



**ASCOT RESOURCES LIMITED
ACN 146 530 378**

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 9.30am (Perth time)
DATE: 14 March 2016
PLACE: BDO, 38 Station St, Subiaco, Western Australia

IMPORTANT INFORMATION

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 contact the Company Secretary on (+61 8) 9381 4534

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NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders will be held at 9.30am (Perth time) on 14 March 2016 at BDO, 38 Station Street, Subiaco Western Australia 6008.

SPECIAL BUSINESS

Resolution 1 – Approval for the issue of Shares to Resource Capital Fund V L.P. (RCF V)

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

“That for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for RCF V and its Associates to increase their voting power in the Company to a maximum of 31.00% on the terms set out in the Explanatory Memorandum.”

Voting Exclusion Statement: Ascot will disregard any votes cast on this Resolution by RCF V and its Associates. However, Ascot need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by BDO Corporate Finance (WA) Pty Ltd accompanying the Explanatory Memorandum as Annexure A. The Independent Expert’s Report comments on the fairness and reasonableness of the proposed issues to RCF and has determined that the issue of shares to RCF up to a maximum of 31.00% is **fair and reasonable** to non-associated Shareholders.

EXPLANATORY STATEMENT

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.

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

ENTITLEMENT TO VOTE

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders at 5.00pm (Perth time) on 10 March 2016.

PROXIES

Appointing a proxy

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 Ltd, c/- Security Transfer Registrars, PO Box 535, Applecross, Western Australia 6953; or
- (b) facsimile to (+61 8) 9315 2233; or
- (c) email to registrar@securitytransfer.com.au

To be valid, properly completed proxy forms must be received by the date and time specified in the proxy form accompanying this Notice of 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.

Transfer of Non-Chairman proxy to Chairman in certain circumstances

Section 250BC of the Corporations Act provides that, if all of the following criteria (a) to (d) are met:

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

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

Corporate Representative

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.

By order of the Board

Chris Foley
Company Secretary

DATED: 8 February 2016

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at an Extraordinary General Meeting to be held at 9.30am (Perth time) on 14 March 2016 at BDO, 38 Station Street, Subiaco, Western Australia 6008.

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 Resolution in the Notice of Meeting.

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

The Board recommends that Shareholders vote in favour of the Resolution.

The Chairman of the meeting intends to vote undirected proxies in favour of the Resolution.

SPECIAL BUSINESS

Resolution 1 – Approval for the issue of Shares to Resource Capital Fund V L.P. (RCF V)

(a) Background

Shareholders are asked to consider a resolution to approve the issue of Shares to RCF V which, if all of the Shares that could be issued, are issued, will result in the voting power of RCF V and its Associates in the Company increasing to 31.00%.

On 17 May 2013 the Company issued an unsecured loan note to RCF V (**May 2013 Note**) to raise \$1.22 million.

The terms of the May 2013 Note are detailed in the Notice of Extraordinary General Meeting dated 29 May 2013. At the extraordinary general meeting of Shareholders held on 4 July 2013 to consider the resolutions in that Notice, Ascot shareholders approved resolutions:

- a. Authorising the May 2013 Note to be convertible into Shares; and
- b. Authorising the issue of Shares in satisfaction of interest payable under the May 2013 Note.

On 17 December 2013 the Company issued a second unsecured loan note to RCF V (**December 2013 Note**) to raise \$400,000.

On 18 March 2014 the Company announced that it had entered into an agreement to acquire the Wonmunna Project from Ochre Group Holdings Ltd and that RCF V had agreed to invest A\$5m in the Company at \$0.25 per Share (subject to final due diligence).

On 4 September 2014, the Company and RCF V executed a Placement Agreement pursuant to which RCF V agreed to subscribe for 20m Shares (at an issue price of \$0.25 each) in two tranches. The first tranche of 18,803,235 Shares (**Tranche 1 Shares**) was issued to RCF V on completion of the acquisition of the Wonmunna Project which occurred on 22 September 2014.

Following the issue of the Tranche 1 Shares, RCF V and its Associates held a voting interest in Ascot of 19.99%. As the issue of any of:

- The Tranche 2 Shares (comprising 1,196,765 Shares) to RCF V under the Placement Agreement;
- The issue of Shares in lieu of interest payable under the Convertible Notes; or
- The issue of Shares on the conversion of the Convertible Notes,

would have resulted in the voting interest of RCF V and its Associates in the Company exceeding 20%, at the Company's Annual General Meeting on 27 November 2014, the approval of Shareholders was sought

and obtained to permit the Company to issue Shares that would result in RCF V and its Associates increasing their voting power in the Company to 25.07% (**Approved Percentage**).

Both the May 2013 Note and the December 2013 Note were originally due to mature on 17 May 2015. Prior to the maturity date of the December 2013 Note, RCF V elected to convert the amount outstanding under the December 2013 Note into Shares.

In addition, RCF V and the Company have agreed:

- to extend the maturity date of the May 2013 Note until 30 June 2016 (**Maturity Date**);
- the number of Shares to be issued in satisfaction of interest for the December 2015 quarter, being 916,653 Shares;
- a price per Share of \$0.10 for the issue of Shares in lieu of interest following the delisting of the Company on 24 December 2015; and
- to amend the conversion price under the May 2013 Note from \$0.36 per Share to \$0.10 per Share (noting that the Company undertook a 1 for 2 share consolidation in May 2014).

As at the date of this Notice, following the issue of Shares to RCF V under the Placement Agreement, on conversion of the December 2013 Note and in satisfaction of interest due under the Convertible Notes up to and including 31 December 2015, RCF V's interest in the Company is 24.57% which is approaching the limit of the Approved Percentage.

If all of the Shares that could be issued in satisfaction of interest and on conversion of the May 2013 Note up to the maturity date of 30 June 2016, are issued, the voting power of RCF V and its Associates in the Company would increase to 31.00% (**Maximum Percentage**).

The Maximum Percentage is based upon several assumptions outlined in **Schedule 1** - the actual level of voting power that may be obtained by RCF V and its Associates may be lower depending upon future capital raisings undertaken by the Company.

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting securities in a public company if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf of, the person and because of that transaction, that person's or someone else's voting power increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% to below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) of the Corporations Act. The exception provides that a person may acquire a relevant interest in a company's voting shares that would otherwise breach section 606(1) of the Corporations Act if shareholders of the company approve the transaction.

The Company is seeking the approval of Shareholders under Resolution 1 to enable the Company to issue Shares in satisfaction of interest and on conversion of the May 2013 Note in circumstances which would otherwise be prohibited, being that the voting power of RCF V (and its Associates) would increase from a starting point that is above 20% to below 90%. The Company is seeking the approval of Shareholders to issue Shares to RCF V (and its Associates) up to the Maximum Percentage.

The Board believes that the continued support of RCF V (and its Associates) as a strategic cornerstone investor in Ascot is beneficial to all Shareholders.

(b) Independent Expert's Report

To assist Shareholders in deciding how to vote on Resolution 1, the Board has engaged BDO Corporate Finance (WA) Pty Ltd (**BDO**) to prepare an Independent Expert's Report (**IER**). The IER opines on whether or not the issue of Shares under the May 2013 Note is 'fair and reasonable' to Shareholders who are not associated with RCF V.

For the purposes of the IER, BDO commissioned CSA Global Pty Ltd to carry out a technical valuation of the Wonmunna Project and HDR Corporation Pty Ltd to carry out a technical valuation of Ascot's Titiribi Coal Project in Colombia (**Technical Reports**).

The Independent Expert's Report has been prepared in order to satisfy the requirements for Shareholder approval under item 7 of section 611 of the Corporations Act.

BDO has concluded that the potential issue of Shares is **fair and reasonable** to the Company's Shareholders (excluding any Shareholder associated with RCF V). Under ASIC guidance, in essence, the 'fairness' assessment by BDO in respect of the transaction set out in this Notice is based solely on a financial comparison of the consideration received by the Company against the value of shares to be acquired, while an assessment of 'reasonableness' is based on all relevant circumstances.

Complete copies of the IER and the Technical Reports are provided with the Notice of Meeting and are also available on the Company's website at www.ascotresources.com. Shareholders who have received a copy of this Notice electronically may request a hard copy of the IER and the Technical Reports from the Company at no cost by contacting the Company by telephone on +61 8 9381 4534.

BDO has consented to the use of their Independent Expert's Report, and the opinion which it contains, in the form and context used in the Notice of Meeting and this Explanatory Memorandum.

CSA Global and HDR have each consented to the use of their respective Technical Reports in the form and context used in the Notice of Meeting and this Explanatory Memorandum.

(c) Directors' recommendation

The Board (other than Mr Corbett, who is associated with RCF V and has therefore decided not to make a recommendation) approved the proposal to put Resolution 1 to Shareholders and intend to vote those Shares which they hold in favour of Resolution 1. Those Directors also recommend that Shareholders vote in favour of Resolution 1.

The Board has made this recommendation due to the strategic benefits that the relationship with RCF V brings.

(d) The issue of Shares under the May 2013 Note

The circumstances under which the Company may issue Shares to RCF V under the May 2013 Note are:

- (i) Satisfaction of interest – the Company may elect to satisfy interest payments due under the May 2013 Note by the issue of shares, a combination of shares and cash or cash only. If the Company elects to issue shares the number of shares to be issued will depend on the amount of interest payable. Given that the Company is no longer listed on the ASX, the issue price of the shares in satisfaction of interest is a fixed conversion price of \$0.10 per Share (or such other Share price as may be agreed between the Parties).
- (ii) Conversion of Notes – the May 2013 Note may be converted by RCF V at any time up to the Maturity Date. The number of Shares to be issued on conversion is calculated by dividing the amount outstanding under the May 2013 Note at the time of conversion by a fixed conversion price of \$0.10 per Share.

Assuming a fixed conversion price of \$0.10 per Share, the issue of Shares in satisfaction of interest up to the Maturity Date of 30 June 2016 and on conversion of the May 2013 Note on the Maturity Date will result in the voting power of RCF V and its Associates in the Company increasing to the Maximum Percentage.

(e) Advantages if Resolution 1 is approved

The key advantages to Shareholders if Resolution 1 is approved are:

- The issue of Shares in lieu of interest payments under, or on conversion of, the May 2013 Note, will preserve the Company's cash resources which may be used to progress the development of the Company's projects.
- The continued involvement of RCF V as a strategic investor in the Company.
- The conversion of the May 2013 Note would increase RCF V's overall interest in the Company which would generally be expected to further incentivise RCF V to work towards the future success of the Company.

(f) Disadvantages if the Resolution is approved

RCF V will obtain increased voting power in the Company. The percentage voting power of Shareholders who are not associated with RCF V will be reduced if and when Shares are issued in lieu of interest payments under, or on conversion of, the May 2013 Note. As a consequence:

- RCF V may have a greater degree of influence over the Board.
- RCF V's significant shareholding may reduce any takeover premium being factored into the price of Shares.
- RCF V's fully diluted equity interest may discourage other investors from acquiring further Shares, which may result in a decrease in liquidity of Shares.

Shareholders should further consider the IER from BDO included with this Notice for other relevant advantages and disadvantages of the Resolution and the impact this may have on their shareholding.

(g) Financial impact if Resolution 1 is approved

If Resolution 1 is approved by Shareholders, Shares are issued in lieu of all interest payments under the May 2013 Note and RCF V elects to convert the May 2013 Note to Shares, there will be a decrease of \$1.3 million in the current liabilities of the Company (being the total of the principal and interest payable under the May 2013 Note if resolution 1 is not approved). The conversion of the May 2013 Note is at the election of RCF V and there is no obligation on RCF V to convert the May 2013 Note.

(h) Financial impact if Resolution 1 is not approved

On the Maturity Date the Company will be required to pay the principal outstanding under the May 2013 Note totalling \$1.22 million. This cash payment would reduce the Company's cash reserves by a total of \$1.22 million. It could also potentially require the Company to consider alternative sources of finance that may include a potentially dilutive capital raising or third party finance. There is no guarantee that the Company would be able to raise sufficient funds through either process or that any funds raised would be on favourable terms.

(i) RCF V's intentions regarding the Company

RCF V has confirmed that it has no intention to:

- make any change to the business of the Company;

- inject any further capital into the Company, however RCF V will continue to monitor the financial position of the Company and reserves the right to inject further capital into the Company should it be required, subject to any required Shareholder approvals;
- make changes to the Company's existing employees;
- transfer any of the Company's assets between the Company and RCF V or its Associates;
- redeploy any of the Company's fixed assets;

The statements set out above are statements of RCF V's current intention only and may vary as new information becomes available or circumstances change. RCF V has provided the Company with the information above to assist it to meet its obligations under ASIC Regulatory Guide 74.

The Company takes no responsibility for any omission from, or any error or false or misleading statement in this section.

(j) Reasons for seeking shareholder approval

Corporations Act

As illustrated in **Schedule 1** below, RCF V's voting power in the Company may increase from a starting point of over 20% to the Maximum Percentage pursuant to the issue of Shares under the May 2013 Note.

The Company is seeking the approval of Shareholders under Resolution 1 for the purposes of item 7 of section 611 of the Corporations Act to ensure that the Company may issue Shares to RCF V in accordance with the terms of the May 2013 Note, irrespective of whether this would increase the voting power of RCF V and its Associates in the Company from a starting point that is above 20% voting power threshold.

Based on the information available, including that contained in this Explanatory Memorandum all of the Directors (except for Mr Corbett who due to his relationship with RCF V expresses no view on Resolution 1) consider that Resolution 1 is in the best interests of the Company and recommend Shareholders vote in favour of Resolution 1.

(k) Additional information required by the Corporations Act and ASIC Regulatory Guide

For the exemption in item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that is material to the decision of how to vote on the resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to Shareholders in these circumstances.

In addition to the information already outlined above and the Independent Expert's Report, the following information is provided to Shareholders in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 in relation to the Resolution.

(l) Details regarding RCF V

The Company will issue Shares to RCF V in accordance with the terms of the May 2013 Note.

Resource Capital Funds (RCF) is a group of commonly managed private equity funds, established in 1998 with a mining sector specific investment mandate spanning all hard mineral commodities and geographic regions. Since inception, RCF has supported 143 mining companies, with projects located in 45 countries and across 29 commodities. The sixth fund, Resource Capital Fund VI L.P. (RCF VI) with

committed capital of \$2.04 billion, is now being invested. Further information about RCF can be found on its website (www.resourcecapitalfunds.com).

RCF has a strong team of investment professionals, with wide ranging industry and technical expertise and a demonstrated history of investments in mining globally. RCF's track record is based on its ability to pick technically and commercially compelling assets and support management to achieve desired outcomes whilst remaining throughout a source of patient capital. RCF aims to partner with companies to build strong, successful and sustainable businesses and in doing so strives to earn superior returns for all shareholders.

RCF V is regarded as a foreign person and as such has sought and obtained a no objection letter from the Foreign Investment Review Board in relation to its current shareholding. RCF V has notified the Company that it intends to seek another no objection letter in relation to any increased shareholding it may obtain in the Company.

RCF V is represented on the Board by Mr Chris Corbett.

(m) Effect on the voting power of RCF V and its Associates

Schedule 1 sets out the indicative number of Shares that RCF V and its Associates will acquire in the Company and the corresponding effect on its voting power and the capital structure of the Company (on the basis of the assumptions set out in the notes) as a result of the various share issues contemplated under the May 2013 Note.

By way of summary (please refer to **Schedule 1** for a more detailed analysis):

- As at the date of this Explanatory Memorandum, RCF V and its Associates hold 34,364,337 Shares which equates to voting power of 24.57% (which includes the Shares issued in lieu of interest on the May 2013 Note in respect of the quarter ending 31 December 2015).
- Assuming that all Shares issued under the May 2013 Note are issued for a price of \$0.10 per Share, the voting power of RCF V and its Associates could increase to a maximum of 31.00% by the issue of Shares in lieu of interest payments under the May 2013 Note and, the conversion of the May 2013 Note.

Accordingly, under Resolution 1, Shareholders are being asked to approve the potential for RCF V and its Associates to increase their voting power in Ascot up to the Maximum Percentage by the issue of Shares in lieu of interest payments under the May 2013 Note and the conversion of the May 2013 Note.

Regardless of any change in the circumstances relevant to the May 2013 Note, the issue of shares in lieu of interest payments under the May 2013 Note and the conversion of the May 2013 Note will be valid, provided that the voting power of RCF V and its Associates remains below the Maximum Percentage.

If circumstances change and the voting interest of RCF V and its Associates increases as a result of an acquisition of Shares other than under the May 2013 Note (e.g. by way of taking up its rights under a rights issue), if Resolution 1 is approved, this will not affect the right for RCF V and its Associates to increase their voting power in the Company up to the Maximum Percentage.

In other words, the interest of RCF V and its Associates must not exceed the Maximum Percentage (without further Shareholder approval) but how they obtain Shares up to the Maximum Percentage is irrelevant – it can be through Shares issued under the May 2013 Note or otherwise.

If Resolution 1 is passed, the Company will include a statement in subsequent Annual Reports reminding Shareholders of the approval granted to RCF V and its Associates to increase their voting power in the Company to the Maximum Percentage.

(n) Details of other relevant agreements between RCF V and its Associates, and Ascot, that are conditional on Shareholder approval

There are no contracts or proposed contracts between RCF V (or any of its Associates) and the Company that are conditional on, or directly or indirectly dependent on, Shareholder approval of the issue of Shares to RCF V under the May 2013 Note.

(o) Interests of Directors

Other than Mr Corbett, whose employer is an RCF entity, no Director has any interest in the May 2013 Note.

(p) Nominee Directors

RCF V's current intention is that Mr Corbett will remain as RCF V's representative on the Board.

Mr Corbett joined Resource Capital Funds in 2008 after working as a financial analyst and commercial manager within the business development department at Wesfarmers Limited. Prior to this he worked as an engineer for Byrnescut Mining Pty Ltd where he gained technical experience in shaft sinking and equipping and underground mine development and production. Mr. Corbett has a B.Eng. (Mech, First Class Honors) and a B.Comm. from the University of Western Australia, Grad. Dip. in Mining from the Western Australian School of Mines and a Grad. Dip. in Applied Finance and Investment from FINSIA. Mr. Corbett also serves on the Board of Directors of portfolio company Wolf Minerals Ltd.

Other than his association with RCF V and its Associates, Mr Corbett has no current association with the Company.

(q) ASIC's role

The fact that the accompanying Notice of Meeting, this Explanatory Memorandum and other relevant documentation has been received by ASIC is not to be taken as an indication of the merits of the Resolution or the Company. ASIC and its respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

(r) Other information

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum or the Independent Expert's Report that would be relevant to Shareholders in deciding how to vote on the Resolution.

GLOSSARY

\$ means Australian dollars.

Approved Percentage has the meaning given in section (a) Background to Resolution 1 of this Explanatory Statement.

Associate has the meaning given in section 12 of the Corporations Act.

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

BDO means BDO Corporate Finance (WA) Pty Ltd.

Board means the current board of directors of the Company.

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

Convertible Notes means the May 2013 Note and the December 2013 Note.

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

Constitution means the Company's constitution.

CSA Global means CSA Global Pty Ltd.

December 2013 Note means a loan note agreement dated 17 December 2013 as amended by amendment deeds dated 22 April 2014 and 12 September 2014 between the Company and RCF V.

Director means a current director of the Company.

Explanatory Statement means this explanatory statement.

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

HDR means HDR Corporation Pty Ltd.

Independent Expert's Report means the report by BDO accompanying this Notice.

Maximum Percentage has the meaning given in section (a) Background to Resolution 1 of this Explanatory Statement.

May 2013 Note means a loan note agreement dated 16 May 2013 as amended by amendment deeds dated 10 June 2013, 12 September 2014, 17 May 2014 and 22 September 2015 between the Company and RCF V.

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

Placement Agreement means an agreement dated 4 September 2014 made between the Company and RCF V for the issue of 20m fully paid ordinary shares in the Company (being the total of the Tranche 1 Shares and the Tranche 2 Shares) at an issue price of \$0.25 per share.

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

RCF V means Resource Capital Fund V L.P.

Resolution means the resolution set out in the Notice of Meeting.

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

Shareholder means a holder of a Share.

Technical Reports means the reports of CSA Global and HDR in relation to the assets of the Company accompanying this Notice.

Tranche 1 Shares has the meaning given in section (a) Background to Resolution 1 of this Explanatory Statement.

Wonmunna Project is the iron project of the Company and is more fully detailed in the Technical Reports.

Schedule 1 – Effect of Share Issues on the Voting Power of RCF V and its Associates

The table below illustrates how RCF V and its Associates may reach the Maximum Percentage of 31.00%, which Shareholders are being asked to approve, by the issue of shares in lieu of interest payable under and conversion of the May 2013 Note. This table is based upon several variables and assumptions (listed in the explanatory notes and assumptions below) which in practice may not remain constant throughout the life of the May 2013 Note. Accordingly, the actual number of Shares that may be issued to RCF V under the May 2013 Note may differ from the numbers set out below. However, the Maximum Percentage voting power that RCF V and its Associates can reach will remain fixed despite any variation from assumed figures and circumstances.

As at the date of the Notice of Meeting of which this Explanatory Memorandum forms part (**Relevant Date**) RCF V and its Associates had a relevant interest in 34,364,337 Shares, representing 24.57% of the issued share capital of the Company.

1. Maximum Potential Voting Power if May 2013 Note converted, all interest payments satisfied by issue of Shares	Number of Shares
Shareholding of RCF V and its Associates as at the Relevant Date ¹	34,364,337
Payment of all interest on the May 2013 Note (up until 30 June 2016) ²	851,660
Upon conversion of the Principal Outstanding under the May 2013 Note ³	12,200,000
Relevant interest in Shares held by RCF V and its Associates as at Maturity Date	47,415,997
Total number of share outstanding following issues to RCF	152,937,133
Maximum potential voting power of RCF V and its Associates⁴	31.00%

2. Potential Voting Power on Conversion of Principal Outstanding under May 2013 Note only	Number of Shares
Shareholding of RCF V and its Associates as at the Relevant Date ¹	34,364,337
Upon conversion of the Principal Outstanding under the May 2013 Note ³	12,200,000
Relevant interest in Shares held by RCF V and its Associates on Conversion of Principal Outstanding under May 2013 Note only	46,564,337
Total number of share outstanding following issues to RCF	152,085,473
Voting power⁴	30.62%

3. Potential voting power on payment of all interest on May 2013 Note (up until 30 June 2016) only	Number of Shares
Shareholding of RCF V and its Associates as at the Relevant Date ¹	34,364,337
Payment of all interest on the May 2013 Note (up until 30 June 2016) by issue of shares ²	851,660

Relevant interest in Shares held by RCF V and its Associates on payment of all interest on May 2013 Note (up until 30 June 2016) only	35,215,997
Total number of share outstanding following issues to RCF	140,737,133
Voting Power⁴	25.02%

Explanatory notes and assumptions

1. Reference to 'Shares held' refers to Shares in which RCF V and its Associates have a relevant interest (in accordance with the Corporations Act 2001) known to the Company at the Relevant Date.
2. Assumes that the Company elects to issue Shares in lieu of payment of interest and the price for calculating the number of interest Shares to be issued will be A\$0.10.
3. Assumes that RCF V elects to convert the May 2013 Note into Shares at the Maturity Date at the conversion price of A\$0.10 per Share.
4. Assumes no Shares issued by the Company other than pursuant to the May 2013 Note.

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