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**STRATUM METALS LIMITED****ABN 90 147 867 301****NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY  
STATEMENT**

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**TIME: 11:00am AEDT****DATE: Friday 29 November 2013****PLACE: Stratum Metals Limited  
Level 7, 151 Macquarie Street  
SYDNEY NSW 2000**

*This Notice of Meeting and Explanatory Statement 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 (08) 9481 0389.*

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### ***VENUE***

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The Annual General Meeting of the Shareholders of Stratum Metals Limited which this Notice of Meeting relates to will be held at 11:00am AEDT on Friday, 29 November 2013 at:

<p><b>Stratum Metals Limited</b> <b>Level 7, 151 Macquarie Street</b> <b>SYDNEY NSW 2000</b></p>
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### ***YOUR VOTE IS IMPORTANT***

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

### ***VOTING IN PERSON***

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

### ***VOTING BY PROXY***

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To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) send the proxy form by post to Stratum Metals Limited, GPO Box 2517, Perth WA 6831;  
or
- (b) send the proxy form by facsimile to the Company on facsimile number (08) 9463 6103,  
so that it is received not later than 11.00am AEDT on Wednesday, 27 November 2013.

#### **Proxy forms received later than this time will be invalid.**

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

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

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## NOTICE OF ANNUAL GENERAL MEETING

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

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

Further details on these changes are set out below.

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

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

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

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

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

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

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

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders of Stratum Metals Limited will be held at Stratum Metals Limited, Level 7, 151 Macquarie Street, SYDNEY NSW 2000 at 11.00am AEDT on Friday, 29 November 2013.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at the close of business on 27 November 2013.

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

### **AGENDA**

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#### **Reports and Accounts**

To receive the financial report of the Company for the year ended 30 June 2013, together with the Directors' report and the auditor's report.

#### **Ordinary Resolution 1 – Adoption of Remuneration Report (Non-binding)**

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

*"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2013."*

**Short Explanation:** The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's annual general meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

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

#### **Voting Prohibition Statement:**

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

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

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

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

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## NOTICE OF ANNUAL GENERAL MEETING

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### Ordinary Resolution 2 – Re-election of Mr Richard Anthon

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

*"That, Mr Richard Anthon, being a Director, retires in accordance with clause 11.5 of the Constitution and, being eligible for re-election, is hereby re-elected as a Director."*

### Special Resolution 3 - Approval for Additional Placement Capacity

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

*"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue and allotment of Equity Securities totaling up to 10% of the number of ordinary Shares on issue by way of placements over a 12 month period, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2; and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and any person who might gain a benefit, other than a benefit solely in the capacity of an ordinary security holder, from the passing of Resolution 3 and any associates of those persons.

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 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.

### Ordinary Resolution 4 – Appointment of Auditor to fill vacancy

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

*"That, for the purposes of section 327B of the Corporations Act and for all other purposes, Bentleys Brisbane (Audit) Pty Ltd having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor, be appointed as auditor of the Company with effect from the close of the Meeting."*

### Ordinary Resolution 5 - Ratification of the issue of Convertible Notes and Shares upon Conversion of the Convertible Notes

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

*"That in accordance with the provisions of ASX Listing Rule 7.4 and for all other purposes, the issue of 705,000 Convertible Notes (**Convertible Notes**) collectively to Man Holdings Pty Ltd, Resource Assets Pty Ltd, Chifley Portfolios Pty Ltd, RNAJ Pty Ltd, Albiano Holdings Pty Ltd ATF Pantheon Family AC, Limits Pty Ltd ATF Duncan Gamble Family AC, Gurney Pty Limited, Bedar Holdings Pty Limited ATF The Andrew R Pierce Superannuation Fund, LSAF Holdings ATF <Owen Family AC>(being investors who fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act 2001) (**Investors**), be approved."*

### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any Investors or a Closely Related Party of an Investor.

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## NOTICE OF ANNUAL GENERAL MEETING

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

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

### **Ordinary Resolution 6 - Approval of the issue of Convertible Notes and Shares upon Conversion of the Convertible Notes, to Mountain Gold International Limited**

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

*"That in accordance with the provisions of ASX Listing Rule 7.1 and for all other purposes, the Company is hereby authorised to issue 1,350,000 Convertible Notes (**Convertible Notes**) to Mountain Gold International Limited (being an investor who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act 2001)."*

#### **Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of Mountain Gold International Limited or a Closely Related Party of Mountain Gold International Limited.

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

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

### **Ordinary Resolution 7 - Approval of the issue of Convertible Notes and Shares upon Conversion of the Convertible Notes, to Namibia Pty Ltd ATF <Anthon Family Super Fund>**

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

*"That in accordance with the provisions of ASX Listing Rule 7.1, ASX Listing Rule 10.11 and for all other purposes, the Company is hereby authorised to issue 50,000 Convertible Notes to Namibia Pty Ltd ATF <Anthon Family Super Fund> being an investor who falls within one or more of the classes of exemptions specified in Section 708 of the Corporations Act 2001)."*

#### **Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of Namibia Pty Ltd ATF <Anthon Family Super Fund> or a Closely Related Party of Namibia Pty Ltd ATF <Anthon Family Super Fund>.

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

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

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## NOTICE OF ANNUAL GENERAL MEETING

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### Ordinary Resolution 8 – Election of Mr John Shepherd

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**, subject to Resolution 6 being passed:

*“That, Mr John Shepherd, who has consented to being a Director, is hereby elected as a Director.”*

**DATED: 24 OCTOBER 2013**

**BY ORDER OF THE BOARD**



**MARTIN HOLLAND  
MANAGING DIRECTOR  
STRATUM METALS LIMITED**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of Stratum Metals Limited to be held at Stratum Metals Limited, Level 7, 151 Macquarie Street, SYDNEY NSW 2000 at 11.00am AEDT on Friday, 29 November 2013.

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 (of which this Explanatory Statement forms a part).

### FINANCIAL STATEMENTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

### ORDINARY RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution to Shareholders that the remuneration report be adopted at the Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2014 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2013 annual general meeting. All of the Directors who were in office when the Company's 2013 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 2012.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### ORDINARY RESOLUTION 2 – RE- ELECTION OF MR RICHARD ANTHON

In accordance with Listing Rule 14.4 and Clause 11.3 of the Constitution, at every annual general meeting, one third of the Directors for the time being must retire from office by rotation and are eligible for re-election. The Directors to retire are those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

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## EXPLANATORY STATEMENT

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Mr Richard Anthon retires by rotation at this meeting and, being eligible, offers himself for re-election.

Details regarding Mr Richard Anthon are set out in the 2013 Annual Report.

The Directors, other than Mr Richard Anthon recommend the re-election of Mr Richard Anthon.

### **SPECIAL RESOLUTION 3 - APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY**

#### **3.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 3.2 below).

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

#### **3.2 ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- is not included in the S&P/ASX 300 Index; and
- has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$5,275,239

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of quoted Equity Securities on issue, being the Shares.

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The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A** = the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under ASX Listing Rule 7.1 or 7.4;
  - (iv) less the number of Shares cancelled in the previous 12 months.
- B** = 10%.
- C** = the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

### 3.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

#### Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 3.3(a)(i), the date on which the Equity Securities are issued.

#### Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of the Annual General Meeting; and

## EXPLANATORY STATEMENT

- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

### Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Number of Shares issued under 10% Placement Capacity	Funds raised based on issue price of \$0.04 (50% decrease in current share price)	Funds raised based on issue price of \$0.08 (Current share price)	Funds raised based on issue price of \$0.16 (100% increase in current share price)
63,440,485 (Current)	6,344,049	\$253,762	\$507,524	\$1,015,048
95,160,727 (50% increase)*	9,516,073	\$380,643	\$761,286	\$1,522,572
126,880,970 (100% increase)*	12,688,097	\$507,524	\$1,015,048	\$2,030,096

\*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

#### The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 16 October 2013.
2. The issue price set out above is the closing price of the Shares on the ASX on 16 October 2013.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

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## EXPLANATORY STATEMENT

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4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration, in which case the Company intends to use funds raised for exploration of the Canning Basin Project and current gold project and potentially the funding for any suitable acquisition opportunities identified by the Board; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the allocation policy and on determination of the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the Company's circumstances, including, but not limited to, its financial position and solvency;

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## EXPLANATORY STATEMENT

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- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

### Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained approval under ASX Listing Rule 7.1A on 2 November 2012.

The Company issued and ratified 4,115,000 securities issued under listing rule 7.1A in the 12 month period following approval. The securities issued under this capacity were issued as part of a placement for cash consideration of \$0.25 per security, with the funds raised being applied to Menzies Goldfield acquisition and exploration costs. As at 2 November 2012, the Company had 41,150,003 fully paid ordinary securities on issue, and the securities placed under listing rule 7.1A represent 10% of the undiluted issued capital at the date the 7.1A capacity was approved. The securities issued under this approval represent 6.5% of the undiluted issued capital as at 16 October 2013.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Annexure B.

### Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

### RESOLUTION 4 – APPOINTMENT OF AUDITOR TO FILL VACANCY

Bentleys Audit & Corporate (WA) Pty Ltd, which is the Company's current auditor, has given notice of its intention to resign as auditor of the Company to ASIC (under section 329(5) of the Corporations Act).

Upon receipt of ASIC's consent to their resignation, Bentleys Audit & Corporate (WA) Pty Ltd has advised that it will submit a notice of resignation to the Company in accordance with section 329(5) of the Corporations Act, such resignation to take effect from the date of the Meeting.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a Shareholder for Bentleys Brisbane (Audit) Pty Ltd to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure A.

Bentleys Brisbane (Audit) Pty Ltd has given its written consent to act as the Company's auditor, subject to Shareholder approval and the resignation of Bentleys Audit & Corporate (WA) Pty Ltd.

If Resolution 4 is passed, the appointment of *Bentleys Brisbane (Audit) Pty Ltd* as the Company's auditors will take effect from the close of the Annual General Meeting.

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## EXPLANATORY STATEMENT

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### RESOLUTION 5 – RATIFICATION OF THE ISSUE OF CONVERTIBLE NOTES

On 3 September 2013 the Company announced the issue of Convertible Notes. An issue of securities made without specific approval under ASX Listing Rule 7.1 is treated as having been made with such approval if the original issue did not breach ASX Listing Rule 7.1 and is subsequently approved by ordinary Shareholders pursuant to the provisions of Listing Rule 7.4.

The original issue did not breach ASX Listing Rule 7.1 and Shareholder approval is now sought pursuant to ASX Listing Rule 7.4 to refresh the Company's 15% equity placement limit under Listing Rule 7.1.

A summary of the terms and conditions of the Convertible Notes is set out below. The full Conditions are extracted in Schedule 1.

Pursuant to the provisions of ASX Listing Rule 7.5, the following information is supplied to Shareholders in respect of this Resolution 5:

<b>Number of Securities to be allotted:</b>	705,000 unsecured fixed rate Convertible Notes, convertible into ordinary fully paid shares in the Company.
<b>Price at which the Securities will be issued:</b>	The Convertible Notes have a face value of \$1.00 per note.
<b>Terms of the Securities:</b>	<p>Convertible Notes shall be convertible at any time during the term of the Convertible Note Deed at the election of the Convertible Noteholder provided that no conversion is permitted within 60 days of the Issue Date.</p> <p>The Convertible Notes attract an interest rate of 8% p.a. on the principal amount of the Convertible Notes payable half yearly in arrears.</p> <p>On conversion of the Convertible Notes, Shares will be issued at the lesser of a 20% discount to the 15 day volume weighted average trading price calculated over the last 15 trading days prior to the relevant conversion date (<b>VWAP</b>), or 12 cents per Share.</p> <p>If the Convertible Notes are converted at 12 cents per Share, they will convert into a maximum of 5,875,000 Shares.</p> <p>If, however, the Convertible Notes are converted at a 20% discount to the VWAP they will convert into a maximum of:-</p> <p>(a) 10,601,504 Shares based on a VWAP on 24 October 2013 of \$0.083 (the discounted VWAP being \$0.0665);</p> <p>(b) 10,761,928 Shares based on the lowest average VWAP within the last 12 months of \$0.082 (the discounted VWAP being \$0.066); and</p>

	<p>(c) 2,527,964 Shares based on the highest average VWAP within the last 12 months of \$0.349 (the discounted VWAP being \$0.279).</p> <p>The Convertible Notes may be redeemed by the Company at any time between 60 days after the Issue Date and before the Repayment Date.</p> <p>The Convertible Notes have a maturity date of:-</p> <p>(a) that date which is 12 months from the Issue Date; and</p> <p>(b) any other date agreed between the Company and the Noteholder.</p>
<b>Name of the allottees:</b>	<p>Man Holdings Pty Ltd;</p> <p>Resource Assets Pty Ltd;</p> <p>Chifley Portfolios Pty Ltd;</p> <p>RNAJ Pty Ltd;</p> <p>Gurney Pty Limited;</p> <p>Bedar Holdings Pty Limited ATF The Andrew R Pierce Superannuation Fund;</p> <p>LSAF Holdings ATF Owen Family;</p> <p>Albiano Holdings Pty Ltd ATF Pantheon Family AC; and</p> <p>Limits Pty Ltd ATF Duncan Gamble Family AC.</p>
<b>Use of the funds:</b>	<p>The funds raised under the issue of the Convertible Notes were used to meet exploration expenditure commitments on the Menzies Project.</p>
<b>Date of Allotment:</b>	<p>3 September 2013</p>

## RESOLUTION 6 – APPROVAL OF THE ISSUE OF CONVERTIBLE NOTES

ASX Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing new securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders (**15% Rule**). Under a Share Sale Agreement and Convertible Note Deed, the Company will issue Convertible Notes up to the value of \$1,350,000, convertible into fully paid ordinary shares, subject to the Company obtaining the required approvals under the Listing Rules.

The Directors are seeking shareholder approval to the issue of 1,350,000 Convertible Notes with each Convertible Note having a face value of \$1.00. The Convertible Notes will not be quoted. The effect of the shareholders approving this resolution will be that the issue of the Convertible Notes will not be counted for the purposes of the 15% Rule, giving the Company a greater capacity to issue securities for any subsequent requirements that may arise.

## EXPLANATORY STATEMENT

A summary of the terms and conditions of the Convertible Notes is set out below. The full Conditions are extracted in Schedule 1.

In accordance with Listing Rule 7.3, the Company advises as follows:

<b>Number of Securities to be allotted:</b>	1,350,000 unsecured fixed rate Convertible Notes, convertible into ordinary fully paid shares in the Company.
<b>Price at which the Securities will be issued:</b>	The Convertible Notes will have a face value of \$1.00 per note.
<b>Terms of the Securities:</b>	<p>Convertible Notes shall be convertible at any time during the term of the Convertible Note Deed at the election of the Convertible Noteholder.</p> <p>The Convertible Notes attract an interest rate of 8% p.a. on the principal amount of the Convertible Notes payable half yearly in arrears.</p> <p>On conversion of the Convertible Notes, Shares will be issued at:-</p> <ul style="list-style-type: none"> <li>(a) if the Conversion Date falls within 12 calendar months of the Issue Date - \$0.12; or</li> <li>(b) if the Conversion Date falls after 12 calendar months of the Issue Date or there is a change in control of the Company, the lesser of: <ul style="list-style-type: none"> <li>i. \$0.12; and</li> <li>ii. 80% of the VWAP before the Conversion Date.</li> </ul> </li> </ul> <p>If the Convertible Notes are converted at 12 cents per Share, they will convert into a maximum of 11,250,000 Shares.</p> <p>If, however, the Convertible Notes are converted at a 20% discount to the VWAP they will convert into a maximum of:-</p> <ul style="list-style-type: none"> <li>(a) 20,300,752 Shares based on a VWAP on 24 October 2013 of \$0.083 (the discounted VWAP being \$0.0665);</li> <li>(b) 20,607,948 Shares based on the lowest average VWAP within the last 12 months of \$0.082 (the discounted VWAP being \$0.066); and</li> <li>(c) 4,840,781 Shares based on the highest average VWAP within the last 12 months of \$0.349 (the discounted VWAP being \$0.279).</li> </ul>

	<p>The Convertible Notes may be redeemed by the Company at any time after the Issue Date and before the Repayment Date.</p> <p>The Convertible Notes have a maturity date of:-</p> <p>(a) that date which is 12 months from the Issue Date; and</p> <p>(b) any other date agreed between the Company and the Noteholder.</p>
<b>Name of the allottee:</b>	Mountain Gold International Limited.
<b>Use of the funds:</b>	No funds will be received by the Company in exchange for the issue of the Convertible Notes, rather, the Company will receive 1,350,000 of shares in Menzies Goldfield Limited. This will result in Menzies Goldfield Limited becoming a 100% wholly owned subsidiary of the Company.
<b>Date of Allotment:</b>	No later than 3 months after the date of the Company's 2013 Annual General Meeting.

**RESOLUTION 7 – APPROVAL OF THE ISSUE OF CONVERTIBLE NOTES TO NAMIBIA PTY LTD ATF <ANTHON FAMILY SUPER FUND>**

ASX Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing new securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders (**15% Rule**).

The Company proposes to issue Convertible Notes up to the value of \$50,000 to Namibia Pty Ltd ATF <Anthon Family Super Fund>, convertible into fully paid ordinary shares, subject to the Company obtaining shareholder approval under the Listing Rules.

The Directors are seeking shareholder approval to the issue of 50,000 Convertible Notes to Namibia Pty Ltd ATF <Anthon Family Super Fund> with each Convertible Note having a face value of \$1.00. The Convertible Notes will not be quoted. The effect of the shareholders approving this resolution will be that the issue of the Convertible Notes will not be counted for the purposes of the 15% Rule, giving the Company a greater capacity to issue securities for any subsequent requirements that may arise.

A summary of the terms and conditions of the Convertible Notes is set out below. The full Conditions are extracted in Schedule 1.

In accordance with Listing Rule 7.3, the Company advises as follows:

<b>Number of Securities to be allotted:</b>	50,000 unsecured fixed rate Convertible Notes, convertible into ordinary fully paid shares in the Company.
<b>Price at which the Securities will be issued:</b>	The Convertible Notes have a face value of \$1.00 per note. On conversion of the Convertible Notes, Shares will be issued at the lesser of a 20% discount to the 15 day volume

	weighted average trading price calculated over the last 15 trading days prior to the relevant conversion date ( <b>VWAP</b> ), or 12 cents per Share.
<b>Terms of the Securities:</b>	<p>Convertible Notes shall be convertible at any time during the term of the Convertible Note Deed at the election of the Convertible Noteholder provided that no conversion is permitted within 60 days of the Issue Date.</p> <p>The Convertible Notes attract an interest rate of 8% p.a. on the principal amount of the Convertible Notes payable half yearly in arrears.</p> <p>On conversion of the Convertible Notes, Shares will be issued at the lesser of a 20% discount to the 15 day volume weighted average trading price calculated over the last 15 trading days prior to the relevant conversion date (<b>VWAP</b>), or 12 cents per Share.</p> <p>If the Convertible Notes are converted at 12 cents per Share, they will convert into a maximum of 416,667 Shares.</p> <p>If, however, the Convertible Notes are converted at a 20% discount to the VWAP they will convert into a maximum of:-</p> <p>(a) 751,880 Shares based on a VWAP on 24 October 2013 of \$0.083 (the discounted VWAP being \$0.0665);</p> <p>(b) 763,258 Shares based on the lowest average VWAP within the last 12 months of \$0.082 (the discounted VWAP being \$0.066); and</p> <p>(c) 179,289 Shares based on the highest average VWAP within the last 12 months of \$0.349 (the discounted VWAP being \$0.279).</p> <p>The Convertible Notes may be redeemed by the Company at any time between 60 days after the Issue Date and before the Repayment Date.</p> <p>The Convertible Notes have a maturity date of:-</p> <p>(a) that date which is 12 months from the Issue Date; and</p> <p>(b) any other date agreed between the Company and the Noteholder.</p>
<b>Name of the allottees:</b>	Namibia Pty Ltd ATF <Anthon Family Super Fund>.
<b>Use of the funds:</b>	The funds raised under the issue of the Convertible Notes will be used to meet exploration expenditure commitments on the Menzies Project.
<b>Date of Allotment:</b>	Within 1 month of the date of approval being granted by

	Shareholders.
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**Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes that the transaction is at arm's length.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to a related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Resolution 7, if passed, will confer financial benefits on Mr Anthon, a Director of the Company, because Namibia Pty Ltd is a company controlled by and of which Mr Anthon is a director. If Resolution 5 is passed, Mr Anthon will be entitled to convert the Convertible Notes held by Namibia Pty Ltd into Shares in the Company. However, the transaction is an "at arm's length" transaction for the purposes of Chapter 2E of the Corporations Act in that Namibia Pty Ltd participated in the issue alongside other investors on the same terms and therefore the Board considers that Shareholder approval is not required for the purposes of Chapter 2E of the Corporations Act.

**ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that an entity must not issues shares to a related party of the entity unless shareholders have approved the issue in accordance with ASX Listing Rule 10.12. The Company therefore seeks Shareholder approval for Resolution 7 for the purposes of Listing Rule 10.11 and pursuant to ASX Listing Rule 10.12, provides the following information:

<b>Name of person to whom Shares are being issued</b>	Namibia Pty Ltd ATF <Anthon Family Super Fund>
<b>Maximum number of Shares to be issued</b>	<p>Namibia Pty Ltd ATF &lt;Anthon Family Super Fund&gt; has subscribed for \$50,000 worth of Convertible Notes (<b>Namibia Convertible Notes</b>).</p> <p>On conversion of the Convertible Notes, Shares will be issued at the lesser of a 20% discount to the 15 day volume weighted average trading price calculated over the last 15 trading days prior to the relevant conversion date (<b>VWAP</b>), or 12 cents per Share.</p> <p>If the Namibia Convertible Notes are converted at 12 cents per Share, they will convert into a maximum of 416,667 Shares.</p> <p>If, however, the Convertible Notes are converted at a 20% discount to the VWAP they will convert into a maximum of:-</p>

	<p>(a) 751,880 Shares based on a VWAP on 24 October 2013 of \$0.083 (the discounted VWAP being \$0.0665);</p> <p>(b) 763,258 Shares based on the lowest average VWAP within the last 12 months of \$0.082 (the discounted VWAP being \$0.066); and</p> <p>(c) 179,289 Shares based on the highest average VWAP within the last 12 months of \$0.349 (the discounted VWAP being \$0.279).</p>
<b>Date by which Shares will be issued</b>	Within 1 month of approval being granted by Shareholders.
<b>Relationship between the recipient of the Shares and the Company</b>	Namibia Pty Ltd is a company controlled by and of which Richard Anthon is a director. Richard Anthon is a Director of the Company.
<b>Issue price and terms of issue of the Shares</b>	<p>The Convertible Notes have a face value of \$1.00.</p> <p>The Shares will be issued at the lesser of a 20% discount to the 15 day volume weighted average trading price calculated over the last 15 trading days prior to the relevant conversion date (<b>VWAP</b>), or 12 cents per Share and will rank equally with all other Shares on issue.</p>
<b>Intended use of funds raised</b>	As the Shares are being issued to repay the Convertible Loan Facility balance, no cash funds are being raised by the issue, but the issue is extinguishing the balance of the Company's debt owed to Namibia Pty Ltd under the Namibia Convertible Loan Notes in the amount of \$50,000.

### **ORDINARY RESOLUTION 8 – ELECTION OF MR JOHN SHEPHERD**

The Company has received Consent to Act as a director from Mr John Shepherd who offers himself of election, subject to the passing of Resolution 6.

Mr Shepherd has had a long, successful career as an investment banker and management consultant, specialising in corporate strategy, corporate recovery, corporate finance and investment analysis for private and public companies. Mr Shepherd brings to Menzies Goldfield his broad industry & international experience to further enhance the prospects of the historic Menzies Goldfield acquisition.

Mr Shepherd's vast experience includes involvement in a number of mining, exploration and mining related companies all around the world such as Cordillera Gold Ltd (2010-2011), Shoreline Minerals Ltd (2008-2010), The MAC Services Group of Companies (2003-2004), First AU Strategies Corp. (TSXV 2001-2003) and Diversified Mineral Resources (1995-1999).

The Directors, other than Mr John Shepherd recommend the election of Mr John Shepherd.

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## GLOSSARY

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**2013 Annual Report** means the Company's annual report including the reports of the Directors and auditor and the financial statements of the Company for the year ended 30 June 2013, which can be downloaded from the Company's website at [www.stratummetals.com.au](http://www.stratummetals.com.au)

**AEDT** means Australian Eastern Daylight Savings Time

**ASX** means ASX Limited (ACN 008 724 791).

**Annual General Meeting** means the Annual General Meeting of the Company to be held on Friday 29 November 2013.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of the ASX and any other rules of the ASX which are applicable while the entity is admitted to the Official List of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

**Board** means the board of Directors.

**Company** or **Stratum Metals** means Stratum Metals Limited (ABN 90 147 867 301).

**Constitution** means the constitution of the Company.

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

**Director** means a director of the Company.

**Explanatory Statement** means the explanatory statement accompanying this Notice of Meeting.

**Notice** means the Notice of the Annual General Meeting attached to this Explanatory Statement.

**Remuneration Report** means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2013 Annual Report.

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

**Shareholder** means a shareholder of the Company.

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**ANNEXURE A – NOMINATION OF AUDITOR LETTER**

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21 October 2013

The Board of Directors  
Stratum Metals Limited  
Level 7, 151 Macquarie Street  
Sydney NSW 2000

I, Elizabeth Hunt, being a member of Stratum Metals Limited (ABN 90 147 867 301) (**Company**), nominate Bentleys Brisbane (Audit) Pty Ltd in accordance with section 328B(1) of the Corporations Act 2001 (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Signed and dated 21 October 2013:



**Elizabeth Hunt**

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**ANNEXURE B – ISSUES OF EQUITY SECURITIES SINCE 29 NOVEMBER 2012**


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<b>Date</b>	<b>Quantity &amp; Class</b>	<b>Recipients</b>	<b>Issue price and discount to Market Price (if applicable)<sup>1</sup></b>	<b>Form of consideration</b>
Issued 31/1/2013	2,100,000 Ordinary Fully Paid Shares	Vendors of tenements to Menzies Goldfield Limited	Deemed value \$0.25	Non-cash.  Current value - \$147,000
Issued 5/3/2013	8,187,500 Ordinary Fully Paid Shares	Private placement to sophisticated investors.	\$0.25. Based on the 15-day VWAP calculation on 2 March 2013, shares were issued at a 1.84 cent premium to market price.	Cash.  Amount raised - \$2,046,875  Amount spent - \$2,046,875  Use of funds - exploration of the Company's projects and administration expenses. There is no remaining cash from this issue.  Current value - \$573,125
Issued 26/4/2013	12,002,981 Ordinary Fully Paid Shares; 500,000 unquoted options exercisable at \$0.25 on or before 15 April 2018; and 250,000 unquoted options exercisable at \$0.25 on or before 15 April 2016	Vendors of tenements to Menzies Goldfield Limited & Riqo Pty Ltd as consideration for acquisition of 80% of issued capital of Riqo Pty Ltd.	Shares - \$0.225  Options - Nil	Non-cash  Current value - \$840,208
26/4/2013	600,000 unquoted options exercisable at \$0.25 on or before 23 January 2017	Employee incentive options	Options - Nil	Non-cash.  Current value - nil
26/4/2013	5,000,000 unquoted options exercisable at \$0.25 on or before 23 January 2016	Director incentive options	Options - Nil	Non-cash  Current value - nil.

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## SCHEDULE 1 – NOTE TERMS & CONDITIONS

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### 1. FACE VALUE

- (a) Each Note has a face value of \$1.00 and must be paid for in full on application.
- (b) The minimum number of Notes that may be issued in accordance with this Deed Poll is 25,000 to raise \$25,000 and then in multiples of 5,000 to raise \$5,000.
- (c) The maximum number of Notes that may be issued in accordance with this Deed Poll is 1,000,000 to raise \$1,000,000.

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### 2. NOTES ARE UNSECURED OBLIGATIONS

Each Note is an unsecured obligation of the Company.

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### 3. INTEREST

#### 3.1 Interest Rate

- (a) Interest on each Convertible Note will be calculated at the rate of 8.00% per annum, calculated monthly and payable quarterly in arrears.
- (b) Subject to Condition 3.1(c) below, Interest will accrue from day to day prior to the Repayment Date and will be payable in arrears on each Interest Payment Date.
- (c) In respect of Interest payable on the First Interest Payment Date, the Interest will accrue from the date that the Notes are issued until the First Interest Payment Date and will be payable in arrears for that period.

#### 3.2 Payment of interest

- (d) Interest will be satisfied through the issue of Shares by the Company at a deemed issue price of \$0.12 per Share.
- (e) The Share must be issued no later than 10 Business Days after the relevant Interest Payment Date.

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### 4. REPAYMENT AND PURCHASE

#### 4.1 *Repayment Date* means, in respect of a Note, the later of:

- (a) that date which is 12 months from the Issue Date; and
- (b) any other date agreed between the Company and the Noteholder;

#### 4.2 *Repayment*

On the Repayment Date, the Company must, to the extent to which no Conversion Notice has then been given in respect of the relevant Note, convert all of the Principal Money outstanding into Shares in accordance with Condition 5 and at the Conversion Price.

### **4.3 Payment arrangements**

The Company need not make a payment to a Noteholder pursuant to this clause unless the Noteholder surrenders to the Company the Note Certificate for the relevant Note.

### **4.4 Obligations cease**

Upon the payment of all amounts owing to a Noteholder the obligations in connection with a Note of the Company in respect of the relevant Note will be extinguished.

### **4.5 Repurchase of Notes**

- (a) The Company may, at any time 60 days after the Issue Date and before the Repayment Date, repurchase from the Noteholder any Note by giving notice to the Noteholder substantially in the form of Annexure E.
- (b) If the Company serves a notice on the Noteholder in accordance with Annexure E, the Noteholder will have five (5) Business Days thereafter to elect to serve a Conversion Notice on the Company (in which case the provisions of Condition 5 will apply).
- (c) If the Company gives a Noteholder a repurchase notice under Condition 4.4(a) and the Noteholder does not give the Company a Conversion Notice in accordance with Condition 4.4(b), the Company must pay the Noteholder the amount to which it is entitled under Condition 4.4(a) on before the tenth Business Day after giving the Noteholder the repurchase notice.
- (d) Upon the Notes being repurchased in full in accordance with Condition 4.4(a), the obligations of the Company in respect of the relevant Note will be extinguished.

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## **5. CONVERSION OF CONVERTIBLE NOTES**

### **5.1 Conversion**

- (a) Subject to Conditions 5.2 and 5.3, the Convertible Notes shall be convertible into Shares in whole or in part (to the extent to which it has not already been repaid by the Company pursuant to Condition 7) at the sole election of a Noteholder at the Conversion Price at any time 60 days after the Issue Date and on or before the Repayment Date.
- (b) For the avoidance of doubt, the Convertible Notes cannot be converted into Shares in whole or in part during the 60 day period commencing on the Issue Date.

### **5.2 Condition Precedent**

- (c) Conversion of Convertible Notes into Shares is subject to and conditional upon the Company obtaining approval from its Shareholders in general meeting for the issue of the Shares the subject of the relevant Convertible Note(s) in accordance with ASX Listing Rule 7.1 (if required).
- (d) The Directors shall use reasonable endeavours to ensure that Shareholders approve the issue of the Shares on conversion of Convertible Notes.

### **5.3 Minimum conversion**

The minimum number of Notes that must be converted is 10,000.

### **5.4 Conversion Notice**

If a Noteholder wishes to convert all or part of the Convertible Notes into Shares, the Noteholder must deliver to the Company a duly completed and executed Conversion Notice and the Note Certificate, or such other evidence of title as to ownership of the Convertible Note as is acceptable to the Directors.

### **5.5 Conversion Notice cannot be withdrawn**

A Conversion Notice once issued cannot be withdrawn without the consent in writing of the Company.

### **5.6 Satisfaction of Company's obligations**

The conversion of a Convertible Note into Shares (or part thereof) in accordance with Condition 5.1, operates in satisfaction of the Company's obligation to the Noteholder in respect of the Principal Money (or part thereof) on that portion of the Convertible Note so converted.

### **5.7 Partial conversion of Notes held**

If a Noteholder elects to convert less than the total number of Notes held by that Noteholder at the time of delivery of the Conversion Notice to the Company:

- (a) the Company must issue to the Noteholder a new Note Certificate for the number of Notes held by the Noteholder immediately following the Conversion Date; and
- (b) the Principal Money (together with Interest) for the remaining Notes held by the Noteholder immediately following the Conversion Date must be repaid to the Noteholder on the Repayment Date in accordance with these Conditions (subject to the issue of one or more further Conversion Notices in respect of the Principal Money).

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## **6. ISSUE OF SHARES ON CONVERSION**

### **6.1 Allotment of Shares**

Upon conversion in accordance with Condition 5.1, the Company shall:

- (a) allot and issue that number of Shares equal to the Principal Money (or part thereof) divided by the Conversion Price no later than 3 Business Days after the Conversion Date (**Allotment Date**);
- (b) no later than 5 Business Days after the Allotment Date:
  - (i) apply for quotation on ASX of all Shares allotted pursuant to the conversion of the Convertible Note (or part thereof);
  - (ii) if the Company did not or was not able to give a Note Cleansing Notice in accordance with clause 3.4 at the time of issue of the Note(s), give to ASX a notice pursuant to Section 708A(5)(e)(i) of the Corporations Act 2001 (Cth) in respect of the Shares allotted

pursuant to the conversion of the Convertible Note (or part thereof), or, if the Company is unable to issue such a notice, lodge with the Australian Securities and Investments Commission a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy Section 708A(11) of the Corporations Act;

- (iii) send to the Noteholder, free of charge, a holding statement for the Shares allotted and issued on conversion of the Convertible Note (or part thereof); and
- (iv) cancel the Note Certificate delivered in accordance with Condition 5.4 and, if applicable, send to the Noteholder, free of charge, a new Note Certificate in respect of any part of the Convertible Note remaining unconverted.

## **6.2 Dividends**

Where the Noteholder gives a Conversion Notice on or before an entitlement date for any dividend payment or other entitlement in respect of Shares, the Shares issued on conversion will participate in full in the dividend or any such entitlement.

## **6.3 Shares rank equally**

The Company must deliver to the Noteholder a share certificate in respect of those Shares issued on conversion of a Note within 5 Business Days after the Conversion Date.

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## **7. RECONSTRUCTION**

- (a) In the event of a reconstruction of the capital of the Company, prior to the earlier of the Conversion Date or Repayment Date in respect of each Note, by way of consolidation, subdivision, reduction, return, scheme of arrangement or otherwise (but other than by way of a bonus issue, rights issue or other security issue), a proportionate adjustment will be made to the number and issue price of Shares to which each Noteholder is entitled upon conversion of the Note so that:
  - (i) the value of the Convertible Note is not adversely affected by the reconstruction;
  - (ii) the Noteholder is not conferred with any additional benefits which are not also conferred on the holders of Shares (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of holders of Shares approving the reconstruction of capital); and
  - (iii) subject to clause (b), in all other respects the terms for the conversion of the Convertible Note shall remain unchanged.
- (b) This Deed Poll from time to time must be varied to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

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## 8. REDEMPTION

### 8.1 *Redemption by Noteholder*

- (a) If an Event of Default occurs in relation to the Company, a Noteholder may, by giving to the Company a redemption notice in the form of Annexure F, require the Company to redeem all (not some only) of the Notes held by the Noteholder.
- (b) If a Noteholder gives a redemption notice under Condition 8.1, the Company must pay the Noteholder on before the fifth Business Day after receiving the redemption notice an amount per Note equal to the Principal Money and all accrued Interest for the Note.

### 8.2 *Satisfaction of Company's obligations*

The payment in accordance with Condition 8.1(b) operates in satisfaction of the Company's obligation to the Noteholder in respect of the Principal Money of the Note so redeemed.

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## 9. EVENTS OF DEFAULT

Each of the following is an Event of Default.

- (a) **non-payment:** the Company fails to pay within ten (10) Business Days of its due date any amount payable under this Deed Poll;
- (b) **other obligations:** the Company fails to comply with any provision of this Deed Poll which failure, if capable of remedy, is not remedied within ten (10) Business Days of a request for remedy being made by a Noteholder;
- (c) **misrepresentation:** any representation, warranty or statement made or repeated in or in connection with this Deed Poll is untrue or misleading (whether by omission or otherwise) in any material respect when so made;
- (d) **Insolvency Event:** an Insolvency Event occurs in relation to the Company;  
or
- (e) **provisions void:** all or any material provision of this Deed Poll:
  - (i) does not have effect or ceases to have effect in accordance with its terms; or
  - (ii) is or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally.

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## 10. UNDERTAKINGS AND COVENANTS BY THE COMPANY

The Company undertakes to each Noteholder to:

- (a) **financial records:** maintain and ensure that it maintains proper and adequate books of account and financial records;
- (b) **comply with applicable laws:** ensure that the Company and each its subsidiaries complies with all applicable laws;

- (c) **notify if representation and warranty is incorrect:** notify the Noteholder immediately if any representation or warranty made or taken to be made by or on behalf of the Company in connection with this Deed Poll or the Notes is found to be incorrect or misleading in any material respect when made or taken to be made; and
- (d) **no alteration of existing material agreements:** not vary any of the Company's existing material agreements without prior Majority Noteholder Approval.

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## 11. REPRESENTATIONS

The Company represents and warrants to each Noteholder that as at the date of this Deed Poll:

- (a) **no encumbrances:** neither the Company nor any of its subsidiaries has created or agreed to create any mortgage, charge, lien or other security or encumbrance over any or all of its material assets;
- (b) **no litigation:** there is no litigation, arbitration, industrial or administrative proceedings on foot or to the best of the Company's knowledge, threatened, or pending against the Company or any of its subsidiaries;
- (c) **corporate authority:** all necessary corporate action and authorisations to permit the Company to enter into this Deed Poll have been obtained and are and will be in full force and effect;
- (d) **binding obligations:** this Deed Poll constitutes a legal, valid and binding obligation on the Company and subject to any necessary stamping is enforceable in accordance with its terms;
- (e) **no Event of Insolvency:** no Insolvency Event has occurred in relation to the Company or any of its subsidiaries; and
- (f) **agreement does not result in breach:** the execution and carrying out of this Agreement will not conflict with or result in a breach of or a default under any of the terms or provisions of any mortgage, deed or trust or other instrument binding on the Company or any of its subsidiaries.

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## 12. PAYMENT TO NOTEHOLDERS

### 12.1 *Method of Payment*

When payable, Principal Money and Interest must be paid in Australian dollars:

- (a) by cheque marked 'not negotiable' and sent to the address of the Noteholder on the Register;
- (b) by deposit to an account with any bank in Australia that the Noteholder, by written notice to the Company, may direct; or
- (c) by any other method of transferring money agreed by the Company and the relevant Noteholder from time to time.

## **12.2 Taxes**

All payments made to each Noteholder in accordance with this Deed Poll will be made free and clear of any withholding or other taxes.

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## **13. CANCELLATION OF NOTES**

All Notes redeemed or converted are automatically cancelled on redemption or conversion.

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## **14. TRANSFER OF NOTES**

### **14.1 Transfer**

Notes may not be transferred unless the following conditions are satisfied:

- (a) the terms of the transfer satisfies one or more of the categories set out in section 708 of the Corporations Act;
- (b) the transfer is by written transfer instrument in any usual or common form or in any other form approved by the Directors; and
- (c) the transferee has executed and delivered to the Company an undertaking to observe, perform and be bound by the terms of this Deed Poll.

### **14.2 Transfers must be executed**

A written transfer instrument must be executed by the transferor and the transferee.

### **14.3 Note Certificates**

A written transfer instrument must be forwarded for registration to the Company together with the Note Certificate for the Notes to be transferred.

### **14.4 Company must register transfer**

Subject to compliance with this Condition, the Corporations Act and any relevant statute relating to stamp duties, the Company must register the transfer and issue a Note Certificate to the transferee for the number of Notes comprised in the transfer.

---

## **15. JOINT NOTEHOLDERS**

### **15.1 One Note Certificate**

Joint Noteholders are entitled to one Note Certificate only in respect of Notes held by them jointly and the Note Certificate will be delivered to the joint Noteholder whose name stands first in the Register.

### **15.2 Payments to joint Noteholders**

If more than one person is entered in the Register as a joint Noteholder in respect of a Note the receipt by any one of them for the payment or satisfaction of any Principal Money from time to time payable or repayable to the joint Noteholders is as effective a discharge to the Company as if the person accepting the payment were a sole Noteholder in respect of that Note.

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### **15.3 More than three joint Noteholders**

The Company is not bound to register more than three persons as the joint holders of any Notes.

### **15.4 Execution of documents by joint Noteholders**

Subject to these Conditions of Issue, all of the joint Noteholders in respect of a Note must execute any:

- (a) transfer form for the Note; or
- (b) conversion notice for the Note; or
- (c) redemption notice for the Note.

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## **16. INDEMNITY TO THE COMPANY**

### **16.1 Indemnity and lien**

Where in consequence of:

- (a) the death of a Noteholder;
- (b) the non-payment of any Tax payable by a Noteholder;
- (c) the non-payment of any Tax by the legal personal representatives of a Noteholder or his estate; or
- (d) any other act or thing in relation to a Note or a Noteholder;

any law for the time being of any country or place, in respect of that Note, imposes or purports to impose any liability of any nature whatever on the Company to make any payment to any governmental authority, the Company:

- (e) is indemnified by that Noteholder, his estate and his legal personal representatives for that liability and any money paid by the Company in respect of that liability may be recovered by action from that Noteholder or the Noteholder's legal personal representatives as a debt due to the Company; and
- (f) has a lien in respect of any money paid by the Company in respect of that liability on the Notes held by that Noteholder, his estate or his legal personal representatives.

### **16.2 Rights not affected**

Nothing in Condition 16.1 prejudices or affects any right or remedy which any law may confer or purport to confer on the Company.

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## **17. TITLE TO NOTES, NON-RECOGNITION OF EQUITIES**

### **17.1 Registered Noteholder absolute owner**

Subject to these Conditions of Issue, the Company recognises only the Noteholder whose name appears in the Register as the absolute owner of the Note in respect of which the Noteholder is entered in the Register.

## **17.2 Company not to recognise trusts or equities**

The Company is not, except as otherwise ordered by a Court of competent jurisdiction or as required by statute, bound to take notice of any trust or equity to which a Note may be subject or otherwise affecting the ownership of a Note or rights incidental thereto.

## **17.3 Receipt and discharge**

The receipt of a Noteholder or one of joint Noteholders for any Principal Money will be a good discharge to the Company despite any notice the Company may have, whether express or otherwise, of the right, title or interest of any person to or in that Note or money.

## **17.4 Details not recorded in Register**

No details of any such equity or trust, express or constructive, will be entered in the Register.

## **17.5 Replacement of Note Certificates**

- (a) If any Note Certificate becomes worn out or defaced, then, upon its production to the Company, it may cancel the same and issue a new Note Certificate in lieu thereof.
- (b) If any Note Certificate is lost or destroyed, then, upon proof thereof to the satisfaction of the Company and upon such indemnity and/or advertisement (if any) as the Company may require being given or published, a new Note Certificate in lieu thereof shall be given to the Noteholder.
- (c) Any Note Certificate that is returned to the Company in connection with the conversion or transfer of the Note must be cancelled by the Company.