
ASCOT RESOURCES LIMITED

ACN 146 530 378

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 9.30am (Perth time)

DATE: Thursday, 4 July 2013

PLACE: QV. 1 Conference Centre, Level 2, 250 St George's Terrace, Perth,
Western Australia 6000

This Notice of Extraordinary General 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) 9381 4534.

CONTENTS PAGE

Notice of Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	8
Glossary	24
Proxy Form	35

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.30am (Perth time) on Thursday, 4 July 2013 at:

QV. 1 Conference Centre, Level 2, 250 St George's Terrace, Perth, Western Australia 6000

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders will be held at 9.30am (Perth time) on Thursday, 4 July 2013 at QV. 1 Conference Centre, Level 2, 250 St George's Terrace, Perth, Western Australia 6000.

The Explanatory Statement accompanying this Notice of Meeting provides additional information on matters to be considered at the Extraordinary 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 Extraordinary General Meeting are those who are registered Shareholders at 5.00pm (Perth time) on Tuesday, 2 July 2013.

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

A. AGENDA

1 RESOLUTION 1 – RATIFICATION OF PRIOR SHARE ISSUE

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

*“That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the prior issue of 479,279 Shares to Resource Capital Fund V L.P. (**Resource Capital Fund**) on the terms and conditions set out in the Explanatory Statement.”*

2 RESOLUTION 2 – APPROVAL TO CONVERT NOTE

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

“That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders authorise the Note to be convertible into Shares on the terms and conditions set out in the Explanatory Statement.”

3 RESOLUTION 3 – APPROVAL TO ISSUE SHARES IN LIEU OF INTEREST PAYMENTS

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

“That, for the purpose of Listing Rule 7.1 and for all other purposes, the Company is authorised to issue Shares in satisfaction of interest payable under the Note from time to time on the terms and conditions set out in the Explanatory Statement.”

4 RESOLUTION 4 – APPROVAL OF PROPOSED SHARE ISSUE

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

“That, for the purpose of Listing Rule 7.1 and for all other purposes, the Company is authorised to issue up to 30,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

5 RESOLUTION 5 – APPROVAL OF ISSUES UNDER INCENTIVE PLAN

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

“That, for the purpose of Listing Rule 7.2, Exception 9(b), sections 200B and 200E of the Corporations Act and for all other purposes, the Company is authorised to grant Incentives, and issue Shares upon the exercise or vesting of the Incentives, under the terms of the Incentive Plan as detailed in the Explanatory Statement.”

6 RESOLUTION 6 – APPROVAL OF GRANT OF EXECUTIVE INCENTIVES TO MR ANDREW CARUSO

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

“That, for the purpose of Listing Rule 10.11 and for all other purposes, the Company is authorised to grant 16,500,000 Executive Incentives to Mr Andrew Caruso on the terms and conditions set out in the Explanatory Statement.”

7 RESOLUTION 7 – RATIFICATION OF PRIOR GRANT OF OPTIONS

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

“That for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders ratify the grant of 800,000 Options to Mr David Berg on the terms and conditions set out in the Explanatory Statement.”

B. VOTING PROHIBITIONS

Under section 250BD of the Corporations Act, a vote on Resolution 5, 6 or 7 must not be cast by a person appointed as proxy if:

- (a) the proxy is either:
 - (i) a member of the key management personnel; or
 - (ii) a closely related party of a member of the key management personnel; and
- (b) the appointment does not specify the way the proxy is to vote on the relevant resolution.

However the above prohibition does not apply if:

- (a) the proxy is the chairman of the Meeting; and
- (b) the appointment expressly authorises the chairman to exercise the proxy in respect of the Resolution even if the Resolution is connected directly or indirectly with remuneration of a member of the key management personnel.

Shareholders who intend to appoint the Company's Chairman as proxy (including an appointment by default) should have regard to the information under the heading "Important information concerning proxy votes on Resolutions 5, 6 and 7" below.

C. VOTING EXCLUSION STATEMENTS

In accordance with Listing Rule 14.11 and the Corporations Act, the Company will disregard any votes on the respective Resolutions cast by or on behalf of the following persons:

Resolution	Persons excluded from voting
Resolution 1 – Ratification of prior Share issue	Resource Capital Fund and any of its associates.
Resolution 2 – Approval to convert Note	Resource Capital Fund and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 2 is passed, and any associates of Resource Capital Fund or those persons.
Resolution 2 – Approval to issue Shares in lieu of interest payments	Resource Capital Fund and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 3 is passed, and any associates of Resource Capital Fund or those persons.
Resolution 4 – Approval of proposed Share issue	Any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 4 is passed, and any associates of those persons.
Resolution 5 – Approval of issues under Incentive Plan	A Director, (except one who is ineligible to participate in the Incentive Plan), any other Shareholder that is eligible to participate in the Incentive Plan, and any associates of those persons. Accordingly, Shareholders and associates of Shareholders who are also eligible to participate in the grant of Incentives under the Incentive Plan and wish to preserve the benefit of Resolution 5, should carefully consider their ability to vote on the resolution.
Resolution 6 – Approval of grant of Executive Incentives to Mr Andrew Caruso	Mr Andrew Caruso and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 6 is passed, and any associates of Andrew Caruso or those persons.

Resolution 7 – Ratification of Mr David Berg and any of his associates.
prior grant of Options

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of 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.

D. PROXIES

Each Shareholder that is entitled to attend and vote is entitled to appoint a proxy. The proxy does not need to be a Shareholder. A Shareholder that is entitled to cast two or more votes may appoint not more than two proxies to attend and vote on its behalf. The person or persons so appointed need not necessarily be Shareholders. Where two proxies are appointed, each proxy should be appointed to represent a specified portion or number of the Shareholder's voting rights (failing which each appointee will be entitled to cast half the Shareholder's votes).

A Proxy Form together with instructions on how to complete the Proxy Form is attached.

To vote by proxy, please complete and sign the Proxy Form and return by:

- (a) post to Ascot Resources Limited at 512 Hay Street, Subiaco, Western Australia 6008; or
- (b) facsimile to the Company on facsimile number (+61 8) 9380 6440; or
- (c) email to admin@ascotresources.com.

To be valid, properly completed proxy forms must be received by the Company no later than 48 hours before the Meeting.

A body corporate Shareholder may elect to appoint a representative, rather than appoint a proxy, in accordance with section 250D of the Corporations Act. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the Meeting.

If you return your Proxy Form but do not nominate a person as proxy, the Chairman of the Meeting will be your proxy and will vote on your behalf as you direct on the Proxy Form. If your nominated proxy does not attend the Meeting then your proxy will revert to the Chairman of the Meeting and he will vote on your behalf as you direct on the Proxy Form.

The Chairman will vote undirected proxies **in favour** of all Resolutions. In respect of Resolutions 5, 6 and 7, Shareholders should refer to the important information below under the heading "Important information concerning proxy votes on Resolutions 5, 6 and 7".

E. IMPORTANT INFORMATION CONCERNING PROXY VOTES ON RESOLUTIONS 5, 6 AND 7

The Corporations Act places certain restrictions on the ability of key management personnel and their closely related parties to vote on resolutions connected directly or indirectly with the remuneration of the Company's key management personnel. Key management personnel of the Company are Directors and all other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. "Closely related party" is defined in the Corporations Act as set out in the

Glossary and includes certain family members, dependants and companies controlled by key management personnel.

For these reasons, Shareholders who intend to vote by proxy should carefully consider the identity of their proxy and are encouraged to direct their proxy as to how to vote on all Resolutions. In particular, Shareholders who intend to appoint the Chairman of the Meeting as their proxy (including an appointment by default) are encouraged to direct the Chairman as to how to vote on all Resolutions.

If the Chairman of the Meeting is appointed, or taken to be appointed, as your proxy, you can direct the Chairman to vote for, against or abstain from voting on Resolutions 5, 6 and 7 by marking the appropriate box opposite the respective Resolutions on the Proxy Form. You should direct the Chairman how to vote on these Resolutions.

If the Chairman of the Meeting is your proxy and you do not direct the Chairman how to vote in respect of Resolutions 5, 6 and 7 on the Proxy Form, you will be deemed to have expressly authorised the Chairman to vote your proxy **in favour** of each of Resolutions 5, 6 and 7. This express authorisation acknowledges that the Chairman may vote your proxy even if Resolutions 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of the key management personnel for the Company. In respect of Resolution 5, this express authorisation is also subject to you ticking the box in the section of the Proxy Form entitled "Voting on Resolution 5". If you do not tick that box and you have not directed the Chairman how to vote on Resolution 5, your vote will not be counted in calculating the required majority if a poll is called on Resolution 5.

DATED: 29 MAY 2013

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'DB', with a long horizontal stroke extending to the right.

**DAVID BERG
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 9.30am (Perth time) on Thursday, 4 July 2013 at QV. 1 Conference Centre, Level 2, 250 St George's Terrace, Perth, Western Australia 6000.

The 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.

Terms and abbreviations used in this Explanatory Statement are defined in the Glossary.

1 RESOLUTION 1 – RATIFICATION OF PRIOR SHARE ISSUE

The Company has issued an unsecured loan note (**Note**) to Resource Capital Fund V L.P. (**Resource Capital Fund** or **RCF**) to raise \$1.22 million to assist the Company to complete its maiden Mineral Resource estimate in accordance with JORC¹ and advance the scoping study in relation to the Company's 90%-owned Titiribi Coal Project in Colombia and for other general corporate and working capital purposes. The key terms of the Note are summarised in section 2 below.

In consideration for providing the loan the subject of the Note, the Company has issued to Resource Capital Fund 479,279 Shares at an issue price of \$0.156 per Share in payment for an establishment fee of \$75,000 (**Establishment Fee**).

Listing Rule 7.1 provides that a company must not issue or agree to issue more than 15% of its total ordinary share capital within a 12 month period unless a specified exception applies or the issue is made with the prior approval of shareholders for the purposes of Listing Rule 7.1.

Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be treated as if it had been made with the approval of shareholders for the purposes of Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1 and shareholders subsequently approve the issue. The issue of 479,279 Shares to Resource Capital Fund is within the Company's 15% new issue capacity under Listing Rule 7.1.

Resolution 1 seeks the approval of Shareholders to ratify the issue of Shares to Resource Capital Fund so that they do not count towards the Company's 15% new issue capacity under Listing Rule 7.1.

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 1:

- (a) 479,279 Shares were issued to Resource Capital Fund, who is not a related party of the Company.
- (b) The Shares were issued at a price of \$0.156 per Share as payment of the Establishment Fee to Resource Capital Fund in connection with the Note.

¹ This objective is conceptual in nature as there has been insufficient exploration to date to define a Mineral Resource estimate in accordance with JORC guidelines and it is uncertain whether further exploration will result in the determination of a Mineral Resource estimate. This conceptual target may or may not be outlined with future work, either in whole or in part.

- (c) The Shares issued were fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue.
- (d) No funds were raised by the issue of these Shares.
- (e) A voting exclusion statement for Resolution 1 is included in the Notice.

The Directors recommend that Shareholders vote in favour of Resolution 1.

2 RESOLUTIONS 2 AND 3 – APPROVALS TO CONVERT NOTE AND ISSUE SHARES IN LIEU OF INTEREST PAYMENTS

2.1 Background

As referred to in section 1 above, the Company has issued the Note to Resource Capital Fund to raise \$1.22 million.

The key terms of the Note are as follows:

- (a) The full amount of the Note, being \$1.22 million, has been advanced to the Company to assist the Company in completing a maiden Coal Resource estimate in accordance with JORC² and advancing a scoping study in relation to the Company's 90%-owned Tifiribi Coal Project in Colombia and for other general corporate and working capital purposes.
- (b) The Company has paid to Resource Capital Fund the Establishment Fee. Further details on the Establishment Fee are contained in section 1 of this Explanatory Statement.
- (c) The Note is unsecured, and is repayable in full on the earlier of:
 - (i) 17 May 2015 (**Maturity Date**), being the date that is 2 years after the date of issue of the Note, unless redeemed by the Company or converted into Shares prior to that date or there is an event of default under the Note which requires all moneys outstanding to be repaid; or
 - (ii) if Resolution 2 (seeking approval to allow the Note to be converted into Shares) is not approved by Shareholders, the date that is 30 days after the Meeting.
- (d) The Note bears interest at a rate of 14% per annum, payable quarterly in arrears. The Company may elect to pay interest in cash, by way of the issue of Shares or a combination of cash and Shares with any Shares to be issued at an issue price equal to a 5% discount to the 10 day VWAP of Shares prior to the relevant date for payment.
- (e) Subject to Shareholder approval being obtained (being the subject of Resolution 2), Resource Capital Fund has the right (but not the obligation) to convert any or all of the principal of the Note into Shares at a conversion price of \$0.18 per Share.

² This objective is conceptual in nature as there has been insufficient exploration to date to define a Mineral Resource estimate in accordance with JORC guidelines and it is uncertain whether further exploration will result in the determination of a Mineral Resource estimate. This conceptual target may or may not be outlined with future work, either in whole or in part.

- (f) The Note is redeemable by the Company at 100% of its face value (together with any accrued but unpaid interest) at any time on or after 17 May 2014 (being 1 year after the date of issue of the Note) but not later than 40 days prior to the Maturity Date.
 - (g) Resource Capital Fund may transfer its rights under the Note in whole, but not in part.
 - (h) Other than:
 - (i) Shares which have already been agreed to be issued by the Company to the vendor of the Titiribi Coal Project;
 - (ii) Shares issued on exercise of options which were already on issue prior to the issue of the Note; or
 - (iii) the issue of Shares which may be issued on the vesting of any incentives proposed to be issued to Mr Caruso (being the subject of Resolution 6) or on the exercise of securities which have been, or may be issued in the future, under the Company's employee incentive plan (being the subject of Resolution 5);
 - (iv) Shares otherwise issued in accordance with the terms of the Note,
- the Company has undertaken not to issue any Shares (including any Share issue contemplated by Resolution 4) without the prior written consent of Resource Capital Fund.
- (i) The Company has provided a number of representations and warranties to, and undertakings in favour of, Resource Capital Fund which are commonly seen in unsecured loan notes of this nature, including undertakings not to:
 - (i) incur any financial indebtedness in excess of \$250,000 other than in the ordinary course of ordinary business; or
 - (ii) dispose of, or otherwise encumber any of, its assets other than in the ordinary course of ordinary business,

without the approval of Resource Capital Fund.

Resolution 2 seeks the approval of Shareholders for the purposes of Listing Rule 7.1 to enable the Company to grant Resource Capital Fund the right to convert any or all of the Note into Shares.

Resolution 3 seeks approval for the purposes of Listing Rule 7.1 so that the Company may satisfy interest payments under the Note by way of the issue of Shares without needing to count those Shares towards the Company's 15% new issue capacity under Listing Rule 7.1.

A summary of Listing Rule 7.1 is outlined in section 1 above.

The table below sets out the indicative number of Shares which Resource Capital Fund may acquire in the Company (on the basis of the assumptions set out in the notes to that table) if the Note is converted by Resource Capital Fund into Shares and the Company elects to issue Shares in lieu of interest payments. The actual number of Shares is likely to vary from that indicated below, based on the application of the terms of the Note. In addition, the actual number of Shares that may be issued in lieu of interest payments will ultimately depend on the prevailing

market price of Shares at the time of issue and the table sets out the number of Shares that would be issued at different prices.

		Number of Shares issued to RCF	Total Shares on issue	RCF's percentage shareholding (undiluted)	RCF's percentage shareholding (fully diluted) ¹
Shares issued to Resource Capital Fund in satisfaction of the Establishment Fee of \$75,000 ²		479,279	33,304,279	1.4%	0.4%
Maximum number of Shares to be issued to RCF upon conversion of the Note ³		6,777,778	40,082,057	16.9%	5.7%
Number of Shares to be issued to RCF if the Company chooses to satisfy all interest by the issue of Shares ⁴	Issue price of 14.3 cents per Share ⁵	2,381,661	35,685,940	6.7%	2.1%
	Issue price of 7.15 cents per Share ⁶	4,763,321	38,067,600	12.5%	4.1%
	Issue price of 22.5 cents per Share ⁷	1,587,774	34,892,053	4.6%	1.4%

Explanatory notes and assumptions:

1. Assumes that all Options currently on issue are exercised into Shares. Also assumes all of the conditions to the issue of deferred consideration for the Company's acquisition of the Titiribi Coal Project, and the vesting of the Executive Incentives, have been satisfied and that the Shares the subject of that deferred consideration and/or Executive Incentives have been issued. Finally, for the purposes of the calculations in the table, an assumption has been made that the Company will not issue any other Shares, Options, performance rights or other rights to acquire Shares prior to the maturity of the Note.
2. Shares issued in payment of the Establishment Fee were issued at a price of \$0.156 per Share, being a 5% discount to the 10 day VWAP calculated on the 10 days on which Shares traded on ASX prior to 6 May 2013 (the date the Company announced that it had entered into a Term Sheet in respect of the Note).
3. Assumes that all of the principal of the Note is converted by Resource Capital Fund into Shares at a conversion price of \$0.18 per Share. However, Shareholders should be aware that as at 22 May 2013, being the last practicable date prior to the date of finalising this Explanatory Statement, the Share price is below the conversion price. If the Share price continues to be below the conversion price of the Note, it is not expected that the Note would be converted into Shares. For the purposes of providing an indication of RCF's undiluted percentage interest in the Company upon conversion of the Note, it has been assumed that no Shares are issued in lieu of interest payable on the Note (as the impact of Shares issued in lieu of interest payments is depicted separately in the table).
4. Assumes that the Note is not converted or repaid prior to its Maturity Date, that the Company elects to satisfy its obligation to pay all interest accruing on the Note by way of the issue of Shares, and Resource Capital Fund does not transfer the Note. The maximum amount of interest payable under the Note is \$341,600. The issue price of Shares issued in lieu of interest payments will be a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to the date on which the interest payment is due. Accordingly, the relevant issue price (and therefore the number of Shares to be issued) may vary. Further shareholder approval may need to be obtained for the purposes of the Corporations Act in the event that Ascot wishes to issue Shares in lieu of interest payments which will result in Resource Capital Fund acquiring voting power to more than 20% of Ascot. Such approval is not being sought as part of Resolution 2 or 3, as the issue of Shares in lieu of interest payments is at the Company's election and such further shareholder approval would not be required in the event that the issue of further Shares results in Resource Capital Fund's voting power not exceeding 20%. For the purposes of providing an indication of RCF's undiluted percentage interest in the Company should the Company seek to issue Shares in lieu of cash interest payments, it has been assumed that the Note is not converted into Shares (as the impact of Shares issued upon conversion of the Note is depicted separately in the table).
5. The issue price of 14.3 cents per Share is a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 23 May 2013, the last practicable date prior to the date of finalising this Explanatory Statement.
6. The issue price of 7.15 cents per Share represents a 50% decrease in the price calculated as a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 23 May 2013, the last practicable date prior to the date of finalising this Explanatory Statement.
7. The issue price of 22.5 cents per Share represents a 50% increase in the price calculated as a 5% discount to the VWAP calculated on the 10 days on which Shares traded on ASX prior to 23 May 2013, the last practicable date prior to the date of finalising this Explanatory Statement.

If Resolution 2 is not approved, the Note will become repayable within 30 days.

2.2 Information requirements under Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided for the purpose of obtaining Shareholder approval for Resolutions 2 and 3:

Listing Rule	Resolution 2 - Grant of right to convert the Note into Shares	Resolution 3 - Issue of Shares to pay Interest
<p>7.3.1 – maximum number of securities to be issued</p>	<p>If Resolution 2 is approved, the Note will become an equity security. The Note will be convertible into a maximum of 6,777,778 Shares.</p>	<p>The number of Shares which may be issued depends upon the Company's prevailing share price at the time the Company exercises its rights to satisfy interest payments by way of the issue of Shares. Any Shares will be issued at a 5% discount to the 10 day VWAP prior to the date for payment of interest.</p> <p>The Company will assess at each interest payment date whether to satisfy interest payments in cash or by way of the issue of Shares or a combination of cash and Shares.</p>
<p>7.3.2 – date of issue of securities</p>	<p>The Note was issued on 17 May 2013 and is a debt security.</p> <p>If Resolution 2 is approved, the Note will be converted into an equity security for the purposes of the Listing Rules at the time of the approval being obtained.</p>	<p>Interest is payable quarterly in arrears over the term of the Note, with the first interest payment due on 30 June 2013, and subsequent payments due at the end of each quarter until the final payment on the Maturity Date.</p> <p>As the issue of Shares to satisfy interest payable on the Note may occur after the usual 3 month period required by Listing Rule 7.3.2, the Company has sought a waiver extending the period in which the Shares the subject of Resolution 3 must be issued to end on the current Maturity Date, being 17 May 2015. There is no guarantee that this waiver will be granted.</p>
<p>7.3.3 – issue price</p>	<p>The issue price of the Note is A\$1.22 million. The Note may be converted into Shares at a conversion price of \$0.18 per Share.</p>	<p>Shares issued at a 5% discount to the 10 day VWAP prior to the date for payment of interest.</p>

7.3.4 – name of the person	The Note was issued to Resource Capital Fund. Shares issued on conversion of the Note will be issued to Resource Capital Fund or any transferee of the Note.	Resource Capital Fund or any transferee of the Note.
7.3.5 – terms of securities	The key terms of the Note are set out in section 2.1 above. Shares issued on the conversion of the Note 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 rank equally in all respects with all other Shares on issue at the time.	Shares issued to satisfy interest payments 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 rank equally in all respects with all other Shares on issue at the time.
7.3.6 – intended use of funds raised	Funds raised from the issue of the Note are being used to assist the Company in completing a maiden Coal Resource estimate in accordance with JORC ³ and advancing a scoping study in relation to the Company's 90%-owned Titiribi Coal Project in Colombia and for other general corporate and working capital purposes.	No funds will be raised from the issue of these Shares.
7.3.7 – issue date	See disclosure in relation to Listing Rule 7.3.2 above.	See disclosure in relation to Listing Rule 7.3.2 above. If the waiver of Listing Rule 7.3.2 is granted, any Share issues will occur progressively.
7.3.8 - voting exclusion statement	A voting exclusion statement is included in the Notice of Meeting.	A voting exclusion statement is included in the Notice of Meeting.

2.3 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolutions 2 and 3, and have each notified the Company that they intend to vote all the Shares controlled by them in favour of those Resolutions.

³ This objective is conceptual in nature as there has been insufficient exploration to date to define a Mineral Resource estimate in accordance with JORC guidelines and it is uncertain whether further exploration will result in the determination of a Mineral Resource estimate. This conceptual target may or may not be outlined with future work, either in whole or in part.

3 RESOLUTION 4 – APPROVAL OF PROPOSED SHARE ISSUE

The Company wishes to preserve the flexibility to undertake a substantial equity capital raising to raise additional funds to continue the development of its flagship 90%-owned Titiribi Coal Project in Colombia.

The Company is currently considering a range of capital raising structures, including a shareholder rights/entitlements issue and/or a private placement. No decisions have been made at this stage in relation to whether to proceed with such a fundraising, or the structure of any such raising. In order to maintain maximum flexibility to do so, and to preserve the Company's ability to issue equity securities within the 15% annual limit under Listing Rule 7.1, the Company seeks advance Shareholder approval under Listing Rule 7.1 for a proposed equity capital raising involving the issue of Shares.

Such a raising would provide the Company with increased financial flexibility to raise funds. Although no decision has been made as to whether to proceed with an equity capital raising by way of a Share issue, the Directors consider it prudent to seek to maximise the Company's available fundraising options so as to ensure that the Company is able to continue the fast track development of its Titiribi Coal Project in Colombia.

In particular, the Company will need to raise funds to in order to undertake further exploration drilling and to commence in-fill drilling, works associated with securing development, construction, mining and environmental approvals, securing access to key infrastructure and undertaking feasibility studies which will underpin the business case for proceeding to mining operations. Funds raised may also be used to provide the Company with the flexibility to pursue opportunistic acquisitions if they arise and for general corporate and working capital purposes.

Resolution 4 seeks Shareholder approval under Listing Rule 7.1 for a proposed equity capital raising. A summary of Listing Rule 7.1 is set out in section 1 above.

Resolution 4 is seeking Shareholder approval for the Company to be authorised to issue up to a maximum number of 30,000,000 Shares. If this maximum number of Shares were issued, based on the Company's Share capital as at 23 May 2013 (being last practicable date prior to the date of finalising this Explanatory Statement), those new Shares would represent 47.4% of the Shares on issue. However, the Company is not bound to issue the maximum number of Shares for which Shareholder approval is sought and may, in its absolute discretion, issue such lesser number of Shares as it may determine.

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 4:

- (a) The maximum number of Shares to be issued will be 30,000,000 Shares.
- (b) It is anticipated that, subject to Shareholders approving Resolution 4, the Shares will be issued on one date and in any event no later than 3 months after the date of the Meeting, or such later date as approved by ASX by way of ASX granting a waiver under the Listing Rules.
- (c) The minimum price per Share will be at least 80% of the volume weighted average market price for securities in that class. The average is calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue was made or, if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before

the date the prospectus, Product Disclosure Statement or offer information is signed.

- (d) The price at which the Shares will be issued will be determined by the Directors based on market conditions at the time of issue. Due to the current volatility in market conditions it is not possible for the Directors to determine the issue price as at the date of this Explanatory Statement. The Company is not bound to issue the maximum number of Shares for which Shareholder approval is sought. The Company may, in its absolute discretion, issue such lesser number of Shares as it may determine.
- (e) The names of the persons to whom the Company will issue Shares are not known. It is likely that they will be institutional, sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act. The Shares will not be issued to Directors or other related parties without further Shareholder approval, to the extent any such approval is required by the Corporations Act or the Listing Rules.
- (f) The Shares will rank equally in all respects with the existing Shares on issue.
- (g) The funds that may be raised by the Company will, depending on the quantum ultimately raised, be used to:
 - undertake further exploration drilling on the Lara concession at Titiribi;
 - commence in-fill drilling on the El Balsal and El Silencio concessions;
 - progress works associated with securing all necessary development, construction, mining and environmental approvals as well as logistics solutions for the Titiribi Coal Project; and
 - undertake feasibility studies required to progress to mining operations at the Titiribi Coal Project.

Funds raised would also provide the Company with the flexibility to pursue potential opportunistic acquisitions of new projects that align with the Company's strategy of being a Colombian focussed coal explorer and developer, should such opportunities arise.

- (h) A voting exclusion statement for Resolution 4 is included in the Notice.

The Directors recommend that Shareholders vote in favour of Resolution 4.

4 RESOLUTION 5 – APPROVAL OF ISSUES UNDER INCENTIVE PLAN

4.1 Background

The Board believes that the future success of the Company will depend in large part on the skills and motivation of the people employed in the business.

The Company's employee incentive plan forms an important part of a comprehensive remuneration strategy for the Company's employees and is specifically aimed at driving long term performance for Shareholders, a culture of employee share ownership in the business and retention of executives, employees and staff.

The Company wishes to adopt an Employee Incentive Plan (**Incentive Plan**) which provides the Company with the flexibility to issue Incentives in the form of either options or performance rights which may ultimately vest into Shares. In contrast to an option, a performance right does not have an exercise price and therefore allows an employee to benefit by exercising their performance right upon satisfaction of their vesting conditions without needing to provide any cash consideration. The inclusion of the flexibility to grant performance rights under employee incentive plans (such as the Incentive Plan) is a current trend among the Company's ASX-listed peer group.

The Incentive Plan aims to align the interests of the Company's employees with the interests of Shareholders, by linking the remuneration of employees and staff with the long term success of the Company.

The Board believes it is appropriate to seek Shareholder approval for the Incentive Plan in accordance with the ASX Corporate Governance Council's Best Practice Recommendations.

The Board is also seeking Shareholder approval for the Incentive Plan under Listing Rule 7.2, Exception 9(b), as well as approval for the potential giving of termination benefits under the Incentive Plan for the purposes of sections 200B and 200E of the Corporations Act. These approvals are explained in more detail in sections 4.3 and 4.4 below.

4.2 Key features of the Incentive Plan

A summary of the key features of the Incentive Plan are set out below.

Eligibility Under the terms of the Incentive Plan, the Board may determine which employees of the Company and its related bodies corporate are eligible to participate.

There are no proposals to issue performance rights or options to any of the Company's executive Directors under the Incentive Plan at this time (and in any event, any such issues would require prior shareholder approval to be obtained pursuant to the related party provisions of the Listing Rules).

Incentives The Incentive Plan allows the Board to grant performance rights and options to eligible participants.

Vesting conditions The vesting terms for grants of Incentives under the Incentive Plan will be decided by the Board from time to time. Where appropriate, the Board may impose appropriate performance hurdles to encourage employees to focus on performance of the Company over the long term.

The Board considers that in many instances, a vesting condition requiring the employee to satisfy a minimum term of employment is appropriate, given the current stage of the Company's development and the need to retain key personnel.

Number of Incentives to be granted The number of Incentives granted under the Incentive Plan will be decided by the Board from time to time.

Exercise Price The exercise price of any options granted under the Incentive Plan is at the absolute discretion of the Board and the Board will

determine the exercise price from time to time. Typically, any options granted would have an exercise price calculated by reference to a VWAP of the Company's shares for a period prior to the date of grant.

Cessation of employment

As indicated in the table below, the Incentive Plan treats the vesting of Incentives differently depending upon the reasons for cessation of employment.

	Unvested Incentives	Vested Incentives
Cessation due to ill health or death	Incentives automatically lapse unless the Board otherwise determines	Incentives remain capable of exercise irrespective of cessation of employment
Termination for cause	Incentives automatically lapse unless the Board otherwise determines	Incentives automatically lapse unless the Board otherwise determines
Resignation of employee	Incentives automatically lapse unless the Board otherwise determines	With the consent of the Board, Incentives may be exercised during the period ending 30 days after cessation of employment (or such longer period permitted by the Board) after which time they will automatically lapse.
Cessation for other reasons (eg redundancy)	Incentives automatically vest.	With the consent of the Board, Incentives may be exercised during the period ending 30 days after cessation of employment (or such longer period permitted by the Board) after which time they will automatically lapse.

Takeover bid and change in control

Incentives granted under the Incentive Plan automatically vest in the event of a change in control of the Company, including where a takeover bid is made for the Company and the bidder acquires more than 50% of the Company, Shareholders approve a scheme of arrangement, or in any case where a person obtains voting power in the Company which the Board determines (acting in good faith and in accordance with their fiduciary duties) is sufficient to control the composition of the Board.

The Board also has the discretion to permit the exercise of Incentives in other limited circumstances, such as where a resolution is passed approving the disposal of the Company's main undertaking.

Transferability

Incentives granted under the Incentive Plan are not usually transferable.

Dividend and voting rights

Incentives granted under the Incentive Plan do not carry any dividend or voting rights.

Adjustment for share issues The exercise price of Incentives granted under the Incentive Plan (if applicable) will be adjusted in the manner determined by the Board having regard to the Listing Rules and the general principle that the holder of the Incentives should not be materially advantaged or disadvantaged as a result of a corporate action (such as a capital raising or capital reconstruction).

Board discretion Under the terms of the Incentive Plan, the Board has absolute discretion to determine the exercise price, the expiry date and vesting conditions of any grants made under the Incentive Plan, without the requirement for further Shareholder approval.

4.3 Requirement for Shareholder approval under Listing Rule 7.2

Shareholder approval in accordance with Listing Rule 7.2, Exception 9(b) will exempt grants under the Incentive Plan from the Company's 15% annual limit on the grant of new securities without prior Shareholder approval under Listing Rule 7.1 for a period of three years from the date of the passing of Resolution 5. A summary of Listing Rule 7.1 is set out in section 1 above.

In the absence of approval under Listing Rule 7.2, Exception 9(b), grants under the Incentive Plan may still occur but will be counted as part of the 15% limit which would otherwise apply during a 12 month period (as set out in Listing Rule 7.1).

In accordance with Listing Rule 7.2, Exception 9(b), the following information is provided to Shareholders:

- (a) As at the date of the Meeting, no grants of Incentives will have been made under the Incentive Plan other than the grant of 800,000 Options being the subject of Resolution 7. See section 7 for further information about these Options.
- (b) A summary of the terms of the Incentive Plan is set out above.
- (c) A voting exclusion statement for Resolution 5 is included in the Notice.

4.4 Shareholder approval pursuant to sections 200B and 200E of the Corporations Act

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Act) on leaving their employment with the Company or a related body corporate (the **Group**) without the prior approval of Shareholders.

Under these termination benefits laws, the term "benefit" has a wide operation, and will include benefits arising from the Board exercising its discretion under the rules of the Incentive Plan.

The Company is seeking Shareholder approval for the purposes of sections 200B and 200E of the Corporations Act to any "termination benefits" that the Group provides to a participant under the Incentive Plan, in addition to any other termination benefits that the Group may provide to that person, without Shareholder approval under the Corporations Act.

Specifically, Shareholder approval is being sought to give the Board (or the Board's delegate) the capacity to exercise certain discretions under the Incentive Plan,

including the discretion to determine to vest some or all of the unvested Incentives of any participant when they leave employment with the Group. Approval is being sought in respect of any current or future participant who holds:

- (a) a managerial or executive office in the Group at the time of their leaving or at any time in the three years prior to their leaving; and
- (b) Incentives issued under the Incentive Plan at the time of their leaving,

Non-executive Directors are not entitled to participate in the Incentive Plan and so this approval will not apply to them.

The Company is seeking this approval to provide the Company with the flexibility to continue remunerating its employees fairly and responsibly, and in a manner that encourages long term performance for Shareholders. The Board considers it to be appropriate for there to be flexibility to deal with the vesting of Incentives issued under the Incentive Plan, as cessation of managerial or executive office can occur for a variety of reasons. In some instances, it may not be appropriate for the value of Incentives that vest on the cessation of office to be included in the relevant participant's cap when calculating the permissible termination benefits under the Corporations Act.

If Shareholder approval is obtained and the Board exercises its discretion to vest some or all of an affected participant's unvested Incentives (or to provide that the participant's Incentives do not lapse but will continue and be vested in the ordinary course), the value of the benefit will be disregarded when calculating the relevant participant's cap for the purposes of calculating the permissible termination benefits payable under the Corporations Act.

4.5 Disclosures required pursuant to section 200E of the Corporations Act

Section 200E of the Corporations Act requires the following information to be provided to Shareholders for the approval of a termination benefit.

- (a) Details of the termination benefits

The Incentive Plan contains provisions setting out the treatment of unvested Incentives in situations where an employee leaves the Company (in certain circumstances). For example, where a participant resigns from his or her employment with the Company before his or her Incentives have vested, the Board may exercise its discretion to determine that some or all of the Incentives will vest, and the basis on which vesting may occur (which may include, without limitation, timing and conditions). As noted above, the exercise of these discretions will constitute a "benefit" for the purposes of the Corporations Act's termination benefit provisions.

- (b) Value of the termination benefits

The value of the termination benefits that the Board may give under the Incentive Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. Specifically, the value of a particular benefit will depend on factors such as the Company's share price at the time of vesting and the number of performance rights or options (as relevant) that the Board decides to vest.

Some of the factors that may affect the value of the termination benefits are as follows:

- the participant's length of service and the portion of any relevant performance periods that have expired at the time they leave employment;
- the participant's total fixed remuneration at the time grants are made under the Incentive Plan and at the time they leave employment; and
- the number of unvested Incentives that the participant holds at the time they leave employment.

(c) Voting prohibition

A voting prohibition statement for Resolution 5 is included in the Notice.

4.6 Directors' recommendation

The Board (other than Andrew Caruso and Paul Kopejtko who do not make a recommendation because they are eligible to participate in the Incentive Plan) recommends that Shareholders vote in favour of Resolution 5.

5 RESOLUTION 5 – APPROVAL OF GRANT OF EXECUTIVE INCENTIVES TO MR ANDREW CARUSO

5.1 Background

On 19 December 2012, the Company announced that it had appointed Mr Andrew Caruso as Chief Executive Officer of the Company and the key terms of Mr Caruso's remuneration package. That remuneration package included the proposed grant of 16,500,000 Executive Incentives which vest upon the satisfaction of certain agreed performance and retention conditions (**Vesting Conditions**). Mr Caruso has since been appointed the Company's Managing Director.

The terms of the Executive Incentives are set out in **schedule 1** to this Explanatory Statement.

The Vesting Conditions align with the project milestones set by the Company in connection with the deferred consideration payable to Ascot Equities in connection with the Company's acquisition of the Titiribi Coal Project, as well as acting as a strong performance and retention incentive for Mr Caruso.

Ascot Equities has agreed that any Shares issued to Mr Caruso upon the vesting of Executive Incentives will reduce the number of Shares which Ascot Equities would otherwise be entitled to receive as deferred consideration for the Company's acquisition of the Titiribi Coal Project upon satisfaction of the project milestones.

As Shareholders previously approved the issue of those Shares to Ascot Equities at the Company's 2012 AGM, as shown in the table below, the practical result of these arrangements is that the grant of the Executive Incentives to Mr Caruso will not result in Shareholders incurring any additional dilution over and above the level which would have occurred if the Company otherwise issued those Shares to Ascot Equities in accordance with the approvals obtained at the Company's 2012 AGM.

	Deferred consideration to be issued to Ascot Equities, approved at 2012 AGM	Revised deferred consideration to be issued to Ascot Equities to accommodate issue of Executive Incentives ¹		
		Ascot Equities deferred consideration	Executive Incentives	Total
Initial Consideration	4,500,000	3,000,000	1,500,000 ²	4,500,000
Milestone 1³	11,000,000	9,500,000	1,500,000	11,000,000
Milestone 2⁴	11,500,000	10,000,000	1,500,000	11,500,000
Milestone 3⁵	12,000,000	7,500,000	4,500,000	12,000,000
Milestone 4⁶	38,760,000	31,260,000	7,500,000	38,760,000
Total	77,760,000	61,260,000	16,500,000	77,760,000

Notes:

1. Assumes all of the Executive Incentives vest. As set out above, Ascot Equities right to receive deferred consideration in relation to the sale of the Titiribi Coal Project to the Company will only be reduced if the Executive Incentives vest.
2. Only vest upon Mr Caruso remaining continuously employed by the Company during the period ending 7 July 2014.
3. Milestone 1 will be satisfied upon a 10Mt Inferred Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for coal) of coal being delineated within the area covered by the licences owned by the Company's wholly-owned subsidiary Carbones de Colombia (the **Licence Area**), prior to 27 February 2014, which coal meets the minimum specifications (**Minimum Specifications**) set out below:
 - >5500kcal/kg;
 - <15% ash;
 - <1% sulphur.
4. Milestone 2 will be satisfied upon a 20Mt Inferred Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for coal) of coal that meets the Minimum Specifications being delineated within the Licence Area prior to 27 August 2014.
5. Milestone 3 will be satisfied if at any time prior to 27 February 2015, the 20 day volume weighted average trading price of the Company's ordinary shares on ASX equals or exceeds \$0.35.
6. Milestone 4 will be satisfied upon a 20Mt Measured Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for coal) of coal that meets the Minimum Specifications being delineated on the Licence Area prior to 27 February 2015.

Whilst the vesting of these Executive Incentives would result in Mr Caruso being provided with a significant number of Shares, the Board is of the view that these Shares would otherwise have been issued to Ascot Equities and so the arrangements entered into with Mr Caruso and Ascot Equities provide Shareholders with a cost-effective incentive structure.

The Company agreed to seek to grant the Executive Incentives as part of Mr Caruso agreeing to join the Company (initially as the Company's Chief Executive Officer). The Board is of the view that in agreeing to seek to grant these Executive Incentives, it was dealing with Mr Caruso at arm's length and that the proposed grant of the Executive Incentives to Mr Caruso was required for a junior

mining company like the Company to secure the services of someone of Mr Caruso's calibre in the current market conditions.

As Mr Caruso is now a director of the Company, Shareholder approval is required for the purposes of Listing Rule 10.11 to the proposed grant of the Executive Incentives to Mr Caruso.

Listing Rule 10.11 provides that a listed company must obtain shareholder approval for the issue of equity securities to a "related party". Directors are considered related parties for the purposes of the Listing Rules. Therefore the proposed issue of Executive Incentives to Mr Caruso (being the subject of Resolution 5) requires Shareholder approval under Listing Rule 10.11.

If Shareholders approve the proposed grant of the Executive Incentives for these purposes, separate Shareholder approval is not required under Listing Rule 7.1.

For completeness, Chapter 2E of the Corporations Act also requires Shareholder approval where a public company seeks to give a "financial benefit" to a related party. However, such approval is not required for the purposes of the Corporations Act where the financial benefit was provided on arm's length terms. The Board is of the view that at the time it agreed to seek to grant the Executive Incentives to Mr Caruso, it was dealing with Mr Caruso at arm's length to secure his services as the Company's Chief Executive Officer.

If Shareholders do not approve Resolution 5, the Board will need to determine an alternative form of incentives to provide to Mr Caruso to ensure its Managing Director is appropriately incentivised to achieve the milestones for the Titiribi Coal Project and the strong performance of the Company.

5.2 Information requirements under Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 5:

- (a) A total of 16,500,000 Executive Incentives will be granted to Mr Andrew Caruso if Resolution 5 is passed. If all Executive Incentives vest and are exercised, Mr Caruso will receive 16,500,000 Shares.
- (b) Each Executive Incentive is being granted as part of Mr Caruso's remuneration package, and no price is payable for their grant. In addition, no price is payable for any Shares issued upon the Executive Incentives vesting and being exercised. Accordingly, no funds will be raised from the grant of the Executive Incentives, or the issue of Shares upon exercise.
- (c) The full terms of the Executive Incentives are set out in **schedule 1**. Any Shares issued to Mr Caruso upon the Executive Incentives vesting and being exercised 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 rank equally in all respects with all other Shares on issue.
- (d) It is anticipated that the Executive Incentives will be granted as soon as reasonably practicable after the date of the Meeting and granted on the same date, but will be granted no later than 1 month after the date of the Meeting (or such later date as permitted by ASX waiver or modification of the Listing Rules).
- (d) A voting exclusion statement for Resolution 6 is included in the Notice.

5.3 Directors' recommendation

Mr Caruso has an interest in Resolution 6 and refrains from making any recommendation as to how Shareholders should vote on the Resolution.

Paul Kopejtko and Joseph van den Elsen are shareholders in, and directors of, Ascot Equities and, as a result of the agreement by Ascot Equities mentioned above, refrain from making any recommendation as to how Shareholders should vote on Resolution 6.

The Company's remaining Director, Francis de Souza, recommends that Shareholders vote in favour of Resolution 6.

6 RESOLUTION 7 – RATIFICATION OF PRIOR GRANT OF OPTIONS

On 22 February 2013, the Company granted 800,000 Options under the Incentive Plan to Mr David Berg, Company Secretary and Legal Counsel of the Company, in connection with his commencement of employment with the Company. The Options have an exercise price of \$0.20 per Share and have an expiry date of 22 February 2016. The terms of the Options are set out in **schedule 2**.

Resolution 7 seeks the approval of Shareholders to ratify the grant of those Options for the purposes of Listing Rule 7.4. A summary of Listing Rule 7.4 is set out in section 1 above.

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided for the purpose of obtaining Shareholder approval for Resolution 7:

- (a) 800,000 Options were granted to Mr David Berg. Mr Berg is the Company Secretary and Legal Counsel of the Company, and is not a related party of the Company.
- (b) The Options were granted to Mr Berg as part of his remuneration package, and no price is payable for their issue. The Options have an exercise price of \$0.20 per Share and have an expiry date of 22 February 2016.
- (c) The full terms of the Options are set out in **schedule 2** to this Notice. The Shares issued on exercise of the Options will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and rank equally in all respects with all other Shares on issue.
- (d) No funds were raised by the grant of the Options. Funds raised from the exercise of any Options will be used for general working capital purposes.
- (e) A voting exclusion statement for Resolution 7 is included in the Notice.

The Directors recommend that Shareholders vote in favour of Resolution 7.

GLOSSARY

\$ means Australian dollars.

AGM means the annual general meeting of the Company.

Ascot Equities means Ascot Equities Pty Ltd (ACN 109 815 876).

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

Board means the current board of directors of the Company.

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 dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company means Ascot Resources Limited (ACN 146 530 378).

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

Director means a current director of the Company.

Establishment Fee has the meaning given to that term in section 1 of this Explanatory Statement.

Executive Incentives means the performance rights to acquire Shares on the terms set out in **schedule 1** to this Explanatory Statement.

Explanatory Statement means this explanatory statement.

Extraordinary General Meeting or **Meeting** means the extraordinary general meeting convened by the Notice.

Group has the meaning given to that term in section 4.4 of this Explanatory Statement.

Incentive Plan means the Company's Employee Incentive Plan, the terms of which are summarised in section 4.1 of this Explanatory Statement.

Incentives has the meaning given to that term in section 4.2 of this Explanatory Statement.

key management personnel has the same meaning as in the accounting standards (as that term is defined in the Corporations Act). Broadly speaking this includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Directors.

Listing Rules means the Official Listing Rules of ASX.

Maturity Date has the meaning given to that term in section 2.1 of this Explanatory Statement.

Note has the meaning given to that term in section 1 of the Explanatory Statement.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Statement.

Option means an option which entitles the holder to subscribe for one Share.

Proxy Form means the proxy form accompanying the Notice of Meeting.

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

Resource Capital Fund or **RCF** means Resource Capital Fund V L.P.

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

Shareholder means a holder of a Share.

Vesting Conditions has the meaning given to that term in section 5 of this Explanatory Statement.

VWAP means volume weighted average price of Shares.

SCHEDULE 1 – TERMS OF EXECUTIVE INCENTIVES

Definitions and interpretation

1. In these terms:

ASX means ASX Limited ACN 008 624 691.

Black-out Period means any period during which trading in the Company's securities, or financial products issued or created over or in respect of the Company's securities, by the relevant holder is prohibited in accordance with the Company's corporate governance policies on share trading activities, as they apply from time to time.

Board means the board of directors of the Company or a committee appointed by the Board (including the Remuneration, Nomination and Corporate Governance Committee) for the purposes of the Plan.

Change of Control means:

- (a) in the case of a Takeover Bid, an offeror who previously had voting power of less than 50% in the Company obtains voting power of more than 50%;
- (b) shareholders of the Company approve a proposed compromise or arrangement for the reconstruction of the Company or its amalgamation with any other company or companies at a meeting convened by the Court pursuant to section 411(4)(a) of the Corporations Act;
- (c) any person becomes bound or entitled to acquire shares in the Company under:
 - (i) section 414 of the Corporations Act (compulsory acquisition following a scheme or contract); or
 - (ii) Chapter 6A of the Corporations Act (compulsory acquisition of securities);
- (d) a selective capital reduction is approved by shareholders of the Company pursuant to section 256C(2) of the Corporations Act which results in a person who previously had voting power of less than 50% in the Company obtaining voting power of more than 50%; or
- (e) in any other case, a person obtains voting power in the Company which the Board (which for the 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.

Company means Ascot Resources Limited ACN 146 530 378.

Corporations Act means the *Corporations Act 2001* (Cth), as amended from time to time.

Executive Incentive means an incentive granted in accordance with these Executive Incentive Terms.

Executive Incentive Terms means these Executive Incentive Terms.

Exercise Notice means a written notice in the form prescribed by the Company from time to time.

Exercise Price has the meaning given to that term in paragraph 4 of these Executive Incentive Terms.

Expiry Date has the meaning given to that term in paragraph 5 of these Executive Incentive Terms.

Group means the Company and its subsidiaries and any other entity declared by the Board to be a member of the group for the purposes of the Plan and any member of the Group is a **Group Company**.

Incentive Certificate means a certificate specifying the number of Executive Incentives held by the holder (attaching a copy of these Executive Incentive Terms).

Listing Rules means the Official Listing Rules of ASX and, for so long as the Shares are listed or quoted on any other stock exchange where such stock exchange requires compliance with its listing rules, the listing rules applicable to that stock exchange each as they apply to the Company from time to time;

Plan means the Ascot Resources Limited Employee Incentive Plan adopted by the Board on 22 February 2013, subject to any amendments or additions made in accordance with that Plan.

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

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

voting power has the meaning given to that term in section 9 of the Corporations Act.

In these Executive Incentive Terms, headings are for convenience and do not affect the interpretation of these Executive Incentive Terms unless the context requires otherwise.

Unless the contrary intention appears, words defined in the Plan will have the same meaning in these terms.

The issue of the Executive Incentives

2. The Executive Incentives are issued for no consideration. For the avoidance of doubt, the Executive Incentives are not issued under the Plan, but certain rules of the Plan may apply to the Executive Incentives as if they had been issued under the Plan.
3. Subject to these Executive Incentive Terms, each Executive Incentive entitles the holder to subscribe for and be allotted one Share on exercise of the Executive Incentive.
4. There is no exercise price payable upon exercise of each Executive Incentive.
5. Subject to paragraph 6 and 9 below, the Executive Incentives are exercisable on or before 5.00 pm (Perth time) on 30 June 2015 (**Expiry Date**). Executive Incentives not exercised by the Expiry Date shall automatically lapse.
6. The Executive Incentives are subject to the following vesting conditions:
 - 1,500,000 Executive Incentives will vest upon the holder remaining continuously employed by the Group during the period ending 7 July 2014.
 - 1,500,000 Executive Incentives will vest upon a 10Mt Inferred Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for coal) of coal being delineated within the area covered by the licences owned by the Company's wholly-owned subsidiary Carbones de Colombia (the **Licence Area**), prior to 27 February 2014, which coal meets the minimum specifications (**Minimum Specifications**) set out below:
 - >5500kcal/kg;
 - <15% ash;
 - <1% sulphur.
 - 1,500,000 Executive Incentives will vest upon a 20Mt Inferred Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for coal) of coal that meets the Minimum Specifications being delineated within the Licence Area prior to 27 August 2014.
 - 4,500,000 Executive Incentives will vest if at any time prior to 27 February 2015, the 20 day volume weighted average trading price of the Company's ordinary shares on ASX equals or exceeds \$0.35.
 - 7,500,000 Executive Incentives will vest upon a 20Mt Measured Mineral Resource in accordance with JORC Guidelines (as that term is defined for the purposes of JORC Guidelines for coal) of coal that meets the Minimum Specifications being delineated on the Licence Area prior to 27 February 2015.

Transferability

7. The Executive Incentives will not be quoted on ASX.
8. The Executive Incentives are only transferable:
 - (a) with the prior written consent of the Board (which may be withheld at its sole discretion); or
 - (b) by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

Where the holder purports to transfer, assign, mortgage, charge or otherwise dispose of or encumber (in whole or in part) an Executive Incentive other than in accordance with this paragraph 8, the Executive Incentive immediately lapses.

Lapsing of Executive Incentive

9. Unless the Board determines otherwise in its absolute discretion, an unexercised Executive Incentive will lapse upon the earliest to occur of:
 - (a) the Executive Incentive lapsing in accordance with paragraph 8 (unauthorised transfer); or
 - (b) the Expiry Date; or
 - (c) otherwise in accordance with the Plan or any action taken under the Plan.

Issue of Shares

10. Executive Incentives must be exercised in accordance with these Executive Incentive Terms by the holder giving the Company an Exercise Notice and the Incentive Certificate.

11. Shares allotted and issued pursuant to the exercise of an Executive Incentive will be allotted and issued not more than 10 Business Days after receipt of a properly executed Exercise Notice.
In the event that the issue of Shares on exercise of an Executive Incentive would require the Company to prepare a disclosure document (as that term is defined in the Corporations Act) in the absence of appropriate arrangements with the holder, then the Company may require the holder (as a pre-condition to the issue of the underlying Shares on exercise of the Executive Incentives) to enter into such arrangements with the Company as the Board considers appropriate to ensure that the issue of such Shares without disclosure does not contravene the fundraising provisions of the Corporations Act.
12. All Shares allotted on the exercise of any Executive Incentives will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their allotment. If the Shares are quoted, the Company will apply to the ASX within a reasonable time after they are allotted for those Shares to be listed.
If the holder has not entered into the appropriate arrangements referred to in paragraph 11 above, then the Company may delay applying for listing of any Shares issued upon exercise of the Executive Incentives for the period that it is unable to issue a notice under section 708A(5) of the Corporations Act.
13. Subject to paragraph 14, there will be no transfer restrictions on Shares allotted on the exercise of any Executive Incentives unless the sale, transfer or disposal by the holder of the Shares issued to them on exercise of the Executive Incentives (or any interest in them) would require the preparation of a disclosure document (as that term is defined in the Corporations Act). If a disclosure document is required, the holder will be required to enter into such arrangements with the Company as the Board considers appropriate to prevent the sale, transfer or disposal of the relevant Shares in a manner that would require a disclosure document to be prepared.
14. Unless the Board determines otherwise in its absolute discretion, Shares allotted upon exercise of the Executive Incentives must not be sold, transferred or disposed of by the holder at any time whilst there is a Black-out Period in place. For these purposes, the Company Secretary will notify the holder:
 - (a) when a Black-out Period commences; and
 - (b) when a Black-out Period has been lifted or, where the Black-out Period relates to a periodic reporting requirement (such as the release of the quarterly, half-yearly or annual reports), when such Black-out Period will be lifted.
15. If after the exercise of Executive Incentives in accordance with these Executive Incentive Terms, there are still Executive Incentives on an Incentive Certificate that remain unexercised, the Company will issue a new certificate for the balance of the Executive Incentives held by the holder and not yet exercised.

Rights to participate in dividends, Bonus Issues, Rights Issues, Reconstruction of Shares etc

16. The Executive Incentives will not entitle the holder to any dividends (or Shares or rights in lieu of dividends) declared or issued by the Company.
17.
 - (a) If Shares are issued pro rata to the Company's shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits, the holder of Executive Incentives is entitled, upon exercise of the Executive Incentives, to receive, in addition to the Shares in respect of which the Executive Incentives are exercised and without the payment of any further consideration, an allotment of as many additional Shares as would have been issued to a shareholder who, on the date for determining entitlements under the bonus issue, held Shares equal in number to the Shares in respect of which the Executive Incentives are exercised.
 - (b) Additional Shares to which the holder of Executive Incentives becomes so entitled will, as from the time Shares are issued pursuant to the bonus issue and until those additional Shares are allotted, be regarded as Shares comprised in the relevant Executive Incentives and in respect of which the Executive Incentives are exercised for the purposes of subsequent applications of paragraph 17(a), and any adjustments which, after the time just mentioned, are made under paragraph 18 to the number of Shares will also be made to the additional Shares.
18. If Shares are offered pro rata for subscription by the Company's shareholders generally by way of a rights issue or there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, during the currency of and prior to exercise of any Executive Incentives, the Executive Incentives are to be adjusted in any manner determined by the Board having regard to the Listing Rules and the general principle that the holder of the Executive Incentives should not be materially advantaged or disadvantaged as a result of a corporate action (such as the rights issue or capital reconstruction).

19. Subject to paragraphs 17 and 18, during the currency of any Executive Incentives and prior to their exercise, the holder is not entitled to participate in any new issue of securities of the Company as a result of their holding Executive Incentives.

Treatment of Executive Incentives on termination of employment

20. The treatment of the Executive Incentives following the termination of employment will be in accordance with the rules of the Plan as if the Executive Incentives were issued under the Plan.
21. If the vesting of Executive Incentives upon termination of employment, when aggregated with any other benefits paid or payable to the holder in connection with the cessation of their employment with any Group Company:
- (a) has not been approved by shareholders pursuant to Part 2D.2 of the Corporations Act; or
 - (b) is not otherwise permitted by law,
- then the number of Executive Incentives that vest under the relevant rule is automatically reduced to the maximum number of Executive Incentives permitted to vest at law upon cessation of employment.

Takeovers, schemes of arrangement etc

22. If a Change of Control occurs, then the Board must (unless any Takeover Bid to which the Change of Control relates also includes an equivalent offer to the holder to acquire all or a substantial portion of their Executive Incentives) notify the holder of the Change of Control.
23. The Board may also, in its absolute discretion, permit the exercise of Executive Incentives during such period as the Board determines where:
- (a) the Company passes a resolution for voluntary winding up;
 - (b) an order is made for the compulsory winding up of the Company; or
 - (c) the Company passes a resolution in accordance with Listing Rule 11.2 to dispose of its main undertaking.
24. If a company (**Acquiring Company**) obtains control of the Company as a result of:
- (a) a Takeover Bid;
 - (b) a scheme of arrangement between the Company and its shareholders; or
 - (c) a selective capital reduction,
- and both the Company and the Acquiring Company agree, the holder may, upon exercise of his or her Executive Incentives, elect to acquire and the Company may provide shares of the Acquiring Company or its parent in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the holder may exercise Executive Incentives to acquire Shares, but with appropriate adjustments to the number and kind of shares subject to the Executive Incentives.

Attorney

25. In consideration of being offered the Executive Incentives, the holder:
- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an **attorney**), severally, as the holder's attorney to complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the holder which may be convenient or necessary for the purpose of giving effect to the provisions of these Executive Incentive Terms;
 - (b) covenants that the holder will ratify and confirm any act or thing done pursuant to this power;
 - (c) releases each Group Company and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this paragraph 25; and
 - (d) indemnifies and holds harmless each Group Company and the attorney in respect thereof.

SCHEDULE 2 – OPTION TERMS

Definitions and interpretation

1. In these terms:

ASX means ASX Limited ACN 008 624 691.

Black-out Period means any period during which trading in the Company's securities, or financial products issued or created over or in respect of the Company's securities, by the relevant holder is prohibited in accordance with the Company's corporate governance policies on share trading activities, as they apply from time to time.

Board means the board of directors of the Company or a committee appointed by the Board (including the Remuneration, Nomination and Corporate Governance Committee) for the purposes of the Plan.

Change of Control means:

- (a) in the case of a Takeover Bid, an offeror who previously had voting power of less than 50% in the Company obtains voting power of more than 50%;
- (b) shareholders of the Company approve a proposed compromise or arrangement for the reconstruction of the Company or its amalgamation with any other company or companies at a meeting convened by the Court pursuant to section 411(4)(a) of the Corporations Act;
- (c) any person becomes bound or entitled to acquire shares in the Company under:
 - (i) section 414 of the Corporations Act (compulsory acquisition following a scheme or contract); or
 - (ii) Chapter 6A of the Corporations Act (compulsory acquisition of securities);
- (d) a selective capital reduction is approved by shareholders of the Company pursuant to section 256C(2) of the Corporations Act which results in a person who previously had voting power of less than 50% in the Company obtaining voting power of more than 50%; or
- (e) in any other case, a person obtains voting power in the Company which the Board (which for the 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.

Company means Ascot Resources Limited ACN 146 530 378.

Corporations Act means the *Corporations Act 2001* (Cth), as amended from time to time.

Exercise Notice means a written notice in the form prescribed by the Company from time to time.

Exercise Price has the meaning given to that term in paragraph 4 of these Incentive Terms.

Expiry Date has the meaning given to that term in paragraph 5 of these Incentive Terms.

Group means the Company and its subsidiaries and any other entity declared by the Board to be a member of the group for the purposes of the Plan and any member of the Group is a **Group Company**.

Incentive means an option which entitles the holder to subscribe for one Share granted in accordance with these Incentive Terms.

Incentive Certificate means a certificate specifying the number of Incentives held by the holder (attaching a copy of these Incentive Terms).

Incentive Terms means these Incentive Terms.

Listing Rules means the Official Listing Rules of ASX and, for so long as the Shares are listed or quoted on any other stock exchange where such stock exchange requires compliance with its listing rules, the listing rules applicable to that stock exchange each as they apply to the Company from time to time;

Plan means the Ascot Resources Limited Employee Incentive Plan adopted by the Board on 22 February 2013, subject to any amendments or additions made in accordance with that Plan.

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

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

voting power has the meaning given to that term in section 9 of the Corporations Act.

In these Incentive Terms, headings are for convenience and do not affect the interpretation of these Incentive Terms unless the context requires otherwise.

Unless the contrary intention appears, words defined in the Plan will have the same meaning in these Incentive Terms.

The issue of the Incentives

2. The Incentives are issued for no consideration.
3. Subject to these Incentive Terms, each Incentive entitles the holder to subscribe for and be allotted one Share on exercise of the Incentives.
4. The exercise price payable upon exercise of each Incentive is \$0.20.
5. Subject to paragraph 9 below, the Incentives are exercisable on or before 5.00 pm (Perth time) on 22 February 2016 (**Expiry Date**). Incentives not exercised by the Expiry Date shall automatically lapse.
6. There are no vesting conditions.

Transferability

7. The Incentives will not be quoted on ASX.
8. The Incentives are only transferable:
 - (a) with the prior written consent of the Board (which may be withheld at its sole discretion); or
 - (b) by force of law upon death to the holder's legal personal representative or upon bankruptcy to the holder's trustee in bankruptcy.

Where the holder purports to transfer, assign, mortgage, charge or otherwise dispose of or encumber (in whole or in part) an Incentive other than in accordance with this paragraph 8, the Incentive immediately lapses.

Lapsing of Incentive

9. Unless the Board determines otherwise in its absolute discretion, an unexercised Incentive will lapse upon the earliest to occur of:
 - (d) the Incentive lapsing in accordance with paragraph 8 (unauthorised transfer); or
 - (e) the Expiry Date; or
 - (f) otherwise in accordance with the Plan or any action taken under the Plan.

Issue of Shares

10. Incentives must be exercised in accordance with these Incentive Terms by the holder giving the Company an Exercise Notice accompanied by payment of the Exercise Price in freely available funds and the Incentive Certificate.
11. Shares allotted and issued pursuant to the exercise of an Incentive will be allotted and issued not more than 10 Business Days after receipt of a properly executed Exercise Notice and payment of the Exercise Price in freely available funds.

In the event that the issue of Shares on exercise of an Incentive would require the Company to prepare a disclosure document (as that term is defined in the Corporations Act) in the absence of appropriate arrangements with the holder, then the Company may require the holder (as a pre-condition to the issue of the underlying Shares on exercise of the Incentives) to enter into such arrangements with the Company as the Board considers appropriate to ensure that the issue of such Shares without disclosure does not contravene the fundraising provisions of the Corporations Act.
12. All Shares allotted on the exercise of any Incentives will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their allotment. If the Shares are quoted, the Company will apply to the ASX within a reasonable time after they are allotted for those Shares to be listed.

If the holder has not entered into the appropriate arrangements referred to in paragraph 11 above, then the Company may delay applying for listing of any Shares issued upon exercise of the Incentives for the period that it is unable to issue a notice under section 708A(5) of the Corporations Act.
13. Subject to paragraph 14, there will be no transfer restrictions on Shares allotted under the Plan unless the sale, transfer or disposal by the holder of the Shares issued to them on exercise of the Incentives (or any interest in them) would require the preparation of a disclosure document (as that term is defined in the Corporations Act). If a disclosure document is required, the holder will be required to enter into such arrangements with the Company as the Board considers appropriate to prevent the sale, transfer or disposal of the relevant Shares in a manner that would require a disclosure document to be prepared.
14. Unless the Board determines otherwise in its absolute discretion, Shares allotted upon exercise of the Incentives must not be sold, transferred or disposed of by the holder at any time whilst there is a Black-out Period in place. For these purposes, the Company Secretary will notify the holder:
 - (a) when a Black-out Period commences; and

- (b) when a Black-out Period has been lifted or, where the Black-out Period relates to a periodic reporting requirement (such as the release of the quarterly, half-yearly or annual reports), when such Black-out Period will be lifted.
15. If after the exercise of Incentives in accordance with these Incentive Terms, there are still Incentives on an Incentive Certificate that remain unexercised, the Company will issue a new certificate for the balance of the Incentives held by the holder and not yet exercised.

Rights to participate in dividends, Bonus Issues, Rights Issues, Reconstruction of Shares etc

16. The Incentives will not entitle the holder to any dividends (or Shares or rights in lieu of dividends) declared or issued by the Company.
17. (a) If Shares are issued pro rata to the Company's shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits, the holder of Incentives is entitled, upon exercise of the Incentives, to receive, in addition to the Shares in respect of which the Incentives are exercised and without the payment of any further consideration, an allotment of as many additional Shares as would have been issued to a shareholder who, on the date for determining entitlements under the bonus issue, held Shares equal in number to the Shares in respect of which the Incentives are exercised.
- (b) Additional Shares to which the holder of Incentives becomes so entitled will, as from the time Shares are issued pursuant to the bonus issue and until those additional Shares are allotted, be regarded as Shares comprised in the relevant Incentives and in respect of which the Incentives are exercised for the purposes of subsequent applications of paragraph 17(a), and any adjustments which, after the time just mentioned, are made under paragraph 18 to the number of Shares will also be made to the additional Shares.
18. If Shares are offered pro rata for subscription by the Company's shareholders generally by way of a rights issue, or there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, during the currency of and prior to exercise of any Incentives, the Incentives will be adjusted in any manner determined by the Board having regard to the Listing Rules and the general principle that the holder of the Incentives should not be materially advantaged or disadvantaged as a result of a corporate action (such as the rights issue or capital reconstruction).
19. Subject to paragraphs 17 and 18, during the currency of any Incentives and prior to their exercise, the holder is not entitled to participate in any new issue of securities of the Company as a result of their holding Incentives.

Treatment of Incentives on termination of employment

20. Set out below is a summary of the treatment of the Incentives following the termination of employment in accordance with the terms of the Plan (for full details see Rule 5 of the Plan):

Cause	Treatment of Incentives
Termination for ill health or death	May be exercised (in the case of ill health) by the holder, or (in the case of death) by the holder's personal representative, until the Incentives lapse
Termination for Cause (e.g. fraud, dishonesty, material breach of obligations)	Immediately lapse unless the Board determines otherwise
Termination by Consent (e.g. resignation)	May be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board, after which time the Incentives will automatically lapse
Redundancy, constructive dismissal, other termination by Company not dealt with above	May be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board, after which time the Incentives will automatically lapse

Takeovers, schemes of arrangement etc

21. If a Change of Control occurs, then the Board must (unless any Takeover Bid to which the Change of Control relates also includes an equivalent offer to the holder to acquire all or a substantial portion of their Incentives) notify the holder of the Change of Control.
22. The Board may also, in its absolute discretion, permit the exercise of Incentives during such period as the Board determines where:
- (a) the Company passes a resolution for voluntary winding up;
- (b) an order is made for the compulsory winding up of the Company; or
- (c) the Company passes a resolution in accordance with Listing Rule 11.2 to dispose of its main

undertaking.

23. If a company (**Acquiring Company**) obtains control of the Company as a result of:

- (a) a Takeover Bid;
- (b) a scheme of arrangement between the Company and its shareholders; or
- (c) a selective capital reduction,

and both the Company and the Acquiring Company agree, the holder may, upon exercise of his or her Incentives, elect to acquire and the Company may provide shares of the Acquiring Company or its parent in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the holder may exercise Incentives to acquire Shares, but with appropriate adjustments to the number and kind of shares subject to the Incentives, as well as to the Exercise Price.

Attorney

24. In consideration of being offered the Incentives, the holder:

- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an **attorney**), severally, as the holder's attorney to complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the holder which may be convenient or necessary for the purpose of giving effect to the provisions of these Incentive Terms;
- (b) covenants that the holder will ratify and confirm any act or thing done pursuant to this power;
- (c) releases each Group Company and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this paragraph 24; and
- (d) indemnifies and holds harmless each Group Company and the attorney in respect thereof.

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**ASCOT RESOURCES LIMITED
(ACN 146 530 378)**

PROXY FORM

I/We
of

being a shareholder of Ascot Resources Limited entitled to vote at the Extraordinary General Meeting, hereby appoint:

The Chairman of the Meeting (mark with an 'X') **OR**

(a) Write here the name of the person you are appointing if this person is someone other than the Chairman of this Meeting.

(b) or failing the person named (or if no person is named), the Chairman of the Meeting, or the Chairman's nominee, as my/our proxy to attend and vote on my/our behalf at the Extraordinary General Meeting of Ascot Resources Limited to be held at 9.30am (Perth time) on Thursday, 4 July 2013 at QV. 1 Conference Centre, Level 2, 250 St George's Terrace, Perth, Western Australia 6000 and at any adjournment or postponement thereof.

I/We acknowledge that Resolutions 5, 6 and 7 relate to the remuneration of key management personnel, and that the Chairman intends to vote any undirected proxies **in favour** of Resolutions 5, 6 and 7. Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default), I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Resolutions 5, 6 and 7 in favour of those Resolutions (except where I have indicated a different voting intention below) even though such Resolutions are connected directly or indirectly with the remuneration of a member of the key management personnel, which includes the Chairman of the Meeting.

Important Note: For Resolution 5, this express authority is also subject to you marking the box in the section below.
Voting on Resolution 5

If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Resolution 5, please place a mark in the box in this section. By marking this box, you acknowledge that the Chairman may exercise your proxy even if the Chairman has an interest in the outcome of Resolution 5 and that votes cast by the Chairman other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on Resolution 5, the Chairman will not cast your votes on Resolution 5 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 5.

Voting on Business of the Extraordinary General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Ratification of prior Share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Approval to convert Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Approval to issue Shares in lieu of interest payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of proposed Share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval of issues under Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Approval of grant of Executive Incentives to Mr Andrew Caruso	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Ratification of prior grant of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark abstain for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

The Chairman of the Meeting intends to vote all available proxies in favour of all Resolutions.

PLEASE SIGN HERE

This section must be signed in accordance with the instructions overleaf for your directions to be implemented.

Dated this _____ day of _____ 2013

Individual or Shareholder 1

Sole Director and Sole Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

ASCOT RESOURCES LIMITED
ACN 146 530 378

Instructions for Completing Proxy Form

1. **(Appointing a Proxy):** A member entitled to attend and cast a vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy may be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. Any fraction of votes will be disregarded. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Please refer to the proxy form for further instructions on how to vote. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided 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, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Extraordinary General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Extraordinary General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Extraordinary General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - a) post to Ascot Resources Limited at 512 Hay Street, Subiaco, Western Australia 6008; or
 - b) facsimile to the Company on facsimile number (+61) 8 9380 6440; or
 - c) email to admin@ascotresources.com.

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.