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# SIHAYO GOLD LIMITED

ACN 009 241 374

## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Meeting will be held at:

**TIME:** 10:00am (AEDT)

**DATE:** Monday, 30 November 2020

**PLACE:** The Meeting will be held via video/audioconference.

To access the virtual Meeting:

- (a) Open your internet browser and go to [investor.automic.com.au](http://investor.automic.com.au).
- (b) Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual Meeting.**
- (c) After logging in, a banner will be displayed at the top once the meeting is open for registration, click on "**View**" when this appears.
- (d) Click on "**Register**" and follow the steps.
- (e) Click on the URL to join the webcast where you can view and listen to the virtual Meeting.
- (f) Once the Chair of the Meeting has declared the poll open for voting click on "**Refresh**" to be taken to the voting screen.
- (g) Select your voting direction and click "**confirm**" to submit your vote. **Note that you cannot amend your vote after it has been submitted.**

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

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00am on 28 November 2020.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

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

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

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020.”*

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

**Note:** A voting prohibition statement applies to this Resolution. Please see below.

#### 3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR COLIN MOORHEAD

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

*“That, for the purpose of clause 13.5 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Colin Moorhead, a Director who was appointed casually on 1 July 2020, retires, and being eligible, is elected as a Director.”*

#### 4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR DANIEL NOLAN

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

*“That, for the purpose of clause 13.2 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Daniel Nolan, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

#### 5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES – LISTING RULE 7.1

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

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 343,479,639 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement applies to this Resolution. Please see below.

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**6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES – LISTING RULE 7.1A**

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

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 228,986,426 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement applies to this Resolution. Please see below.

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**7. RESOLUTION 6 – APPROVAL OF ISSUE OF DEBT CONVERSION SHARES TO EASTERN FIELD DEVELOPMENTS LIMITED**

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue the issue of 83,623,693 Debt Conversion Shares to Eastern Field Developments Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement applies to this Resolution. Please see below.

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**8. RESOLUTION 7 – APPROVAL OF ISSUE OF TRANCHE 2 PLACEMENT SHARES TO EASTERN FIELD DEVELOPMENTS LIMITED**

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 611 (item 7) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for:*

- (a) the issue of 195,121,951 Tranche 2 Placement Shares to Eastern Field Developments Limited; and*
- (b) the acquisition of a relevant interest in the issued voting shares of the Company by Eastern Field Developments Limited, otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the Tranche 2 Placement Shares to Eastern Field Developments Limited, which will result in PT Merdeka Copper Gold Tbk's and Provident Minerals Pte Ltd's voting power in the Company increasing from 27.69% to 32.99%,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement applies to this Resolution. Please see below.

**Short Explanation:** Eastern Field Developments Limited is a 99.9% owned subsidiary of PT Merdeka Copper Gold Tbk. The Company seeks shareholder approval for the issue of 195,121,951 Tranche 2 Placement Shares to Eastern Field Developments Limited for the purposes of section 611 (item 7) of the Corporations Act and ASX Listing Rule 10.11.

**Independent Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by RSM Australia for the purpose of the Shareholder approval required under section 611 (item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the acquisition to the non-associated Shareholders in the Company. The Independent Expert has determined that the issue of the Tranche 2 Placement Shares to Eastern Field Developments Limited is not fair but reasonable to the non-associated Shareholders.

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**9. RESOLUTION 8 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO RELATED PARTY – MR GAVIN CAUDLE**

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 20,000,000 Tranche 2 Placement Shares to Mr Gavin Caudle (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

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**10. RESOLUTION 9 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO RELATED PARTY – MR COLIN MOORHEAD**

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Tranche 2 Placement Shares to Mr Colin Moorhead (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

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**11. RESOLUTION 10 – ISSUE OF OPTIONS TO RELATED PARTY – MR COLIN MOORHEAD**

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 94,500,000 Options to Mr Colin Moorhead (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement and voting prohibition statement applies to this Resolution. Please see below.

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**12. RESOLUTION 11 – APPROVAL TO ISSUE OPTIONS – MR ROD CROWTHER**

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

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 51,000,000 Options (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Note:** A voting exclusion statement applies to this Resolution. Please see below.

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**13. RESOLUTION 12 – APPROVAL OF 7.1A MANDATE**

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

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, 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.”*

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**14. RESOLUTION 13 – REPLACEMENT OF CONSTITUTION**

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

*“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”*

**Dated: 29 October 2020**

**By order of the Board**

**Danny Nolan  
Director and Company Secretary**

## Voting Prohibition Statements

<b>Resolution 1 – Adoption of Remuneration Report</b>	<p>A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:</p> <ul style="list-style-type: none"><li>(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or</li><li>(b) a Closely Related Party of such a member.</li></ul> <p>However, a person (the <b>voter</b>) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none"><li>(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or</li><li>(b) the voter is the Chair and the appointment of the Chair as proxy:<ul style="list-style-type: none"><li>(i) does not specify the way the proxy is to vote on this Resolution; and</li><li>(ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.</li></ul></li></ul>
<b>Resolution 8 – Approval of Issue of Tranche 2 Placement Shares to Related Party – Mr Gavin Caudle</b>	<p>A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none"><li>(a) the proxy is either:<ul style="list-style-type: none"><li>(i) a member of the Key Management Personnel; or</li><li>(ii) a Closely Related Party of such a member; and</li></ul></li><li>(b) the appointment does not specify the way the proxy is to vote on this Resolution.</li></ul> <p>However, the above prohibition does not apply if:</p> <ul style="list-style-type: none"><li>(a) the proxy is the Chair; and</li><li>(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.</li></ul>
<b>Resolution 9 – Approval of Issue of Tranche 2 Placement Shares to Related Party – Mr Colin Moorhead</b>	<p>A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none"><li>(a) the proxy is either:<ul style="list-style-type: none"><li>(i) a member of the Key Management Personnel; or</li><li>(ii) a Closely Related Party of such a member; and</li></ul></li><li>(b) the appointment does not specify the way the proxy is to vote on this Resolution.</li></ul> <p>However, the above prohibition does not apply if:</p> <ul style="list-style-type: none"><li>(a) the proxy is the Chair; and</li><li>(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.</li></ul>
<b>Resolution 10 – Issue of Options to Related Party – Mr Colin Moorhead</b>	<p>A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none"><li>(a) the proxy is either:<ul style="list-style-type: none"><li>(i) a member of the Key Management Personnel; or</li><li>(ii) a Closely Related Party of such a member; and</li></ul></li><li>(b) the appointment does not specify the way the proxy is to vote on this Resolution.</li></ul> <p>However, the above prohibition does not apply if:</p> <ul style="list-style-type: none"><li>(a) the proxy is the Chair; and</li><li>(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.</li></ul>

## Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

<b>Resolution 4 – Ratification of prior issue of Shares</b>	A person who participated in the issue or is a counterparty to the agreement being approved (namely the Tranche 1 Placement Participants) or an associate of that person or those persons.
<b>Resolution 5 – Ratification of prior issue of Shares</b>	A person who participated in the issue or is a counterparty to the agreement being approved (namely the Tranche 1 Placement Participants) or an associate of that person or those persons.
<b>Resolution 6 – Approval of Issue of Debt Conversion Shares to Eastern Field Developments Limited</b>	PT Merdeka Copper Gold Tbk, Eastern Field Developments Limited or Provident Minerals Pte Ltd (or their nominees) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
<b>Resolution 7 – Approval of Issue of Tranche 2 Placement Shares to Eastern Field Developments Limited</b>	PT Merdeka Copper Gold Tbk, Eastern Field Developments Limited or Provident Minerals Pte Ltd (or their nominees) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
<b>Resolution 8 – Approval of Issue of Tranche 2 Placement Shares to Related Party – Mr Gavin Caudle</b>	Mr Gavin Caudle (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
<b>Resolution 9 – Approval of Issue of Tranche 2 Placement Shares to Related Party – Mr Colin Moorhead</b>	Mr Colin Moorhead (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
<b>Resolution 10 – Issue of Options to Related Party – Mr Colin Moorhead</b>	Mr Colin Moorhead (or his nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
<b>Resolution 11 – Approval to Issue of Options – Mr Rod Crowther</b>	A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) (namely Mr Rod Crowther) or an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## **Voting by proxy**

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

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

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

Shareholders and their proxies should be aware that:

- 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.

If you sign the enclosed Voting Form and no direction is given, the Chair will be appointed as your proxy. The Chair intends to vote undirected proxies on, and in favour of, all resolutions.

## **Voting in person**

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The Directors have resolved that Shareholders will not be able to attend the Meeting in person due to the Australian Government's implementation of prohibitions on public gatherings and social distancing measures in light of the COVID-19 pandemic.

## **Virtual attendance**

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The Meeting will be held by a video/audioconference facility.

To access the virtual Meeting:

- Open your internet browser and go to [investor.automic.com.au](http://investor.automic.com.au).
- Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual Meeting.**
- After logging in, a banner will be displayed at the top once the Meeting is open for registration, click on "**View**" when this appears.
- Click on "**Register**" and follow the steps.
- Click on the URL to join the webcast where you can view and listen to the virtual Meeting.
- Once the Chair of the Meeting has declared the poll open for voting click on "**Refresh**" to be taken to the voting screen.
- Select **your** voting direction and click "**confirm**" to submit your vote. **Note that you cannot amend your vote after it has been submitted.**

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 427 401 198.***



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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

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

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

#### 2.1 General

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

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

#### 2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) 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 of the company is approved will be the directors of the company.

### **2.3 Previous voting results**

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

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## **3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR COLIN MOORHEAD**

### **3.1 General**

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Colin Moorhead, having been appointed by other Directors on 1 July 2020 in accordance with the Constitution, will retire in accordance with the Constitution and Listing Rule 14.4 and being eligible, seeks election from Shareholders.

### **3.2 Qualifications and other material directorships**

Mr Moorhead is an experienced industry executive with a demonstrated track record of, over three decades, building value in mining companies through innovation, discovery, project development and safe, efficient operations. A geologist by training, Mr Moorhead is known for strong leadership, strategy and execution that saw him rise through the ranks from a graduate with BHP in 1987 to an executive level manager responsible for global exploration and resource development at Newcrest Mining (ASX:NCM) from 2008 to 2015, a period of significant growth for the company.

Mr Moorhead became the CEO of emerging Indonesian listed producer PT Merdeka Copper Gold Tbk (IDX:MDKA) in January 2016, where he built and led the team that constructed and commissioned the highly successful Tujuh Bukit Gold Mine.

Merdeka has subsequently gone on to refinance at a corporate level, taken over Finders Resources Limited (ASX:FND) and built a strong growth portfolio. At an industry level Mr Moorhead was elected to the board of The Australasian Institute of Mining and Metallurgy (AusIMM) in 2014 and was elected as AusIMM President 2017 and 2018.

Mr Moorhead is also a Graduate of Harvard Business School Advanced Management Program and is currently Non-Executive Chairman of Xanadu Mines (ASX:XAM) and Perth based junior explorer Coda Minerals Limited.

### **3.3 Independence**

Mr Colin Moorhead has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to

bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board does not consider that Mr Colin Moorhead will be an independent Director.

### **3.4 Other material information**

The Company conducts appropriate checks on the background and experience of candidates before their appointment to the Board. These include checks as to a person's experience, educational qualifications, character, criminal record and bankruptcy history. The Company undertook such checks prior to the appointment of Mr Moorhead.

### **3.5 Board recommendation**

The Board has reviewed Mr Moorhead's performance since his appointment to the Board and considers that Mr Moorhead's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the election of Mr Moorhead and recommends that Shareholders vote in favour of Resolution 2.

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## **4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR DANIEL NOLAN**

### **4.1 General**

Listing Rule 14.4 and clause 13.2 of the Constitution provide that, other than a managing director, a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled to be exempt from this rotation requirement.

Mr Daniel Nolan retires by rotation and seeks re-election.

### **4.2 Qualifications and other material directorships**

Mr Nolan was appointed to the position of Company Secretary on 1 July 2011. Mr Nolan has worked in finance and accounting for more than 40 years. He has held senior finance positions in Australia, Cambodia, Vietnam and Indonesia. Immediately before joining Sihayo he held senior management roles in the Saratoga Group in Indonesia. Prior to that, he was a senior finance executive at Telstra for 10 years in Australia, Cambodia, New Zealand and Indonesia. Mr Nolan holds a Bachelor of Business from Monash University and a Certificate in Governance and Risk Management from The Governance Institute of Australia.

### **4.3 Independence**

If re-elected the Board does not consider Mr Daniel Nolan will be an independent Director.

### **4.4 Board recommendation**

The Board has reviewed Mr Nolan's performance since his appointment to the Board and considers that Mr Nolan's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports

the re-election of Mr Nolan and recommends that Shareholders vote in favour of Resolution 3.

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## 5. BACKGROUND TO THE ENTITLEMENT ISSUE, THE PLACEMENT AND THE MERDEKA DEBT CONVERSION

### 5.1 Entitlement Issue

As announced on 20 August 2020, the Company has undertaken a non-renounceable entitlement issue of one (1) Share for every three (3) Shares held by Shareholders registered on the record date of 26 August 2020 at an issue price of A\$0.025 per Share, under which 521,585,442 Shares have been issued (including under the shortfall offer) raising \$13,039,636 (before costs) (**Entitlement Issue**).

Shareholders who were creditors of the Company elected to take up their entitlements by means of converting of all of the existing debt owed to them by the Company (at an issue price of A\$0.025 per Share) under a debt conversion facility.

For further information regarding the Entitlement Issue, refer to the Company's ASX announcement dated 20 August 2020.

### 5.2 Placement

As announced on 20 August 2020, the Company received firm commitments from sophisticated and professional investors to raise approximately A\$19,739,700 (before costs) through the issue of a total of 789,588,016 Shares at an issue price of A\$0.025 per Share.

The Placement is being carried out in two tranches, comprising:

- (a) the issue of 572,466,065 Shares (**Tranche 1 Placement Shares**) under the first tranche of the Placement to raise A\$14,311,651 (before costs) (**Tranche 1 Placement**); and
- (b) subject to Shareholder approval and FIRB approval being obtained, the issue of 217,121,951 Shares (**Tranche 2 Placement Shares**) under the second tranche of the Placement (**Tranche 2 Placement**) to raise A\$5,428,049 (before costs).

The Tranche 1 Placement Shares were issued on pursuant to the Company's available placement capacity under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A.

The Company has received binding commitments from the following parties to participate in the Tranche 2 Placement:

- (a) Eastern Field Developments Limited (**EFDL**), a 99.9% subsidiary of Merdeka, has committed to subscribe for A\$4,878,049, being 195,121,951 Tranche 2 Placement Shares;
- (b) Mr Gavin Caudle, a director of the Company, has committed to subscribe for A\$500,000, being 20,000,000 Tranche 2 Placement Shares; and
- (c) Mr Colin Moorhead, a director of the Company, has committed to subscribe for A\$50,000, being 2,000,000 Tranche 2 Placement Shares.

The Company is seeking Shareholder approval for the issue of 217,121,951 Tranche 2 Placement Shares at an issue price of \$0.025 per Share.

The funds raised from the Placement are planned to be used in accordance with the following table:

Proceeds of the Placement	A\$	%
Expenses of the Placement	A\$1,118,721 <sup>1</sup>	5.7%
Early Construction works	A\$5,000,000	25.3%
Exploration	A\$5,000,000	25.3%
Creditor repayments	A\$4,000,000	20.3%
Working capital	A\$4,620,979	23.4%
<b>Total</b>	<b>A\$19,739,700<sup>2</sup></b>	<b>100.0%</b>

**Notes:**

1. Includes ASX fees, legal fees, registry fees and management fees.
2. Assumes that FIRB approval and Shareholder approval is obtained in relation to the Tranche 2 Placement.

### 5.3 Merdeka Debt Conversion

As announced on 30 July 2020, EFDL, a 99.9% subsidiary of Merdeka, entered into a US\$1.5 million convertible instrument with the Company (**Convertible Instrument**).

The Convertible Instrument is, subject to Shareholder approval, convertible into Shares (**Merdeka Debt Conversion**). As at the date of this Notice, the Company owes EFDL approximately A\$2,090,592 (based on an exchange rate of A\$1:US\$0.7175) based on the face value of the Convertible Instrument (which won't accrue interest if it is converted into Shares).

Under the terms of the Convertible Instrument and subject to obtaining Shareholder and FIRB approval, the amount owed by the Company shall be converted into Shares at a deemed issue price equal to the price of a rights issue or placement that is undertaken by the Company prior to the dispatch of the associated notice of meeting.

The Company is seeking Shareholder approval for the conversion of the Merdeka Debt Conversion at a deemed issue price of A\$0.025 (being the issue price of the Entitlement Issue and the Placement). If the Merdeka Debt Conversion completed at the date of this Notice, 83,623,693 Shares would be issued to EFDL (assuming conversion of US\$1.5 million into A\$2,090,592 at an exchange rate of A\$1:US\$0.7175) (**Debt Conversion Shares**).

The Company notes that subject to foreign exchange rates, the amount owed by the Company pursuant to the Convertible Instrument and subsequently the number of Shares to be issued to EFDL may vary.

If Shareholder or FIRB approval is not obtained, the Company will be required to repay the Convertible Instrument in cash (plus accrued interest).

## 5.4 Merdeka and other substantial Shareholders of the Company

The Company notes the following:

- (a) Mr Gavin Caudle is a common director of Merdeka, the Company and Provident. As at the date of this Notice, Provident holds 936,920,394 Shares, representing a 27.69% interest in the Company.
- (b) As at the date of this Notice, PT Saratoga Investama Sedaya (**Saratoga**) holds 378,429,197 Shares, representing a 11.18% interest in the Company.
- (c) As at the date of this Notice, Goldstar Asia Mining Resources (L) Berhad (**Goldstar**) holds 243,387,822 Shares, representing a 7.19% interest in the Company.
- (d) The following substantial Shareholders (whose relevant interests in the Company are set out above) are also shareholders of Merdeka:
  - (i) Provident holds an approximate 23% relevant interest in the shares of Merdeka (20.64% of which it holds directly);
  - (ii) Saratoga holds an approximate 23% relevant interest in the shares of Merdeka (19.74% of which it holds directly); and
  - (iii) Goldstar holds an 8.95% direct interest in the shares of Merdeka.
- (e) Merdeka and the Company share common services and functions:
  - (i) Merdeka and PT Sorikmas Mining (**Sorikmas**), a subsidiary of the Company, share common office space in Jakarta, Indonesia;
  - (ii) Merdeka provides accounting, tax and back office services to the Company and Sorikmas through one of its subsidiaries in the same office as Merdeka and Sorikmas;
  - (iii) Mr. Michael Soeryadjaya is director of Merdeka, Saratoga and Sorikmas; and
  - (iv) a senior manager within Merdeka (Boyke P. Abidin, Chief of External Affairs) is a director of Sorikmas.

On this basis, the Company is of the view that Merdeka and Provident are associates for the purposes of the Corporations Act and Merdeka's voting power in the Company includes the Shares in which Provident holds a relevant interest.

Given that Provident and Saratoga each hold more than 20% of Merdeka's issued shares, they each are deemed to hold a relevant interest in Shares held by Merdeka for the purposes of section 608(3) of the Corporations Act.

For the reasons set out above, the Company is of the view that:

- (a) Provident and Saratoga will have a relevant interest in the Shares held by Merdeka; and
- (b) Merdeka's voting power in the Company will include the Shares in which Provident has a relevant interest.

Provident, Saratoga and Merdeka and their respective relevant interests and voting power are specifically set out in the table below. This table assumes that Resolutions 6 to 9 are passed and the corresponding issues of Shares are completed.

Shareholder	Shares held at date of Notice	Merdeka Shares <sup>1</sup>	Total Relevant Interest in Shares post Tranche 2 Placement and Merdeka Debt Conversion <sup>2</sup>	Voting Power post Tranche 2 Placement and Merdeka Debt Conversion
Provident	936,920,394	-	1,215,666,038	32.99% <sup>3</sup>
Saratoga	378,429,197	-	657,174,841	17.84%
Merdeka	Nil	278,745,644 <sup>4</sup>	278,745,644	32.99% <sup>3</sup>

**Notes:**

- Comprising the following Shares that, subject to Resolutions 6 and 7 being passed, are to be issued:
  - 195,121,951 Tranche 2 Placement Shares to EFDL; and
  - 83,623,693 Debt Conversion Shares to EFDL.
- Provident and Saratoga will be deemed to have a relevant interest in the Merdeka Shares for the purposes of section 608(3) of the Corporations Act.
- On the basis that Provident and Merdeka are associates for the purposes of the Corporations Act.
- The issue of the Merdeka Shares is also subject to FIRB approval. Refer to Section 5.5 for further details.

If Resolutions 6 to 9 are passed, the issue of the Debt Conversion Shares to EFDL and the Tranche 2 Placement Shares to EFDL (together, the **Merdeka Shares**) will result in Merdeka's and Provident's voting power in the Company to increase from 27.69% up to a maximum of 32.99%.

The Company is seeking Shareholder approval under Listing Rule 10.11 and section 611 (item 7) of the Corporations Act for the issue of the Tranche 2 Placement Shares to EFDL (the subject of Resolution 7), resulting in EFDL's voting power increasing to 32.99%.

To the extent that the issue of the Tranche 2 Placement Shares (the subject of Resolutions 7 to 9) is not approved, the Company intends to rely on the '3% creep' exception pursuant to item 8 of section 611 of the Corporations Act, in relation to the increase in Merdeka's and Provident's voting power as a result of the issue of the Debt Conversion Shares (the subject of Resolution 6)<sup>1</sup>.

## 5.5 FIRB Approval

In general, proposals to acquire an interest of 20% or more in any business valued at over \$275 million require the prior approval of FIRB. However, as the monetary threshold for determining whether the substantial interest threshold test is met has temporarily been reduced to \$0 due to the COVID-19 pandemic, EFDL is required to obtain FIRB approval to be issued the Merdeka Shares.

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<sup>1</sup>i.e. Assuming Resolution 6 is passed but Resolutions 7 to 9 are not passed. The issue of 83,623,693 Shares to EFDL pursuant to Resolution 6 would increase Merdeka's voting power in the Company by 1.74% from 27.69% to 29.43%.

EFDL has submitted an application to FIRB seeking confirmation that the Federal Treasurer, on behalf of the Commonwealth of Australia, has no objection under the Act, or any policy issued by the Federal Government, to EFDL acquiring Shares under the Tranche 2 Placement and the Debt Conversion.

## 5.6 Indicative Capital Structure

The capital structure of the Company, assuming that the Tranche 2 Placement Shares and Debt Conversion Shares are issued, is as follows:

	Number
Shares currently on issue	3,383,915,769
Tranche 2 Placement Shares	217,121,951 <sup>1</sup>
Debt Conversion Shares	83,623,693 <sup>2</sup>
<b>Total Shares on issue</b>	<b>3,684,661,413</b>

### Notes:

1. The issue of the Tranche 2 Placement Shares and the Debt Conversion Shares are the subject of Resolutions 6 to 9. The issue of 217,121,951 Tranche 2 Placement Shares are also subject to FIRB approval.
2. At the date of this Notice, the Company owes EFDL approximately A\$2,090,592 (assuming an exchange rate of A\$1:US\$), which will be convertible at a deemed issue price of A\$0.025 (being the issue price of the Entitlement Issue and the Placement).

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## 6. RESOLUTIONS 4 AND 5 – RATIFICATION OF PRIOR ISSUE OF SHARES - LISTING RULES 7.1 AND 7.1A

### 6.1 General

As set out in Section 5.2, the Company issued 572,466,065 Shares on at an issue price of A\$0.025 per Share to raise A\$14,311,651 (**Tranche 1 Placement Shares**).

343,479,639 Tranche 1 Placement Shares were issued pursuant to the Company's capacity under Listing Rule 7.1 (being the subject of Resolution 4) and 228,986,426 Tranche 1 Placement Shares (being the subject of Resolution 5) were issued pursuant to the Company's 7.1A mandate which was approved by Shareholders at the annual general meeting held on 29 November 2019.

### 6.2 Listing Rules 7.1 and 7.1A

Broadly speaking, and subject to a number of exceptions that are set out in Listing Rule 7.2, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

Under Listing Rule 7.1A however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

The Company obtained approval to increase its limit to 25% at the annual general meeting held on 29 November 2019.

The issue of the Tranche 1 Placement Shares does not fit within any of the exceptions that are set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 25% limit in Listing



Rules 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and 7.1A for the 12 month period following the date of issue of the Tranche 1 Placement Shares.

### 6.3 Listing Rule 7.4

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Tranche 1 Placement Shares.

Resolutions 4 and 5 seek Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Tranche 1 Placement Shares.

### 6.4 Technical information required by Listing Rule 14.1A

If Resolutions 4 and 5 are passed, the Tranche 1 Placement Shares will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Tranche 1 Placement Shares.

If Resolutions 4 and 5 are not passed, the Tranche 1 Placement Shares will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Tranche 1 Placement Shares.

### 6.5 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolutions 4 and 5:

- (a) the Tranche 1 Placement Shares were issued to professional and sophisticated investors (**Tranche 1 Placement Participants**) who are clients of Bell Potter Securities Limited (ACN 006 390 772), Argonaut Securities Pty Limited (ACN 009 761 547) and CLSA Australia Pty Ltd (ACN 139 992 331) (together, the **Joint Lead Managers**). The Tranche 1 Placement Participants were identified through a bookbuild process, which involved the Joint Lead Managers seeking expressions of interest to participate in the capital raising from non-related parties of the Company. None of the recipients are related parties of the Company;
- (b) In accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:
  - (i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and

- (ii) issued more than 1% of the issued capital of the Company;
- (c) 572,466,065 Tranche 1 Placement Shares were issued on the following basis:
  - (i) 343,479,639 Shares issued pursuant to Listing Rule 7.1 (ratification of which is sought under Resolution 4); and
  - (ii) 228,986,426 Shares issued pursuant to Listing Rule 7.1A (ratification of which is sought under Resolution 5);
- (d) the Tranche 1 Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Tranche 1 Placement Shares were issued on 28 August 2020;
- (f) the issue price was \$0.025 per Tranche 1 Placement Shares under both the issue of Shares pursuant to Listing Rule 7.1 and Listing Rule 7.1A. The Company has not and will not receive any other consideration for the issue of the Tranche 1 Placement Shares;
- (g) the purpose of the issue of the Tranche 1 Placement Shares was to raise \$14,311,651, which is being applied in the manner set out in Section 5.2;
- (h) the Tranche 1 Placement Shares were issued to some of the Tranche 1 Placement Participants under firm commitments letters; and
- (i) a voting exclusion statement is included in Resolutions 4 and 5 of the Notice.

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## **7. RESOLUTION 6 – APPROVAL OF ISSUE OF DEBT CONVERSION SHARES TO EASTERN FIELD DEVELOPMENTS LIMITED**

### **7.1 General**

As set out in Section 5.3, the Company has agreed to issue EFDL, a subsidiary of Merdeka 83,623,693 Debt Conversion Shares on conversion of the Convertible Instrument (being the subject of Resolution 6).

Accordingly, Resolution 6 seeks Shareholder approval for the issue of the Debt Conversion Shares on the terms set out below.

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

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

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

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

The issue of the Debt Conversion Shares constitutes giving a financial benefit to EFDL, a 99.9% subsidiary of Merdeka. Merdeka is not a related party of the Company however is an associate of Provident, an entity that is controlled by Mr Gavin Caudle, who is a related party of the Company by virtue of being a Director.

In any event, the Directors (other than Mr Caudle who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act would not be required in respect of the issue of the Debt Conversion Shares because the Debt Conversion Shares will be issued to EFDL (or its nominee) in conversion of debt owed by the Company to EFDL under the Convertible Instrument which was entered into by the Company on arm's length terms. The conversion price in relation to the Convertible Instrument is \$0.025, being the same as the issue price to non-related party participants in the Placement and Entitlement Issue.

### **7.3 Listing Rule 10.11**

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the Debt Conversion Shares falls within Listing Rule 10.11.4 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 6 seeks Shareholder approval for the issue of the Debt Conversion Shares under and for the purposes of Listing Rule 10.11.

### **7.4 Technical information required by Listing Rule 14.1A**

If Resolution 6 is passed, the Company will be able to proceed with the issue of the Debt Conversion Shares within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) in lieu of repaying the Convertible Instrument in cash, enabling the Company to spend a greater proportion of its cash reserves on its operations than it would if the Convertible Instrument was satisfied in cash. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Debt Conversion Shares (because approval is being obtained under Listing Rule 10.11), the issue

of the Shares will not use up any of the Company's 15% annual placement capacity.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Debt Conversion Shares and the Convertible Instrument and accrued interest must be repaid in cash.

## **7.5 Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the Debt Conversion Shares will be issued to EFDL (or its nominee), who falls within the category set out in Listing Rule 10.11.4, as EFDL is a subsidiary of Merdeka, which is an associate of Provident, an entity controlled by Mr Gavin Caudle. Mr Caudle is a related party of the Company by virtue of being a Director;
- (b) the maximum number of Debt Conversion Shares to be issued to EFDL (or its nominee) is 83,623,693;
- (c) the Debt Conversion Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Shares will be issued on the same date;
- (e) the Debt Conversion Shares will be issued for nil cash consideration, in satisfaction of the conversion of the Convertible Instrument;
- (f) the purpose of the issue of the Debt Conversion Shares is to convert the Convertible Instrument into Shares in lieu of repaying the Convertible Instrument in cash, enabling the Company to spend a greater proportion of its cash reserves on its operations than it would if the Convertible Instrument was satisfied in cash;
- (g) the Debt Conversion Shares are being issued to EFDL pursuant to the Convertible Instrument. A summary of the material terms of the Convertible Instrument is set out in Section 5.3; and
- (h) a voting exclusion statement is included in Resolution 6 of the Notice.

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## **8. RESOLUTION 7 – APPROVAL OF THE ISSUE OF TRANCHE 2 PLACEMENT SHARES TO EASTERN FIELD DEVELOPMENTS LIMITED**

### **8.1 General**

As set out in Section 5.2 above, the Company has agreed to issue EFDL, a subsidiary of Merdeka 195,121,951 Tranche 2 Placement Shares at an issue price of \$0.025 per Share, raising A\$4,878,049 (**Merdeka Tranche 2 Placement Shares**) (being the subject of Resolution 7).

Assuming that:

- (a) Shareholders pass Resolutions 6 to 9;

- (b) FIRB approves the issue of the Tranche 2 Placement Shares and Debt Conversion Shares;
- (c) the Tranche 2 Placement Shares and the Debt Conversion Shares are issued; and
- (d) the Company has 3,601,037,720 Shares on issue after the completion of the Tranche 2 Placement and prior to the issue of the Debt Conversion Shares,

Merdeka will hold a relevant interest in 7.57% of the Shares and Merdeka's and Provident's voting power will increase from 27.69% to 32.99%.

The purpose of Resolution 7 is to obtain Shareholder approval under Listing Rule 10.11 and section 611 (item 7) of the Corporations Act for the issue of the Merdeka Tranche 2 Placement Shares.

## **8.2 Item 7 of Section 611 of the Corporations Act**

### **(a) Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed 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 the transaction, that person's or someone else's voting power in the company increases:

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

### **(b) Voting Power**

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

### **(c) Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
- (ii) a body corporate that the person controls.

### **8.3 Reason Section 611 Approval is Required**

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Merdeka does not currently have a relevant interest in any Shares, however as described in Section 5.4, Merdeka and Provident are considered associates for the purposes of the Corporations Act such that Merdeka's voting power in the Company includes the Shares in which Provident holds a relevant interest.

EFDL does not currently have a relevant interest in any Shares. Merdeka will hold a relevant interest in any Shares that EFDL holds for the purposes of section 608 of the Corporations Act on the basis that EFDL is a 99.9% subsidiary of Merdeka.

Following the issue of the Tranche 2 Placement Shares and Debt Conversion Shares, EFDL will have a relevant interest in 278,745,644 Shares, which, together with 936,920,394 Shares held by Provident, represents approximately a 32.99% voting power in the Company. This assumes that Resolutions 6 to 9 are passed by Shareholders.

Accordingly, Resolution 7 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act and all other purposes, to enable the Company to issue the Merdeka Tranche 2 Placement Shares to EFDL.

### **8.4 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74**

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Australia annexed to this Explanatory Statement.

#### **(a) Identity of EFDL, Merdeka and Provident**

It is proposed that EFDL will be issued the Tranche 2 Placement Shares for the issue price of A\$0.025 per Share.

EFDL is a 99.9% subsidiary of Merdeka.

Merdeka is an Indonesian incorporated holding company with operating subsidiaries that engage in mining business activities that encompass the exploration and future production of gold, silver, copper and other related minerals, as well as mining services. Merdeka is listed on the Indonesian Stock Exchange (IDX:MDKA).

Provident Capital Partners (**Provident Capital**), a Singaporean investment firm, is the beneficial shareholder of Provident. Provident Capital focuses its investments across a range of industries, including

mining, telecommunications, real estate, infrastructure, plantation and biofuels. Most of the businesses that Provident Capital has investments in are located in Indonesia.

Further information in relation to Merdeka and Provident is set out in Section 5.4 and the nature of their relevant interests in the Company is summarised in Section 8.4(b).

(b) **Relevant Interest and Voting Power**

(i) **Relevant Interest**

The relevant interests of Merdeka and Provident (an associate of Merdeka) in voting shares in the capital of the Company (both current, and following the issue of the Tranche 2 Placement Shares and the Debt Conversion Shares) are set out in the table below:

Party	Capacity	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest on completion of acquisition
Merdeka	Direct interest	0	0
	Indirect interest (held by EFDL, Merdeka's 99.9% owned subsidiary)	0	278,745,644
	<b>Total</b>	0	278,745,644
Provident	Direct interest	936,920,394	1,215,666,038

(ii) **Voting Power**

The voting power of Merdeka and Provident both current, and upon completion of the acquisition (assuming the issue of the Tranche 2 Placement Shares and the Debt Conversion Shares) is set out in the table below:

Party	Voting power as at the date of this Notice of Meeting	Voting power on completion of the acquisition
Merdeka	27.69%	32.99%
Provident	27.69%	32.99%

Further details on the voting power of Merdeka and Provident is set out in the Independent Expert's Report prepared by RSM Australia.

(c) **Summary of Increases**

The maximum voting power that Merdeka and Provident will hold after the issue of the Tranche 2 Placement Shares (assuming the Debt Conversion Shares are also issued) is 32.99%, being an increase in voting power of 5.3%.

(d) **Assumptions**

Note that the following assumptions have been made in calculating the above:

- (i) the Company has 3,383,915,769 Shares on issue as at the date of this Notice of Meeting;
- (ii) EFDL receives FIRB approval to be issued the Merdeka Tranche 2 Placement Shares and the Debt Conversion Shares;
- (iii) the maximum number of Merdeka Tranche 2 Placement Shares which may be issued to EFDL (being 195,121,951 Shares) are issued;
- (iv) the maximum number of Debt Conversion Shares which may be issued to EFDL (being 83,623,693 Shares) are issued;
- (v) Mr Gavin Caudle receives FIRB approval to be issued the Tranche 2 Placement Shares the subject of Resolution 8 (and 20,000,000 Tranche 2 Placement Shares are issued to Mr Gavin Caudle);
- (vi) 2,000,000 Tranche 2 Placement Shares proposed to be issued to Mr Colin Moorhead (the subject of Resolution 9) are issued;
- (vii) the Company does not issue any additional Shares other than as set out in this Notice; and
- (viii) Neither Merdeka, EFDL nor Provident acquire any additional Shares.

(e) **Reasons for the proposed issue of securities**

The Merdeka Tranche 2 Placement Shares are to be issued to EFDL to raise \$4,878,049. The use of funds raised from the Placement are set out in Section 5.2 above.

The Debt Conversion Shares are to be issued to EFDL to convert the Convertible Instrument. For further information, refer to Section 5.3.

(f) **Material terms of proposed issue of securities**

The material terms of the Tranche 2 Placement Shares and the Debt Conversion Shares are set out in Sections 5.2 and 5.3 respectively.

(g) **Interests of Directors**

- (i) The Company notes that Mr Gavin Caudle is a common director of the Company, Provident and Merdeka.
- (ii) Merdeka, EFDL and the Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7.



(h) **Intentions of Merdeka and Provident**

Other than as disclosed elsewhere in this Explanatory Statement, Merdeka and Provident:

- (i) have no present intention of making any significant changes to the business of the Company, including the proposed activities of the Company that are set out in Section 5.2;
- (ii) have no present intention to inject further capital into the Company;
- (iii) have no present intention to make changes regarding the future employment of the present employees of the Company;
- (iv) do not intend to redeploy any fixed assets of the Company;
- (v) do not intend to transfer any property between the Company and Merdeka and Provident; and
- (vi) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Merdeka at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time. Accordingly, the statements set out above are statements of current intentions only.

(i) **Capital Structure**

The capital structure upon completion of the acquisition of Shares by EFDL, is set out in Section 5.6.

## **8.5 Advantages of the Issue**

A non-exhaustive list of advantages of the issue of the Merdeka Tranche 2 Placement Shares include the following:

- (a) The Company securing \$4,878,049 in additional funding for the following:
  - (i) extend mineable resources through step out drilling, particularly in the zone linking the Sihayo and Sambung deposits;
  - (ii) detailed engineering of the Tailing Storage Facility to reduce construction contingencies; and
  - (iii) value-engineering opportunities to reduce processing plant CAPEX through utilization of secondhand plant.
- (b) If Resolution 7 is not approved, the Company may be required to seek additional funding to further progress its development of the Sihayo Gold Project and ongoing exploration activities. Obtaining such

funding from further equity capital raisings may dilute the shareholding of existing Shareholders and there is no guarantee that sufficient funding will be obtained, or on acceptable terms.

- (c) The Company has considered a range of funding options and is not aware of any alternative proposals which may provide a greater benefit to the non-associated Shareholders.
- (d) An investment in the Company by Merdeka, a world class mining company listed on the Indonesian Stock Exchange (IDX:MDKA), with two large mining operations at Tujuh Bukit and Wetar.
- (e) Given Provident's existing voting power in the Company of 27.69%, there will be no significant impact arising from the collective level of control held by Merdeka and Provident following the issue of the Merdeka Tranche 2 Placement Shares (as detailed in Section 8.4(b)).

RSM Australia has concluded that the issue of the Tranche 2 Placement Shares to EFDL is not fair but reasonable to the non-associated Shareholders. A copy of the Independent Expert's Report prepared by RSM Australia is enclosed with this Notice.

## **8.6 Disadvantages of the Issue**

A non-exhaustive list of disadvantages of the issue of the Merdeka Tranche 2 Placement Shares include the following:

- (a) RSM Australia has concluded that the proposed issue of the Merdeka Tranche 2 Placement Shares is not fair to the non-associated Shareholders for the reasons as set out in its Independent Expert's Report.
- (b) If the Merdeka Tranche 2 Placement Shares are issued, the shareholding of the non-associated Shareholders will be diluted. The voting power of Provident and Merdeka in the Company may increase to 32.99% (assuming Resolutions 6 to 9 are approved).

## **8.7 Directors' recommendations**

The Directors (other than Mr Gavin Caudle who has a material personal interest in the transaction) consider that the advantages of the issue of the Merdeka Tranche 2 Placement Shares outweigh the disadvantages and recommend that Shareholders vote in favour of Resolution 7.

## **8.8 Independent Expert's Report**

The Independent Expert's Report prepared by RSM Australia (a copy of which is attached as an Annexure to this Explanatory Statement) assesses whether the issue of the Merdeka Tranche 2 Placement Shares contemplated by Resolution 7 and the resulting increase in the voting power of Merdeka and Provident is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transaction contemplated by Resolution 7 is not fair but reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation, the

sources of information and assumptions made and the advantages and disadvantages of the acquisition.

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

A summary of Chapter 2E of the Corporations Act is set out in Section 7.2.

The issue of the Merdeka Tranche 2 Placement Shares constitutes giving a financial benefit to EFDL, a subsidiary of Merdeka. Merdeka is not a related party of the Company however is an associate of Provident, an entity that is controlled by Mr Gavin Caudle, who is a related party of the Company by virtue of being a Director.

In any event, the Directors (other than Mr Caudle who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Merdeka Tranche 2 Placement Shares because the Merdeka Tranche 2 Placement Shares will be issued to EFDL (or its nominee) on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

## **8.10 Listing Rule 10.11**

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of the Merdeka Tranche 2 Placement Shares falls within Listing Rule 10.11.4 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 7 seeks Shareholder approval for the issue of the Merdeka Tranche 2 Placement Shares under and for the purposes of Listing Rule 10.11.

## **8.11 Technical information required by Listing Rule 14.1A**

If Resolution 7 is passed, the Company will be able to proceed with the issue of the Merdeka Tranche 2 Placement Shares within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification

of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Merdeka Tranche 2 Placement Shares (because approval is being obtained under Listing Rule 10.11), the issue of the Shares will not use up any of the Company's 15% annual placement capacity.

If Resolution 7 is not passed, the Company will not be able to proceed with the issue of the Merdeka Tranche 2 Placement Shares. In that case, the Company intends to rely on the '3% creep' exception pursuant to item 8 of section 611 of the Corporations Act, in relation to the increase in Merdeka's voting power as a result of the issue of the Debt Conversion Shares (the subject of Resolution 6)<sup>2</sup>.

## **8.12 Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 7:

- (a) the Merdeka Tranche 2 Placement Shares will be issued to EFDL (or its nominee), who falls within the category set out in Listing Rule 10.11.4, as EFDL is a subsidiary of Merdeka, which is an associate of Provident, an entity controlled by Mr Gavin Caudle. Mr Caudle is a related party of the Company by virtue of being a Director;
- (b) the maximum number of Merdeka Tranche 2 Placement Shares to be issued is 195,121,951;
- (c) The Merdeka Tranche 2 Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Shares will be issued on the same date;
- (e) the issue price of the Tranche 2 Placement Shares will be \$0.025 per Tranche 2 Placement Share. The Company will not receive any other consideration for the issue of the Merdeka Tranche 2 Placement Shares;
- (f) the purpose of the issue of the Tranche 2 Placement Shares is to raise capital, which the Company intends to use in the manner set out in Section 5.2;
- (g) the Tranche 2 Placement Shares are being issued under a firm commitment letter referred to in Section 5.2; and
- (h) a voting exclusion statement is included in Resolution 7 of the Notice.

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<sup>2</sup> I.e. Assuming Resolution 6 is passed but Resolutions 7 to 9 are not passed. The issue of 83,623,693 Shares to EFDL pursuant to Resolution 6 would increase Merdeka's voting power in the Company by 1.74% from 27.69% to 29.43%.

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## **9. RESOLUTIONS 8 AND 9 – ISSUE OF TRANCHE 2 PLACEMENT SHARES TO RELATED PARTIES – MR GAVIN CAUDLE AND MR COLIN MOORHEAD**

### **9.1 Background**

Resolutions 8 and 9 seek Shareholder approval for the issue up to:

- (a) 20,000,000 Tranche 2 Placement Shares to Mr Gavin Claude (or his nominee) (being the subject of Resolution 8); and
- (b) 2,000,000 Tranche 2 Placement Shares to Mr Colin Moorhead (or his nominee) (being the subject of Resolution 9),

on the terms set out below.

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

A summary of Chapter 2E of the Corporations Act is set out in Section 7.2.

The issue of Tranche 2 Placement Shares to Mr Gavin Caudle and Mr Colin Moorhead (or its nominee) constitutes giving a financial benefit. Mr Gavin Caudle and Mr Colin Moorhead are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Gavin Caudle and Mr Colin Moorhead who have a material personal interest in Resolutions 8 and 9 respectively) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Tranche 2 Placement Shares to Mr Caudle and Mr Moorhead because the Tranche 2 Placement Shares are being issued on the same terms as the Tranche 1 Placement Shares issued to non-related party participants and as such the giving of the financial benefit is on arm's length terms.

### **9.3 Listing Rule 10.11**

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders, unless it obtains the approval of its shareholders.

The issue of Tranche 2 Placement Shares to Mr Caudle and Mr Moorhead falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing

Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolutions 8 and 9 seek the required Shareholder approval for the issue of the Tranche 2 Placement Shares to Mr Caudle and Mr Moorhead under and for the purposes of Listing Rule 10.11.

#### **9.4 Technical information required by Listing Rule 14.1A**

If Resolutions 8 and 9 are passed, the Company will be able to proceed with the issue of the Tranche 2 Placement Shares to Mr Caudle and Mr Moorhead within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Tranche 2 Placement Shares (because approval is being obtained under Listing Rule 10.11), the issue of the Tranche 2 Placement Shares will not use up any of the Company's 15% annual placement capacity.

If Resolutions 8 and 9 are not passed, the Company will not be able to proceed with the issue of the Tranche 2 Placement Shares to Mr Caudle and Mr Moorhead.

#### **9.5 Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolutions 8 and 9:

- (a) the Tranche 2 Placement Shares will be issued to Mr Gavin Caudle and Mr Colin Moorhead (or their nominees), each of which fall within the category set out in Listing Rule 10.11.1 as Mr Caudle and Mr Moorhead are related parties of the Company by virtue of being Directors;
- (b) the maximum number of Tranche 2 Placement Shares to be issued to:
  - (i) Mr Gavin Caudle is up to 20,000,000 Tranche 2 Placement Shares; and
  - (ii) Mr Colin Moorhead is up to 2,000,000 Tranche 2 Placement Shares;
- (c) the Tranche 2 Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Placement Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Placement Shares will occur ;
- (e) the issue price of the Tranche 2 Placement Shares will be A\$0.025 per Tranche 2 Placement Share, being the same issue price as Shares issued to other participants in the Placement. The Company will not receive any other consideration for the issue of the Tranche 2 Placement Shares;
- (f) the purpose of the issue of the Tranche 2 Placement Share Securities to Mr Caudle and Mr Moorhead is to raise capital, which the Company intends to use in the manner set out in Section 5.2;

- (g) the Tranche 2 Placement Shares issued to Mr Caudle and Mr Moorhead are not intended to remunerate or incentivise these Directors;
- (h) the Tranche 2 Placement Shares are not being issued under Mr Caudle and Mr Moorhead's respective firm commitment letters (refer to Section 5.2); and
- (i) a voting exclusion statement is included in Resolutions 8 and 9 of the Notice.

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## 10. RESOLUTION 10 – ISSUE OF OPTIONS TO RELATED PARTY – MR COLIN MOORHEAD

### 10.1 General

Mr Colin Moorhead was appointed as the Company's Executive Chairman on 1 July 2020. The Company and Mr Moorhead have entered into an executive services agreement to set out the terms of Mr Moorhead's appointment (**CM ESA**).

The material terms of the CM ESA are as follows:

- (a) **Term:** Mr Moorhead's term as the Executive Chairman commenced on 1 July 2020 and will continue until the CM ESA is validly terminated in accordance with its terms.
- (b) **Remuneration:** The Company will pay Mr Moorhead for services rendered a salary of \$250,000 (**Salary**). Mr Moorhead will not receive additional director's fees from the Company in addition to the Salary.
- (c) **Options:**
  - (i) The Company has agreed, subject to shareholder approval, to grant Mr Moorhead up to 94,500,000 Options that are subject to various vesting conditions (**Related Party Options**).
  - (ii) The Related Party Options shall be granted in the following tranches:
    - (A) Tranche 1 – 14,500,000 Options;
    - (B) Tranche 2 – 10,000,000 Options;
    - (C) Tranche 3 – 20,000,000 Options; and
    - (D) Tranche 4 – 50,000,000 Options.
  - (iii) The terms and conditions of the Related Party Options are set out in Schedule 1.
- (d) **Termination:** The Company and Mr Moorhead may terminate the CM ESA without reason by way of three months' notice.

The CM ESA otherwise contains terms and conditions that are considered standard for this type of agreement.

The Company has agreed, subject to obtaining Shareholder approval, to issue the Related Party Options to Mr Moorhead (or his nominee) on the terms and conditions set out below.

Resolution 10 seeks Shareholder approval for the issue of the Related Party Options to Mr Moorhead (or his nominee).

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

A summary of Chapter 2E of the Corporations Act is set out in Section 7.2.

The issue of Related Party Options to Mr Moorhead (or his nominee) constitutes giving a financial benefit and Mr Moorhead is a related party of the Company by virtue of being a Director.

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

## **10.3 Listing Rule 10.11**

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue of Related Party Options falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 10 seeks the required Shareholder approval for the issue of the Related Party Options under and for the purposes of Listing Rule 10.11.

## **10.4 Technical information required by Listing Rule 14.1A**

If Resolution 10 is passed, the Company will be able to proceed with the issue of the Related Party Options to Mr Moorhead within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue of the Related Party Options (because approval is being obtained under



Listing Rule 10.11), the issue of the Related Party Options will not use up any of the Company's 15% annual placement capacity.

If Resolution 10 is not passed, the Company will not be able to proceed with the issue of the Related Party Options.

## **10.5 Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 10:

- (a) the Related Party Options will be issued to Mr Colin Moorhead (or his nominee), who falls within the category set out in Listing Rule 10.11.1 as Mr Moorhead is a related party of the Company by virtue of being a Director;
- (b) the maximum number of Related Party Options to be issued is 94,500,000;
- (c) the terms and conditions of the Related Party Options are set out in Schedule 1;
- (d) the Related Party Options will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (e) the issue price of the Related Party Options will be nil. The Company will not receive any other consideration in respect of the issue of the Related Party Options (other than in respect of funds received on exercise of the Related Party Options);
- (f) the purpose of the issue of the Related Party Options is to provide a performance linked incentive component in the remuneration package for Mr Moorhead to motivate and reward their performance as a Director and to provide cost effective remuneration to Mr Moorhead, enabling the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Moorhead;
- (g) the current total remuneration package for Mr Moorhead is \$250,000, comprising of executive services fees. If the Related Party Options are issued, the total remuneration package of Mr Moorhead will increase by the value of the Related Party Options. The value of the Related Party Options and the pricing methodology is set out in Schedule 2;
- (h) the Related Party Options are being issued to Mr Moorhead under the CM ESA. A summary of the material terms of the CM ESA is set out in Section 10.1; and
- (i) a voting exclusion statement is included in Resolution 10 of the Notice.

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## 11. RESOLUTION 11 – APPROVAL TO ISSUE OPTIONS TO MR ROD CROWTHER

### 11.1 General

The Company has entered into an executive services agreement with Mr Rod Crowther, its Chief Financial Officer, to record the terms of Mr Crowther's engagement (**RC ESA**).

The material terms of the RCM ESA are as follows:

- (a) **Term:** Mr Crowther's term as the Chief Financial Officer commenced on 7 September 2020 and will continue until the RC ESA is validly terminated in accordance with its terms.
- (b) **Remuneration:** The Company will pay Mr Crowther for services rendered a salary of \$265,000.
- (c) **Options:**
  - (i) The Company has agreed, subject to shareholder approval, to grant Mr Crowther up to 51,000,000 Options that are subject to various vesting conditions (**RC Options**).
  - (ii) The RC Options shall be granted in the following tranches:
    - (A) Tranche 1 – 10,000,000 Options;
    - (B) Tranche 2 – 7,000,000 Options;
    - (C) Tranche 3 – 14,000,000 Options; and
    - (D) Tranche 4 – 20,000,000 Options.
  - (iii) The terms and conditions of the RC Options are the same as those for the Related Party Options, which are set out in Schedule 1.
- (d) **Termination:** The Company and Mr Crowther may terminate the CM ESA without reason by way of three months' notice.

The RC ESA otherwise contains terms and conditions that are considered standard for this type of agreement.

As summarised in Section 6.2 above, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The proposed issue of the RC Options does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 11 seeks Shareholder approval for the purposes of Listing Rule 7.1 for the issue of the RC Options.

## 11.2 Technical information required by Listing Rule 14.1A

If Resolution 11 is passed, the Company will be able to proceed with the issue of the RC Options. In addition, the issue of the RC Options will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 11 is not passed, the Company will not be able to proceed with the issue of the RC Options.

## 11.3 Technical information required by Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 11:

- (a) the RC Options will be issued to Mr Rod Crowther, who is not a related party of the Company;
- (b) the maximum number of RC Options to be issued is 51,000,000. The terms and conditions of the RC Options are set out in Schedule 1;
- (c) the RC Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the RC Options will occur on the same date;
- (d) the RC Options will be issued at a nil issue price, in consideration for services provided by Mr Crowther in his role as the Company's Chief Financial Officer;
- (e) the purpose of the issue of the RC Options is to satisfy the Company's obligations under the RC ESA;
- (f) the RC Options are being issued to Mr Crowther under the RC ESA. A summary of the material terms of the RC ESA is set out in Section 11.1;
- (g) the RC Options are not being issued under, or to fund, a reverse takeover; and
- (h) a voting exclusion statement is included in Resolution 11 of the Notice.

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## 12. RESOLUTION 12 – APPROVAL OF 7.1A MANDATE

### 12.1 General

As summarised in Section 6.2, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 12 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 12 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 12 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

## **12.2 Technical information required by Listing Rule 7.1A**

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 12:

### **(a) Period for which the 7.1A Mandate is valid**

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

### **(b) Minimum Price**

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 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 by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 12.2(b)(i), the date on which the Equity Securities are issued.

### **(c) Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 12 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, 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 Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 23 October 2020.

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 7.1A Mandate.

Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.0135	\$0.0270	\$0.0540
			50% decrease	Issue Price	50% increase
Funds Raised					
<b>Current</b>	3,684,661,413	368,466,141	\$4,974,292	\$9,948,585	\$19,897,171
<b>50% increase</b>	5,526,992,120	552,699,211	\$7,461,439	\$14,922,878	\$29,845,757
<b>100% increase</b>	7,369,322,826	736,932,282	\$9,948,585	\$19,897,171	\$39,794,343

\* 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. There are currently 3,684,661,413 Shares on issue comprising:
  - (a) 3,383,915,769 existing Shares as at the date of this Notice of Meeting; and
  - (b) 300,745,644 Shares which will be issued if Resolutions 6 to 9 are passed at this Meeting; and
2. The issue price set out above is the closing market price of the Shares on the ASX on 23 October 2020.
3. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. 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.

7. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

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 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.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients 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 recipients at the time of the issue under the 7.1A Mandate, having regard to 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, share purchase plan, placement 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 circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its annual general meeting held on 29 November 2019 (**Previous Approval**).

During the 12-month period preceding the date of the Meeting, being on and from 30 November 2019, the Company issued 228,986,426 Shares pursuant to the Previous Approval (**Previous Issue**), which represent approximately 10% of the total diluted number of Equity Securities on issue in the Company on 30 November 2019, which was 2,289,864,262.

Further details of the issues of Equity Securities by the Company pursuant to Listing Rule 7.1A.2 during the 12 month period preceding the date of the Meeting are set out below.

The following information is provided in accordance with Listing Rule 7.3A.6(b) in respect of the Previous Issue:

<b>Date of Issue and Appendices 2A and 3B</b>	<p><b>Date of Issue:</b> 28 August 2020</p> <p><b>Date of Appendix 3B:</b> 20 August 2020</p> <p><b>Date of Appendix 2A:</b> 28 August 2020</p>
<b>Recipients</b>	Professional and sophisticated investors as part of the first tranche of the placement announced on 20 August 2020. The placement participants were identified through a bookbuild process, which involved Argonaut Securities Pty Limited, Bell Potter Securities Limited CLSA Australia Pty Ltd and the Company seeking expressions of interest to participate in the placement from non-related parties of the Company.
<b>Number and Class of Equity Securities Issued</b>	228,986,426 Shares <sup>2</sup>
<b>Issue Price and discount to Market Price<sup>1</sup> (if any)</b>	\$0.025 per Share (at the Market Price).
<b>Total Cash Consideration and Use of Funds</b>	<p><b>Amount raised:</b> \$5,724,661</p> <p><b>Amount spent:</b> \$314,856</p> <p><b>Use of funds:</b> exploration, early capital works and ongoing working capital.</p> <p><b>Amount remaining:</b> \$5,409,804</p> <p><b>Proposed use of remaining funds<sup>3</sup>:</b> Exploration, early capital works and ongoing working capital.</p>

**Notes:**

1. Market Price means the closing price of Shares on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company (ASX Code:SIH), terms are set out in the Constitution.
3. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

### 12.3 Voting Exclusion Statement

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

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## **13. RESOLUTION 13 – REPLACEMENT OF CONSTITUTION**

### **13.1 General**

A company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders.

Resolution 13 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and Listing Rules.

This will incorporate amendments to the Corporations Act and Listing Rules since the current Constitution was adopted in 2010.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website [www.sihayogold.com](http://www.sihayogold.com) and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 427 401 198). Shareholders are invited to contact the Company if they have any queries or concerns.

### **13.2 Summary of material proposed changes**

#### **Restricted Securities (clause 2.12)**

The Proposed Constitution complies with the recent changes to Listing Rule 15.12 which took effect from 1 December 2019. As a result of these changes, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will permit the Company to issue restriction notices to holders of restricted securities in the form of the new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

#### **Minimum Shareholding (clause 3)**

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.



The Proposed Constitution is in line with the requirements for dealing with “unmarketable parcels” outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

#### **Fee for registration of off market transfers (clause 8.4(c))**

On 24 January 2011, ASX amended Listing Rule 8.14 with the effect that the Company may now charge a “reasonable fee” for registering paper-based transfers, sometimes referred to “off-market transfers”.

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

#### **Direct Voting (clause 13, specifically clauses 13.35 – 13.40)**

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

#### **Dividends (clause 22)**

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and

- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

### **Partial (proportional) takeover provisions (new clause 36)**

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

#### Information required by section 648G of the Corporations Act

##### *Effect of proposed proportional takeover provisions*

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

##### *Reasons for proportional takeover provisions*

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

##### *Knowledge of any acquisition proposals*

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

##### *Potential advantages and disadvantages of proportional takeover provisions*

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (d) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (e) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

#### *Recommendation of the Board*

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 13.

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## GLOSSARY

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**A\$** means Australian dollars.

**AEDT** means Australian Eastern Daylight Time as observed in Sydney, Australia.

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

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

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

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Sihayo Gold Limited (ACN 009 241 374).

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

**Convertible Instrument** has the meaning given in Section 5.3.

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

**Debt Conversion Shares** means the Shares to be converted, subject to Resolution 6 being passed, on the conversion of the Convertible Instrument.

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

**EFDL** means Eastern Field Developments Limited.

**Entitlement Issue** has the meaning given in Section 5.1.

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

**FIRB** means the Foreign Investment Review Board.

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

**Goldstar** means Goldstar Asia Mining Resources (L) Berhad.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

**Merdeka** means PT Merdeka Copper Gold Tbk.

**Merdeka Debt Conversion** has the meaning given in Section 5.3.

**Merdeka Tranche 2 Placement Shares** means the 195,121,951 Tranche 2 Placement Shares that are, subject to Resolution 7 being passed, to be issued to EFDL.

**NPV** means net present value.

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

**Option** means an option to acquire a Share.

**Placement** means the Tranche 1 Placement and the Tranche 2 Placement.

**Provident** means Provident Minerals Pte Ltd.

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

**Saratoga** means PT Saratoga Investama Sedaya.

**Sorikmas** means PT Sorikmas Mining.

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

**RSM Australia** means RSM Corporate Australia Pty Ltd (ACN 050 508 02).

**Section** means a section of the Explanatory Statement.

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

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

**Tranche 1 Placement** means the issue of the 572,466,065 Tranche 1 Placement Shares to raise A\$14,311,651 (before costs).

**Tranche 1 Placement Shares** means 572,466,065 Shares that were issued under the Tranche 1 Placement on 28 August 2020.

**Tranche 2 Placement** means, subject to Resolutions 7 to 9 being passed and the receipt of FIRB approval, the issue of the 217,121,951 Tranche 2 Placement Shares to raise A\$5,428,049 (before costs).

**Tranche 2 Placement Shares** means the Shares that are to be issued under the Tranche 2 Placement.

**US\$** means United States Dollars.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of the Options will be:

- (i) **Tranche 1:** a 34% premium to the volume weighted average price (**VWAP**) of the Company's Shares on ASX for the five trading days prior to 30 September 2020;
- (ii) **Tranche 2:** a 34% premium to the VWAP of the Company's Shares on ASX for the five trading days prior to 30 September 2020;
- (iii) **Tranche 3:** a 67% premium to the VWAP of the Company's Shares on ASX for the five trading days prior to 30 September 2020; and
- (iv) **Tranche 4:** a 67% premium to the VWAP of the Company's Shares on ASX for the five trading days prior to 30 September 2020,

(each being an **Exercise Price**).

(c) **Vesting Conditions**

The Options are subject to the following vesting conditions:

- (i) **Tranche 1:** The Company successfully:
  - (A) raises USD7m in equity from parties other than current significant Shareholders, and/or PT Merdeka Copper Gold Tbk and affiliates; and
  - (B) achieves financial closing in relation to the Sihayo Gold Project whereby bank loans fund a minimum of 50% of the project construction's capital expenditure.
- (ii) **Tranche 2:** the Company successfully raises an additional USD30m in equity from parties other than current significant shareholders, and/or PT Merdeka Copper Gold Tbk and affiliates for the Sihayo Gold Project before project construction commences.
- (iii) **Tranche 3:** the Company makes full repayment of all outstanding debt from free-cashflow.
- (iv) **Tranche 4:** the first to occur of:
  - (A) If, as a result of new exploration discoveries, the existing project near mine measured and indicated reserves increase such that the overall project NPV (discounted at 8% above treasuries) increases by at least USD100m, then:

- (1) 20% of the Tranche 4 Options will vest upon the publication of an ASX announcement to that effect; and
  - (2) an additional 20% of the Tranche 4 Options will vest for every additional USD100m NPV (discounted at 8% above treasuries) increase beyond the initial USD100m increase, as a result of new exploration discoveries, until 100% of the Tranche 4 Options have vested; or
- (B) If a discovery is made and the Board formally approves the development of a project, separate to the existing Sihayo Gold Project, with an NPV of at least USD300m (discounted at 8% above treasuries) based on measured and indicated reserves, then:
- (1) 20% of the Tranche 4 Options will vest upon the publication of an ASX announcement to that effect; and
  - (2) an additional 20% of the Tranche 4 Options will vest for every additional USD100m NPV (discounted at 8% above treasuries) calculated for the new project approval above the initial threshold project value of USD300m, until 100% of the Tranche 4 Options have vested,

(each being a **Vesting Condition**).

(d) **Expiry Date**

The Options will expire at 5:00 pm (EST) on:

- (i) **Tranche 1**: 24 months from their date of issue;
- (ii) **Tranche 2**: 24 months from their date of issue;
- (iii) **Tranche 3**: 72 months from their date of issue; and
- (iv) **Tranche 4**: 72 months from their date of issue,

(each being an **Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(e) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.



(g) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued Shares of the Company.

(j) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(k) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(m) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(n) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## SCHEDULE 2 – VALUATION OF RELATED PARTY OPTIONS

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Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options have been ascribed the following value:

### Related Party Options - Tranches 1 and 2:

Assumptions	
Valuation date	30 November 2020
Market price of Shares (equivalent to the closing price on ASX on 22 October 2020).	\$0.024
Exercise price	\$0.02907
Expiry date (length of time from issue)	Two (2) years from date of issue
Risk free interest rate	0.12%
<b>Indicative value per Option</b>	\$0.01785
<b>Total Value of Options</b> (24,500,000 Options)	\$437,284.26

Note: The valuation noted above is not the market price for taxation purposes.

### Related Party Options - Tranches 3 and 4:

Assumptions	
Valuation date	30 November 2020
Market price of Shares (equivalent to the closing price on ASX on 22 October 2020).	\$0.024
Exercise price	\$0.03624
Expiry date (length of time from issue)	Six (6) years from date of issue
Risk free interest rate	0.12%
<b>Indicative value per Option</b>	\$0.0229
<b>Total Value of Options</b> (70,000,000 Options)	\$1,607,507.85

Note: The valuation noted above is not the market price for taxation purposes.