10.1;
- (b) the Employee Options and Employee Shares will be issued no later than 3 months after the date of the AGM and it is intended that issue will occur on the same date;
- (c) the Company will not be raising any funds from the issue of the Employee Options or Employee Shares, but if all the Employee Options are exercised the Company will receive A\$231,250 in cash;
- (d) The Options are not assignable and may not be amended without Shareholder approval, except as expressly set out in the terms and conditions in Annexure "A".
- (e) The Options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
- (f) Ordinary Shares issued on exercise of the Employee Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Ordinary Shares.
- (g) the Employee Options and Employee Shares will be issued to the following employees:

<b>Name</b>	<b>Position</b>	<b>Employee Shares</b>	<b>Employee Options</b>
Ubirata De Oliveira	Chief Executive Officer	300,000	400,000
Robert Anderson	Chief Financial Officer / Company Secretary	-	300,000
Gabriel Urra	General Manager	195,000	250,000
Roberto Pardo	Finance & Admin Manager	150,000	200,000
Guido Osvaldo Rojas Fuenzalida	Technical Services Manager	150,000	200,000
Wilson Molina	Mine Planning Superintendent	112,500	100,000
Eduardo Llanos	Dry Plant Superintendent	112,500	100,000
Gastón Campos	Drilling and Blasting Superintendent	112,500	100,000
Roberto Camargo	Sustainability Superintendent	112,500	100,000
César Chaibun	Human Resources Superintendent	112,500	100,000
<b>Total</b>		<b>1,357,500</b>	<b>1,850,000</b>

- (h) the Employee Options and Employee Shares will be issued for non-cash consideration. The Employee Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Ordinary Shares The Employee Options will be issued on the terms and conditions set out in Annexure "A" to this Explanatory Memorandum;



- (i) the funds raised from the exercise of the Employee Options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown); and
- (j) a voting exclusion statement for Resolution 9 is included in the Notice of Meeting.

10.6 Additional information required by the TSX Company Manual is as follows:

- (a) the 1,850,000 Employee Options and 1,357,500 Employee Shares proposed to be issued represent 2.0% of the 164,035,759 Ordinary Shares outstanding as of 27 October 2014;
- (b) the Company presently has an aggregate of 1,425,000 options issued to employees, directors, insiders and service providers (defined as persons or companies engaged to provide services for an initial, renewable or extended period of twelve months or more) currently outstanding. Such options, combined with the Employee Options and Employee Shares that are proposed to be issued represent 2.8% of the 164,035,759 Ordinary Shares outstanding as of 27 October 2014;
- (c) The 1,425,000 options currently outstanding represent .87% of the 164,035,759 Ordinary Shares outstanding as of 27 October, 2014. Together, the 1,850,000 Employee Options proposed to be issued along with the currently outstanding options represent 3,275,000 options, or 1.99% of the 164,035,759 Ordinary Shares outstanding as of 27 October 2014;
- (d) 700,000 of the Employee Options and 300,000 of the Employee Shares are proposed to be issued to insiders of the Company, being:
  - (i) 400,000 of the Employee Options and 300,000 of the Employee Shares to the Chief Executive Officer.
  - (ii) 300,000 of the Employee Options to the Chief Financial Officer / Company Secretary.

These are the maximum number of securities any one person or company is entitled to receive under this arrangement and represents 31.2% of the total number of Employee Options and Employee Shares that are proposed to be issued and 0.43% of the number of Ordinary Shares outstanding as at 27 October 2014;

- (e) there is no formula by which the exercise price of the Employee Options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Ordinary Shares on the ASX. The closing price of the Ordinary Shares on the ASX on 3 October 2014, which was the day before the Board of Directors approved the grant of the Employee Options, was A\$0.075. The A\$0.125 exercise price therefore represents a premium of 66.7% over such

closing price. The closing price of the Ordinary Shares on ASX on 7 October 2014 was A\$0.075;

- (f) the terms and conditions of the Employee Options, which are set out in Annexure "A" to this Explanatory Memorandum, include that the Employee Options are not assignable and may not be amended except as expressly set out in the terms and conditions;
- (g) the Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

*Directors' recommendation*

The Directors believe that obtaining Shareholder approval of the proposed issue of Employee Options and Employee Shares is beneficial to the Company, as it will allow the Company to retain the flexibility to issue further Equity Securities representing up to 15% of the Company's share capital during the next 12 month period. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of this resolution.

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**11. RESOLUTION 10 – ADOPTION OF THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2014**

- 11.1 The Directors' Report for the year ended 30 June 2014 contains a Remuneration Report, which sets out the policy for remuneration of directors and executives. In accordance with section 250R of the Corporations Act, the Company submits its Remuneration Report for the year ended 30 June 2014 to Shareholders for consideration and adoption by way of a non-binding resolution.
- 11.2 The vote on this resolution is advisory only and does not bind the directors or the Company, nor does it affect the remuneration paid or payable to the Company's directors or the executives. However, the Corporations Act provides that if the Company's Remuneration Report resolution receives a "no" vote of 25% or more of votes cast at the AGM, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take the outcome of the resolution into account when considering future remuneration policy, even if it receives is less than a 25% "no" vote.
- 11.3 Section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by senior executives (or their associates) whose remuneration details are disclosed in the Remuneration Report. However, an exception to this prohibition exists to enable the Chairman to vote shareholders' undirected proxy votes. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you indicate on the Proxy Form that you do not wish to specify how the Chairman should vote on resolution 10, you will be deemed to have expressly directed the Chairman to cast your votes **in favour of** resolution 10. **If you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour**

of resolution 10, you must indicate your voting intention by marking either 'against' or 'abstain' against resolution 10 in the Proxy Form.

11.4 At the AGM there will be a reasonable opportunity for discussion of the report.

*Directors' recommendation*

The Directors unanimously recommend that Shareholders vote in favour of this resolution. The Directors acknowledge however that they have a personal interest in some aspects of the Remuneration Report.

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**12. RESOLUTIONS 11 TO 13 – ISSUE OF UNLISTED OPTIONS TO DIRECTORS**

12.1 Subject to each individual director continuing as a director of the Company following the AGM, Shareholders are being asked to approve the issue of unlisted options (“Director Options”) to three Directors (Messrs Cipriano, Franzmann and Drobeck) as part of their remuneration packages. All options vest immediately and expire 30 days after the allottee ceases to be a director of the Company, including in the event of retrenchment or where employment is terminated without cause.

12.2 Shareholder approval is required under the provisions of Listing Rule 10.11 in respect of all securities to be issued to directors. Further, Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless the benefit falls within one of various exceptions to that prohibition. The exceptions include where the benefit is provided with the prior approval of the members of the company in a general meeting.

12.3 “Related party” is widely defined and includes all directors of a company.

12.4 “Financial benefit” has a wide meaning and includes the issue of securities by a company. Resolutions 11-13, if passed, will confer financial benefits on the Directors.

12.5 Shareholder approval for the issue of securities under Resolutions 11-13 is required in accordance with the provisions of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act. The table below shows the proposed option issues to the Directors.

Resolution Number	Director	Number of A\$0.125 options exercisable on or before 27/11/2016	Number of A\$0.25 options exercisable on or before 27/11/2016	Black-Scholes Option Pricing Model valuation
11	Anthony Cipriano	150,000	150,000	\$949
12	Declan Franzmann	150,000	-	\$880
13	Peter Drobeck	150,000	-	\$880
		<b>450,000</b>	<b>150,000</b>	<b>\$2,709</b>

- 12.6 Shareholder approval of security based compensation arrangements, including the issue of the above options, is also required pursuant to the TSX Company Manual.
- 12.7 Subject to Shareholder approval, the Directors will receive the options the subject of Resolutions 11-13 for non-cash consideration. To provide an indication of the value of the options, the Black-Scholes Option Pricing Model ("BSOPM") for valuing options has been adopted. The valuation assumes a market value of A\$0.076 per share (being the volume weighted average price of the Company's shares over the 5 trading days on ASX ending 3 October 2014), a risk free rate of 3%, and volatility of 38.1%. Using these assumptions the BSOPM values the options at approximately A\$0.006 per A\$0.125 option and A\$0.0005 per A\$0.25 option.
- 12.8 The A\$0.125 exercise price proposed option issue to the Directors recognises their workload in relation to the CMD Gold Mine and on new venture opportunities over and above that reflected in their cash remuneration. The A\$0.25 exercise price proposed option issue to Mr Cipriano relates to his appointment as a Non-Executive director in February 2014.
- 12.9 For the purposes of Chapter 2E of the Corporations Act and the TSX Company Manual (and for all other purposes), the following information is provided to Shareholders:

- (a) The proposed financial benefit to be given to each of the Directors is the issue of the securities in the table below. The table below also indicates what percentage such Director Options grants represent of the 164,035,759 Shares outstanding as of 27 October, 2014.

<b>Director</b>	<b>Number of A\$0.125 options exercisable on or before 27/11/2016</b>	<b>Number of A\$0.25 options exercisable on or before 27/11/2016</b>	<b>Total number of options</b>	<b>Percentage of currently outstanding Shares</b>
Anthony Cipriano	150,000	150,000	300,000	0.18%
Declan Franzmann	150,000	-	150,000	0.09%
Peter Drobeck	150,000	-	150,000	0.09%

- (b) These are the maximum number of securities any one person or company is entitled to receive under this arrangement and represents all the Director Options that are proposed to be issued, being 0.36% of the number of Ordinary Shares outstanding as at 27 October 2014.

- 12.10 In determining the number of securities to be issued and their terms and conditions, consideration was given to the relevant experience and role of each Director, their respective overall remuneration terms, the number and terms of existing outstanding options granted to the Directors, the current market price of the Company's Shares on the ASX and the terms of the options.

- 12.11 The securities will be issued for non-cash consideration and will be issued on the terms and conditions set out in Annexure "A" and Annexure "B" to this Explanatory Memorandum. Such terms and conditions include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions.
- 12.12 If Shareholders approve the issue of the Director Options to the Directors and the options are exercised, this will dilute the shareholdings of the existing Shareholders. Based on the Company's issued ordinary Shares at 27 October 2014 that dilution would be a maximum of 0.36%.
- 12.13 The 1,425,000 options currently outstanding represent .87% of the 164,035,759 Ordinary Shares outstanding as of 27 October, 2014. Together, the 450,000 Director Options proposed to be issued along with the currently outstanding options represent 1,875,000 options, or 1.14% of the 164,035,759 Ordinary Shares outstanding as of 27 October 2014;
- 12.14 If any of the Director Options are exercised and the Shares are trading at a price that is higher than the exercise price of the options, then there will be a cost to the Company on the basis that the Company could potentially have issued Shares at that time at the higher price.
- 12.15 If all of the Director Options were to be exercised, the Company would receive an amount of \$93,750 in cash.
- 12.16 The Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.
- 12.17 The highest and lowest prices of the Shares on the ASX in the 12 months prior to the date of issue of this Explanatory Memorandum were:
- \$0.32 on 17th and 18th March 2014; and
  - \$0.075 on 5th to 10th September 2014, and 30th September to 13th October 2014
- 12.18 The closing price of the Shares on the ASX on 3 October 2014, which was the day before the Board of Directors approved the grant of the A\$0.125 options, was A\$0.075 and the above exercise prices therefore represent a premium of 66.7% over such closing price. The closing price of the Shares on the ASX on 14 February 2014, which was the day before the Board of Directors approved the grant of the A\$0.25 options to Mr Cipriano, was A\$0.25 and the above exercise prices therefore represent a premium of 0% over such closing price. The closing price of Shares on ASX on 7 October 2014 was A\$0.075.
- 12.19 There is no formula by which the exercise price of the Director Options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX.

12.20 For the purposes of the ASX Listing Rules and Chapter 2E of the Corporations Act, the following additional information is provided:

- (a) The remuneration paid or payable to the Directors for the 12 months to 30 September 2014 is as follows:

Director's Name	Position	Remuneration	Share based payments
Anthony Cipriano	Non-Executive Director	\$30,972	-
Declan Franzmann	Non-Executive Director	\$50,000	\$11,447
Peter Drobeck	Non-Executive Director	\$50,000	\$11,447

Mr Franzmann received an addition \$1,490 during this period for consulting fees. Share based payments reflect the option pricing model valuation of options issued subsequent to approval by shareholders at the November 2013 AGM.

- (b) The current annual remuneration being paid to the Directors is:

Director's Name	Position	Remuneration
Anthony Cipriano	Non-Executive Director	\$50,000
Declan Franzmann	Non-Executive Director	\$50,000
Peter Drobeck	Non-Executive Director	\$50,000

- (c) The Directors' current interests in securities of the Company, with the percentage interest based on the 164,035,759 Shares outstanding as of 27 October 2014, are as follows:

Director's Name	Ordinary Shares	Number of A\$0.25 options exercisable on or before 29/11/2015	Percentage of outstanding Shares
Anthony Cipriano	Nil	Nil	Nil
Declan Franzmann	1,126,820	150,000	0.78%
Peter Drobeck	Nil	150,000	0.09%

12.21 Listing Rule 10.13 sets out a number of matters that must be included in a notice of meeting seeking an approval under Listing Rule 10.11, including the following (some of the matters have already been addressed elsewhere in this section):

- (a) The maximum number of securities to be issued and the names of the parties to whom they are to be issued are set out in paragraphs 12.4 and 12.9 above.
- (b) If Shareholders approve the issue of these Director Options, the options will be issued no later than 1 month after the date of the AGM and will vest immediately.

- (c) The securities set out in paragraph 12.4 above will be issued for non-cash consideration, for the performance of services by the Directors and to provide an ongoing incentive for them to provide continuing commitment and effort for the Company, as outlined above. The Company recognises that the issue of securities contemplated by Resolutions 10 to 13 do not comply with Principle 8.3 of the ASX's *Principles of Good Corporate Governance and Best Practice Recommendations*, but believes nevertheless that it is justified by the need to retain and motivate directors of the calibre necessary to take the Company forward whilst at the same time conserving the Company's cash resources by paying non-executive directors' fees at a lower rate than would otherwise be required.
- (d) The Company will not be raising any funds from the issue of the securities set out in paragraph 12.5 above, but if all the options are exercised the Company will receive the funds referred to in paragraph 12.14 above.
- (e) Listing Rule 10.11 requires a listed company to obtain shareholder approval prior to the issue of securities to a related party. The Directors in question are related parties of the Company by virtue of being directors of the Company.
- (f) The funds raised on the exercise of the Director Options will be used for working capital and to fund the Company's financial requirements at that time (which are presently unknown).
- (g) Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the options as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of the Director Options will not be included in the calculation of the Company's 15% placement capacity for the purposes of ASX Listing Rule 7.1.

*Directors' Recommendation – Resolutions 11 to 13*

None of Anthony Cipriano, Declan Franzmann or Peter Drobeck wishes to make a recommendation to Shareholders about the proposed resolution approving the issue of securities to himself because he has an interest in the outcome of that resolution. However, each of them recommends that Shareholders vote in favour of the resolutions to which they are not a party. Each Director makes his recommendation after having considered alternatives, such as a higher cash-based component of remuneration.

To the extent permitted by law, the Chairman intends to vote undirected proxies in favour of resolutions 11 to 13.

The issuance of options or shares detailed in this Notice of Meeting, if approved by shareholders, will not exceed the "insider participation limit" detailed in the TSX Company Manual. This means that the number of the Company's Ordinary Shares:

- (a) issued to insiders of the Company, within any one year period, and

(b) issuable to insiders of the Company, at any time,

under the arrangements detailed herein, or when combined with all of the listed issuer's other security based compensation arrangements, will not exceed 10% of the Company's total issued and outstanding securities.

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**13. RESOLUTION 14 – INCREASE IN NON-EXECUTIVE DIRECTORS' FEES**

Pursuant to article 13.7 of the Company's Constitution and ASX Listing Rule 10.17, the approval of shareholders is sought to increase the total amount of fees which may be provided in each financial year by the Company to its Non-Executive Directors, for their services as Non-Executive Directors to \$325,000.

This is an increase of \$75,000 over the present maximum aggregate amount of \$250,000 per annum which was last approved by Shareholders at the Company's Annual General Meeting on 7 November 2011.

The remuneration for services as an Executive Director is not included in the maximum aggregate amount for the purpose of this Resolution. The company does not currently have any Executive Directors.

The proposed increase in the maximum total amount of fees takes account of the additional duties undertaken by the Non-Executive Chairman since the appointment as Non-Executive Chairman in January 2014 on the transition of the previous Executive Chairman to the role of Non-Executive Director, and the appointment of a new Non-Executive Director in February 2014.

It also provides scope to appoint additional Non-Executive Directors to the Board should that be required and accommodates potential increases in fees payable to each Non-Executive Director if appropriate based on a review of fees paid by comparable companies and, where appropriate, recommendations by external remuneration consultants.

The overall reduction in Directors' fees can be seen from the table below which sets out a comparison of Executive and Non-Executive Director fees for the years ending 30 June 2014 and 30 June 2013.

<b>Non-executive director</b>	<b>Year ending June 30, 2014 (A\$)</b>	<b>Year ending June 30, 2013 (A\$)</b>
Declan Franzmann	50,000	8,333
Scott Perry	98,087	50,000
Peter Drobeck	50,000	30,479
Anthony Cipriano	18,472	-
Peter Babin	20,652	50,000
Michael McMullen	12,500	-
<i>Sub-Total</i>	249,711	138,812



<b>Executive director</b>		
Michael McMullen	139,092	360,000
Declan Franzmann	-	276,900
<i>Sub Total</i>	139,092	636,900
<b>Total director fees</b>	<b>388,803</b>	<b>775,712</b>

In addition, Mr Franzmann was paid \$1,490 and \$2,100 in the years ending 30 June 2014 and 30 June 2013 respectively for consulting fees.

The following securities have been issued to non-executive directors under ASX Listing Rules 10.11 and 10.14 with the last 3 years:

<b>Director</b>	<b>Security</b>	<b>Exercise price</b>	<b>Number of securities</b>	<b>Exercisable on or before</b>	<b>Shareholder approval received</b>
Scott Perry	Unlisted option	A\$1.20	150,000	25/11/2013	30/11/2011
Scott Perry	Unlisted option	A\$1.50	150,000	25/11/2013	30/11/2011
Declan Franzmann	Unlisted option	A\$1.20	100,000	25/11/2013	30/11/2011
Michael McMullen	Unlisted option	A\$1.20	75,000	25/11/2013	30/11/2011
Peter Babin	Unlisted option	A\$1.20	75,000	25/11/2013	30/11/2011
Declan Franzmann	Unlisted option	A\$0.25	150,000	29/11/2015	29/11/2013
Peter Drobeck	Unlisted option	A\$0.25	150,000	29/11/2015	29/11/2013
Peter Babin	Unlisted option	A\$0.25	150,000	29/11/2015	29/11/2013
Michael McMullen	Unlisted option	A\$0.25	150,000	29/11/2015	29/11/2013
Scott Perry	Unlisted option	A\$0.25	150,000	29/11/2015	29/11/2013

#### *Directors' recommendation*

Given all the Directors are non-executive directors of the Company, the board as a whole does not make a recommendation in relation to this resolution.

#### **ENQUIRIES**

Shareholders are asked to contact the Company Secretary, Mr Robert Anderson, on (+61 8) 9481 0051 if they have any queries in respect of the matters set out in these documents.

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## MANAGEMENT INFORMATION CIRCULAR

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### STATEMENT OF CORPORATE GOVERNANCE

#### Corporate Governance

The Company's board consists of four members. Messrs Cipriano, Babin and Drobeck are considered to be "independent" directors for the purposes of National Instrument 58-101 "Disclosure of Corporate Governance Practices" ("NI 58-101"). As such, over half of the Company's directors are independent. Mr Franzmann is not considered to be independent on the basis that he was the Managing Director of the Company (which is equivalent to the Chief Executive Officer) until April 30, 2013.

The Board of Directors facilitates its exercise of independent judgement in carrying out its responsibilities by the independent directors acting in their capacity as independent director. In addition, the Board of Directors will hold in camera meetings for the independent directors as needed and in accordance with applicable laws, all directors will declare conflicts and abstain from voting where a conflict exists.

Certain directors of the Company are directors of other reporting issuers (or the equivalent) in Canada or foreign jurisdictions, as set out below:

Anthony Cipriano	Liontown Resources Limited (ASX)
Declan Franzmann	African Gold Group Inc. (TSX Venture)

The Company's independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. In order to facilitate open and candid discussion among its independent directors, as circumstances dictate, the non-independent directors and any representatives of management in attendance at meeting of the Board of Directors are excused while the independent directors hold in camera sessions.

Mr Babin serves as Non-Executive Chairman of the Board of Directors and is an independent director. Mr Babin's duties as chairman include settling the agenda for, and leading, meetings of the directors. The chairman is also responsible, in consultation with the Board of Directors, for interpreting and monitoring the Company's compliance with its continuous disclosure obligations under applicable stock exchange rules and securities legislation. Messrs Cipriano, Babin and Drobeck, the independent directors, have adequate experience and knowledge to provide their own leadership as independent directors.

Mr Michael McMullen was Executive Chairman from the start of the most recently completed financial year until January 6, 2014 after which he became a non-executive director until his resignation as a director on April 6, 2014. Mr Scott Perry was a non-executive director from the start of the most recently completed financial year until January 6, 2014 when he became Non-Executive Chairman. He resigned a director on October 17, 2014. Mr Peter Babin was a non-executive director from the start of the most recently completed financial year until his resignation as a director on November 29, 2013, and was re-appointed a director on October 17, 2014.

During the most recently completed financial year there have been six formal Board meetings. Attendance by each director is noted in the table below.

	(a)	(b)
SG Perry	6	6
PB Babin (resigned November 29, 2013)	3	3
MJ McMullen (resigned April 6, 2014)	5	5
DT Franzmann	6	6
AJ Cipriano (appointed February 17, 2014)	2	2
P Drobeck	6	6

(a) Number of meetings attended

(b) Number of meetings held during period of office

### **Mandate of the Board of Directors**

The Board of Directors does not have a written mandate. Under applicable corporate law, the Board of Directors is responsible for setting the strategic direction and establishing the policies of the Company. Otherwise the Board of Directors delineates its own role and responsibilities. The Board of Directors is responsible for overseeing the Company's financial position, and for monitoring its business and affairs on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. The Board of Directors also addresses issues relating to internal controls and risk management. In addition to these duties, the Board of Directors monitors and receives advice on areas of operational and financial risk and control framework, and considers strategies for appropriate risk management arrangements. The Board of Directors holds regular meetings to discuss operational matters, and holds strategy meetings and other special purpose meetings at such other times as may be necessary to address any specific significant matters that may arise.

### **Position Descriptions**

The Board of Directors has not developed a written position description for the Non-Executive Chairman of the Board of Directors, however his general responsibilities as a director are included in his Letter of Appointment.

The mandate of the Audit Committee provides that the chairman of the Audit Committee shall be determined by the Board of Directors and shall not be the Chairman of the Board of Directors. The mandate of the Audit Committee also provides that its chairman thereof shall report the results of the Audit Committee's deliberations and recommendations directly to the Board of Directors.

No individual is currently appointed to the position of Managing Director. Mr De Oliveira's employment responsibilities are outlined in his employment contract with the Company as Chief Operating Officer. In connection with his appointment as Chief Executive Officer, additional duties relating to the CEO position were established between Mr De Oliveira and the Company's then Executive Chairman. Subsequently, Mr De Oliveira receives feedback on the performance of his duties, as required, following regular meetings of the Board.

## **Orientation and Continuing Education**

New directors do not participate in a formal orientation regarding the role of the Board, its committees and its directors, and the nature and operations of the business of the Company, however they do receive a letter of appointment that sets out remuneration and expenses, insurance and indemnity arrangements, time commitment envisaged, the requirements to disclose the director's interests and any matters that affect the director's independence, the powers and duties of directors, the Company's policy in trading in securities, access to independent professional advice, and confidentiality and rights of access to corporate information. Orientation and education activities are also undertaken on an *ad hoc* basis for existing board members including meeting with the Company's management, external legal counsel and auditors, and other external consultants as is appropriate or desirable from time to time by the directors. The Company is of the view that these orientation and education activities are appropriate given the nature and scope of the Company's business activities. Each director also has the right to seek independent professional advice at the Company's expense provided that prior approval of the Chairman is obtained, which will not be unreasonably withheld.

## **Ethical Business Conduct**

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all directors and employees. The Company's executive directors are involved in all aspects of its business. The directors are familiar with listing rules, legal requirements and general requirements for ethical behaviour and integrity in decision making, including trading in the Company's securities. The Company has adopted a written code of business conduct for its directors, officers and employees. This code may be obtained from the Company upon request to the Company Secretary. The Board of Directors monitors compliance with the code of business conduct by requiring employees and consultants to report breaches of the Code and then dealing appropriately with reported breaches. In accordance with the provisions of the code of business conduct and applicable corporate law, the directors ensure that any director or executive officer who has a material interest in proposed transactions or agreements involving the Company disclose such interest prior to consideration of the relevant matter by the directors and abstain from voting on approval of such transactions as appropriate.

## **Nomination of Directors**

The Board of Directors believes that the Company is currently not of sufficient size to justify the establishment of a Nomination Committee.

The Board of Directors reviews its composition on an annual basis to ensure that the Board of Directors has the appropriate mix of expertise and experience. When a vacancy exists or where it is determined that the Board of Directors would benefit from the services of a new director with particular skills, the Board of Directors will identify candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board of Directors will then appoint or present for election the most suitable candidate.

## Compensation

The Board considers that the Company is not currently of a size to justify the formation of a Remuneration Committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company, including evaluating the performance of the Company's management. If the Company's activities increase in size, scope and/or nature the appointment of a Remuneration Committee will be reviewed by the Board and implemented if appropriate.

Compensation levels for directors and officers are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. No such independent advice was received during the year ending June 30, 2014.

Compensation arrangements include a mix of fixed and performance based compensation. A component of share-based compensation is awarded at the discretion of the Board, subject to shareholder approval when required. Compensation structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executive's ability to control the financial performance of the relative business or geographical segment, the consolidated entity's performance (including earnings and the growth in share price), and the amount of any incentives within each executive's remuneration.

## Committees of the Directors

The Board of Directors has no standing committees other than the Audit Committee.

## Assessments

The Board of Directors meets annually to review its own performance. Evaluations are based on criteria including whether strategic and operational objectives are being met. The Board of Directors have not established formal assessments of the effectiveness and contribution of individual directors or the Audit Committee. However, assessments may be undertaken on an informal basis. The directors may, in the future, adopt a process of formal written assessments as to their individual effectiveness.

## STATEMENT OF EXECUTIVE COMPENSATION

### Named Executive Officers

The Company's compensation practices are designed to attract, motivate and retain highly qualified employees and executives to manage the business of the Company by rewarding individual and corporate performance and aligning the interests of the Named Executive Officers (as defined in Form 51-102F6 — *Statement of Executive Compensation*) (the "**Named Executive Officers**" or "**NEOs**") with the Shareholders.

As at June 30, 2014, the Company had the following two NEOs:

- Ubirata De Oliveira (Chief Executive Officer);
- Robert Anderson (Chief Financial Officer / Company Secretary);

### Summary Compensation Table - NEOs

The Company became a reporting issuer in Canada on October 19, 2011. Summary compensation for NEOs for the years ending June 30, 2014, June 30, 2013 and June 30, 2012 is presented below:

Name and principal position	Year	Salary (A\$) <sup>(3)</sup>	Option based awards (A\$)	Ordinary Share based awards (A\$)	Non-equity incentive plan compensation: annual incentive plans (A\$) <sup>(6)</sup>	All other compensation (\$A)	Total compensation (A\$)
Ubirata De Oliveira (Chief Executive Officer) <sup>(2)(3)</sup>	2014	338,687	19,078	30,000	107,128	-	494,893
	2013	303,514	2,340	-	-	-	305,854
	2012	34,247	-	-	-	-	34,247
Robert Anderson (Chief Financial Officer / Company Secretary) <sup>(1)(3)</sup>	2014	159,500	11,047	-	15,000	-	185,947
	2013	220,000	-	-	-	-	220,000
	2012	220,000	222	-	35,000	-	255,222
Declan Franzmann (Managing Director to April 30, 2013, then non-executive director) <sup>(1)(3)(4)</sup>	2014	-	-	-	-	-	-
	2013	276,900	-	-	-	-	276,900
	2012	420,000	222	-	90,000	-	510,296
Michael McMullen (Executive Chairman to 6 January 2014, then non-executive director) <sup>(1)(3)(4)(5)(7)</sup>	2014	139,092	-	-	-	-	139,092
	2013	360,000	-	-	-	-	360,000
	2012	360,000	222	-	100,000	-	460,222

Notes:

- 1) The executive management services that Mr McMullen, Mr Anderson, and Mr Franzmann provided to the Company are all provided through Wildeville Enterprises Pty Ltd. ("**Wildeville**"), Hyndford Holdings Pty Ltd. ("**Hyndford**"), and Citraen Pty Ltd ("**Citraen**"), respectively. See "*Statement of Executive Compensation — External Management Companies*" below. The Company did not pay any compensation directly to Mr McMullen, Mr Anderson, or Mr Franzmann.
- 2) Mr De Oliveira's option based awards for the year ended June 30, 2013 in the table above were granted on April 30, 2012, issued on November 30, 2012 and vested on May 22, 2013. His Ordinary Share and option based awards for the year ended June 30, 2014 vested on the date of issue, being November 29, 2013 subsequent to shareholder approval. He was appointed Chief Executive Officer on October 1, 2013, prior to which he was Chief Operating Officer at the CMD Gold Mine. He commenced employment and was appointed Chief Executive Officer on May 22, 2012.
- 3) Mr McMullen, Mr Anderson, and Mr Franzmann's salary is denominated in A\$. Mr De Oliveira's salary is denominated in US\$ translated to A\$ at the prevailing rate at the end of each month when paid. The average translation rate for the year ending June 30, 2014 was A\$:US\$ of 1:0.918 and for the year ending June 30, 2013 was A\$:US\$ of 1:1.027. Option based awards are all denominated in A\$. Mr Anderson's 2014 annual incentive compensation is denominated in A\$. Mr De Oliveira's 2014 annual incentive compensation is denominated in US\$, being US\$100,000 translated at a A\$:US\$ translation rate of 1:0.933.
- 4) Mr McMullen was, and Mr Franzmann is, a director of the Company. The compensation in the table above includes both their position as a director and as a NEO whilst acting as an NEO. Mr Franzmann's compensation from May 1, 2013 to June 30, 2013 of \$10,433 relates to his performance as a non-executive director (\$8,333) and as a consultant (\$2,100). Mr McMullen's compensation from January 7, 2014 to April 6, 2014 of \$12,500 relates to his performance as a non-executive director. This remuneration is included in table under "*Directors' Compensation*" below.
- 5) Mr McMullen resigned on April 6, 2014.
- 6) Annual incentive plan compensation represents a short term cash bonus attributable to the year ending June 30, 2014. For Mr De Oliveira the bonus of \$107,128 (being US\$100,000 translated at an average exchange rate of A\$:US\$ of 1:0.933) was due and payable 25% on November 28, 2013, and 75% on December 31, 2014 providing he is still in the employment of the Company at that date, or earlier in the event his employment is terminated without cause. The 25% payable on November 28, 2013 was paid on that date. For Mr Anderson the bonus was due and payable 50% on December 4, 2013, and 50% on March 4, 2014. As at June 30, 2014 100% of the annual incentive plan compensation due and payable to Mr Anderson had been deferred for payment at the election of the NEO. All of Mr Anderson's annual incentive plan compensation due and payable attributable to the year ending June 30, 2014 had been paid by the date of this Annual Circular.
- 7) The options issued to Mr McMullen on November 29, 2013 were cancelled unexercised on May 6, 2014, being 30 days after his resignation as a director in accordance with the terms of the options. Accordingly no value has been attributed to them in the table above.

In the table above, the fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. This methodology was selected given its prevalence of use for valuing options and because it provides a meaningful and reasonable estimate of fair value. This is consistent with the accounting values used in the Company's financial statements. In the table above, the fair value of shares is calculated using the market value of the shares at the date of grant.

The following factors and assumptions were used in determining the fair value of options issued during the year ending June 30, 2014.

NEO	Grant date	Expiry date	Fair value per option	Exercise price at issue date	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
Anderson, McMullen <sup>(1)</sup> De Oliveira	29/11/2013	29/11/2015	\$0.076	\$0.25	\$0.20	78.8%	4%	0%

Notes:

- 1) The options issued to Mr McMullen on November 29, 2013 were cancelled unexercised on May 6, 2014, being 30 days after his resignation as a director in accordance with the terms of the options.

*Compensation Discussion and Analysis - NEOs*

The objective of the Company's compensation strategy is to compensate NEOs such that they are motivated to pursue the long-term growth and success of the Company and there is a clear relationship between performance and compensation.

The Company aims to reward NEOs with a level of remuneration commensurate with their position and responsibilities within the Company and so as to: (a) align the interests of the NEOs with the interests of the Shareholders; (b) ensure rewards are consistent with the strategic goals and performance of the Company; and (c) ensure total remuneration is competitive.

The elements of compensation earned, awarded or paid to the NEOs can include annual compensation in the form of a base salary including the superannuation (pension) contribution required under the *Superannuation Guarantee (Administration) Act 1992* (Cth) (the "**Superannuation Act**"), fixed allowances/benefits, short term cash bonuses and long term incentives through the grant of options and Ordinary Shares. See "*Compensation Discussion and Analysis – NEOs – Pension Plans – Superannuation*" for additional details on superannuation.

Compensation structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executive's ability to control the financial performance of the relative business or geographical segment, the Company's performance (including earnings and the growth in share price), and the amount of any incentives within each executive's remuneration.

When setting executive compensation for the financial year ended June 30, 2014, the Board did not take into consideration the Company's reported earnings. No dividends were paid or declared.



### Base Salary

A NEO's base salary is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the industry.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and in the Company and, where appropriate, external advice on policies and practice. Although the Company does not engage in formal benchmarking, and does not target compensation at a specific level based on its comparative review, the Company will consult publicly available information for general industry knowledge. The remuneration levels for the following companies were consulted during this comparative review. These companies are considered to provide a representative cross section of the Company's peers within the mining industry. The Company aims to pay at least the median compensation for comparable positions within its peers, recognising that differences in roles and responsibilities exist within individual organisations.

Perseus Mining Limited
Troy Resources Limited
Independence Group NL
Saracen Mineral Holdings Limited
Northern Star Resources Ltd
Regis Resources Limited
Silver Lake Resources Ltd
Northern Iron Limited

As required under the Superannuation Act, NEOs who are employees and are Australian residents are entitled to receive superannuation (pension) contributions which are a percentage of their base salary. See "*Compensation Discussion and Analysis – NEOs – Pension Plans – Superannuation*".

Compensation arrangements can include a mix of fixed and performance based compensation. A component of share-based compensation is awarded at the discretion of the Board, subject to Shareholder approval when required.

### Annual Bonus

A short term cash bonus was awarded during the year to the Chief Executive Officer based on progress made in the continued development of and cost control at the CMD Gold Mine (the "**CMD Gold Mine**"). A short term cash bonus was awarded during the year to the Chief Financial Officer / Company Secretary based on his additional workload resulting from the resignation of the Executive Chairman.

### Long Term Incentives

The objective of the Company's long term incentive policy is to reward executives and senior managers in a manner which aligns an element of their remuneration with the

creation of shareholder wealth, as measured by increases in the price and value of the Company's Ordinary Shares. Given the speculative nature of the Company's activities and the small executive team responsible for its running, it is believed that the performance of the Company's executives and the performance and value of the Company's Ordinary Shares are closely related. As such, options are designed to only be of benefit to the NEOs if they perform to the level whereby the value of the Company increases sufficiently to warrant exercising the options granted.

The Company does not have an employee stock option plan. However, the Company does from time to time issue options to purchase Ordinary Shares to selected directors, officers and employees. The Board has sole discretion to determine to whom option grants should be made and to determine the terms and conditions of any such options. The number and terms of outstanding options are taken into consideration when determining whether and how many new options should be granted. Under ASX listing rules, grants of options to directors are subject to Shareholder approval. Until such time as the Company adopts a stock option plan that is approved by the Shareholders, under the TSX Company Manual, all grants of stock options will be subject to Shareholder approval, subject to limited exceptions set out in the TSX Company Manual.

Previous grants of option-based awards are taken into account when considering new grants and option strike prices are typically set at a minimum premium of 25% above the five-day volume weighted average price of the Ordinary Shares prior to the Company approving the option issue.

From time to time the Board also makes grants of Ordinary Shares to NEOs of the Company. The Board believes that the grant of Ordinary Shares immediately aligns an NEO's interest with the interests of shareholders. Previous grants of Ordinary Shares are taken into account when the Board considers making an additional grant.

Grants of long term incentives in the form of options and Ordinary Shares are generally determined by reference to market conditions, industry practice, and the amount of cash compensation paid to that NEO. Given the evolving nature of the Company's business, the Company's overall compensation plan is under constant review so as to continue to address its objectives.

The process for determining executive compensation is based predominately on Board discussion with currently no formal key performance indicators, criteria or analysis set by the Board for the executives. The Chairman regularly reviews the compensation packages of the executive team, and makes recommendations to the Board as required with respect to these packages. Approval of the executive compensation packages is by Board approval, and in the case where an executive is also a director, that executive is not eligible to vote on the relevant compensation package.

## **Compensation Governance**

The Company does not have a Compensation Committee, nor has it engaged in either of the two most recently completed financials years or at any time since the most recently completed financial year a compensation consultant to assist the directors in determining compensation for any of the Company's directors or executive officers. The Board as a

whole has the responsibility for determining compensation, in accordance with the process set out herein.

In light of the current stage of development of the Company and the limited elements of executive compensation (salary, annual bonus and long-term incentives), at this time the Board of Directors has not formally assessed the implications of the risks associated with the Company's compensation policies and practices. Stock options and Ordinary Shares are granted to retain NEOs and motivate the NEOs by rewarding sustained, long-term development and growth that will result in increases in stock value. There is no formal process for assessing when stock options are to be granted rather they are granted at a time determined necessary by the Board in their discretion.

The Board has adopted a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Company requires all executives and directors to sign annual statements of compliance with this policy throughout the period.

### **Consulting Agreements**

The executive management services that Mr McMullen provided and Mr Anderson provides to the Company are provided through Wildeville Enterprises Pty Ltd. ("**Wildeville**") and Hyndford Holdings Pty Ltd. ("**Hyndford**") respectively. See "*Statement of Executive Compensation — External Management Companies*".

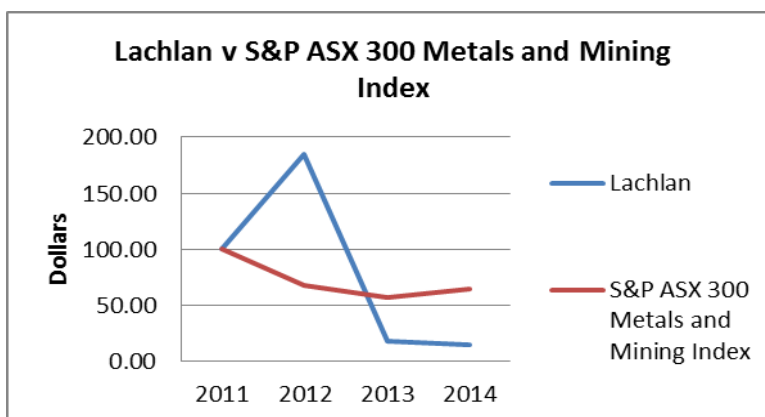
Mr De Oliveira is engaged through an employment agreement with no fixed expiry date. Termination by the Company is with six months' notice or payment in lieu thereof. Termination by the employee is with six months' notice.

### **Performance Graph**

Given the consolidated entity's focus during the year on the continued development of the CMD Gold Mine acquired in December 2010, the Board did not have regard to the consolidated entity's reported earnings in the current year in setting remuneration.

A short term cash bonus was awarded during the year to the Chief Executive Officer based on progress made in the continued development of and cost control at the CMD Gold Mine and a short term cash bonus was awarded during the year to the Chief Financial Officer / Company Secretary based on his additional workload resulting from the resignation of the Executive Chairman. As such, the trend shown by the graph below does not relate to the short term cash bonus paid to executives in the current year. The Company listed on the Toronto Stock Exchange on October 19, 2011 and has only been a reporting issuer in Canada since that time.

The following graph compares, assuming an initial investment of \$100, the yearly change in the Company's cumulative total shareholder return on its Shares on ASX against the value of the S&P/ASX 300 Metals and Mining Index since the period the Company became a reporting issuer in Canada (as adjusted for the Company's 1 for 60 share consolidation in June 2011).



### Option-Based Awards

The Board has determined to issue 400,000 Employee Options and 300,000 Employee Shares to the Chief Executive Officer, 300,000 Employee Options to the Chief Financial officer / Company Secretary, and 1,150,000 Employee Options and 1,037,500 Employee Shares to other employees subject to TSX and any other regulatory approvals. The Shareholders will consider approving the grant of such options at the Meeting. None of the Directors are currently NEO's.

The following table summarizes the terms of the Employee Options to be issued, subject to the approvals noted above, to Named Executive Officers (as defined therein) of the Company:

Option-based Awards					
Name	Number of securities underlying unexercised options	Option exercise price (A\$)	Option expiration date	Value of unexercised in-the-money options (A\$) <sup>(1)</sup>	Vesting Date
Ubirata de Oliveira	400,000	0.125	27 November 2016	-	The date of issue
Robert Anderson	300,000	0.125	27 November 2016	-	The date of issue

Notes:

1. Based on the closing price of the Ordinary Shares on the ASX of A\$0.075 on October 6, 2014 and subtracting the exercise price of the options. These options have not been, and may never exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.

### Pension Plans

The Company does not have a pension plan and has not provided any pension plan benefits to its NEOs.

### *Superannuation*

As required by applicable law in Australia, the Company is required to make a minimal annual contribution to the nominated superannuation funds of Australian employees of

9.25% of gross annual salary for the year to June 30, 2014, and 9.5% thereafter. Subject to the prevailing legislation, employees are able to elect a higher rate at which the Corporation contributes. Superannuation is paid only to NEOs who are Australian residents and who are employees of the Company and not to NEOs who are engaged as consultants. Therefore, in respect of the most recently completed financial year, as the Company's NEOs are consultants or non-residents of Australia, superannuation was not paid to the NEOs.

### Incentive Plan Awards – NEOs

The following table provides information regarding the incentive plan awards outstanding as of June 30, 2014 for each NEO. There were no share based awards outstanding at this date.

Name	Option-based awards			Value of unexercised in-the-money options (A\$) <sup>(1)</sup>
	Number of securities underlying unexercised options	Option exercise price (A\$)	Option expiration date	
Ubirata de Oliveira	100,000	2.10	May 22, 2015 <sup>(2)</sup>	Nil
Ubirata de Oliveira	100,000	2.50	May 22, 2015	Nil
Ubirata de Oliveira	250,000	0.25	November 29, 2015 <sup>(3)</sup>	Nil
Robert Anderson	150,000	0.25	November 29, 2015	Nil

Note:

- (1) Based on the closing price of the Ordinary Shares on the ASX of A\$0.099 on June 30, 2014 and subtracting the exercise price of the options. These options have not been, and may never be exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.
- (2) For disclosure regarding the options expiring May 22, 2015, please see attached Annexure "D"
- (3) For disclosure regarding the options expiring November 19, 2015, please see attached Annexure "C"

The terms of additional options to be issued to Ubirata De Oliveira and Robert Anderson subject to TSX and any other regulatory approvals, are set out in the table under the heading "*Option-Based Awards*" above.

### Incentive Plan Awards — Value Vested or Earned During the Year

All unlisted options issued to NEOs during the year ended June 30, 2014 vested during the year. The value vested or earned during the year for incentive plan awards was as follows:

Name and principal position	Ordinary Share based awards– value vested during the year (A\$) <sup>(1)</sup>	Option based awards– value vested during the year (A\$) <sup>(2)</sup>	Non-equity incentive plan compensation – value earned during the year (A\$) <sup>(3)</sup>
Ubirata De Oliveira (Chief Executive Officer)	30,000	19,078	107,128 <sup>(3)</sup>
Robert Anderson (Chief Financial Officer / Company Secretary)	-	11,447	15,000

Notes:

1. Ordinary Share based awards were issued subsequent to shareholder approval on November 29, 2013 and represent the market value of the shares at the date of issue.
2. All option based awards were issued with an exercise price in excess of the share price at the time of issue. Option based awards represent the value of options granted during the period valued using the Black- Scholes option pricing model. This methodology was selected given its prevalence of use for valuing options and because it provides a meaningful and reasonable estimate of fair value. This is consistent with the accounting values used in the Company's financial statements.
3. Short term cash bonus, refer "Annual Bonus" above.

Options vest in accordance with their terms. The exercise price is set at a premium to the prevailing share price as determined by the Board. There are no performance goals attached to options or the Ordinary Shares. The exercise price of the options issued during the most recently completed financial year was higher than the closing market price on the grant date.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one Ordinary Share of the Company with full dividend and voting rights.

### **Directors' Compensation**

The following table sets forth the amount of all compensation provided to the directors of the Company, other than as a NEO, for the year ended June 30, 2014.

<b>Name</b>	<b>Fees earned (A\$)</b>	<b>Option-Based Compensation (A\$)<sup>(2)</sup></b>	<b>All Other Compensation (A\$)<sup>(1)</sup></b>	<b>Total (\$A)</b>
Scott Perry (Non-Executive Chairman) <sup>(5)</sup>	98,087	11,447	-	109,534
Declan Franzmann (Non-Executive Director)	51,490 <sup>(6)</sup>	11,447	-	62,937
Peter Drobeck (Non-Executive Director)	50,000	11,447	-	61,447
Anthony Cipriano (Non-Executive Director) <sup>(4)</sup>	16,908	-	1,564	18,472
Michael McMullen (Non-Executive Director) <sup>(3)</sup>	12,500	-	-	12,500
Peter Babin (Non-Executive Director)	20,652	-	-	20,652

Notes:

- 1) "All Other Compensation" is comprised of superannuation entitlements under Australian law. See "Compensation Discussion and Analysis" for NEOs above.
- 2) "Option- Based Compensation" represents the value of options granted during the period valued using an option pricing model. This methodology was selected given its prevalence of use for valuing options and because it provides a meaningful and reasonable estimate of fair value. This is consistent with the accounting values used in the Company's financial statements.
- 3) Mr McMullen became a non-executive director effective January 7, 2014. Prior to that he was an NEO and director of the Company and his compensation for that period is provided in the section "Summary Compensation Table" above. The amounts paid to him for that period are not split between his role as an officer and director. He resigned as a director on April 6, 2014.
- 4) Mr Cipriano was appointed a director on February 17, 2014.
- 5) Mr Perry was appointed Chairman on January 6, 2014 and resigned on October 17, 2014
- 6) Includes \$1,490 consulting fees

*Compensation Discussion and Analysis - Directors*

During the most recently completed financial year, each non-executive director received fees for services rendered during that year as shown in the above table. Directors are also reimbursed for all reasonable expenses incurred in their capacity of directors. Generally, directors of the Company do not receive additional amounts for committee participation or special assignments, however, should the non-executive directors provide services in excess of those expected of such a position, the Company will provide reasonable remuneration for those services. There are no other arrangements under which directors were compensated for their services as directors or as consultants or experts during the Company's most recently completed financial year.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, at a reasonable cost to the Company.

The ASX listing rules specify that the aggregate fees of non-executive directors shall be determined from time to time by the Shareholders in a general meeting. An amount not exceeding that amount is then divided between the directors as agreed. The last determination was at a general meeting on November 7, 2001 when Shareholders approved aggregate remuneration of A\$250,000 per year.

Resolution 14 in the attached Notice of Meeting seeks shareholder approval to increase this limit to A\$325,000. The proposed increase in the maximum total amount of fees takes account of the additional duties being undertaken by the Non-Executive Chairman since his appointment as Non-Executive Chairman in January 2014 on the transition of the previous Executive Chairman to the role of Non-Executive director, and the appointment of a new Non-Executive Director in February 2014. It also provides scope to appoint additional Non-Executive Directors to the Board should that be required and accommodates potential increases in fees payable to each Non-Executive Director if appropriate based on a review of fees paid by comparable companies and, where appropriate, recommendations by external remuneration consultants. Total executive and non-executive director fees have reduced from A\$775,712 in the June 30, 2013 year to A\$388,803 in the June 30, 2014 year.

Non-executive directors may also be awarded options with the approval of Shareholders. The issue of options to non-executive directors is considered an appropriate method of aligning interests of directors with Shareholders, providing sufficient incentive and reward for directors whilst maintaining cash reserves.

The Board reviews the remuneration packages for the non-executive directors on an annual basis. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process. Comparable companies considered are set out below. These companies are considered to provide a representative cross section of the Company's peers within the mining industry. The Company aims to pay at least the median compensation for comparable positions within its peers, recognising that differences in roles and responsibilities exist within individual organisations.

Perseus Mining Limited
Troy Resources Limited
Independence Group NL
Saracen Mineral Holdings Limited
Northern Star Resources Ltd
Regis Resources Limited
Silver Lake Resources Ltd
Northern Iron Limited

#### **Incentive Plan Awards – Directors**

The following table provides information regarding the incentive plan awards for each director, other than those included as NEOs in the section "*Incentive Plan Awards – NEOs*" above, outstanding as of June 30, 2014. There were no other share based awards outstanding at this date.



**Option-based awards**

<b>Name</b>	<b>Number of securities underlying unexercised options</b>	<b>Option exercise price (A\$)</b>	<b>Option expiration date<sup>(2)</sup></b>	<b>Value of unexercised in-the- money options (A\$)<sup>(1)</sup></b>
Declan Franzmann	150,000	0.25	November 29, 2015	Nil
Peter Drobeck	150,000	0.25	November 29, 2015	Nil
Scott Perry	150,000	0.25	November 29, 2015	Nil

**Notes:**

- (1) Based on the closing price of the Ordinary Shares on the ASX of A\$0.099 on June 30, 2014 and subtracting the exercise price of the options. These options have not been, and may never exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.
- (2) For disclosure regarding the options expiring November 29, 2015, please see attached Annexure "C"

All unlisted options issued during the year ended June 30, 2014 vested immediately. The value vested or earned during the year for incentive plan awards was as follows:

<b>Name and principal position</b>	<b>Option based awards– value vested during the year (A\$)<sup>(2)</sup></b>
Peter Drobeck (Non-Executive Director)	11,447
Scott Perry (Non-Executive Chairman) <sup>(1)</sup>	11,447
Declan Franzmann(Non-Executive Director)	11,447

**Notes:**

- 1) Mr Perry was appointed Chairman on January 6, 2014 and resigned as a director on October 17, 2014.
- 2) All option based awards were issued with an exercise price in excess of the share price at the time of issue. All option based awards were issued with an exercise price in excess of the share price at the time of issue. Option based awards represent the value of options granted during the period valued using the Black-Scholes option pricing model. This methodology was selected given its prevalence of use for valuing options and because it provides a meaningful and reasonable estimate of fair value. This is consistent with the accounting values used in the Company's financial statements.

The Board has determined to issue 600,000 Director Options to directors, none of which are included as NEOs, subject to TSX and any other regulatory approvals. The Shareholders will consider approving the grant of such options at the Meeting. The following table summarizes the terms of the Director Options to be issued to directors of the Company subject to the approvals noted above.

### Option-based Awards

<u>Name</u>	<u>Number of securities underlying unexercised options</u>	<u>Option exercise price (A\$)</u>	<u>Option expiration date</u>	<u>Value of unexercised in-the-money options (A\$)<sup>(1)</sup></u>	<u>Vesting Date</u>
Anthony Cipriano	150,000	0.25	27 November 2016	-	The date of issue
Anthony Cipriano	150,000	0.125	27 November 2016	-	The date of issue
Declan Franzmann	150,000	0.125	27 November 2016	-	The date of issue
Peter Drobeck	150,000	0.125	27 November 2016	-	The date of issue

Notes:

- (1) Based on the closing price of the Ordinary Shares on the ASX of A\$0.075 on October 6, 2014 and subtracting the exercise price of the options. These options have not been, and may never exercised and actual gains, if any, on exercise will depend on the value of the Ordinary Shares on the date of exercise.

### External Management Companies

Neither Mr McMullen was, nor Mr Anderson is, an employee of the Company as their services to the Company were / are provided through consultancy agreements (each a “**consultancy agreement**”) with Wildeville and Hyndford, respectively.

The consultancy agreement with Hyndford has the material terms described below. The consultancy agreement does not contain any change of control provisions.

The Company may terminate the consultancy agreement immediately by notice to the consultant company if the consultant company or the individual providing the consulting services on behalf of the consulting company (the “**consultant**”) is guilty of misconduct (including, without limitation, wilful misconduct, fraud or dishonesty) in relation to the affairs of the Company, or the consultant company or the consultant is charged with any offence which, in the reasonable opinion of the Board, has injured, or would tend to injure, the reputation or business of the Company, or the consultant company is guilty of any material or persistent default, breach, non-observance or non-performance of any of the terms or conditions of this agreement, or the consultant company goes into liquidation (except voluntary liquidation for the purpose of amalgamation or reconstruction) or has an administrator appointed to it, or a receiver or receiver and manager is appointed over the whole or any part of its undertaking or assets or if the consultant commits an act of bankruptcy or ceases for any reason to be eligible to hold office as a director of a company, or becomes permanently incapacitated by accident or illness from performing the services set out in the consultancy agreement, or otherwise by giving four and half months’ notice. For the purposes of the above paragraph, incapacity rendering the consultant unable to perform the services set out in the consultancy agreement (the “**Services**”) for a period aggregating more than three months in any six month period or for any period beyond three consecutive months, is taken to be permanent incapacity, but these periods may be reviewed at the discretion of the Company.

The consultant company may terminate the consultancy agreement immediately by notice to the Company if the Company enters into liquidation (except voluntary liquidation for the purpose of amalgamation or reconstruction) or has an administrator appointed to it, or a receiver or receiver and manager is appointed over the whole or any part of the undertaking or assets of the Company, or the Company requires the consultant company over a period aggregating more than 30 days in any two month period or for any period beyond 60 consecutive days to perform tasks or services which are materially different to the Services and substantially inconsistent with the consultant's experience, expertise or qualifications by giving not less than four and a half months' prior notice of termination unless agreed otherwise with the Board.

Nothing contained in or implied by the consultancy agreement prevents the consultant company from providing or agreeing to provide to any other person, firm or company services the same as or similar to the Services provided that the provision of such services does not in any way impair or hinder the performance by the Consultant of its duties under the consultancy agreement.

Current maximum consultancy fees payable under the consultancy agreement with Hyndford, effective July 1, 2014 are \$220,000 plus GST per annum. The consultancy agreement expires on December 31, 2014.

#### **Termination and Change of Control Benefits**

The terms of the NEOs' consultancy agreement relating to termination provisions is set out in sections "*External Management Companies*", above.

In the event of the Company being acquired by a third party and Mr De Oliveira is made redundant, the Company will pay him the equivalent of six months' salary as compensation. There are no contracts, agreements, plans or arrangements that provide for payments to any other NEO at, following or in connection with change in control of the Company.

The termination payment applicable to the employment agreement with Mr De Oliveira is 6 months' salary.

The maximum amount payable for a termination event on June 30, 2014 would have been:

<u>Name</u>	<u>Termination payable</u>
	(A\$)
Robert Anderson	12,833 <sup>(1)</sup>
Ubirata De Oliveira	164,212

#### Notes:

(1) Increased to \$82,500 effective July 1, 2014

#### **Equity compensation plans**

The Company does not have a formal equity compensation plan. However, the Company does from time to time issue options to purchase Ordinary Shares and/or grant other equity compensation to selected directors, officers and employees. The Board has sole discretion to determine to whom option grants should be made or any other form of equity compensation should be granted and the terms and conditions of any such options or

equity compensation. The number and terms of outstanding options and the past grant of other forms of equity compensation (if any) are taken into consideration when determining whether and how many new options or other form of equity compensation should be granted. Pursuant to the listing rules of the ASX, all option grants to directors are subject to approval of the Shareholders. Pursuant to the TSX Company Manual, all security based compensation arrangements (including stock option grants or any other compensation involving the issuance or potential issuance of securities of an issuer) will require the approval of Shareholders, subject to limited exceptions, until such time, if any, as the Company adopts and the Shareholders approve a formal stock option or equity compensation plan. The following table summarizes the Company's stock option arrangements in place with respect to its directors, officers and employees as of June 30, 2014.

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Plan Category</b>	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,425,000	A\$0.56	Nil
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	1,425,000	A\$0.56	Nil

Note:

- 1) The Board has determined to issue an aggregate of 1,850,000 Employee Options with an exercise price of \$0.125 per option and an expiry date of November 27, 2016, 450,000 Director Options with an exercise price of \$0.125 per option and an expiry date of November 27, 2016, and 150,000 Director Options with an exercise price of \$0.25 per option and an expiry date of November 27, 2016, subject to the passing of Resolutions 10 to 13 at the Company's Annual General Meeting to be held on November 27, 2014 and to TSX and any other regulatory approvals. These Director and Employee Options are not included in the above table.

### **Indebtedness of directors and executive officers**

No directors or executive officers or employees, or former executive officers, directors or employees, of the Company or any of its subsidiaries are indebted to the Company or any of its subsidiaries.

The Company does not have any securities purchase programme or any other lending or credit support programme.

### **Interest of Informed Persons in Material Transactions**

No informed person or any proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has a material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect the Company or any of subsidiaries.

### **Interest of Certain Persons or Companies in Matters to be Acted Upon**

Other than the election of a particular director in which such nominee has an interest, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the matters to be acted upon at the Meeting.

### **Auditors and Audit Committee**

The auditors of the Company are PricewaterhouseCoopers, having an address at, Brookfield Place, 125 St Georges Terrace, Perth WA 6000. They were appointed prior to September 2009.

For information regarding the Company's Audit Committee, please refer to the Company's Annual Information Form for the year ended June 30, 2014, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and management discussion and analysis ("MD&A") for its most recently completed financial year. The Company will provide to any person, upon request to the Company Secretary, a copy of the Company's Annual Report for the year ended June 30, 2014 which includes the financial statements of the Company for the most recently completed financial year and the audit report issued thereon and/or one copy of the Company's MD&A in respect of such financial year.

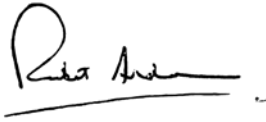
Copies of the above document will be provided free of charge to Shareholders. The Company may require the payment of a reasonable charge by any person or company who is not a Shareholder of the Company, and who requests a copy of such document. Additional information relating to the Company can be found at [www.asx.com.au](http://www.asx.com.au) or at [www.sedar.com](http://www.sedar.com).

Shareholders can contact the Company Secretary, at +61 (08) 481 0051 if they have any queries in respect of the matters set out in these documents.

**Approval of this Explanatory Memorandum and Management Information Circular**

The contents and the sending of this Explanatory Memorandum and Management Information Circular have been approved by the Directors of the Company.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read "Rob Anderson", with a horizontal line underneath it.

Mr Robert Anderson  
Company Secretary  
Dated October 27, 2014

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## GLOSSARY

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**10% Placement Period** has the meaning given in section 9.2.

**A\$** means Australian dollar

**Annual Report** means the Company's annual report for the year ended 30 June 2014 containing the Financial Report, the Directors' Report and the Audit Report.

**Annual General Meeting** or **AGM** means the meeting convened by this Notice of Meeting.

**Associate** has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

**ASX** means ASX Limited.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of the ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** or **Board of Directors** means the current board of directors of the Company.

**BSOPM** has the meaning given in section 12.7.

**CDN\$** means Canadian dollar

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (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 dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

**Company** or **Lachlan Star** means Lachlan Star Limited (ABN 88 000 759 535).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director Options** has the meaning given in section 12.1.

**Directors** mean the current directors of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Employee Options** has the meaning given in section 10.1.

**Equity Securities** has the same meaning as set out in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice of Meeting.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

**June Share Issue** has the meaning given in section 7.1.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Memorandum.

**November Share Issue** has the meaning given in section 6.1.

**October Share Issue** has the meaning given in section 8.1.

**Option** means an option to acquire a Share.

**Ordinary Securities** has the same meaning as set out in the Listing Rules.

**Proxy Form** means the proxy form attached to the Notice of Meeting.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a holder of a Share.

**Share Registrar** means Computershare Investor Services Pty Limited.

**Sprott** means Sprott Resource Lending Partnership. It is a general partnership organised under the laws of Ontario, Canada. The Partners of Sprott are Sprott Resource Lending Corp. (ordinary partner), 7603908 Canada Inc. (ordinary partner) and Sprott Lending Consulting LP (Managing Partner). Each of the partners of SRLP are either directly or indirectly 100% owned by Sprott Inc., a publicly traded parent entity.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**TSX** means the Toronto Stock Exchange.



**VWAP** means volume weighted average price.

**WST** means the time in Perth, Western Australia.

## ANNEXURE "A"

### TERMS AND CONDITIONS OF A\$0.125 OPTIONS

1. The options will be issued for non-cash consideration.
2. A certificate will be issued for the options.
3. The options will expire on 27 November 2016 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$0.125 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of issue of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option

holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.

13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of issue, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

## ANNEXURE "B"

### TERMS AND CONDITIONS OF A\$0.25 OPTIONS

1. The options will be issued for no consideration.
  2. A certificate will be issued for the options.
  3. The options will expire on 27 November 2016 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
  4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
  5. The exercise price of the options is \$0.25 ("**exercise price**") each and will be payable in full on exercise.
  6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
  7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
  8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
  9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
  10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of issue of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
  11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
  12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option
-

holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.

13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of issue, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

**ANNEXURE "C"**

**DISCLOSURE REGARDING OUTSTANDING OPTIONS EXPIRING 29 NOVEMBER 2015**

**1. UNLISTED OPTIONS ISSUED TO EMPLOYEES PURSUANT TO SHAREHOLDER APPROVAL AT NOVEMBER 29, 2013 ANNUAL GENERAL MEETING**

1.1 Shareholders approved the issue of up to an aggregate of 950,000 options ("Employee Options") to subscribe for fully paid Ordinary Shares exercisable at A\$0.25 per share on or before 29 November 2015, vesting immediately; on the following terms to certain employees of or consultants to the Company at no cost and as part of their remuneration arrangements. The Employee Options expire 30 days after the allottee ceases to be an employee of the Company. The Employee are not listed or quoted for trading on the ASX, the TSX or any other exchange.

1.2 Information required by the TSX Company Manual

- The Options are not assignable and may not be amended without Shareholder approval, except as expressly set out in the terms and conditions outlined below.
- The Options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
- Ordinary Shares issued on exercise of the Employee Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Ordinary Shares.
- the Employee Options are issued to the following employees:

<b>Name</b>	<b>Position</b>	<b>Employee Options</b>
Ubirata De Oliveira	Chief Executive Officer	250,000
Robert Anderson	Chief Financial Officer / Company Secretary	150,000
Gabriel Urra	Mine Manager	100,000
Roberto Pardo	Finance & Admin Manager	100,000
Guido Osvaldo Rojas Fuenzalida	Technical Services Manager Superintendent	100,000
Eduardo Llanos	Plant Superintendent	50,000
<b>Total</b>		<b>750,000</b>

- the 750,000 Employee Options issued represent 0.46% of the 164,035,759 shares outstanding as of October 27, 2014.
- 400,000 of the Employee Options were issued to insiders of the Company, being:
  - (i) 250,000 of the Employee Options to the Chief Executive Officer.

- (ii) 150,000 of the Employee Options to the Chief Financial Officer / Company Secretary.

These are the maximum number of securities any one person or company is entitled to receive under this arrangement and represents 42.1% of the total number of Employee Options issued;

- there is no formula by which the exercise price of the Employee Options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Ordinary Shares on the ASX. The closing price of the Ordinary Shares on the ASX on 10 October 2013 and 21 October 2013, which were the days before the Board of Directors approved the grant of the Employee Options, were A\$0.16 and A\$0.17 respectively. The A\$0.25 exercise price therefore represents premiums of 56.25% and 47.06% over such closing prices. The closing price of the Ordinary Shares on ASX on 22 October, 2013 was A\$0.155;
- the terms and conditions of the Employee Options, which are set out below, include that the Employee Options are not assignable and may not be amended except as expressly set out in the terms and conditions;
- the Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

## 2. **UNLISTED OPTIONS ISSUED TO DIRECTORS PURSUANT TO SHAREHOLDER APPROVAL AT NOVEMBER 29, 2013 ANNUAL GENERAL MEETING**

- 2.1 Shareholders approved the issue of unlisted options ("Director Options") to four directors (Messrs McMullen, Franzmann, Perry and Drobeck) as part of their remuneration packages. All options vest immediately and expire 30 days after the allottee ceases to be a director of the Company, including in the event of retrenchment or where employment is terminated without cause.
- 2.2 The table below shows the options issued to the directors, and represents the maximum number of securities issued and the names of the parties to whom they were issued.

<b>Resolution Number</b>	<b>Director</b>	<b>Number of A\$0.25 options exercisable on or before 29/11/2015</b>	<b>Black-Scholes Option Pricing Model valuation</b>
11	Michael McMullen	150,000	\$7,605
12	Declan Franzmann	150,000	\$7,605
13	Scott Perry	150,000	\$7,605
14	Peter Drobeck	150,000	\$7,605
	Total	600,000	\$30,420

- 2.3 Shareholder approval of security based compensation arrangements, including the issue of the above options, is also required pursuant to the TSX Company Manual.
- 2.4 The directors received the above options for no cash consideration. To provide an indication of the value of the options, the Black-Scholes Option Pricing Model (BSOPM) for valuing options has been adopted. The valuation assumes a market value of \$0.17 per share (being the volume weighted average price of the Company's shares over the 5 trading days on ASX ending 22 October 2013), a risk free rate of 4%, and volatility of 71.9%. Using these assumptions the BSOPM values the options at approximately 5.1 cents per \$0.25 option.
- 2.5 The option issue to the directors recognises their workload in relation to the CMD Gold Mine and on new venture opportunities over and above that reflected in their cash remuneration.
- 2.6 For the purposes of the TSX Company Manual (and for all other purposes), the following information is provided to Shareholders.
- 2.7 The proposed financial benefit to be given to each of the directors is the issue of the securities in the table below and the table below also indicates what percentage such options grants represent of the 164,035,759 Ordinary Shares outstanding as of October 27, 2014.

<b>Director</b>	<b>Number of \$0.25 options exercisable on or before 29/11/2015</b>	<b>Percentage of currently outstanding Shares as of October 27, 2014</b>
Declan Franzmann	150,000	0.09%
Scott Perry	150,000	0.09%
Peter Drobeck	150,000	0.09%

- 2.8 These are the maximum number of securities any one person or company is entitled to receive under this arrangement and represents all the Director Options outstanding, being 0.27% of the 164,035,759 Ordinary Shares outstanding as of October 27, 2014.



- 2.9 In determining the number of securities to be issued and their terms and conditions, consideration was given to the relevant experience and role of each director, their respective overall remuneration terms, the number and terms of existing outstanding options granted to the directors, the current market price of the Company's Shares on the ASX and the terms of the options.
- 2.10 The securities will be issued for no cash consideration and will be issued on the terms and conditions set out below. Such terms and conditions include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions.
- 2.11 The Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.
- 2.12 The highest and lowest prices of the Shares on the ASX in the 12 months prior to the date of issue of this Explanatory Memorandum were:
- \$1.585 on 30 October 2012; and
  - \$0.11 on 9 July 2013
- 2.13 The closing price of the Shares on the ASX on 21 October 2013, which was the day before the Board of Directors approved the grant of the above options, was A\$0.17 and the above exercise prices therefore represent a premium of 47.06% over such closing price. The closing price of Shares on ASX on 22 October 2013 was A\$0.155.
- 2.14 There is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX.
- 2.15 The maximum number of securities to be issued and the names of the parties to whom they are to be issued are set out in the above table.
- 2.16 The options were issued no later than 1 month after the date of the AGM and vested immediately.
- 2.17 The issuance of options or bonus shares detailed here does not exceed the "insider participation limit" detailed in the TSX Company Manual. This means that the number of the Company's Ordinary Shares:
- i) issued to insiders of the Company, within any one year period, and
  - ii) issuable to insiders of the Company, at any time,

under the arrangements detailed herein, or when combined with all of the listed issuer's other security based compensation arrangements, will not exceed 10% of the Company's total issued and outstanding securities.

## TERMS AND CONDITIONS OF \$0.25 OPTIONS

1. The options will be issued for no consideration.
  2. A certificate will be issued for the options.
  3. The options will expire on 29 November 2015 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
  4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
  5. The exercise price of the options is \$0.25 ("**exercise price**") each and will be payable in full on exercise.
  6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
  7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
  8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
  9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
  10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of issue of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
  11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
  12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.
-

13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of issue, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

## ANNEXURE "D"

### DISCLOSURE REGARDING OUTSTANDING OPTIONS EXPIRING 22 MAY 2015

#### 1. UNLISTED OPTIONS ISSUED TO EMPLOYEES PURSUANT TO SHAREHOLDER APPROVAL AT NOVEMBER 2012 ANNUAL GENERAL MEETING

1.1 Shareholders approved the issue of up to:

- I. 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$2.10 per share on or before 22 May 2015, vesting on the earlier of 22 May 2013 or an offer being made for all the shares of the Company; and
- II. 100,000 options to subscribe for fully paid ordinary shares in the Company exercisable at A\$2.50 per share on or before 22 May 2015, vesting on the earlier of 22 May 2013 or an offer being made for all the shares of the Company,

on the following terms to an employee of the Company at no cost and as part of his remuneration arrangements. The options expire 30 days after the allottee ceases to be an employee of the Company.

1.2 The employee is not a related party of the Company.

1.3 Information required by the TSX Company Manual is as follows:

- Shares issued on exercise of the Unlisted Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- the Unlisted Options will be issued to the Company's Chief Operating Officer, being Mr Ubirata De Oliveira or his nominee;
- the securities will be issued for no cash consideration and will be issued on the terms and conditions set out below;
- the 200,000 options issued represent 0.23% of the 86,380,017 Shares outstanding as of 5 October 2012. The Company presently has an aggregate of 1,833,340 options issued to employees, directors, insiders and service providers (defined as persons or companies engaged to provide services for an initial, renewable or extended period of twelve months or more) currently outstanding, which represents 2.12% of the 86,380,017 Shares outstanding as of 5 October, 2012 ;
- the 200,000 options issued and outstanding currently represent 0.12% of the 164,035,759 shares outstanding as of October 27, 2014;
- the 200,000 options were issued to an insider of the Company, being the Chief Operating Officer [now Chief Executive Officer];

- the maximum number of securities any one person or company is entitled to receive of the 200,000 options proposed to be issued is 200,000 options, representing 0.23% of the 86,380,017 Shares outstanding as of 5 October, 2012, and 0.12% of the 164,035,759 shares outstanding as of October 27, 2014;
- there is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX. The closing price of the Shares on the ASX on 27 April 2012, which was the day before the Board of Directors approved the grant of the above options, was A\$1.52. The A\$2.10 and A\$2.50 exercise prices therefore represent a premium of 38% and 64% respectively over such closing price. The closing price of Shares on ASX on 4 October, 2012 was A\$1.50;
- the terms and conditions of the options, which are set out below, include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions;
- the Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.

## TERMS AND CONDITIONS OF \$2.10 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 22 May 2015 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$2.10 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.

13. +There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.

#### **TERMS AND CONDITIONS OF**

#### **\$2.50 OPTIONS**

1. The options will be issued for no consideration.
  2. A certificate will be issued for the options.
  3. The options will expire on 22 May 2015 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
  4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
  5. The exercise price of the options is \$2.50 ("**exercise price**") each and will be payable in full on exercise.
  6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
  7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
  8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
  9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
-

10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.
11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.
13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.



## ANNEXURE "E"

### DISCLOSURE REGARDING OUTSTANDING OPTIONS EXPIRING 25 November 2014

1. **UNLISTED OPTIONS ISSUED TO EMPLOYEES PURSUANT TO SHAREHOLDER APPROVAL AT NOVEMBER 2011 ANNUAL GENERAL MEETING**
  - 1.1 50,000 Unlisted Options exercisable at \$1.50 per share, expiring 25 November 2014, were issued to employees of, or consultants to, the Company at no cost and as part of their remuneration arrangements. All options vested immediately and expire 30 days after the allottee ceases to be an employee of, or consultant to, the Company, including in the event of retrenchment or where employment is terminated without cause. 25,000 of the aforementioned Unlisted Options are outstanding as at 27 October 2014.
  - 1.2 Shares issued on exercise of the Unlisted Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and the securities were issued for no cash consideration, on the terms and conditions set out below.
  - 1.3 Additional information required by the TSX Company Manual is as follows:
    - the 25,000 options issued and outstanding represent 0.015% of the Ordinary Shares issued and outstanding as at 27 October, 2014. The 25,000 options are not issued to an insider of the Company;
    - the maximum number of securities any one person or company is entitled to receive of the 300,000 options issued is 75,000 options, representing 0.132% of the 56,967,517 Shares outstanding as of 11 October, 2011. 25,000 of those options remain outstanding as at 27 October, 2014;
    - There is no formula by which the exercise price of the options was determined. However, it is the Board of Directors' practice to set an exercise price for options at a premium to the then trading price of the Company's Shares on the ASX. The closing price of the Shares on the ASX on 26 September 2011, which was the day before the Board of Directors approved the grant of the above options, was A\$0.70 and the above exercise prices therefore represent a premium of 71% to 114% over such closing price. The closing price of Shares on ASX on 11 October 2011 was A\$0.78;
    - The terms and conditions of the options, which are set out below, include that the options are not assignable and may not be amended except as expressly set out in the terms and conditions;
    - The Company has no policy in place with respect to providing financial assistance to option holders to facilitate the exercise of options.
-



## TERMS AND CONDITIONS OF \$1.50 OPTIONS

1. The options will be issued for no consideration.
2. A certificate will be issued for the options.
3. The options will expire on 25 November 2014 ("**expiry date**") and may be exercised at any time prior to or on the expiry date.
4. Subject to conditions 12 and 13, each option is a right in favour of the option holder to subscribe for 1 fully paid ordinary share in the capital of the Company ("**share**").
5. The exercise price of the options is \$1.50 ("**exercise price**") each and will be payable in full on exercise.
6. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
7. The Company will allot the resultant shares and deliver the holding statement within 5 business days after the exercise of the option.
8. The options will not be listed for official quotation on ASX Limited ("**ASX**").
9. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any new pro-rata issue of securities to shareholders, holders of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
10. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in ASX Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue. Such adjustment shall not require Shareholder approval.

11. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue. Such increase shall not require Shareholder approval.
12. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules. Any such changes consistent with the ASX Listing Rules shall not require Shareholder approval.
13. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
14. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, equally with existing ordinary fully paid shares of the Company in all respects.
15. In accordance with the ASX Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.
16. The options shall be exercised within 30 days of leaving the Company's employment or ceasing to be a consultant, including in the event of retrenchment or where employment is terminated without cause, otherwise they will be cancelled.
17. The options shall not be assignable and may not be amended without Shareholder approval, except as expressly set out in these terms and conditions.



## Lodge your vote:

  **Online:**  
[www.investorvote.com.au](http://www.investorvote.com.au)

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

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

## Proxy Form



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

**Control Number: 999999**

**SRN/HIN: I9999999999 PIN: 99999**

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



 **For your vote to be effective it must be received by 11:00am (WST) Tuesday, 25 November 2014**

### 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 or abstain as they choose (to the extent permitted by law). 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 for Postal Forms

**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 help tab, "Printable 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.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →

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.



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IND

# 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 Lachlan Star 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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Lachlan Star Limited to be held on the Second Floor, 91 Havelock Street, West Perth, Western Australia on Thursday, 27 November 2014 at 11:00am (WST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 9 - 14 (except where I/we have indicated a different voting intention below) even though Resolutions 9 - 14 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 9 - 14 by marking the appropriate box in step 2 below.

## 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.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Re-election of Mr Anthony Cipriano as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Declan Franzmann as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9	Issue of Unlisted Options and Ordinary Shares to Employees or Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Peter Babin as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10	Adoption of the Remuneration Report for the year ended 30 June 2014	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Mr Peter Drobeck as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 11	Issue of Unlisted Options to Director - Mr Anthony Cipriano	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of prior issue of Shares - IG Investment Management Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 12	Issue of Unlisted Options to Director - Mr Declan Franzmann	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of prior issue of Shares - Sprott Resource Lending Partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 13	Issue of Unlisted Options to Director - Mr Peter Drobeck	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Ratification of prior issue of Shares - Hamilton Place Associates LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 14	Increase in Non-Executive Directors' Fees	<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. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## 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 / /