



**ACN 095 047 920**

---

## **NOTICE OF ANNUAL GENERAL MEETING**

---

**TIME:** 9:00am (WST)

**DATE:** 25 November 2011

**PLACE:** Function Centre  
Kailis Bros Fish Market & Centre  
101 Oxford Street  
LEEDERVILLE WA 6007

*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 advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9555.*

## **CONTENTS PAGE**

Notice of Annual General Meeting (setting out the proposed resolutions)	4
Explanatory Statement (explaining the proposed resolutions)	8
Glossary	18
Schedule 1 – Terms and Conditions of Options	20
Schedule 2 – Terms and Conditions of Director Options	21
Schedule 3 – Valuation of Director Options	23
Proxy Form	

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

### **VENUE**

The annual general meeting of the Shareholders to which this Notice of Meeting relates will be held at 9:00am (WST) on Friday, 25 November 2011 at:

The Function Centre  
Kailis Bros Fish Market & Centre  
101 Oxford Street  
Leederville WA 6007

### **YOUR VOTE IS IMPORTANT**

The business of the Annual General Meeting affects your shareholding and your vote is important.

### **VOTING IN PERSON**

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

### **VOTING BY PROXY**

To vote by proxy please:

- (a) vote on line at [www.investorvote.com.au](http://www.investorvote.com.au) by following the procedures as set out in the attached Proxy Form; or
- (b) complete and sign the enclosed Proxy Form and return it:
  - (i) by post to Computershare Investor Services Pty Ltd, PO Box 242 Melbourne, Victoria 3001 or in the self-addressed envelope provided; or
  - (ii) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (inside Australia), +61 3 9473 2555 (outside Australia)

so that it is received not later than 9:00am (WST) on 23 November 2011.

**Proxy Forms received later than this time will be invalid.**

**Recent Changes to Proxy Voting** New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- (a) if the proxy votes, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

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

Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of Shareholders will be held at 9:00am (WST) on Friday, 25 November 2011 at The Function Centre, Kailis Bros Fish Market & Centre, 101 Oxford Street, Leederville, Western Australia.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 5:00pm (Perth time) on 23 November 2011.

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

## AGENDA

### ORDINARY BUSINESS

#### Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2011.”*

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

**Voting Prohibition Statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub paragraphs (a) or (b) above.

## RESOLUTION 2 – RE-ELECTION OF DIRECTOR – TIMOTHY TURNER

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

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Timothy Turner, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

## RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES

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

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 75,122,189 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## RESOLUTION 4 – PLACEMENT – SHARES AS PART CONSIDERATION FOR ACQUISITION

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

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue Shares with a value totalling \$17,968,500 on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## RESOLUTION 5 – PLACEMENT – OPTIONS TO EMPLOYEES AND CONSULTANTS

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

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 6,500,000 Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of

ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **RESOLUTION 6 – ISSUE OF DIRECTOR OPTIONS – TONY SAGE**

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

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 2,000,000 Director Options to Mr Tony Sage (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Tony Sage or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **RESOLUTION 7 – ISSUE OF DIRECTOR OPTIONS – TIMOTHY TURNER**

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

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 500,000 Director Options to Mr Timothy Turner (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Timothy Turner or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **RESOLUTION 8 – ISSUE OF DIRECTOR OPTIONS – BRIAN MAHER**

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

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 500,000 Director Options to Mr Brian Maher (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Brian Maher or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **RESOLUTION 9 – ISSUE OF DIRECTOR OPTIONS – ROSS LEVIN**

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

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 500,000 Director Options to Mr Ross Levin (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Ross Levin or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

**DATED: 10 OCTOBER 2011**

**BY ORDER OF THE BOARD**



**CLAIRE TOLCON  
COMPANY SECRETARY**

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9:00am (WST) on Friday, 25 November 2011 at The Function Centre, Kailis Bros Fish Market & Centre, 101 Oxford Street, Leederville, Western Australia.

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

### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on the Company's website at [www.capelam.com](http://www.capelam.com).

### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene a general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, 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. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company including service agreements and details of any share based compensation. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.



### **Voting Exclusion and Proxy Restrictions**

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting.

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

## **3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – TIMOTHY TURNER**

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has 4 Directors and accordingly 1 must retire.

Mr Timothy Turner, the Director longest in office since his last election, retires by rotation and seeks re-election. A summary of Mr Timothy Turner is set out in the 2011 Annual Report of the Company.

## **4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES**

### **4.1 Background**

On 16 June 2011, the Company announced that it had acquired an additional 42.8% of Pinnacle Group Assets Limited (**Pinnacle**), taking the Company's interest in Pinnacle to 90.2% (**First Pinnacle Acquisition**).

The consideration paid by the Company on settlement of the First Pinnacle Acquisition comprised:

- (a) 54,450,000 Shares at a deemed issue price of A\$0.60 per Share; and
- (b) A\$16,335,000.

As part of the First Pinnacle Acquisition, the Company is required to satisfy a deferred consideration of A\$16,335,000 on or before 31 December 2011 (**Deferred Consideration**).

Pursuant to the terms of the First Pinnacle Acquisition, the Company can elect to satisfy the Deferred Consideration plus 10% interest through the issue of Shares at a deemed issue price equal to the volume weighted average price of Shares traded on ASX in the 5 trading days before 31 December 2011.

On 9 September 2011, the Company announced that it had acquired the remaining 9.8% of Pinnacle (resulting in the Company holding 100% of Pinnacle) in consideration for:

- (a) A\$5 million; and
- (b) the issue of 20,672,189 Shares at a deemed issue price of \$0.53 per Share,

**(Second Pinnacle Acquisition).**

No recipient of Shares or cash under the First Pinnacle Acquisition or the Second Pinnacle Acquisition is a related party.

Pinnacle owns the Kukuna Iron Ore Project located in Sierra Leone and the Sandenia Iron Ore Project located in the Republic of Guinea. Further details in respect of these projects is contained in the Company's announcement on 19 May 2011.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Shares as part of the consideration for the First Pinnacle Acquisition and Second Pinnacle Acquisition (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## **4.2 Technical information required by ASX Listing Rule 7.4**

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

- (a) 75,122,189 Shares were allotted and issued;
- (b) the deemed issue price was \$0.60 per Share for 54,450,000 Shares issued pursuant to the First Pinnacle Acquisition and a deemed issue price of \$0.53 per Share for 20,672,189 Shares issued pursuant to the Second Pinnacle Acquisition;

- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Shares issued pursuant to the Second Pinnacle Acquisition are voluntary escrowed for a period of 3 months from the date of issue;
- (d) the Shares were allotted and issued to the shareholders of Pinnacle, none of whom are related parties of the Company; and
- (e) no funds were raised from the issue of the Shares as they were issued in part consideration for the acquisition of 52.6% of Pinnacle, the holder of the Kukuna Project located in Sierra Leone and the Sandenia Iron Ore Project is located in the Republic of Guinea.

## 5. RESOLUTION 4 – PLACEMENT - SHARES

### 5.1 General

As outlined in Section 4.1, the Deferred Consideration for the First Pinnacle Acquisition is to be satisfied in cash on 31 December 2011 or Shares (incorporating 10% interest) at the Company election.

The Company seeks approval to satisfy the Deferred Consideration under the First Pinnacle Acquisition in Shares in the event the Board determines to maintain cash reserves and not satisfy the Deferred Consideration in cash. Shareholders should note that approval of this resolution does not necessarily mean the Deferred Consideration will be satisfied in Shares – it just provides flexibility for the Directors to issue the Shares to satisfy the Deferred Consideration if it determines that it would be in the Company's best interest to not pay this portion in cash.

Resolution 4 seeks Shareholder approval for the allotment and issue of that number of Shares that when multiplied by the deemed issue price (as set out in Section 5.2(c)), equals \$17,968,500 (**Share Placement**).

The recipient pursuant to this issue will not be a related party of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 5.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued is up to that number of Shares which, when multiplied by the issue price (refer to (c) below), equals \$17,968,500;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date. Pursuant

to the terms of the First Pinnacle Acquisition, it is proposed that the Shares would be issued on 31 December 2011;

- (c) the deemed issue price per Share will be equal to 80% of the volume weighted average trading price of Shares calculated over the 5 trading days before 31 December 2011;
- (d) the Shares will be allotted and issued to Membina Global Corporation Limited (or its nominee) who is not a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Shares as they are being issued in part consideration for the acquisition of shares in Pinnacle.

## **6. RESOLUTION 5 – PLACEMENT – OPTIONS TO EMPLOYEES AND CONSULTANTS**

### **6.1 General**

The Company proposes to issue a total of 6,500,000 Options to employees and consultants of the Company as a reward and incentive to promote motivation, company ownership and loyalties (**Option Placement**). The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of Shareholders. Accordingly, the Company considers it appropriate to issue employees and consultants Options to align the interests of the employees and consultants with those of Shareholders and increase Company performance.

A summary of ASX Listing Rule 7.1 is contained in Section 5.1.

The effect of Resolution 5 will be to allow the Directors to issue the Options the subject of the Options Placement to the employees and consultants during the period of 3 months after the date of the Meeting (or a longer period if allowed by ASX) without using the Company's 15% annual placement capacity.

None of the persons receiving the Options the subject of the Options Placement are related parties of the Company.

### **6.2 Technical information required by ASX Listing Rule 7.1**

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

- (a) 6,500,000 Options will be issued;
- (b) the Options will be issued for nil cash consideration;
- (c) the Options will be issued to consultants and employees of the Company, none of whom are related parties of the Company;
- (d) the Options will be issued on the terms set out in Schedule A;

- (e) the Options will be issued no later than 3 months after the date of the Meeting (or such other date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on one date; and
- (f) no funds will be raised from the issue of the Options as they are being issued to employees and consultants of the Company in consideration for their services to the Company and to promote motivation, company ownership and loyalty.

## **7. RESOLUTIONS 6, 7, 8 AND 9 – ALLOCATION OF OPTIONS TO DIRECTORS**

### **7.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 3,500,000 Options (**Director Options**) to Messrs Tony Sage, Tim Turner, Brian Maher and Ross Levin, on the terms and conditions set out below.

For a public company to give a financial benefit to a related party of the public company, the public company must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue of Director Options to the Directors requires the Company to obtain Shareholder approval because the Director Options constitute giving a financial benefit and as Directors, Messrs Tony Sage, Tim Turner, Brian Maher and Ross Levin are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Director Options to the Directors.

### **7.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)**

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Director Options to the Directors:

- (a) the related parties are Messrs Tony Sage, Tim Turner, Brian Maher and Ross Levin and they are related parties by virtue of being Directors;

- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be allocated to the related parties is:
- (i) 2,000,000 Director Options to Tony Sage (or his nominee) (Resolution 6);
  - (ii) 500,000 Director Options to Tim Turner (or his nominee) (Resolution 7);
  - (iii) 500,000 Director Options to Brian Maher (or his nominee) (Resolution 8);  
and
  - (iv) 500,000 Director Options to Ross Levin (or his nominee) (Resolution 9);
- (c) the Director Options will be granted to the Directors no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be allocated on one date;
- (d) the Director Options will be issued for nil cash consideration and accordingly no funds will be raised;
- (e) the Director Options will be issued on the terms set out in Schedule B;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule C;
- (g) the relevant interests of the Director Options in securities of the Company are set out below;

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Tony Sage	38,940,430	Nil
Tim Turner	1,500,000	Nil
Brian Maher	1,015,000	Nil
Ross Levin	600,000	Nil

- (h) the remuneration from the Company to the Directors and their associates (for their roles as Directors and also consultancy arrangements with the Company) for both the current financial year and previous financial year are set out below:

<b>Related Party</b>	<b>Current Financial Year (2011/2012)</b>	<b>Previous Financial Year (2010/2011)</b>
Tony Sage	\$550,000	\$550,000
Tim Turner	\$60,000	\$60,000
Brian Maher	\$48,000	\$48,000

Ross Levin	\$48,000	\$48,000
------------	----------	----------

- (i) if the Director Options granted to the Directors are exercised, a total of 3,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 652,171,792 to 655,671,792 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing shareholders would be diluted by an aggregate of 0.53%, comprising 0.31% by Tony Sage, 0.076% by Tim Turner, 0.076% by Ross Levin and 0.076% by Brian Maher.

The market price of Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	\$0.735	17 February 2011
Lowest	\$0.35	5 October 2011
Last	\$0.39	7 October 2011

- (k) in respect of Resolutions 6 to 9:

- (i) as advised by the Company in 2010/2011 ASX announcements and its 2011 Annual Report, the Company's focus is on acquiring, investing in and adding value to early stage mineral projects for development or sale. Details of the numerous and significant transactions involving the Company in the last financial year are set out in the 2011 Annual Report. Historically (and prospectively) acquisitions require the Company to have significant cash reserves available to it at the time of negotiation and acquisition.

Accordingly, the primary purpose of grant of the Director Options is in recognition of the Director's involvement in identifying, securing and negotiating significant transactions and to provide cost effective consideration to the Directors for their ongoing commitment and contribution to the Company in their respective roles as Directors whilst allowing the Company to maintain cash reserves for acquisitions and operations. In addition, the Board considers the grant of the Director Options to the Directors to be reasonable, given the necessity to attract high calibre professionals to the Company whilst maintaining the Company's cash reserves.

The Board (other than in respect of the relevant Resolution that they have an interest in) considered the extensive experience and reputation of the relevant persons within the industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to the Directors.

The Board does not consider there are any significant opportunity costs to the Company in issuing the Director Options to the Directors; and

- (ii) commentary relating to ASX Corporate Governance Principles and Recommendation Policy 8.2 states (inter alia) that non-executive directors should normally be remunerated by way of fees in the form of cash, non cash benefits, superannuation contributions or salary sacrifice into equity and should not receive options or bonus payments (and the issue of Director Options to Messrs Turner, Maher and Levin may be considered a bonus payment). Accordingly, the Board acknowledges the issue of Directors Options to Messrs Turner, Maher and Levin is contrary to this recommendation. However, the Board considers the issue of Director Options to those parties is an effective method available to Shareholders to consider in remunerating these Directors as opposed to a cash payment, given the historical and proposed business model which requires that the Company maintains a strong cash position for future acquisitions of assets and distributions to Shareholders).

Shareholders should consider the above matters carefully before deciding how to vote on these Resolutions;

- (l) Tony Sage declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board (other than Tony Sage) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (m) Tim Turner declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board (other than Tim Turner) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (n) Brian Maher declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board (other than Brian Maher) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (o) Ross Levin declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9. The Board (other than Ross Levin) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.



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

## **8. ENQUIRIES**

Shareholders are requested to contact Claire Tolcon on (+ 61 8) 9380 9555 if they have any queries in respect of the matters set out in these documents.

## GLOSSARY

\$ means Australian **dollars**.

**2011 Annual Report** means the annual report of the Company for the year ended 30 June 2011.

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

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

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

**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.

**Closely Related Party** of a member of the Key Management Personnel, a spouse or child of the member; a child of the member's spouse; a dependent of the member or the member's spouse; 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; a company the member controls; or a person prescribed by the *Corporations Regulations 2001 (Cth)*.

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

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

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

**Director Option** means an Option proposed to be granted pursuant to Resolutions 6 – 9 (inclusive) with the terms and conditions set out in Schedule 2.

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

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

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

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

**Option** means an option to acquire a Share with the terms and conditions set out in Schedule 1.

**Optionholder** means a holder of an Option or Director Option as the context requires.

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

**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 30 June 2011.

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

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

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

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
  - (b) The Options will expire at 5.00pm (WST) on 30 November 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (c) The amount payable upon exercise of each Option will be \$0.45 (**Exercise Price**).
  - (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
  - (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
    - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
  - (h) The Options are not transferable.
  - (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
  - (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
  - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
  - (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
  - (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

## SCHEDULE 2 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
  - (b) The Director Options will expire at 5.00pm (WST) on 30 November 2012 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (c) The amount payable upon exercise of each Director Option will be \$0.45 (**Exercise Price**).
  - (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
  - (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
    - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
  - (h) The Director Options are not transferable.
  - (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
  - (j) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
  - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
  - (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the

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

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

## SCHEDULE 3 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 6 – 9 (inclusive) have been valued by management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

<b>Assumptions:</b>	
Valuation date	7 October 2011
Market price of Shares	39 cents
Exercise price	45 cents
Expiry date	30 November 2012
Risk free interest rate	4.75%
Volatility	52.62%
<b>Indicative value per Director Option</b>	7.37 cents
<b>Total Value of Director Options</b>	\$258,015
- Tony Sage	\$147,438
- Timothy Turner	\$36,859
- Brian Maher	\$36,859
- Ross Levin	\$36,859

Note: The valuation noted above is not necessarily the market price that the Director Options could be traded at and is not automatically the market prices for taxation purposes.