

## Cape Lambert Resources Limited

ACN: 095 047 920

### Notice of Annual General Meeting

The Annual General Meeting of Cape Lambert Resources Limited will be held at 32 Harrogate Street, West Leederville, Western Australia at 10:00am (WST) on 11 February 2020.

This notice of annual general meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Please contact the Company Secretary on + 61 9380 9555 or [melissac@capelam.com.au](mailto:melissac@capelam.com.au) if you wish to discuss any matter concerning the Meeting.

Notice Meeting (CFE) (KPC00176921-059)

**Cape Lambert Resources Limited**  
**ACN 095 047 920**

**Notice of Annual General Meeting**

Notice is hereby given that the Annual General Meeting of the Shareholders of Cape Lambert Resources Limited will be held at 32 Harrogate Street, West Leederville, Western Australia on 11 February 2020 at 10:00am (WST) (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Statement and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Statement.

Proxy Forms must be received by no later than 10:00am (WST) on 9 February 2020.

Terms and abbreviations used in this Notice and Explanatory Statement are defined in Schedule 1 of the Explanatory Statement.

The business of the Meeting affects your shareholding and your vote is important. This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 9 February 2020.

**AGENDA**

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**ANNUAL REPORT**

To receive and consider the financial statements of the Company and the reports of the Directors (**Directors' Report**) and Auditors for the financial year ended on 30 June 2019 (**Annual Report**).

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**RESOLUTION 1 - REMUNERATION REPORT (NON-BINDING)**

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

*“That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as set out in the Directors' Report for the financial year ending 30 June 2019.”*

A voting exclusion statement is set out below.

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

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**RESOLUTION 2 - RE-ELECTION OF DIRECTOR - STEFAN MULLER**

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

*“That Stefan Muller, who retires by rotation in accordance with clause 13.2 of the Company’s Constitution, offers himself for re-election, be re-elected as a Director.”*

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**RESOLUTION 3 - APPROVAL OF 10% PLACEMENT FACILITY**

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

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities 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 and on the terms and conditions in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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**RESOLUTION 4 - RATIFICATION OF PRIOR ISSUE OF WINANCE NOTES**

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

*“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 480 Winance Convertible Notes (Tranche A), which may on their terms convert to up to 96,000,000 fully paid ordinary shares in the capital of the Company, to Winance on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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**RESOLUTION 5 - APPROVAL TO REPLACE WINANCE NOTES (DEBT SECURITIES)**

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

*“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 720 Winance Notes (Tranche B) to replace the 720 Winance Notes (Debt Securities) issued to Winance on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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**RESOLUTION 6 - RATIFICATION OF PRIOR ISSUE OF MAGNA NOTES**

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

*“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 196,472 Magna Notes to Magna on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 7 - APPROVAL TO REPLACE MAGNA NOTES**

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

*“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 176,731 Replacement Magna Notes to replace 176,731 Remaining Magna Notes issued to Magna on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 8 - RATIFICATION OF PRIOR ISSUE OF MAGNA SHARES**

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

*“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 3,396,126 fully paid ordinary shares in the capital of the Company to Magna on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 9 - ISSUE OF SHARES TO FIRST INVESTMENTS HOLDING LIMITED**

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

*“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of fully paid ordinary shares in the capital of the Company at an issue price of \$0.01 per share to First Investments Holding or its nominee in satisfaction of the FIH Debt in accordance with the formula, and otherwise on the terms, set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 10 - ISSUE OF SHARES TO OKEWOOD PTY LIMITED**

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

*“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 38,499,995 fully paid ordinary shares in the capital of the Company at an issue price of \$0.01 per share to Okewood Pty Limited or its nominee in satisfaction of consultancy fees, and otherwise on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 11 - ISSUE OF SHARES TO DGWA**

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

*“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 8,685,094 fully paid ordinary shares in the capital of the Company at an issue price of \$0.01 per share to DGWA or its nominee in satisfaction of consultancy fees and reimbursement of expenses, and otherwise on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 12 - ISSUE OF SHARES TO CRMS**

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

*“That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 2,200,000 fully paid ordinary shares at an issue price of \$0.01 per share to Marnichar Nominees Pty Ltd ATF the Hallemar Trust trading as CRMS or its nominee in satisfaction of consultancy fees and otherwise on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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#### **RESOLUTION 13 - ISSUE OF SHARES TO AUSZAM MINING LTD**

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

*“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 5,573,374 fully paid ordinary shares at an issue price of \$0.01 per share to Auszam Mining Ltd or its nominee in satisfaction of amounts payable for services provided and otherwise on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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## RESOLUTION 14 - ISSUE OF SHARES TO BELLATRIX CORPORATE PTY LTD

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

*“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 5,830,000 fully paid ordinary shares at an issue price of \$0.01 per share to Bellatrix Corporate Pty Ltd or its nominee in satisfaction of amounts payable for services provided and otherwise on the terms set out in the Explanatory Statement.”*

A voting exclusion statement is set out below.

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## VOTING PROHIBITION AND EXCLUSION STATEMENTS

### Corporations Act

The Corporations Act prohibits votes being cast (in any capacity) on the following resolutions by any of the following persons:

Resolution	Persons Excluded from Voting
Resolution 1 - Remuneration Report (Non-Binding)	<p>A vote on this Resolution must not be cast (in any capacity) by or on behalf of the following persons:</p> <ul style="list-style-type: none"><li>(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or</li><li>(b) a Closely Related Party of such a member.</li></ul> <p>However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none"><li>(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or</li><li>(b) the voter is the Chair of the Meeting and the appointment of the chair as proxy:<ul style="list-style-type: none"><li>(i) does not specify the way the proxy is to vote on this Resolution; and</li><li>(ii) expressly authorises the Chair to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of</li></ul></li></ul>

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a member of the Key Management Personnel for the Company.

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However, a person is not prevented from casting a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a related party or associate of a kind referred to above.

**Listing Rule 14.11**

Under Listing Rule 14.11, the Company will disregard any votes cast in favour of a resolution by or on behalf of:

- (a) the below named person or class of persons excluded from voting; or
- (b) an associates of that person or those persons:

<b>Resolution</b>	<b>Persons excluded from voting</b>
Resolution 4 - Ratification of prior issue of Winance Notes	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.
Resolution 5 - Approval to replace Winance Notes (Debt Securities)	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any associate of such person.
Resolution 6 - Ratification of prior issue of Magna Notes	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.
Resolution 7 - Approval issue of Magna Notes to replace the Remaining Magna Notes	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any associate of such person.
Resolution 8 - Ratification of prior issue of Magna Shares	Persons who participated in the issue or is a counterparty to the agreement being approved, or any associate of those persons.
Resolution 9 - Issue of Shares to First Investments Holding Limited	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of

	being a Shareholder) or any associate of such person.
Resolution 10 - Issue of Shares to Okewood Pty Limited	A person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or any associate of such person.
Resolution 11 - Issue of Shares to DGWA	A person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or any associate of such person.
Resolution 12 - Issue of Shares to CRMS	A person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity) or any associate of such person.
Resolution 13 - Issue of Shares to Auszam Mining Ltd	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any associate of such person.
Resolution 14 - Issue of Shares to Bellatrix Corporate Pty Ltd	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any associate of such person.

However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely as nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:



- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
- (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

By order of the Board of Directors

Ms Melissa Chapman  
Company Secretary  
6 January 2020

# Explanatory Statement

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## 1 INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 32 Harrogate Street, West Leederville, Western Australia on 11 February 2020 at 10:00am (WST). The purpose of this Explanatory Statement is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

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A Proxy Form is located at the end of this Explanatory Statement.

ASX takes no responsibility for the contents of the Notice or Explanatory Statement.

Please contact the Company Secretary on +61 9380 9555 or [melissac@capelam.com.au](mailto:melissac@capelam.com.au) if you wish to discuss any matter concerning the Meeting.

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## 2 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Statement carefully before deciding how to vote on the Resolutions.

### 2.1 Voting in person

All Shareholders are invited and encouraged to attend the Meeting.

To vote in person, attend the Meeting at the time, date and place set out in the Notice.

## **2.2 Voting by Proxy**

If a Shareholder is unable to attend in person, they can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has the right to appoint a proxy;
- (b) the proxy need not be a Shareholder of the Company; and
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on the Resolutions.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 10:00am (WST) on 9 February 2020. Any Proxy Form received after that time will not be valid for the Meeting.

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

## **2.3 Corporate representatives**

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## **2.4 Eligibility to vote**

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 9 February 2020.

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### **3 ANNUAL REPORT**

Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report for the financial year ended on 30 June 2019 which is available on the ASX platform at [www.asx.com.au](http://www.asx.com.au); and
- (b) ask questions about or make comment on the management of the Company.

There is no requirement for Shareholders to approve the Annual Report.

The chair of the Meeting will allow reasonable opportunity for the Shareholders as a whole at the Meeting to ask the auditor or the auditor's representative questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

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

- (a) the content of the auditor's report to be considered at the Meeting; and
- (b) the conduct of the audit of the annual financial report to be considered at the Meeting,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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### **4 RESOLUTION 1 - REMUNERATION REPORT**

#### **4.1 Introduction**

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended on 30 June 2019.

Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The Chair will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

#### 4.2 Voting consequences

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution that a further meeting is held at which all of the Company's Directors who were directors when the resolution to make the directors report considered at the later annual general meeting was passed (other than the Managing Director) must go up for re-election (**Spill Resolution**).

If more than 50% of votes cast are in favour of the Spill Resolution, the Company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were directors of the Company when the resolution to make the directors' report considered at the second annual general meeting was passed, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Shareholders approved the Company's 2018 Remuneration Report, and as a result there is no requirement to vote on a Spill Resolution if 25% or more of the votes cast vote against Resolution 1.

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#### 5 RESOLUTION 2 - RE-ELECTION OF DIRECTOR- STEFAN MULLER

Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer.

Clause 13.2 of the Company's Constitution requires that one-third of the Directors retire by rotation at each annual general meeting. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

In accordance with clause 13.2 of the Company's Constitution, Stefan Muller retires by rotation from office at this Meeting and offers himself for re-election.

Details of Stefan Muller's qualifications and experience are set out in the Company's 2019 Annual Report.

The Board (excluding Stefan Muller) recommends that Shareholders vote in favour of Resolution 2.

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## 6 RESOLUTION 3 - APPROVAL OF 10% PLACEMENT FACILITY

### 6.1 General

The Company seeks Shareholder approval to issue Equity Securities up to 10% of its issued share capital through placements over a Relevant Period following shareholder approval (**10% Placement Facility**).

The exact 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 6.3(a) below).

Any funds raised will be used for exploration on the Company's projects and general working capital.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### 6.2 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3. This will allow the Company to issue securities and raise funds whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

### 6.3 Listing Rule 7.1A

Listing Rule 7.1A enables eligible entities to issue quoted Equity Securities up to 10% of its issued share capital through placements over a Relevant Period following shareholder approval by way of a special resolution. The 10% Placement Facility is subject to conditions and is 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 capitalization of \$300 million or less. The Company is an eligible entity.

#### (a) Maximum number of Equity Securities which may be issued

The number of Equity Securities which may be issued, or agreed to be issued, under the 10% Placement Facility is prescribed in Listing Rule 7.1A.2 and is calculated as follows:

$\text{Number of Equity Securities} = (A \times D) - E$
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“A” the number of fully paid ordinary shares on issue at the commencement of the Relevant Period:

- (A) plus the number of fully paid shares issued in the Relevant Period under an exception in Listing Rule 7.2 other than exception 9,16 or 17;
- (B) plus the number of fully paid ordinary shares issued in the Relevant Period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
  - the convertible securities were issued or agreed to be issued before the commencement of the Relevant Period; or
  - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (C) plus the number of fully paid ordinary shares issued in the Relevant Period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
  - the agreement was entered into before the commencement of the Relevant Period; or
  - the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (D) plus the number of any other fully paid ordinary shares issued in the Relevant Period with approval under Listing Rule 7.1 or Listing Rule 7.4;
- (E) plus the number of partly paid shares that became fully paid in the Relevant Period;
- (F) less the number of fully paid ordinary shares cancelled in the Relevant Period.

“D” is 10%.

“E” is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the Relevant Period where the issue or agreement has not been subsequently approved by Shareholders under Listing Rule 7.4.

The actual number of Equity Securities that may be issued under Listing Rule 7.1A is calculated at the date of issue of the Equity Securities in accordance with the above formula.

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.

As the date of this Notice, the Company:

- (i) has the following securities on issue:
  - (A) 1,116,474,020 Shares (quoted);
  - (B) 48,254,090 Options (un-quoted);
  - (C) 930 Winance Notes of which 210 are Equity Securities and 720 are debt securities; and
  - (D) 176,731 Magna Notes; and
- (ii) the capacity to issue:
  - (A) 19,839,245 Equity Securities under Listing Rule 7.1; and
  - (B) 108,274,455 Equity Securities under Listing Rule 7.1A.

(b) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be for a cash consideration per security which is not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**6.4 Specific information required by Listing Rule 7.3A**

For the purposes of Listing Rule 7.3A, the following information is provided about the proposed issue:

- (a) The approval will be valid for the period commencing on the date of the Meeting and expires on the first to occur of the following:
  - (i) the date that is 12 months after the date of the Meeting;
  - (ii) the time and date of the Company's next annual general meeting; and
  - (iii) the time and date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 or Listing Rule 11.2.
- (b) The Equity Securities will be issued for a cash consideration per security which is not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:



- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
  - (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) The issue under Listing Rule 7.1A can only be made for cash consideration. The Company intends to use any funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and expenditure on the Company's current assets and/or general working capital.
- (d) There is a risk of economic and voting dilution to existing Shareholders in approving the 10% Placement Facility, including the risks 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 when Shareholders approve the 10% Placement Facility; 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 issued for non-cash consideration for the acquisition of a new asset.

Following is a table that sets out the potential dilution of existing Shareholders if Equity Securities are issued under the 10% Placement Facility:

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.002 50% decrease in Issue Price	\$0.004 Issue Price	\$0.008 100% increase in Issue Price
Current Variable A 1,116,474,020 Shares	10% Voting Dilution	111,647,402	111,647,402	111,647,402
	Funds Raised	\$223,295	\$446,590	\$893,179
50% increase in current Variable A (1,674,711,031 Shares)	10% Voting Dilution	167,471,103	167,471,103	167,471,103
	Funds Raised	\$334,942	\$669,884	\$1,339,769
100% increase in current Variable A (2,232,948,041 Shares)	10% Voting Dilution	223,294,804	223,294,804	223,294,804
	Funds Raised	\$446,590	\$893,179	\$1,786,358

The table has been prepared on the following assumptions:

- (i) The Company issues, or agrees to issue, the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Options have been exercised before the date of the issue of the Equity Securities.
- (iii) 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%.
- (iv) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes quoted options, it is assumed that those quoted options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (v) The issue price is \$0.004 being the closing price of the Shares on ASX on 28 November 2019.

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 Meeting.

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.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 upon issue of any Equity Securities.

- (e) The Company is yet to identify the persons to whom Equity Securities will be issued to under the 10% Placement Facility. The Company's policy for allocating Equity Securities issued under the 10% Placement Facility will be determined on a case-by-case basis depending upon the purpose, and prevailing market conditions at the time, of any issue and having regard to factors including but not limited to the following:
  - (i) The fundraising methods available to the Company, including but not limited to, rights issue or other issue which may minimise dilution to Shareholders.
  - (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.
  - (iv) Advice from corporate, financial and broking advisers (if applicable).

The subscribers may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- (f) The Company has not issued or agreed to issue any Equity Securities under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting. No

Information under Listing Rule 7.3A.6 is required to be provided. There is no circumstance that the Company has agreed before the 12 month period to issue Equity securities under Listing Rule 7.1A.2 but as at the date of the Meeting not yet issued those Equity Securities.

- (g) At the date of the Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A.2, no voting exclusion statement is required for the Notice.

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## 7 INTRODUCTION TO RESOLUTIONS 4 TO 14

### 7.1 Introduction

The Company has over the last 12 months announced two financing facilities under which the Company has issued convertible and debt notes. Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

- (a) On 31 July 2019, the Company announced that it had entered into a \$15 million financing facility (**Winance Facility**) with Winance Investment LLC (**Winance**). Under the Winance Facility, the Company can draw down up to \$15 million through the issue of notes with a face value of \$1,000 each (**Winance Notes**).

As at the date of this Explanatory Statement, the Company has drawn down \$1.2 million under the Winance Facility. These funds have been used as follows:

	Approximate Amount (\$)
(i) Commissions and costs including legal costs in relation to the Winance Facility	153,383
(ii) ATO tax payment.	260,172
(iii) Payment to Magna under the Magna Facility (as defined below).	220,202
(iv) Marampa cash call and wages incurred to protect the existing Marampa assets.	41,617
(v) Legal settlements (Rio MCC and London dilapidations).	123,794

(vi)	Settlement of creditors both corporate and exploration (Wallis Drilling re Zambia, technical consultants re DRC).	296,259
(vii)	General working capital purposes.	104,573

- (b) On 17 December 2018, the Company announced that it had entered into a \$7.5 million financing facility (**Magna Facility**) with MEF I, L.P. (**Magna**). Under the Magna Facility, the Company could draw down up to \$7.5 million through the issue of convertible notes with a face value of US\$1.10 each (**Magna Notes**). On 28 July 2019 Magna and the Company agreed to vary the terms of the Magna Notes (refer to section 9.2). On 6 January 2020, the Company announced that the maturity date for the outstanding Magna Notes had been extended to 20 March 2020 and provided further disclosure on the terms of the Magna Notes.

As at the date of this Explanatory Statement, the Company has drawn down \$750,000 under the Magna Facility. These funds were used to advance the Company's Kipushi Cobalt-Copper project (for the status of the Kipushi project, please refer to section 9.3).

To comply with the 15% limit under Listing Rule 7.1 (see section 7.2 below), only a portion of the Winance Notes and the Magna Notes were convertible at the holder's election, with the Company under an obligation to seek Shareholder approval for the conversion of the balance of the notes (which as they were not convertible, are debt securities). Since the issue of the Winance Notes and Magna Notes, on 1 December 2019 ASX published new guidance on issuing equity securities. To comply with that guidance, the Company has agreed with Winance and Magna respectively to replace those notes with Winance Notes and Magna Notes respectively that convert at the holder's election (and hence are equity securities).

Resolutions 4, 6 and 8 seek to ratify the issue of securities under Listing Rule 7.4 and Resolutions 5 and 7 seek approval under Listing Rule 7.1 to issue notes which replace the outstanding Winance and Magna Notes. In the event that Resolutions 5 and 7 are not passed, the outstanding Winance and Magna Notes will remain as debt securities which the Company must redeem. The effect of passing Resolutions 5 and 7 is that the Company will issue Tranche B Winance Notes and Replacement Magna Notes (both as equity securities) without affecting the Company's ability to issue equity securities over the next 12 months under Listing Rule 7.1 without seeking any further approval from Shareholders.

The Company has also agreed, subject to Shareholder approval to issue Shares at an issue price of \$0.01 per Share to the following persons in satisfaction of debts owed by the Company:

- (a) First Investments Holding Limited in satisfaction of two loans with a total value of US\$1 million together with accrued interest (approximately US\$48,288 as of the date of the Notice).
- (b) Entities controlled by the Directors in satisfaction of consultancy fees and reimbursement of expenses; and
- (c) Creditors in satisfaction of debts accruing for the provision of services to the Company.

Resolutions 9 to 14 seek Shareholder approval for these issues.

The Company's capital structure and dilutive effect of the issue of Shares under the issues the subject of the Resolutions on existing Shareholders is set out in SCHEDULE 2.

On 6 January 2020 the Company also announced a \$2.5 million loan facility (with \$2 million net cash available). Shareholder approvals will in due course be sought for this facility, although it is not the subject of this Meeting.

## **7.2 Listing Rules**

Broadly speaking, Listing Rule 7.1 limits the number of equity securities a company can issue in a Relevant Period to 15% of its issued share capital, except for certain issues, including where first approved by Shareholders.

Securities issues that are ratified by Shareholders under Listing Rule 7.4 are not included in calculating an entity's 15% or 10% capacities.

Listing Rule 10.11 prohibits a company from issuing securities to related parties without shareholder approval. Securities issued with shareholder approval under Listing Rule 10.11 are not included in the 15% limit under Listing Rule 7.1.

## **7.3 Directors recommendation**

The Directors recommend, other than with respect to Resolutions 10 to 12 (for which they have a personal interest in and therefore do not make any recommendation), that Shareholders approve each of Resolutions 4 to 9 and 13 to 14. This will allow the Company to comply with the terms of the Winance and Magna facilities, and issue Shares in satisfaction of claims against the Company whilst also conserving cash. Without Shareholders approving Resolutions 5 and 7, Winance and Magna can redeem their respective notes on issue at their discretion. If this occurs the Company may not have sufficient funds to develop its projects.

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# **8 RESOLUTIONS 4 AND 5 - WINANCE FACILITY**

## **8.1 Introduction**

On 31 July 2019, the Company announced the Winance Facility with Winance under which the Company can draw down up to \$15 million through the issue of Winance

Notes. The material terms of the Winance Facility and Winance Notes are set out in section 8.2.

On 9 August 2019, the Company issued 1,200 Winance Notes (with a total face value of \$1,200,000). The Winance Notes were issued without Shareholder approval, with:

- (a) 480 Winance Notes (with a total face value of \$480,000) (Tranche A) convertible in accordance with their terms (including at Winance's election) and issued using the Company's 15% placement capacity; and
- (b) conversion of the remaining 720 Winance Notes (with a total face value of \$720,000) (Winance Notes (Debt Securities)) to up to 144 million Shares subject to prior Shareholder approval, the subject of Resolution 5.

Of the Tranche A Winance Notes:

- (a) 270 Tranche A Winance Notes have been converted to 54,000,000 Shares on 11, 19, 24 and 30 September 2019 and 11 and 23 October 2019 and 6 January 2020; and
- (b) 210 Tranche A Winance Notes remain on issue and convertible into up to 42,000,000 Shares (assuming conversion at the floor price of \$0.005) at the election of Winance.

Following are details of the Winance Notes issued and converted, and the remaining number on issue:

Date Appendix 3B announced	Winance Notes converted	Shares issued <sup>1</sup>	Tranche A Winance Notes on issue <sup>2</sup>
9 August 2019			480
11 September 2019	30	6,000,000	450
19 September 2019	20	4,000,000	430
24 September 2019	20	4,000,000	410
30 September 2019	60	12,000,000	350
11 October 2019	20	4,000,000	330
24 October 2019	60	12,000,000	270
6 January 2020	60	12,000,000	210

<sup>1</sup> Each of the above issue of Shares was made in accordance with Listing Rule 7.2 exception 4 (before 1 December 2019) and Listing Rule 7.2 exception 9 (from and after 1 December 2019) .

<sup>2</sup> Of the 1,200 Winance Notes issued, 480 Winance Notes could be converted without Shareholder approval. Conversion of the remaining 720 Winance Notes (**Winance Debt Securities**) is subject to prior Shareholder approval and therefore are debt securities.

No Winance Notes have been redeemed.

SCHEDULE 2 sets out Winance's interest in the Company and the dilution effect on the Company's capital structure as a result of the issue of the notes under the Winance Facility.

The purpose of Resolution 4 is to ratify the issue of the Tranche A Winance Notes. The effect of Shareholders passing Resolution 4 will be to restore the Company's ability to issue further securities to the maximum 15% limit permitted by Listing Rules 7.1.

Pursuant to their terms (which are summarised below), the conversion of the 720 Winance Notes (Debt Securities) into Shares is subject to Shareholder approval (and for that reason these notes are debt securities, as defined in the Listing Rules). To comply with recent ASX policy changes, the parties have agreed, subject to Shareholder approval, to replace the 720 Winance Notes (Debt Securities) with Winance Notes, which are convertible into Shares at Winance's election and therefore equity securities. The purpose of Resolution 5 is to obtain that approval. Without Shareholder approval, the Winance Notes (Debt Securities) are redeemable at Winance's election.

The effect of passing Resolution 5 is that the Winance Notes (Debt Securities) are replaced by Winance Notes that can, at Winance's election, be converted to Shares. These will not be included in the 15% limit under Listing Rule 7.1.

## **8.2 Key terms of the Winance Facility and Winance Notes**

A summary of the terms of the Winance Facility and Winance Notes is as follows:

- (a) The Company has drawn down Winance Notes with a face value of \$1.2 million (before costs), consisting of 480 Tranche A Winance Notes and 720 Tranche B Winance Notes.
- (b) Further drawdowns of up to \$13.8 million are at the Company's election available in tranches of \$500,000 each upon full conversion of the Winance Notes from the previous drawdown, subject to:
  - (i) a cooling off period calculated based on the value of the tranche and average trading volumes during the preceding 60-day period; and
  - (ii) prior approval by the Company's shareholders for the issue and conversion of the Winance Notes.
- (c) There are no fees or penalties if no subsequent drawdowns are made.
- (d) The issue price for each Winance Note is 98% of the face value (\$1,000); representing a 2% discount.

- (e) The Winance Notes are, subject to prior shareholder approval where required, convertible at any time by the holder at 90% of the lowest closing VWAP over 12 days prior to the conversion date, provided that the conversion price is at least \$0.005 per Share (**Winance Floor Price**). Of the Winance Notes issued:
  - (i) 480 Tranche A Winance Notes can be converted by Winance at any time to up to 96 million Shares (assuming conversion is at the Winance Floor Price); and
  - (ii) 720 Tranche B Winance Notes can, subject to prior Shareholder approval, be converted to up to 144 million Shares (assuming conversion is at the Winance Floor Price). Failure to obtain Shareholder approval is an event of default, allowing Winance to, at its election, terminate the Winance Facility and redeem outstanding Winance Notes.
- (f) In the event the conversion price is less than the Winance Floor Price at conversion, the Company will issue the number of Shares equal to the conversion amount divided by the Winance Floor Price with the shortfall amount (calculated based on the conversion amount less value of the number of Shares multiplied by 90% of the lowest closing VWAP over twelve (12) days prior to the conversion date) payable in cash.
- (g) In the event the closing VWAP for any 5 trading day period falls below 135% of the Winance Floor Price, Winance may, at its discretion, decline further drawdowns. Drawdowns may resume if the VWAP for 20 consecutive trading days over 135% of the Winance Floor Price.
- (h) The minimum conversion amount is \$20,000.
- (i) The Winance Notes bear no interest and are unsecured.
- (j) The Winance Notes have a maturity date of 24 months from the date of issue.
- (k) Winance will receive a commitment fee of 5% of the investment amount at the funding of each tranche payable in cash.
- (l) Kapital Global Advisors Limited, the broker who facilitated the Winance Facility, will receive a broker fee of 5% of the investment amount at the funding of each tranche payable in cash.
- (m) In the event of default, Winance is entitled to issue a redemption notice which requires the Company to repay the outstanding amount together with interest at 10% per annum (accruing from issue to redemption). Following are the material events of default:
  - (i) a default by the Company in the due performance of any of its obligations under the agreement which, if curable, is not cured within 6 business days;



- (ii) the Shares are de-listed from ASX or the Frankfurt Open Market (FOM) without Winance's consent;
  - (iii) the Shares being suspended by the ASX or FOM from trading on the ASX market, and/or the FOM for more than 5 days in any 12 month period or there is any other restriction on the ability of Winance to trade Shares on the ASX or the Frankfurt Open Market;
  - (iv) any refusal by the Company's statutory auditors to certify the Company's financial statements;
  - (v) a material adverse change or change of control has occurred;
  - (vi) the Company fails to either pay any indebtedness in excess of A\$100,000 when due, or to observe or perform any agreement evidencing or securing any such indebtedness for a period of time which would cause or permit the acceleration of the maturity thereof, except if such indebtedness is contested in good faith by the Company;
  - (vii) the Company voluntarily suspends or discontinues substantially all of its business, liquidates substantially all of its assets except for fair consideration or on an arm's length basis, administration or bankruptcy, moratorium, insolvency or similar proceedings for relief of financially distressed debtors shall be instituted by or against the Company and shall not have been discharged within 3 months;
  - (viii) a final judgement for in excess of A\$100,000 is made against the Company, and it is not satisfied or stayed for any appeal within 20 business days;
  - (ix) the Company fails to issue either a cleansing notice that complies with section 708(5) of the Corporations Act or lodge a prospectus with ASIC for the purposes of section 708A(11) of the Corporations Act on the date of issue of the Shares; or
  - (x) Shareholders do not approve the resolutions with respect to the Tranche B Winance Notes.
- (n) The Company gives warranties considered typical for a financing facility of this nature.

As noted above, the Company and Winance have agreed to vary the Winance Facility to allow the 720 Winance Notes (Debt Securities) to be replaced by 720 Winance Notes (which give Winance the right to convert to Shares).

### **8.3 Resolution 4 - Information required by Listing Rule 7.5**

The Tranche A Winance Notes are convertible in accordance with their terms into Shares, and are equity securities under the Listing Rules. For the purposes of Listing

Rule 7.5, the following information is provided for ratification of the issue of Tranche A Winance Notes:

- (a) The securities were issued to Winance, who is not a related party to the Company.
- (b) The number of securities issued by the Company was 480 Winance Notes, which under their terms convert to a maximum of 96 million Shares (assuming an issue price equal to the Winance Floor Price).
- (c) A summary of the material terms of the Winance Notes is set out in section 8.2.
- (d) The Winance Notes were issued on 9 August 2019.
- (e) The 480 Winance Notes were issued with a face value of \$1,000 per note or \$480,000 in total.
- (f) The issue was made to raise working capital and the use of funds raised under the issue is set out in section 7.1(a).
- (g) Other than those set out in section 8.2, there are no other material terms in relation to the Winance Facility.
- (h) A voting exclusion statement is included in the Notice.

#### **8.4 Resolution 5 - Information required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3, the following information is provided about the issue of Winance Notes (being equity securities) to replace the Winance Notes (Debt Securities):

- (a) The Winance Notes will be issued to Winance, who is not a related party of the Company.
- (b) 720 Winance Notes will be issued. Each Winance Note may convert to a maximum of 200,000 Shares (assuming an issue price equal to the Winance Floor Price) and the total maximum number of Shares may be issued upon conversion of the 720 Winance Notes is 144,000,000.
- (c) A summary of the terms of the Winance Notes to be issued is set out in section 8.2. Securities issued on conversion will be fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (d) The Winance Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (e) The Winance Notes will be issued to replace the Winance Notes (Debt Securities), which will be cancelled with no ongoing liability to the Company.
- (f) The purpose of the issue is to replace the Winance Notes (Debt Securities), for which the Company received \$705,600 (being 98% of the face value of the 720 Winance Notes or \$720,000 as agreed under the Winance Facility - see

section 8.2(d)). Funds raised under the issue were used as set out in section 7.1(a).

- (g) Other than those set out in section 8.2, there are no other material terms in relation to the Winance Facility.
- (h) A voting exclusion statement is included in the Notice.

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## 9 RESOLUTIONS 6, 7 AND 8 - MAGNA FINANCING FACILITY

### 9.1 Introduction

On 17 December 2018, the Company announced the Magna Facility with Magna under which the Company can draw down up to \$7.5 million through the issue of Magna Notes. Magna is not a related party to the Company.

The material terms of the Magna Notes are set out in section 9.2.

On 17 December 2018, the Company issued 548,310 Magna Notes to Magna. Of those notes as at the date of this Explanatory Statement:

- (a) 196,472 Magna Notes have been converted to 45,676,313 Shares;
- (b) 175,107 Magna Notes have been redeemed; and
- (c) 176,731 Magna Notes, which remain on issue and cannot by their terms convert to Shares and are debt securities (**Remaining Magna Notes**).

The Magna Notes were issued under Listing Rule 7.1 and without Shareholder approval, with the maximum number of Shares that the Magna Notes could convert to without Shareholder approval being 68,750,000 Shares at the time of the issue.

As announced on 14 December 2018 and 21 December 2018, in consideration of Magna's commitment under the Magna Facility, the Company also issued 1,666,667 Shares to Magna (**Magna Commitment Fee Shares**) on 21 December 2018. The Magna Commitment Fee Shares were purported to be issued by utilizing the Company's existing 10% capacity under Listing Rule 7.1A. However it has been determined that they were not issued for cash. The Company did not provide a market valuation of the consideration to the market, and as such it did not issue the Magna Commitment Fee Shares in accordance with the requirements of Listing Rule 7.1A.3 and therefore could not issue the Magna Commitment Fee Shares pursuant to LR 7.1A. As such, the Magna Commitment Fee Shares should have been included in "C" when calculating the Company's remaining 15% capacity under Listing Rule 7.1; however the Company confirms that the re-classification of the Magna Commitment Fee Shares under Listing Rule 7.1 did not impact upon the Company's compliance with Listing Rule 7.1. As the Magna Commitment Fee Shares will, at the time of the Meeting, have been issued for more than 12 months, these securities are not included in calculating the Company's remaining 15% capacity under Listing Rule 7.1 to issue securities without prior shareholder approval.

Following are details of the Magna Notes issued, converted and redeemed, and the remaining number on issue:

Date announced	Appendix 3B	Magna Notes converted	Shares issued	Magna Notes redeemed	Magna Notes on issue
17 December 2018					548,310
5 March 2019				54,831	493,479
24 April 2019				54,831	438,648
7 May 2019				54,831	383,817
13 May 2019		50,000	6,526,176		333,817
8 August 2019		54,831	10,082,093		278,986
11 September 2019		71,000	22,464,026		207,986
25 October 2019		20,641	6,604,018 3,396,126	10,614	176,731
Total		196,472	49,072,439	175,107	

Each of the above issue of Shares was made in accordance with Listing Rule 7.2 exception 4 other than the issue of 3,396,126 Shares on 25 October 2019 (which were issued without Shareholder approval and using the Company's 15% capacity - see below). The total number of Shares issued is greater than the Revised Magna Share Limited as 6,526,176 Shares were issued prior to the limit being reduced to 39,150,137 Shares.

Under the terms of the Magna Notes, Magna could, following certain events, require the Company to redeem Magna Notes. Following the Company's failure to redeem certain Magna Notes, on 29 August 2019, Magna issued a default notice. Magna subsequently withdrew the default notice, subject to the Company paying Magna US\$200,000 as follows:

- (a) US\$65,000 by 31 August 2019 (this payment has already been made);
- (b) US\$45,000 by 30 September 2019 (this payment has already been made);
- (c) US\$45,000 by 31 October 2019 (this payment has already been made); and
- (d) US\$45,000 upon receipt by the Company of funds under the loan agreement referred to in section 4.1, or such later date as the parties may agree.

On 25 October 2019 the Company issued 3,396,126 Shares to Magna (**Magna Redemption Shares**). As the Revised Magna Share Limit had been reached, the

parties agreed that the Company would redeem 10,614 Magna Notes, with the redemption amount to be satisfied through the issue of Shares at the same issue price as if the relevant notes had been converted. This issue was made without shareholder approval and using the Company's existing 15% capacity.

Resolution 6 seeks Shareholder ratification under Listing Rule 7.4 of the Magna Notes that have been converted, being a total of 196,472 Magna Notes. The effect of Shareholder passing Resolution 6 is to restore the Company's 15% capacity under Listing Rule 7.1.

To comply with recent ASX policy changes, the Company and Magna have agreed, subject to Shareholder approval, to replace the Remaining Magna Notes (which are debt securities) with Magna Notes (which give Magna the right to convert and therefore are equity securities).

Resolution 7 seeks shareholder approval to allow the Company to issue 176,731 Magna Notes (**Replacement Magna Notes**) (which convert to Shares at Magna's election) to replace the 176,731 Remaining Magna Notes currently on issue. Without Shareholder approval, the Remaining Magna Notes are debt securities and redeemable at Magna's election. The effect of Shareholder passing Resolution 7 is to replace debt securities with equity securities whilst complying with the Listing Rules. Furthermore, failing to obtain Shareholder approval is an event of default under the terms of the Magna Facility and Remaining Magna Notes.

Resolution 8 seeks Shareholder ratification of the issue of the Magna Redemption Shares. The effect of Shareholder passing Resolution 8 is to restore the Company's 15% capacity under Listing Rule 7.1.

For Magna's interest in the securities of the Company and the dilution effect on the capital structure of the Company as a result of the issue of the notes under the Magna Facility, please refer to SCHEDULE 2.

Shareholders will be diluted by between 5.57% if no other securities are issued (other than under Resolution 7) and 141.34% if all Resolutions are passed and securities issued as contemplated by this Explanatory Statement.

## **9.2 Key terms of the Magna Facility and Magna Notes**

A summary of the terms of the Magna Facility and Magna Notes is as follows:

- (a) Under the facility the Company drew down \$0.75 million upon signing, with a further \$6.75 million available upon the Company meeting the following key milestones:
  - (i) Tranche 2 - \$0.75 million upon Magna notifying the Company that it is satisfied with its brokers ability to trade the shares on the Frankfurt Exchange and publication of a maiden JORC resources at the Kipushi cobalt-copper tailings project;

- (ii) Tranche 3 - \$2.0 million upon the completion of a pre-feasibility study for a 1Mtpa leach/extraction plant at the Kipushi cobalt-copper tailings project; and
  - (iii) Tranches 4 and 5 - \$2.0 million each with the only specific milestone being the drawdown of earlier tranches.
- (b) Subsequent tranches are conditional upon Magna not having given an op-out notice (which may be given, amongst other things, upon the average daily dollar trading volume of Shares over any 30 trading days is less than \$80,000, the Company's daily VWAP is less or equal to \$0.02 on any 5 trading days, a material adverse event occurs, the Company is unable to comply with a condition to draw down or an event of default occurs (each an **Opt-Out Event**)).
- (c) The Company is under no obligation to drawdown subsequent tranches of the facility, however a termination fee of 2% of the undrawn investment amount is payable (in Shares, at the Company's election) if amounts are not drawn down within the following dates:
  - (i) Tranche 1 - 5 business days from execution.
  - (ii) Tranche 2 - 5 business days of Magna notifying the Company that it is satisfied with its brokers' ability to trade the shares on the Frankfurt Exchange.
  - (iii) Tranche 3 - 120 days after execution.
  - (iv) Tranche 4 - 240 days after execution
  - (v) Tranche 5 - 360 days after execution.
- (d) The Magna Notes have a face value of US\$1.10 each (**Face Value**).
- (e) The Magna Notes are convertible at any time by Magna at the lower of (a) A\$0.045; or (b) a 15% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than A\$0.012 (**Magna Floor Price**). The maximum number of Shares that the Company is required to issue without Shareholder approval is 68,750,000 Shares (being 110% of the Tranche 1 amount of A\$750,000 divided by the Magna Floor Price).
- (f) The Magna Notes bear no interest.
- (g) The Magna Notes have a maturity date of 12 months after their respective issue dates.
- (h) Once drawn down, the Company will have the option to repay the Magna Notes at 110% premium to the Face Value if within 180 days of investment and then 115% thereafter.

- (i) From 60 days after the Magna Facility was entered into the Company must, if an Opt-Out Event occurred, redeem Magna Notes with an aggregate face value the lesser of:
  - (i) the aggregate face value of the Magna Notes to be redeemed, divided by the number of months that remain prior to the maturity date for those Magna Notes (at the time of the occurrence of the relevant Opt-out Event); and
  - (ii) the aggregate face value in respect of those Magna Notes.
- (j) The Magna Notes are secured against the Company's property other than its shares in Cauldron Energy Limited, FE Limited and European Lithium Limited.
- (k) Magna will receive a commitment fee of 4% of the investment amount at the funding of each tranche payable, at the Company's election, in Shares.
- (l) If necessary, the Company will seek shareholder approval to issue securities in accordance with the Magna Facility.
- (m) Magna is subject to certain trading restrictions on Shares received from the Company for the commitment fee or conversion of the Magna Notes, which may be removed upon certain equity conditions or in the event of a default.
- (n) Upon the occurrence of the following events of default that has not been remedied the Face Value increases by 10% and the holder may terminate the Magna Facility and exercise their rights under both the Magna Notes (including calling for immediate repayment of any outstanding notes) and security:
  - (i) The Company fails to repay the redemption amount in respect of the Magna Notes to Magna in cash on the Maturity Date.
  - (ii) The Company fails to repay the redemption amount in respect of the number of Magna Notes specified in an early redemption notice on or before the day which is 5 business days after the date on which the Company gives the early redemption notice.
  - (iii) The Company fails to repay the redemption amount in respect of the outstanding Magna Notes on or before the day which is 20 days after Magna gives notice following Shareholders failing to approve the issue of replacement convertible securities if at any time the daily VWAP is within 10% of the Magna Floor Price for 5 consecutive trading days.
  - (iv) The Company breaches or otherwise fails to comply in full with any of its material obligations under any transaction document (and does not cure that breach or failure within 5 business days of notice of it by Magna) or any event of default (however described) occurs under any transaction document.

- (v) Any representations made by the Company are inaccurate, false or misleading in any material respect (including by omission), as of the date on which it is made.
- (vi) The Company or a subsidiary is, admits that it is, is declared by a court of competent jurisdiction to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts as and when they become due.
- (vii) The Company or a subsidiary is served with a statutory demand (in accordance with Division 2 of Part 5.4 of the Corporations Act) or a foreign equivalent that is not set aside within 10 business days.
- (viii) A controller within the meaning of section 9 of the Corporations Act, administrator or similar officer is appointed over all or any of the assets or undertaking of the Company or subsidiary, or any formal step preliminary to such appointment is taken.
- (ix) An application or order is made, a proceeding is commenced, a resolution is passed or proposed in a notice of meeting, or an application to a court or other steps are taken, for the winding up or dissolution of the Company or subsidiary, or for the Company or subsidiary to enter an arrangement, compromise or composition with, or assignment for the benefit of, any of its creditors.
- (x) The Company or a subsidiary ceases, suspends, or indicates that it may cease or suspend, the conduct of all or a substantial part of its business; or disposes, or indicates that it may dispose, of a substantial part of its assets.
- (xi) The Company or a subsidiary takes action to reduce its capital or pass a resolution referred to in section 254N(1) of the Corporations Act.
- (xii) Any Magna Notes or Magna's Shares are not issued to Magna within 2 business days of the purchase date or conversion notice date (as relevant).
- (xiii) Any Magna's Shares are not quoted on ASX by the third Business Day immediately following the date of their issue.
- (xiv) The Company fails to comply with the Listing Rules in any material respect.
- (xv) A stop order, suspension of trading, cessation of quotation, or removal of the Company or the Shares from the ASX Official List is requested by the Company or requested or imposed by any governmental authority, except for a suspension of trading not exceeding 5 trading days in a rolling twelve month period or as agreed by Magna.
- (xvi) A transaction document or the Magna Facility has become, or is claimed (other than in a vexatious or frivolous proceeding) by any



person other than Magna or any of its affiliates to be, wholly or partly void, voidable or unenforceable.

- (xvii) Any third person commences any action, investigation or proceeding against any person or otherwise asserts any claim which seeks to restrain, challenge, limit, modify or delay the right of Magna or the Company to enter into any transaction documents or to undertake the Magna Facility (other than in a vexatious or frivolous proceeding).
- (xviii) A security interest over an asset of a group company is enforced.
- (xix) Any present or future liabilities, including contingent liabilities, of the Company or subsidiary for an amount or amounts totaling more than A\$250,000 are not satisfied on time, or become prematurely payable.
- (xx) The Company or a subsidiary is in default under a document or agreement (including a governmental authorisation) binding on it or its assets which relates to financial indebtedness or is otherwise material.
- (xxi) A material adverse effect occurs.
- (xxii) The Company does not obtain a shareholder approval to the extent required for the purposes of Listing Rule 7.1 or 7.4 so that Magna Facility (and notes issued under it) may proceed without breaching Listing Rule 7.1.
- (xxiii) The Company or subsidiary grants any security interest over any of its assets, or a security interest comes into existence over any assets of the Company or subsidiary, without the prior written consent of Magna.
- (xxiv) Any event of default (however described) occurs under a security document.

The Company issued 548,310 Magna Notes under Tranche 1 on 17 December 2018.

The Company's Shares were suspended from trading on 8 January 2019. The suspension ultimately resulted in an Opt-Out Event occurring and Magna redeeming Magna Notes.

On 28 July 2019, Magna consented to the Company entering into the Winance Facility. In return, the parties agreed:

- (a) that prior to Shareholder approval the maximum number of Shares that the outstanding 333,817 Magna Notes could convert to was 39,150,137 Shares (**Revised Magna Share Limit**);
- (b) to reduce the Magna Floor Price to \$0.005;
- (c) that the Company would redeem Magna Notes with a face value of US\$69,361.22; and

- (d) that the Company would not make any cash payments to Winance whilst Magna Notes were outstanding.

On 6 January 2020, Magna agreed to extend the maturity date for the Remaining Magna Notes to 20 March 2020, subject to the face value of each Remaining Magna Note increasing to US\$1.21.

As noted above, the Company and Magna have agreed to vary the Magna Facility to allow the 176,731 Remaining Magna Notes to be replaced by 176,731 Magna Notes (which give Magna the right to convert to Shares).

### **9.3 Intention regarding Magna Notes**

On 14 August 2019, the Company announced that it would no longer pursue the Kipushi project. Given that the Magna Facility was established mainly to finance the Kipushi project and the Winance Facility has been established, the Company no longer intends to utilize the Magna Facility.

The Remaining Magna Notes mature on 20 March 2020 or such other date as the parties agree. Upon maturity, unless the Remaining Magna Notes are replaced by the Replacement Magna Notes (which are then converted), the Company must compulsorily redeem the Remaining Magna Notes at 115% of each note's face value (US\$1.21 per Remaining Magna Note), or US\$245,921 for the 176,731 Remaining Magna Notes.

Subject to Shareholder passing Resolution 7, the Replacement Magna Notes will replace the Remaining Magna Notes; thereafter the Replacement Magna Notes will be convertible to Shares at the election of Magna before 20 March 2020, failing which the Company must compulsorily redeem the Replacement Magna Notes at 115% of each note's face value (US\$1.21 per Replacement Magna Note), or US\$245,921 for the 176,731 Replacement Magna Notes.

### **9.4 Resolution 6 - Information required by Listing Rule 7.5**

For the purposes of Listing Rule 7.5, the following information is provided about the Magna Notes issued under the Magna Facility:

- (a) The securities were issued to Magna, who is not a related party to the Company.
- (b) The number of securities issued by the Company was 548,310 Magna Notes, with 175,107 Magna Notes having been redeemed, 196,472 Magna Notes converted to 45,676,313 Shares and 176,731 Magna Notes still on issue.
- (c) A summary of the terms of the Magna Notes issued are set out in section 9.2. Securities issued on conversion are fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (d) The Magna Notes were issued on 17 December 2018.
- (e) The price at which the securities were issued was US\$1.00 per Magna Note. The face value of each Magna Note is US\$1.10.

- (f) The issue was made to raise working capital and fund the Kipushi project of the Company at the time (for the status of the Kipushi project, please refer to section 9.3) and the use of funds raised under the issue is set out in section 7.1(b).
- (g) Other than those set out in section 9.2, there are no other material terms in relation to the Magna Facility.
- (h) A voting exclusion statement is included in the Notice.

#### 9.5 Resolution 7 - Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the issue of Replacement Magna Notes (being equity securities) to replace the Remaining Magna Notes (being debt securities) currently on issue:

- (a) The Replacement Magna Notes will be issued to Magna, who is not a related party of the Company.
- (b) 176,731 Replacement Magna Notes will be issued. Each Replacement Magna Note on issue may convert to Shares in accordance with the following formula:

$$\text{Shares to be issued} = \frac{\text{Conversion Amount}}{\text{Variable Conversion Price}}$$

Where:

- (i) Conversion Amount means US\$213,844.51 (being the total face value of Replacement Magna Notes on issue at the date of this Explanatory Statement) converted into A\$ using the spot rate displayed for the relevant date on the Reserve Bank of Australia website or as report by Bloomberg LP (as determined by Magna).
- (ii) Variable Conversion Price means the lesser of:
  - (A) 85% of the lowest daily VWAP during the 10 Trading Days prior to the Conversion Notice Date; and
  - (B) \$0.045 (subject to adjustment in the event of a reconstruction),

except that the Variable Conversion Price cannot be less than \$0.005.

As the Conversion Amount varies depending on the A\$/US\$ exchange rate and there is no floor exchange rate, the issue could be highly dilutive to existing Shareholders if the exchange rate decreases substantially. Working examples of the dilutive effect of different scenarios including A\$/US\$ exchange rate published by the Reserve Bank of Australia on 16 December 2019, 5% decrease of the exchange rate and 5% increase of the exchange rate together with Magna Floor Price and 100% increase of the current price are set out as follows:

Shares on issue	1,116,474,020				
Conversion Amount: US\$213,844.51	Amount in A\$	Floor Price (\$0.005)		100% Increase of the current price (\$0.008) as conversion price	
		Number	%	Number	%
5% Decrease AUD/USD Exchange Rate (A\$1=US\$0.6529)	327,530.26	65,506,053	5.87	40,941,283	3.67
Current AUD/USD Exchange Rate (A\$1=US\$0.6873)	311,137.07	62,227,415	5.57	38,892,134	3.48
5% Increase in AUD/USD Exchange Rate (A\$1=US\$0.7216)	296,347.71	59,269,543	5.31	37,043,464	3.32

- (c) A summary of the terms of the Replacement Magna Notes to be issued are set out in section 9.2. Securities issued on conversion will be fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (d) The Replacement Magna Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (e) The Replacement Magna Notes will be issued to replace the 176,731 Remaining Magna Notes (for which the Company received US\$176,731), which will be cancelled with no ongoing liability to the Company.
- (f) The purpose of the issue is to replace the Remaining Magna Notes, which were issued to advance the Company's Kipushi project (for the status of the Kipushi project, please refer to section 9.3).
- (g) Other than those set out in section 9.2, there are no other material terms in relation to the Magna Facility or the Replacement Magna Notes.
- (h) A voting exclusion statement is included in the Notice.

#### 9.6 Resolution 8 - Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the Magna Redemption Shares issued under the Magna Facility:

- (a) The securities were issued to Magna, who is not a related party to the Company.
- (b) The number and class of securities issued by the Company was 3,396,126 Shares.
- (c) The securities issued were fully paid ordinary shares that rank equally with existing Shares on issue.
- (d) The Shares were issued on 25 October 2019.

- (e) The Shares were issued at a deemed issue price of \$0.005 per Share and in satisfaction of the Company's obligation to redeem 10,614 Magna Notes with a face value of US\$11,675.
- (f) The issue was made to redeem 10,614 Magna Notes. No funds were raised from the issue.
- (g) Other than those set out in section 9.2, there are no other material terms in relation to the Magna Facility.
- (h) A voting exclusion statement is included in the Notice.

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## **10 RESOLUTION 9 - ISSUE OF SHARES TO FIRST INVESTMENTS HOLDING**

### **10.1 Introduction**

The Company has borrowed US\$1 million from First Investments Holding under two equal tranches (US\$500,000 on 19 November 2018 and US\$500,000 on 12 March 2019). (FIH Debt). The funds were used towards developing the Company's then Kipushi Cobalt-Copper tailings project in the DRC and for general working capital purposes, for the status of the Kipushi project, please refer to section 9.3. The FIH Debt was not immediately announced at the time they were entered into as the Company did not consider them to be information that a reasonable person would expect to have a material effect on the price or value of the Company's Shares. However, the Company did announce the information as part of its periodic disclosure obligations (quarterly reports, 31 December 2018 half yearly accounts announced on 15 March 2019, and the Company's 2019 annual report announced on 27 September 2019).

First Investments Holding has agreed to accept Shares at an issue price of \$0.01 per Share in full satisfaction of the FIH Debt, subject to Shareholder approval. Resolution 9 seeks that approval and will allow the Company to convert the FIH Debt into Shares at an issue price that is a premium to the current Share price. The effect of passing Resolution 9 will be to allow the Directors to issue securities in satisfaction of the FIH Debt in accordance with the Resolution without those securities being included in the 15% limit under Listing Rules 7.1.

As of the date of this Explanatory Statement, the amount payable (including interest) under the FIH Debt is US\$1,048,288.

Shareholders will be diluted by between 13.01% to 14.38% (depending on the AUD/USD exchange rate, refer to section 10.2(b)) if no other securities are issued (other than under Resolution 9) and 141.34% if all Resolutions are passed and securities issued as contemplated by this Explanatory Statement.

### **10.2 Resolution 9 - Information required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3, the following information is provided about the issue of Shares to First Investment Holdings:

- (a) The securities will be issued to First Investments Holding, who is not a related party to the Company.
- (b) The maximum number of securities or the formula for calculating the number of securities to be issued is as follow:

$$\text{Number} = \frac{(\text{US\$1,000,000 plus accrued interest in US\$}) \times \text{A\$ : US\$ Exchange Rate}}{\text{A\$0.01}}$$

Where:

Interest is calculated at 5% per annum.

A\$:US\$ Exchange Rate is published by the Reserve Bank of Australia on its website.

As the number of Shares to be issued varies depending on the A\$/US\$ exchange rate and there is no floor exchange rate, the issue could be highly dilutive to existing Shareholders if the exchange rate decreases substantially. Working examples of the dilutive effect of different scenarios including A\$/US\$ exchange rate published by the Reserve Bank of Australia on 16 December 2019, 5% decrease of the exchange rate and 5% increase of the exchange rate at the issue price of A\$0.01 are set out as follows:

Shares on issue		1,116,474,020	
Outstanding Amount US\$1,048,288	Amount in A\$	Number of Shares issued	% of Shares on issue
5% Decrease AUD/USD Exchange Rate (A\$1=US\$0.6529)	1,605,587	160,558,737	14.38
Current AUD/USD Exchange Rate (A\$1=US\$0.6873)	1,525,226	152,522,625	13.66
5% Increase in AUD/USD Exchange Rate (A\$1=US\$0.7216)	1,452,727	145,272,727	13.01

- (c) The securities to be issued are fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (d) The securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (e) The deemed issue price of the securities is \$0.01 per Share.
- (f) The issue is made to repay the FIH Debt. No funds will be raised from the issue, the use of funds raised under the FIH Debt is set out in section 10.1 above.
- (g) Other than those set out in this section 10, there are no other material terms in relation to the issue or the FIH Debt.
- (h) A voting exclusion statement is included in the Notice.

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## 11 RESOLUTIONS 10 TO 12 - ISSUE OF SHARES TO DIRECTOR ENTITIES

### 11.1 Introduction

As of the date of this Explanatory Statement, the Company is indebted to entities controlled by Directors for the following amounts for consulting fees and reimbursement of expenses:

Director	Description of services	Consulting Fees and Expenses	Number of Share to be issued
Okewood (Tony Sage)	Director consulting fees covering the period from May 2019 to October 2019	\$384,999.95	38,499,995
DGWA (Stefan Muller)	Non-Executive Director fees covering the period from February 2019 to September 2019, reimbursement of travel expenses and provision of investor relations and public relation consulting services by DGWA covering the period from March 2019 to August 2019	\$86,850.94	8,685,094
CRMS (Timothy Turner)	Non-Executive Director fees covering the period from June 2019 to September 2019	\$22,000.00	2,200,000
Total	-	\$493,850.89	49,385,089

To conserve cash and subject to Shareholder approval, the Board has resolved to satisfy the above debts through the issue of Shares at \$0.01 per Share. Resolutions 10 to 12 seek shareholder approval for the above issues. The effect of passing Resolutions 10 to 12 will be to allow the Directors to issue securities in satisfaction of those debts in accordance with the Resolutions without those securities being included in the 15% limit under Listing Rules 7.1.

Shareholders will be diluted by between 4.42% if no other securities are issued (other than under Resolutions 10 to 12) and 141.34% if all Resolutions are passed and securities issued as contemplated by this Explanatory Statement.

## **11.2 Regulatory requirements**

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

- a) the giving of the financial benefit falls within one of the exceptions to the provision; or
- b) prior shareholder approval is obtained to the giving of the financial benefit.

Related party is widely defined under the Corporations Act, and includes directors of a company. Financial benefit is defined broadly and includes benefits from the public company's subsidiaries. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. The Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate.

As the issue price to the above related parties is the same as the issue price being proposed with First Investments Holding and unrelated creditors (a premium to the current market price), the Board considers the proposed issue to be reasonable in the circumstances as if the Company and its Directors were dealing at arm's length so that Shareholder approval is not required under Chapter 2E of the Corporations Act.

The proposed issue of securities to the Company's Directors or their nominees requires Shareholder approval under Listing Rule 10.11. Resolutions 10 to 12 seek Shareholder approval under Listing Rule 10.11 for the issue of Shares to entities controlled by the Directors, and will allow the Company to satisfy claims by such entities whilst conserving cash.

If approval is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1. Shareholder approval of the issue of the Shares to the above related parties means that these issues will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

## **11.3 Resolutions 10 to 12 - Information required by Listing Rule 10.13**

For the purposes of Listing Rule 10.13, the following information is provided about the issue of Shares under Resolutions 10 and 12:

- (a) The persons participating in the issues are the following, each of whom are related parties:
  - (i) Okewood, an entity controlled by Tony Sage, a Director.
  - (ii) DGWA, an entity controlled by Stefan Muller, a Director.
  - (iii) CRMS, an entity controlled by Timothy Turner, a Director.



- (b) Each of the above entities is an entity controlled by the Directors, is therefore a related party and subject to Listing Rule 10.11.1.
- (c) The maximum number of securities to be issued is 49,385,089 Shares consisting of:
  - (i) Okewood - 38,499,995 Shares.
  - (ii) DGWA - 8,685,094 Shares.
  - (iii) CRMS - 2,200,000 Shares.
- (d) The securities to be issued are fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.
- (e) The securities will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (f) The securities will be issued at a deemed price of \$0.01 per Share to satisfy \$493,850.89 debts consisting of:
  - (i) Okewood - \$384,999.95.
  - (ii) DGWA - \$86,850.94.
  - (iii) CRMS - \$22,000.
- (g) The securities are issued to the above named parties in satisfaction of directors fees, consultancy services provided and reimbursement of expenses incurred in acting as a Director and no funds will be raised from the issue.
- (h) The Directors' current total remuneration packages are as follows:
  - (i) Mr Sage - The Company and Mr Sage are parties to a consultancy agreement under which Mr Sage is entitled to remuneration of \$700,000; with 10-20% subject to meeting key performance milestones approved by the Company's remuneration committee. That agreement expired on 31 October 2019 and the parties are currently negotiating new terms.
  - (ii) Mr Muller - \$24,000 per annum.
  - (iii) Mr Turner - \$60,000 per annum.
- (i) Other than those set out in this section 11, there are no other material terms in relation to the issue.
- (j) A voting exclusion statement is included in the Notice.

## 12 RESOLUTIONS 13 AND 14- ISSUE OF SHARES TO CREDITORS

### 12.1 Introduction

To conserve cash and subject to Shareholder approval, the Company has agreed to issue Shares to service providers in satisfaction of services provided to the Company as follows:

Person	Services	Debt owed	Shares to be issued
Auszam Mining Ltd	Consulting services to the Company's Zambian Kitwe Project and reimbursement of expenses	\$55,733.74	5,573,374
Bellatrix Corporate Pty Ltd <sup>1</sup>	Accounting and company secretarial services	\$58,300.00	5,830,000
<b>Total</b>	-	<b>114,033.73</b>	<b>11,403,374</b>

<sup>1</sup> The Company Secretary of the Company, Ms Melissa Chapman, is a director of Bellatrix Corporate Pty Ltd.

Resolutions 13 and 14 seek approval for the above issues. The effect of passing Resolutions 13 and 14 will be to allow the Directors to issue securities in satisfaction of those debts in accordance with the Resolutions without those securities being included in the 15% limit under Listing Rules 7.1.

Shareholders will be diluted by between 1.02% if no other securities are issued (other than under Resolutions 13 and 14) and 141.34% if all Resolutions are passed and securities issued as contemplated by this Explanatory Statement.

### 12.2 Resolutions 13 and 14 - Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the issues of Shares:

- (a) Shares will be issued to the following persons (or their nominees): Auszam Mining Ltd (**Auszam**) and Bellatrix Corporate Pty Ltd (**Bellatrix**), who are unrelated to the Company.
- (b) The maximum number of securities to be issued is 11,403,374 Shares consisting of:
  - (i) Auszam - 5,573,374 Shares.
  - (ii) Bellatrix - 5,830,000 Shares.
- (c) The securities to be issued will be fully paid ordinary shares in the capital of the Company, ranking equally with existing Shares on issue.

- (d) The securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (e) The Shares will be issued at a deemed issue price of \$0.01 per Share to satisfy \$114,033.73 debts consisting of:
  - (i) Auszam - \$55,733.74.
  - (ii) Bellatrix - \$58,300.00.
- (f) The issues are made in satisfaction of debts owed by the Company for services provided and no funds will be raised from the issues.
- (g) Other than those set out in this section 12, there are no other material terms in relation to the issues.
- (h) Voting exclusion statements are included in the Notice.

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## SCHEDULE 1 GLOSSARY

**\$ or A\$** means Australian dollars.

**AEDT** means Australian Eastern Daylight Time.

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

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

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

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

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**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) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Cape Lambert Resources Limited (ACN 095 047 920).

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

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

**CRMS** means Marnichar Nominees Pty Ltd ATF the Hallemar Trust trading as CRMS , an entity controlled by the Director Timothy Turner.

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

**DGWA** means Deutsche Gesellschaft für Wertpapieranalyse GmbH, an entity controlled by the Director, Stefan Muller.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Equity Securities** has the meaning giving in the ASX Listing Rules.

**FIH Debt** has the meaning given in section 10.1.

**First Investments Holding** means First Investments Holding Ltd.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Magna Commitment Fee Shares** has the meaning given in section 9.2.

**Magna Redemption Shares** has the meaning given in section 9.1.

**Magna** has the meaning given in section 7.1(b).

**Magna Facility** has the meaning given in section 7.1(b).

**Magna Floor Price** has the meaning given in section 9.2.

**Magna Notes** has the meaning given in section 7.1(b).

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Official Quotation** means official quotation of the Company's Shares on ASX.

**Okewood** means Okewood Pty Limited, an entity controlled by the Director, Tony Sage.

**Proxy Form** means the proxy form accompanying the Notice.

**Relevant Period** has the meaning given in Listing Rule 7.1; being

- (a) if the entity has been admitted to the official list for 12 months or more, the 12 month period immediately preceding the date of the issue or agreement; or
- (b) if the entity has been admitted to the official list for less than 12 months, the period from the date the entity was admitted to the official list to the date immediately preceding the date of the issue or agreement.

**Remaining Magna Notes** has the meaning given in section 9.1.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended on 30 June 2019.

**Replacement Magna Notes** has the meaning given in section 9.1.

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

**Revised Magna Share Limit** has the meaning given in section 9.2.

**Section** means a section of the Explanatory Statement.

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

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

**Tranche A** has the meaning given in section 8.1.

**Tranche B** has the meaning given in section 8.1.

**US\$** means United States dollars.

**VWAP** means volume weight average price.

**Winance Notes (Debt Securities)** means the 720 Winance Notes issued on 9 August 2019 and which do not confer on Winance a right to convert to Shares.

**Winance Facility** has the meaning given in section 7.1(a).

**Winance** has the meaning given in section 7.1(a).

**Winance Notes** has the meaning given in section 7.1(a).

## SCHEDULE 2 INDICATIVE CAPITAL STRUCTURE

Shares currently on issue (excluding Shares issued to Magna and Winance)						1,011,734,914
Shares issued under Magna Facility (including 1,666,667 Magna Commitment Fee Shares and 3,396,126 Shares issued to Magna in consideration for the redemption of 10,614 Magna Notes)						50,739,106
Shares issued under Winance Facility						54,000,000
	50% increase of the current price (\$0.006)		Current price (\$0.004)		Floor Price (\$0.005)	
	Number	%	Number	%	Number	%
Shares to be issued under Winance Notes <sup>1</sup>	155,000,000	13.88	186,000,000	16.66	186,000,000	16.66
Shares to be issued under Magna Notes <sup>2</sup>	51,850,897	4.64	62,227,415	5.57	62,227,415	5.57
Shares to be issued to First Investment Holdings <sup>3</sup>	152,522,625	13.66	152,522,625	13.66	152,522,625	13.66
Shares to be issued to Directors	49,385,089	4.42	49,385,089	4.42	49,385,089	4.42
Shares to be issued to creditors	11,403,374	1.02	11,403,374	1.02	11,403,374	1.02
Total shares on issue	1,536,636,006	137.63	1,578,012,523	141.34	1,578,012,523	141.34
Dilution to existing Shareholders <sup>4</sup>		137.63		141.34		141.34

Notes:

<sup>1</sup> There are 210 Tranche A Winance Notes remaining on issue. Upon Shareholders passing Resolution 5, 720 Winance Notes Tranche B will be issued. Each Winance Note has a face value of A\$1,000 with a total face value A\$930,000 for all outstanding Winance Notes. The total number of the Shares to be issued

upon conversion will be the total face value (A\$930,000) divided by the issue price (which for the purposes of preparing the above table is assumed to be the floor price (\$0.005) or a 50% increase in the current price (\$0.006).

<sup>2</sup> There are currently 176,731 Remaining Magna Notes on issue. Assuming Resolution 7 is passed, 176,731 Replacement Magna Notes will be issued to replace the 176,731 Remaining Magna Notes. The total face value of the Replacement Magna Notes is US\$213,844.51 (being US\$1.21 for each Replacement Magna Notes) or A\$311,137.07 (assuming an exchange rate of A\$1:US\$0.6873 as published by the Reserve Bank of Australia on 16 December 2019). The total number of the Shares to be issued upon conversion will be the total conversion amount (A\$311,137.07) divided by the issue price (which for the purposes of preparing the above table is assumed to be the floor price (\$0.005) or a 50% increase in the current price (\$0.006).

<sup>3</sup> As of the date of this Notice, the outstanding amount under the debt with First Investments Holding is US\$1,048,288 or A\$1,525,226 (assuming an exchange rate of A\$1:US\$0.6873 as published by the Reserve Bank of Australia on 16 December 2019). The number of shares to be issued to First Investments Holding the outstanding amount (A\$1,525,226) divided by the issue price (A\$0.01 per Share).


<sup>4</sup> This assumes that no further Shares are issued other than as contemplated in this Explanatory Statement.





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

## Need assistance?

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

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



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (WST) on Sunday, 9 February 2020.**

# Proxy Form

## 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

**If you are attending in person, please bring this form with you to assist registration.**

### Corporate Representative

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

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**  
**SRN/HIN: I999999999**  
**PIN: 99999**

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

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



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

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

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



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

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

XX

I/We being a member/s of Cape Lambert Resources 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 Cape Lambert Resources Limited to be held at 32 Harrogate Street, West Leederville, Western Australia on Tuesday, 11 February 2020 at 10:00am (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 1 and 10 to 12 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 10 to 12 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 1 and 10 to 12 by marking the appropriate box in step 2.

## 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
1	Remuneration Report (Non-Binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11	Issue of Shares to DGWA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Director - Stefan Muller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12	Issue of Shares to CRMS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13	Issue of Shares to Auszam Mining Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Ratification of prior issue of Winance Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14	Issue of Shares to Bellatrix Corporate Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Approval to replace Winance Notes (Debt Securities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
6	Ratification of prior issue of Magna Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
7	Approval to replace Magna Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
8	Ratification of prior issue of Magna Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
9	Issue of Shares to First Investments Holding Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
10	Issue of Shares to Okewood Pty Limited	<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.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3  / /  
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

**Update your communication details** (Optional)

Mobile Number  Email Address   
 By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

