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**NOVO LITIO LIMITED**

**ACN 009 146 794**

**NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 10AM (WST)

**DATE:** 28 September 2018

**PLACE:** Level 2, 18 Kings Park Road, WEST PERTH WA 6005

*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 advisers 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 10AM (WST) on 26 September 2018.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – ISSUE OF CONSIDERATION 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 ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 90,000,000 Consideration Shares to Aspire Australia (or its nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of 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 holder of ordinary securities in the Company) or any associate of that person (or 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.

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#### 2. RESOLUTION 2 – CHANGE OF COMPANY NAME

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

*“That, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to **Exore Resources Limited**.”*

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#### 3. RESOLUTION 3 – ISSUE OF RELATED PARTY OPTIONS TO JUSTIN TREMAIN

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

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 6,000,000 Related Party Options to Justin Tremain (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Justin Tremain (or his nominee) or 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

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#### 4. RESOLUTION 4 – ISSUE OF RELATED PARTY OPTIONS TO JOHN FITZGERALD

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

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Related Party Options to John Fitzgerald (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of John Fitzgerald (or his nominee) or 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

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#### 5. RESOLUTION 5 – ISSUE OF RELATED PARTY OPTIONS TO FRANCIS WEDIN

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

*“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 4,500,000 Related Party Options to Francis Wedin (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Francis Wedin (or his nominee) or 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

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**Dated: 24 August 2018**

**By order of the Board**

**Mathew Whyte  
Company Secretary**

**Voting in person**

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

**Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- 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 one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

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

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6117 0446.***

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## EXPLANATORY STATEMENT

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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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### 1. BACKGROUND TO ACQUISITION OF PROJECT IN COTE D'IVOIRE

As announced on 6 August 2018, the Company entered into a binding agreement (**Agreement**) with Apollo Consolidated Limited to acquire 80% of the issued capital of Aspire Nord (**Acquisition**). Aspire Nord is the legal and beneficial owner of the Boundiali Permit, Korhogo Permit and Khorhogo NE application in the Cote d'Ivoire (**New Projects**).

All the issued Shares in Aspire Nord are currently held by Aspire Australia, a wholly owned subsidiary of Apollo Consolidated Limited. Aspire Australia will retain the remaining 20% of the issued capital of Aspire Nord and accordingly a joint venture for the exploration of the New Projects will be formed between the Company and Aspire Australia (**Joint Venture**). The Company will free carry Aspire Australia's interest in the Joint Venture until a decision to mine is made in relation to the New Projects.

Further details of the New Projects can be found on the Company's ASX announcement platform (ASX: NLI) and in particular the release dated 6 August 2018, titled "Novo Lito acquires Gold Project, Cote d'Ivoire".

As consideration for the Acquisition, the Company has agreed to:

- (a) pay \$250,000 to Aspire Australia (or its nominee) (**Cash Consideration**);
- (b) subject to the receipt of the Permit Renewals (defined below), issue 90,000,000 Shares to Aspire Australia (or its nominee) (**Consideration Shares**) at settlement.

The Cash Consideration has been paid.

The Consideration Shares will be subject to a voluntary 12-month escrow period (unless Apollo Consolidated Limited chooses to undertake an in-specie distribution of the Consideration Shares to its shareholders).

The Boundiali Permit and Korhogo Permit are due for their first renewal in November 2018. Under the Côte d'Ivoire mining code, both permits can be renewed for further periods totalling 8 years. Settlement and the issue of the Consideration Shares is conditional on the renewal of the permits being obtained (**Permit Renewals**). The parties have agreed to do all things necessary to obtain the Permit Renewals.

If the Permit Renewals are not achieved by 1 March 2019, the Company will pay an additional A\$250,000 to Apollo Consolidated Limited to defer the issue of the Consideration Shares until the earlier of renewal or 28 October 2019. If the renewals are not received by 28 October 2019, the Company may terminate the Acquisition.

As a condition to the Acquisition, the Company is seeking Shareholder approval for the issue of the Consideration Shares pursuant to Listing Rule 7.1 (approval for which is being sought pursuant to **Resolution 1**).

On receipt of Shareholder approval of Resolution 1, the Joint Venture will be deemed to have formed and the Company will commence exploration activities on the New Projects. The Company has agreed, subject to settlement, to incur a minimum expenditure of \$5 million on the New Projects. If the Company does not meet the minimum expenditure it will pay Apollo Consolidated Limited 20% of the difference between \$5 million and the actual expenditure incurred. The Joint Venture will be managed and operated on customary terms, with the Company sole discretion regarding expenditure until decision to mine.

Additionally, to reflect the Company's new direction, the Company is seeking to change its name to "Exore Resources Limited". Shareholder approval for the change of name is being sought under Resolution 2.

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## **2. RESOLUTION 1 – ISSUE OF CONSIDERATION SHARES**

### **2.1 Background**

As outlined in Section 1, the Company has entered into the Agreement pursuant to which the Company has conditionally agreed to issue Consideration Shares to Aspire Australia (or its nominee) in consideration for the Acquisition.

### **2.2 ASX Listing Rule 7.1**

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.

The effect of Resolution 1 will be to allow the Company to issue the Consideration Shares 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.

### **2.3 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 Placement:

- (a) the maximum number of Consideration Shares to be issued is 90,000,000;
- (b) the Consideration 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). The Company notes that as the issue of Consideration Shares is subject to the Permit Renewals. The Company may seek to obtain a waiver from ASX to allow the issue of Consideration Shares to occur beyond the 3 months from the Meeting should there be delay in the Permit Renewals;
- (c) the Consideration Shares will be issued for nil cash consideration (at a deemed issue price of \$0.045) as they are being issued as consideration for the Acquisition;
- (d) the Consideration Shares are proposed to be issued to Aspire Australia (or its nominee). Aspire Australia is not a related party, substantial shareholder or promoter of the Company;

- (e) the Consideration 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 cash funds will be raised from the issue of the Consideration Shares as they are being issued in consideration for the Acquisition.

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### 3. **RESOLUTION 2 – CHANGE OF COMPANY NAME**

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 2 seeks the approval of Shareholders for the Company to change its name to "Exore Resources Limited".

If Resolution 2 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 2 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Acquisition in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

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### 4. **RESOLUTION 3 TO 5 – ISSUE OF RELATED PARTY OPTIONS TO DIRECTORS**

#### 4.1 **General**

In order to appropriately incentivise the continued performance of the Company's key management and Board, the Company proposes, to issue a total of:

- (a) 6,000,000 Related Party Options to Mr Justin Tremain (or his nominee) (approval for which is being sought under Resolution 3);
- (b) 2,000,000 Related Party Options to Mr John Fitzgerald (or his nominee) (approval for which is being sought under Resolution 4); and
- (c) 4,500,000 Related Party Options to Francis Wedin (or his nominee) (approval for which is being sought under Resolution 5);

(together, the **Related Party Issue**).

The issue of the Related Party Options have been proposed in order to appropriately incentivise the continued performance of the relevant Directors and to assist the Company in retaining their services and expertise in a manner which does not unduly impact on the cash reserves of the Company.

The Company is seeking Shareholder approval for the Related Party Issue in the issue of Related Party Options.

#### 4.2 **Key terms and conditions of Related Party Options**

The Related Party Options will remain unvested subject to the satisfaction of certain vesting conditions which are set out in Schedule 1. Three tranches of Related Party Options are proposed each with a different vesting condition.

Subject to the terms, in the event that the applicable vesting conditions are not met, the Related Party Options will lapse. As a result, the Related Party Options will not be able to be converted into new Shares.

The vesting conditions have been agreed in order to incentivise and retain the relevant Directors and further align their interests with those of Shareholders.

The Company considers that the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration to the relevant Directors.

A summary of the terms of the Related Party Options are set out in Schedule 1.

#### **4.3 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity 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.

The Related Party Issue will result in the issue of Related Party Options which constitutes giving a financial benefit.

Messrs Tremain, Fitzgerald and Wedin are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Tremain who has a material personal interest in the Resolution 3) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 3 because the agreement to issue the Related Party Options, reached as part of the remuneration package for Mr Tremain, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

The Directors (other than Mr Fitzgerald who has a material personal interest in the Resolution 4) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 4 because the agreement to issue the Related Party Options, reached as part of the remuneration package for Mr Fitzgerald, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

The Directors (other than Mr Wedin who has a material personal interest in the Resolution 5) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 5 because the agreement to issue the Related Party Options, reached as part of the remuneration package for Mr Wedin, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

#### **4.4 Section 195(4) of the Corporations Act**

Section 195 of the Corporations Act provides that a Director of a public company may not vote or be present during meetings of Directors when matters

in which that Director holds a “material personal interest” are being considered, except in certain limited circumstances. Section 195(4) relevantly provides that if there are not enough Directors to form a quorum for a Directors meeting because of this restriction, one or more of the Directors may call a general meeting and the general meeting may pass a resolution to deal with the matter.

It might be argued (but it is neither conceded nor, indeed, is it thought by the Board to be the case) that three of the four Directors comprising the Board have a material personal interest in the outcome of Resolutions 3, 4 and 5. If each does have such an interest, then a quorum could not be formed to consider the matters contemplated by Resolutions 3, 4 and 5 at Board level.

Accordingly, for the avoidance of any doubt, and for the purpose of transparency and best practice corporate governance, the Company also seeks Shareholder approval for Resolutions 3, 4 and 5 for the purposes of section 195(4) of the Corporations Act in respect of the reliance on the reasonable remuneration exception and the decision not to seek Shareholder approval under Chapter 2E of the Corporations Act.

#### **4.5 ASX Listing Rule 10.11**

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.

As the Related Party Issue involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

#### **4.6 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Related Party Issue:

- (a) the Related Party Options will be issued to Messrs Tremain, Fitzgerald and Wedin (or their nominee), who are related parties of the Company by virtue of being Directors;
- (b) the maximum number of Related Party Options to be issued is:
  - (i) 6,000,000 Related Party Options to Mr Tremain (or his nominee) (Resolution 3), being:
    - (A) 2,000,000 Tranche 1 Related Party Options;
    - (B) 2,000,000 Tranche 2 Related Party Options; and
    - (C) 2,000,000 Tranche 3 Related Party Options;
  - (ii) 2,000,000 Related Party Options to Mr Fitzgerald (or his nominee) (Resolution 4), being:
    - (A) 666,666 Tranche 1 Related Party Options
    - (B) 666,667 Tranche 2 Related Party Options; and

- (C) 666,667 Tranche 3 Related Party Options,
- (iii) 4,500,000 Related Party Options to Mr Wedin (or his nominee) (Resolution 5), being:
  - (A) 1,500,000 Tranche 1 Related Party Options;
  - (B) 1,500,000 Tranche 2 Related Party Options; and
  - (C) 1,500,000 Tranche 3 Related Party Options;
- (c) the Related Party Options 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 ASX Listing Rules) and it is intended that issue of the Related Party Options will occur on the same date;
- (d) the Related Party Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Related Party Options and related tranches are set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to Messrs Tremain, Fitzgerald and Wedin (or their nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## GLOSSARY

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**\$** means Australian dollars.

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

**Acquisition** has the meaning provided in Section 1.2.

**Apollo Consolidated Limited** means Apollo Consolidated Limited (ACN 102 084 917).

**Aspire Nord** means Aspire Nord Cote d'Ivoire SARL.

**Aspire Australia** means Aspire Minerals Pty Ltd (ACN 135 789 338).

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

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

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

**Boundiali Permit** means permit No. 321 valid for gold located in Cote d'Ivoire.

**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.

**Cash Consideration** has the meaning provided in Section 1(a).

**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 Novo Lito Limited (ACN 009 146 794).

**Consideration Shares** has the meaning provided in 1(b).

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

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

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

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

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

**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.

**Korhogo NE application** means the application permit No. 0317DMICM08/08/2018 for gold located in Cote d'Ivoire.

**Korhogo Permit** means permit No. 320 valid for gold located in Cote d'Ivoire.

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

**Option** means an option to acquire a Share, including where the context requires, Related Party Option.

**Option Holder** means a holder of an Option or Related Party Option as the context requires.

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

**Related Party Option** means an Option issued pursuant to Resolution 3, 4 or 5 on the terms and conditions set out in Schedule 1.

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

**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 1 Related Party Option** means a Related Party Option with the tranche 1 vesting condition.

**Tranche 2 Related Party Option** means a Related Party Option with the tranche 2 vesting condition.

**Tranche 3 Related Party Option** means a Related Party Option with the tranche 3 vesting condition.

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

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**SCHEDULE 1 – TERMS AND CONDITIONS OF RELATED PARTY OPTIONS**

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- (a) **Tranches:** The Related Party Options comprise three tranches, each of which is subject to a vesting condition, as follows (**Vesting Condition**):

Tranche	Number	Vesting Condition
1	4,166,666	The 15-day volume weighted average price of Shares on ASX is exceeding \$0.075 each.
2	4,166,667	The 15-day volume weighted average price of Shares on ASX is exceeding \$0.10 each.
3	4,166,667	The Company announcing a JORC compliant mineral resource estimate of greater than 500,000 ounces at greater than 1.5g/t gold (at a 0.5g/t lower cut-off).

- (b) **Vesting Conditions:** If the Vesting Condition applicable to a tranche of Related Party Options is not met on or before the date that is three years from the date of issue (**Vesting Date**) of the Related Party Option, those Related Party Options will lapse and be forfeited.
- (c) **Entitlement:** Each vested Related Party Option entitles the holder (**Option Holder**) to subscribe for 1 fully paid ordinary share (**Share**) in the Company.
- (d) **No payment on grant:** The Option Holder is not required to pay any amount on the issue or vesting of a Related Party Option.
- (e) **Exercise price:** The exercise price of each Related Party Option is \$0.001 (**Exercise Price**).
- (f) **Expiry date:** Each Related Party Option not exercised by 5.00pm (WST) the date that is four years from the date of issue of the Related Party Option (**Expiry Date**) will automatically lapse and terminate.
- (g) **Certificate or holding statement:** The Company must give the Option Holder a certificate or holding statement stating:
- (i) the number of Related Party Options granted to the Option Holder;
  - (ii) the Exercise Price of the Related Party Options; and
  - (iii) the date of grant of the Related Party Options.

**1. Restrictions on dealing and transfer**

- (a) An Option Holder must not sell, transfer, mortgage, pledge, charge, grant a security interest over or otherwise dispose of (**Dispose**) any Related Party Options, or agree to do any of the same, without the prior consent of the Company's Board of Directors (**Board**), except where such Disposal occurs by force of law.
- (b) The transfer of any Related Party Option is subject to any restrictions on transfer under the Corporations Act or the ASX Listing Rules.
- (c) **Quotation of Related Party Options:** The Company will not apply for quotation of any Related Party Options.

- (d) **New issues:** The Option Holder is not entitled to participate in any new issue to the holders of Shares (**Shareholders**) of securities in the Company unless they have exercised their Related Party Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with the ASX Listing Rules.
- (e) **Bonus issues:** If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Related Party Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Related Party Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Related Party Option before the record date for determining entitlements to the issue.
- (f) **Pro rata issues:** If the Company makes a pro rata issue of Shares (except a bonus issue) to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Related Party Option before the record date for determining entitlements to the issue, the Exercise Price of each Related Party Option will be reduced in accordance with the ASX Listing Rules.

## 2. **Reorganisation:**

- (a) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Related Party Options to which the Option Holder is entitled to and the Exercise Price) will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (b) Any calculations or adjustments which are required to be made will be made by the Company's Board of Directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
- (c) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Related Party Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Related Party Option.

## 3. **Vesting Condition Exceptions:**

- (a) The Vesting Conditions are deemed to be automatically waived in the event of a Change of Control occurring.
- (b) A Change of Control occurs when:
  - (i) a bona fide Takeover Bid (as defined in the Corporations Act) is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares;

- (ii) a court approves, under Section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for reconstruction of the Company or its amalgamation with any other company or companies; or
- (iii) in any case, a person obtains Voting Power (as defined in Section 9 of the Corporations Act) in the Company which the Board (which for avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

**4. Exercise:**

- (a) Subject to 4(b), an Option Holder:
  - (i) may not exercise a Related Party Option during the period commencing on the date that a Related Party Option is granted and expiring on the Vesting Date (**Restriction Period**); and
  - (ii) may only exercise a Related Party Option after the expiry of the Restriction Period and prior to the Expiry Date.
- (b) Notwithstanding paragraph 4(a), a Related Party Option may be exercised:
  - (i) during or, in the Board's absolute discretion, immediately prior to the following period:
    - (A) where a general offer has been made to acquire Shares, the period of 6 months (or such other period as the Board, in its absolute discretion, determines and notifies in writing to the Option Holder) after such offer has become or been declared unconditional, or
    - (B) in relation to a scheme of arrangement, the period of 6 months (or such other period as the Board, in its absolute discretion, determines and notifies in writing to the Option Holder) after the scheme has become effective whereby more than 50 per cent of the Shares carrying a right to vote in general meetings of the Company have vested in another person or in any combination of persons acting in concert;
  - (ii) in the Board's absolute discretion, at any time after a person, or a group of associated persons, becomes entitled to sufficient Shares to give that person or persons the ability, in general meeting, to replace all or a majority of the Board;
  - (iii) at any time after the announcement of a proposed capital reorganisation referred to in paragraph 4;
  - (iv) in the Board's absolute discretion, following the occurrence and announcement by the Company of an event that in the

opinion of the Board is likely to lead to the Company being removed from the official list of ASX; or

- (v) in the Board's absolute discretion, within 12 months, if the Option Holder suffers an illness or incapacity necessitating the permanent withdrawal of the Option Holder from the work force, as accepted to the satisfaction of the Board (**Permanent Disablement**), or any other circumstances which the Board considers should be treated as Permanent Disablement of the Option Holder.
- (c) To exercise Related Party Options, the Option Holder must give the Company or its securities registry, at the same time:
- (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Related Party Options being exercised, which must be no less than 500 and then in multiples of 100, and Shares to be issued;
  - (ii) payment of the Exercise Price for the Related Party Options the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company; and
  - (iii) the certificate or holding statement for those Related Party Options, or documentary evidence satisfactory to the Board that the certificate or holding statement was lost or destroyed.
- (d) A notice of exercise in relation to any Related Party Options only becomes effective when the Company has received the full amount of the Exercise Price for the number of Related Party Options specified in the notice, in cleared funds.
- (e) Related Party Options will be deemed to have been exercised on the date the exercise notice is lodged with the Board.
- (f) **Re-issue of certificate or holding statement:** If the Option Holder exercises less than the total number of Related Party Options registered in the Option Holder's name:
- (i) the Option Holder must surrender their Related Party Option certificate (if any); and
  - (ii) the Company must cancel the Related Party Option certificate (if any) and issue the Option Holder a new Related Party Option certificate or holding statement stating the remaining number of Related Party Options held by the Option Holder.
- (g) **Issue of Shares:** Within 10 days after receiving an application for exercise of Related Party Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.
- (h) **Equal ranking:** Subject to the Company's Constitution, all Shares issued on the exercise of Related Party Options will rank in all respects

(including rights relating to dividends) equally with the existing ordinary Shares of the Company at the date of issue.

- (i) **Quotation of Shares:** The Company will apply to ASX for official quotation of the Shares issued on exercise of Related Party Options.
- (j) **Good leaver and bad leaver:** Subject to paragraph 3(k) below, the Related Party Options will automatically lapse and be forfeited if during the Restriction Period the Option Holder:
  - (i) voluntarily resigns from employment with the Company otherwise than to take up employment with a related body corporate (as that term is defined in the Corporations Act) of the Company (**Group Company**);
  - (ii) voluntarily resigns as a Director;
  - (iii) is dismissed from employment or is removed from his or her position with the Company for any one or more of the following reasons:
    - (A) material breach of the terms of any contract of employment, engagement or office entered into by the Company (or another Group Company) and the Option Holder;
    - (B) gross negligence;
    - (C) other conduct justifying termination of employment, engagement or office without notice either under the Option Holder's contract of employment, engagement or office, or at common law;
    - (D) the Option Holder ceases his or her employment, engagement or office for any reason and commences employment, engagement or office, or otherwise acts, in breach of any post-termination restrictions contained in his or her contract of employment, engagement or office entered into by the relevant Group Company and the Option Holder; or
    - (E) the Option Holder is ineligible to hold his or her office pursuant to the Corporations Act.
- (k) Related Party Options that are subject to a Restriction Period will not lapse and be forfeited if the Option Holder ceases employment, ceases to be a Director or is removed from his or her position in the following circumstances:
  - (i) death of the Option Holder;
  - (ii) Permanent Disablement of the Option Holder, or any other circumstances which the Board considers should be treated as Permanent Disablement;
  - (iii) retirement of the Option Holder from all employment;

- (iv) redundancy; or
  - (v) where the Board in its absolute discretion determines that the Option Holder may maintain his/her right to exercise the Related Party Options.
- (l) **Tax deferral:** Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth), applies (subject to the conditions in that Act) to the Related Party Options.
- (m) **Governing law:** These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

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