

BRAZILIAN METALS GROUP LIMITED

ACN 107 118 678

Circular to Shareholders

including:

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

18 November 2013

Time of Meeting

11.00am

Place of Meeting

Rydges Perth Hotel

Corner Hay Street and King Street Perth, Western Australia

These documents should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

CONTENTS

Section 1	Notice of Meeting
Section 2	Explanatory Memorandum
Section 3	Annexure A
Section 4	Proxy Form

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Brazilian Metals Group Limited will be held at the Rydges Perth Hotel, corner Hay Street and King Street Perth, Western Australia on **18 November 2013 at 11.00am (WST)**.

AGENDA

To consider, and if thought fit to pass, the resolutions set out below.

Information on the proposals to which those resolutions relate is contained in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting (**Explanatory Memorandum**). Words and expressions defined in the Explanatory Memorandum have the same meanings where used in this Notice of Meeting.

ORDINARY BUSINESS – FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Financial Report, the Directors' Report and Independent Auditor's Report of the Company for the financial year ended 30 June 2013.

RESOLUTION 1 – ELECTION OF MR CHRISTOPHER EAGER

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

"That Mr Christopher Eager, a Director appointed since the previous annual general meeting and ceasing to hold office in accordance with Article 81(2) of the Company's constitution and Listing Rule 14.4, be elected as a Director."

RESOLUTION 2 – ELECTION OF DR MICHAEL GREEN

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

"That Dr Michael Green, a Director appointed since the previous annual general meeting and ceasing to hold office in accordance with Article 81(2) of the Company's constitution and Listing Rule 14.4, be elected as a Director."

RESOLUTION 3 – RE-ELECTION OF MR MALCOLM CASTLE

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

"That Mr Malcolm Castle (a Director appointed to the Board on 8 November 2010) who retires by rotation in accordance with Article 79 of the Company's constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a Director."

RESOLUTION 4 – THE ADOPTION OF THE REMUNERATION REPORT (NON-BINDING RESOLUTION)

To consider and, if thought fit, to pass the following resolution as a non-binding ordinary resolution:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report as contained in the Company's Annual Report for the financial year ended 30 June 2013 be adopted."

In accordance with the Corporations Act, the vote on this Resolution is advisory only and does not bind the Directors or the Company.

The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election. For further information, please refer to the Explanatory Memorandum.

Voting exclusion statement: In accordance with section 250R of the Corporations Act, the Company will disregard any votes cast (in any capacity) on Resolution 4 by or on behalf of a member of the Key Management Personnel whose remuneration is disclosed in the Remuneration Report and closely related parties of those persons, unless the vote is cast as a proxy for a person who is entitled to vote on Resolution 4 in accordance with a direction on the Proxy Form or by the Chairman of the Meeting and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on Resolution 4 and expressly authorises the Chairman to exercise the proxy even though Resolution 4 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

RESOLUTION 5 – APPROVAL OF AN ADDITIONAL 10% PLACEMENT FACILITY

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

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion statement: In accordance with Listing Rule 7.3A.7 and 14.11, the Company will disregard any votes cast on Resolution 5 by any person who may participate in the proposed issue and who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 5 is passed, and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 6 – CHANGE OF COMPANY NAME

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

"That pursuant to section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "BMG Resources Limited"."

RESOLUTION 7 – APPROVAL OF ISSUE OF OPTIONS TO MR CHRISTOPHER EAGER

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

“That for the purposes of section 208 of the Corporations Act and Listing Rule 10.11, and for all other purposes, the Company approves the issue of up to 10,000,000 Options (and Shares on the exercise of those Options) to Mr Christopher Eager (a Director) or his nominee(s), on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statements:

In accordance with Listing Rule 10.13.6 and 14.11, the Company will disregard any votes cast on Resolution 7 by Mr Eager and his Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 7 if the person is either a member of the Key Management Personnel or a closely related party of the Key Management Personnel and the appointment does not specify the way the proxy is to vote on Resolution 7. However, the proxy may vote if the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

RESOLUTION 8 – APPROVAL OF ISSUE OF OPTIONS TO MR BRUCE McCracken

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

“That for the purposes of Listing Rule 10.11 and for all other purposes, the Company approves the issue of 25,000,000 Options (and Shares on the exercise of those Options) to Mr Bruce McCracken (a Director) or his nominee(s), on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statements:

In accordance with Listing Rule 10.13.6 and 14.11, the Company will disregard any votes cast on Resolution 8 by Mr McCracken and his Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 8 if the person is either a member of the Key Management Personnel or a closely related party of the Key Management Personnel and the appointment does not specify the way the proxy is to vote on Resolution 8. However, the proxy may vote if the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

RESOLUTION 9 – APPROVAL OF ISSUE OF OPTIONS TO DR MICHAEL GREEN

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

“That for the purposes of Listing Rule 10.11 and for all other purposes, the Company approves the issue of 17,000,000 Options (and Shares on the exercise of those Options) to Dr Michael Green (a Director) or his nominee(s), on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statements:

In accordance with Listing Rules 10.13.6 and 14.11, the Company will disregard any votes cast on Resolution 9 by Dr Green and his Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on Resolution 9 if the person is either a member of the Key Management Personnel or a closely related party of the Key Management Personnel and the appointment does not specify the way the proxy is to vote on Resolution 9. However, the proxy may vote if the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

By Order of the Board



Fleur Hudson
Company Secretary

NOTES

These notes form part of the Notice of Meeting.

Background information

To assist you in deciding how to vote on the above resolutions, background information to the resolutions are set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Recommendation

The Board believes that the above resolutions are in the best interests of the Shareholders and (save where otherwise indicated in the Explanatory Memorandum) unanimously recommends that Shareholders vote in favour of each of them.

Voting entitlements

The Directors have determined that, for the purpose of voting at the Annual General Meeting, Shareholders eligible to vote at the Annual General Meeting are those persons who are the registered holders of Shares at 11.00am (WST) on 16 November 2013.

How to vote

You may vote by attending the Annual General Meeting in person, by proxy, or by an authorised representative.

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out above. Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

Voting by proxy

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the Annual General Meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a Shareholder is entitled to cast two or more votes he may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.

To vote by proxy, the Proxy Form (together with the original of any power of attorney or other authority, if any, or certified copy of that power of attorney or other authority under which the Proxy Form is signed) must be deposited with the Company at the registered office Level 14, Parmelia House, 191 St Georges Terrace Perth WA 6000 or faxed to the Company (+61) (8) 9321 5932, not less than 48 hours before the time for holding the meeting. A proxy presented by a company should be under the common seal of that company.

Corporate Representatives

A body corporate may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Share Registrar, Security Transfer Registrars Pty Ltd, before the Annual General Meeting or at the registration desk on the day of the Annual General Meeting. Certificates of appointment of corporate representatives are available at Security Transfer Registrars Pty Ltd or on request by contacting Security Transfer Registrars Pty Ltd on telephone number (08) 9315 2333.

Questions from Shareholders

The Chairman of the meeting will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management and performance of the Company.

BDO (WA) Pty Ltd, as the Auditor responsible for preparing the Auditor's report for the financial year ended 30 June 2013 (or its representative), will attend the Annual General Meeting. The Chairman of the Meeting will allow a reasonable opportunity for the Shareholders as a whole to ask the Auditor questions at the meeting about:

- (a) the conduct of the audit;
- (b) the preparation and content of the Auditor's report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

To assist the Board and the Auditor of the Company in responding to any questions you may have, please submit any questions you may have by fax or to the address below by no later than 11.00am (WST) on 11 November 2013.

By mail: Level 14, Parmelia House
 191 St Georges Terrace
 PERTH WA 6000

By facsimile: (within Australia) (+61) (8) 9321 5932

In person: Level 14, Parmelia House
191 St Georges Terrace
PERTH WA 6000

As required under section 250PA of the Corporations Act, at the meeting, the Company will make available those questions directed to the Auditor received in writing at least five business days prior to the Annual General Meeting, being questions which the Auditor considers relevant to the content of the Auditor's report or the conduct of the audit of the Annual Financial Report for the financial year ended 30 June 2013. The Chairman of the meeting will allow a reasonable opportunity for the Auditor to respond to the questions set out on this list.

Annual Report

The Company advises that a copy of its Annual Report for the financial year ended 30 June 2013, is available to download at the website address, www.bmgl.com.au.

When you access the Company's Annual Report on-line, you can view it and print a copy.

Please note that if you have elected to continue to receive a hard copy of the Company's Annual Reports, the Company's Annual Report for the financial year ended 30 June 2013 will accompany this Notice of Meeting or, alternatively, it will be mailed to you no later than 21 days before the Annual General Meeting.

However, if you did not elect to continue to receive a hard copy of the Company's Annual Reports and now (or sometime in the future) you wish to receive a hard copy of the Company's Annual Reports, please contact Security Transfer Registrars Pty Ltd on (08) 9315 2333. They will be pleased to mail you a copy.

Enquiries

Shareholders are invited to contact the Company Secretary, Fleur Hudson, on (08) 9424 9390 if they have any queries in respect of the matters set out in these documents.

By Order of the Board

Date 14 October 2013



Name **Fleur Hudson**
Company Secretary

The Notice of Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum is prepared for the information of Shareholders in connection with any business to be transacted at the Annual General Meeting of the Company to be held on 18 November 2013.

At the meeting, Shareholders will be asked to consider resolutions regarding:

- (a) election and re-election of Directors;
- (b) adoption of the Remuneration Report;
- (c) approval of an additional 10% placement facility;
- (d) change of the Company's name;
- (e) the approval of the issue of Options to Mr Christopher Eager;
- (f) the approval of the issue of Options to Mr Bruce McCracken; and
- (g) the approval of the issue of Options to Dr Michael Green.

Details of these proposals are set out in the Explanatory Memorandum, which Shareholders are encouraged to read carefully.

The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass these resolutions. The Explanatory Memorandum explains the resolutions and identifies the Board's reasons for putting them to Shareholders. It should be read in conjunction with the accompanying Notice of Meeting.

Financial Statements and Reports

Shareholders are to receive and consider the Annual Financial Report, Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 30 June 2013.

Shareholders will be given the opportunity to ask questions of the Board and the Auditors in relation to the Annual Report for the financial year ended 30 June 2013, at the Annual General Meeting.

Resolutions 1, 2 and 3 – Election and re-election of Directors

Article 81(1) of the Company's constitution provides that the Directors may appoint any person as a Director to fill a casual vacancy or as an addition to the existing Directors. Article 81(2) of the Company's constitution and Listing Rule 14.4 provide that a Director appointed by the Board will hold office until the next annual general meeting of the Company when the Director may then be re-elected.

Mr Eager, having consented by notice in writing to act as a Director, was appointed by the Board as a Director on 15 February 2013 pursuant to Article 81(1) of the Company's constitution.

Dr Green, having consented by notice in writing to act as a Director, was appointed by the Board as a Director on 15 February 2013 pursuant to Article 81(1) of the Company's constitution.

Article 79 of the Company's constitution and Listing Rule 14.4 require that at each Annual General Meeting of the Company, one third of the Directors (to the nearest whole number) must retire from office. A retiring Director is eligible for re-election.

Mr Castle retires by rotation at this Meeting and, being eligible, offers himself for re-election.

Profiles of Messrs Eager, Green and Castle are contained in the Company's annual report for the financial year ended 30 June 2013.

Subject to Resolutions 1, 2 and 3 being passed, after the Annual General Meeting the Board will comprise Mr Christopher Eager, Mr Bruce McCracken, Dr Michael Green and Mr Malcolm Castle. The Board considers that this board composition, including the mix of executive and non-executive Directors, provides an appropriate range of skills, knowledge and experience.

Directors' recommendation

All Directors (other than Mr Eager in relation to Resolution 1, Dr Green in relation to Resolution 2 and Mr Castle in relation to Resolution 3) recommend that Shareholders vote in favour of Resolutions 1, 2 and 3.

The Chairman of the Meeting intends to vote all available undirected proxies in favour of Resolutions 1, 2, and 3.

Resolution 4 – Adoption of the Remuneration Report

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 company's shareholders. Under section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and will not bind the Directors or the Company. The Chairman of the meeting will allow a reasonable opportunity for discussion of the Remuneration Report at the meeting.

The Remuneration Report is contained in the Financial Report for the year end 30 June 2013 and sets out the Company's remuneration arrangements for the Directors and senior management.

In accordance with Division 9 of Part 2G.2 of the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election.

It is noted that at the Company's 2012 annual general meeting the votes cast against the remuneration report was less than 25% of the total votes cast and accordingly, a spill resolution will not under any circumstances be required for the Annual General Meeting.

It is further noted that a voting exclusion applies to Resolution 4 in the terms set out in the Notice of Meeting. In particular, section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by Key Management Personnel whose remuneration details are disclosed in the report (or their closely related parties), and may not cast a vote as proxy. However, an exception to this prohibition exists to enable the Chairman to vote Shareholders' undirected proxy votes where the proxy appointment expressly authorises the Chairman to exercise the proxy. The Chairman will use any such proxies to vote **in favour of** Resolution 4.

If you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of Resolution 4, you must indicate your voting intention by marking either 'against' or 'abstain' in respect of Resolution 4 on the Proxy Form.

Resolution 5 – Approval of an additional 10% Placement Facility

Listing Rule 7.1A provides that an Eligible Entity may seek shareholder approval to allow it to issue Equity Securities up to 10% of its issued share capital over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

For the purposes of Listing Rule 7.1A an Eligible Entity is one that, as at the date of the relevant Annual General Meeting:

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

The Company is an Eligible Entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out below).

If passed, the effect of Resolution 5 will be to allow all the Directors to issue up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a Special Resolution. Accordingly, at least 75% of votes cast by Shareholders eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

Listing Rule 7.1A

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. This means that if Resolution 5 is passed, the Company will be able to issue either Shares or quoted Options (of the same class as those already on issue) under the 10% Placement Facility.

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

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
 - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the Eligible Entities 15% placement capacity without Shareholder approval; and
 - (d) less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under Listing Rule 7.1 or Listing Rule 7.4.

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 this Resolution 5:

(a) Minimum Price

The issue price of Equity Securities issued under Listing Rule 7.1A must not be less than 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

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

(b) Date of issue

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

- (i) 12 months after the date of the AGM; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).

For the avoidance of doubt, an approval given pursuant to Resolution 5 for an additional 10% Placement Facility will expire on the earlier of the dates set out above.

(c) Risk of voting dilution

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

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

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

The table also shows:

- (i) Two examples where variable 'A' in the formula has increased by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities that the Company has on issue may increase as a result of issues of ordinary securities which do not require shareholder approval (such as a pro rata entitlements issue or script issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting.
- (ii) Two examples of where the issue price of the ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Number of Shares on issue (variable 'A' in Listing Rule 7.1A.2)	Dilution			
	Issue Price (per Share)	\$0.003 (50% decrease in current issue price)	\$0.006 (current issue price)	\$0.009 (50% increase in current issue price)
629,227,732 (current variable 'A')	Shares issued	62,922,773 shares	62,922,773 shares	62,922,773 shares
	Funds Raised	\$188,768	\$377,534	\$566,305
943,841,598 (50% increase in current variable 'A')*	Shares issued	94,384,160 shares	94,384,160 shares	94,384,160 shares
	Funds Raised	\$283,152	\$566,305	\$849,457
1,258,455,644 (100% increase in current variable 'A')*	Shares issued	125,845,564 shares	125,845,564 shares	125,845,564 shares
	Funds Raised	\$377,537	\$755,073	\$1,132,610

*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:

- (i) The current shares on issue are the Shares on issue as at 11 October 2013.
- (ii) The issue price set out above is the closing price of the Shares on the ASX on 11 October 2013.
- (iii) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (iv) No Options (including any Options issued under the 10% Placement Facility) are exercised before the date of the issue of the Equity Securities, including any quoted Options.
- (v) 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%.
- (vi) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the AGM.
- (vii) The table shows only the effect of the issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (viii) For the purposes of this table, the issue of Equity Securities under the 10% Placement Facility consists only of Shares.

Shareholders should note the following risks:

- (i) the market price of the Shares may be significantly lower on the date of the issue 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 the Shares on the issue date.

(d) Purpose of Issue under 10% Placement Capacity

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

- (i) as cash consideration in which case the Company intends to use funds raised 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 any new assets it acquires, and general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources, assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) Allocation policy

The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

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

The Company will determine the allottees at the time of the issue under the 10% Placement Facility, 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 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).

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be vendors of the new resources assets or investments.

(f) Compliance with disclosure obligations

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(g) Previous approval under Listing Rule 7.1A

The Company has previously obtained approval under Listing Rule 7.1A.

The total number of Equity Securities issued in the 12 months preceding the date of the Meeting is 483,170,799. This represents 331% of the total number of Equity Securities on issue at the commencement of that 12 month period.

Set out below are the details of the Equity Securities issued by the Company during the 12 months preceding the date of the Meeting:

Date of issue	Allottee/s	Equity Security	Price (and discount to market if any) / Current value of non-cash consideration	Key terms	Use of funds raised
25 March 2013	Shareholders, in accordance with a fully underwritten renounceable pro-rata offer of three new Shares for every one Share held	438,170,799 Shares	\$0.01 per Share, constituting a 9.1% discount to market	Fully paid ordinary Shares ranking equally with other Shares on issue	100% of the funds raised have been used for the acquisition of Treasure Development Limited, being the holding company of the Treasure Project which consists of 23 prospecting and reconnaissance permits and licenses, exploration of the Treasure Project, repaying a loan of \$550,000 from Transcontinental Investments Pty Ltd and working capital
10 April 2013	Issued to the Vendors of Treasure Development Limited in accordance with the share purchase agreement identified in the Company's announcement of 10 December 2012 and referred to in the Company's prospectus dated 15 February 2013	45,000,000 Shares	\$270,000*	Fully paid ordinary Shares ranking equally with other Shares on issue	These Shares were issued as a deferred consideration for the acquisition of Treasure Development Limited and consequently no funds were raised

*The current value of the 45,000,000 Shares issued to the Vendors of Treasure Development Limited has been calculated by multiplying 45,000,000 by a Share price of \$0.06, being the price of a Share on the last day that Shares traded on ASX prior to the date of this Explanatory Statement.

Voting exclusion statement

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 5.

Resolution 6 – Change of Company Name

The new name proposed to be adopted under Resolution 6 is “BMG Resources Limited”.

The Directors believe that this new name more accurately reflects the proposed future operations of the Company.

If Resolution 6 is passed, the proposed name change will take effect on 1 January 2014.

Resolution 7 – Approval of Issue of Options to Mr Christopher Eager

Resolution 7 seeks Shareholder approval for the purposes of section 208 of the Corporations Act and Listing Rule 10.11, for the grant of up to 10,000,000 Options (**Eager Options**) to the non-executive Chairman of the Company, Mr Christopher Eager.

The proposed grant of the Eager Options to Mr Eager was announced by the Company 6 June 2013. The grant of the Eager Options is intended to encourage Mr Eager’s continuing involvement in the achievement of the Company’s objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

The Company acknowledges that the grant of the Eager Options to a non-executive Director may be contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the issue of the Eager Options to be reasonable in the circumstances given the Company’s size, stage of development and the need to attract and retain Directors of high calibre, whilst still maintaining cash reserves.

The proposal to grant the Eager Options to Mr Eager reflects the level of commitment provided or to be provided by Mr Eager to the Company, taking into account his responsibilities and the time commitments required from him.

Approval for Listing Rule 10.11

Shareholder approval for the grant of the Eager Options is sought for the purposes of Listing Rule 10.11. Listing Rule 10.11 provides that a company must not issue or agree to issue securities to a related party without first obtaining the approval of Shareholders by ordinary resolution. As Resolution 7 relates to the issue of securities to a Director, Shareholder approval must be obtained.

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, under Listing Rule 7.2 Exception 14, approval under Listing Rule 7.1 is not required.

Approval for section 208 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.

Mr Eager is a related party of the Company by virtue of being a Director of the Company by application of section 228 of the Corporations Act. As such, the issue of the Eager Options to Mr Eager would constitute the giving of a financial benefit to a related party pursuant to the Corporations Act.

The Company does not consider that any of the exceptions set out in sections 210 to 216 of the Corporations Act apply in respect of the proposed issue of the Eager Options. Accordingly, Shareholder approval is sought for the purposes of section 208 of the Corporations Act.

Listing Rule and Corporations Act information requirements

Listing Rule 10.13 and section 219 of the Corporations Act require that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant:

- (a) The related party to whom Resolution 7 would permit a financial benefit to be given is Mr Eager, who is a related party of the Company by virtue of being a Director of the Company.
- (b) The nature of the financial benefit is 10,000,000 Options.
- (c) The Eager Options will be issued in two tranches, as follows:
 - (i) 5,000,000 Options to vest on Shareholder approval of Resolution 7 and be exercisable at \$0.035 each (**Tranche 1 Eager Option**); and
 - (ii) 5,000,000 Options to vest on 31 December 2014 and be exercisable at \$0.05 each (**Tranche 2 Eager Option**).
- (d) The full terms and conditions of the Eager Options are set out in **Annexure A** to this Explanatory Statement.
- (e) The dilution effect if all of the Options are exercised is as follows:

Current number of Shares on issue	629,227,732
Number of Options to be granted under Resolution 7	10,000,000
Dilution effect if all Options granted are exercised	1.59%

- (f) Mr Eager currently has no relevant interest in any securities of the Company.

- (g) Mr Eager is entitled to remuneration from the Company including Directors fees of \$72,000 (including superannuation) per annum.
- (h) On the basis of the assumptions set out below, the technical value of one Tranche 1 Eager Option is \$0.0031, and one Tranche 2 Eager Option is \$0.0027. These valuations impute a total value of \$29,152 to the Eager Options. The value of the Eager Options may go up or down as it will depend on the future price of a Share. The Black-Scholes model has been used, together with the following assumptions:
- (i) interest rate set at 2.575%;
 - (ii) the date of valuation for the purposes of settling the current market value of a Share is 11 October 2013 (being the last day that Shares traded on ASX prior to the date of this Explanatory Statement);
 - (iii) at this date the Share price was \$0.006 which is the price used in the valuation;
 - (iv) the exercise price of \$0.035 for the Tranche 1 Eager Options and \$0.05 for the Tranche 2 Eager Options;
 - (v) volatility of 35%; and
 - (vi) the Eager Options will be exercisable upon issue.
- (i) If all Options proposed to be granted are exercised and paid for, the Company will receive \$425,000. Any such funds raised will be used for general working capital purposes as the Board thinks fit.
- (j) The most recent available data concerning the price of the Shares traded on ASX over the last 12 months is as follows:

	High	Low	Last
Price	\$0.017	\$0.005	\$0.006
Date	3 January 2013	22 November 2012	11 October 2013

- (k) The market price of Shares would normally determine whether or not Mr Eager would exercise the Eager Options. If the Eager Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.
- (l) The Board (other than Mr Eager) does not consider that there are any significant opportunity costs to the Company, taxation consequences or benefits foregone by the Company in issuing the Eager Options on the terms proposed.
- (m) The Eager Options will be issued as soon as practicable after the Annual General Meeting but in any event not later than one month after the Annual General Meeting.
- (n) The Eager Options will be granted for no cash consideration.
- (o) No funds will be raised by the issue of the Eager Options.

- (p) As Mr Eager has an interest in the outcome of Resolution 7 he considers it inappropriate for him to make a recommendation to Shareholders about Resolution 7.
- (q) Other than the information above and otherwise in this Explanatory Statement, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 7.

Directors' recommendation

Based on a recommendation of the remuneration committee in accordance with the Company's remuneration policies and the agreement with Mr Eager the Board (other than Mr Eager) has determined it is appropriate to issue the Eager Options on the terms set out in this Explanatory Memorandum and, accordingly, recommends that Shareholders vote in favour of Resolution 7.

Resolutions 8 and 9 – Approval of Issue of Options to Mr Bruce McCracken and Dr Michael Green

The Company proposes to issue:

- (a) 25,000,000 Options to Mr Bruce McCracken, the Company's Managing Director (**McCracken Options**); and
- (b) 17,000,000 Options to Dr Michael Green, an executive Director and the Company's Chief Operating Officer (**Green Options**).

A portion of the McCracken Options and the Green Options are benchmarked against key performance indicators (acquiring an estimation of a mineral resource in compliance with the JORC Code).

The full terms of the McCracken Options and the Green Options are set out in **Annexure A** to this Explanatory Memorandum.

The proposed grant of Options to Mr McCracken and Dr Green was announced by the Company on 6 June 2013. The grant of the McCracken Options and the Green Options is intended to encourage Mr McCracken's and Dr Green's continuing involvement in the achievement of the Company's objectives and to provide an incentive for them to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Approval for Listing Rule 10.11

Shareholder approval for the grant of the McCracken Options and the Green Options is sought for the purposes of Listing Rule 10.11. Listing Rule 10.11 provides that a company must not issue or agree to issue securities to a related party without first obtaining the approval of Shareholders by ordinary resolution. As Resolutions 8 and 9 each relate to the issue of securities to a Director, Shareholder approval must be obtained.

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, under Listing Rule 7.2 Exception 14, approval under Listing Rule 7.1 is not required.

Approval for section 208 of the Corporations Act not required

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 Directors are related parties of the Company by virtue of being Directors of the Company by application of section 228 of the Corporations Act. As such, the issue of Options to Mr McCracken and Dr Green constitute the giving of a financial benefit to related parties pursuant to the Corporations Act.

However, Shareholder approval is not being sought for the purposes of the related party benefit provisions of the Corporations Act (particularly section 208 of the Corporations Act) on the basis that the benefits are considered to constitute reasonable remuneration and, therefore, the exception in section 211 of the Corporations Act applies. Section 211 of the Corporations Act provides that Shareholder approval is not required for the purposes of section 208 of the Corporations Act in circumstances where the benefit constitutes remuneration which would be reasonable given the company's and the related party's circumstances; and

Having considered the Company's circumstances, Mr McCracken's position as Managing Director and Dr Green's position as Chief Operating Officer, the Board (other than Mr McCracken in respect of the proposed issue of the McCracken Options, and Dr Green in respect of the proposed issue of the Green Options) considers that the financial benefits conferred by the issue of the McCracken Options and the Green Options are reasonable and, therefore, the exception in section 211 of the Corporations Act applies. Accordingly, the Directors (other than Mr McCracken in respect of Resolution 8, and Dr Green in respect of Resolution 9) have determined not to seek Shareholder approval under section 208 of the Corporations Act.

Listing Rule information requirements

In accordance with Listing Rule 10.13, the following information is provided to Shareholders with respect to Resolution 8:

- (a) the McCracken Options will be issued to Mr McCracken;
- (b) the maximum number of Options to be issued under Resolution 8 is 25,000,000;
- (c) the McCracken Options will vest in tranches subject to meeting specified criteria as set out in the terms and conditions in **Annexure A**;
- (d) the full terms and conditions of the McCracken Options are set out in **Annexure A** to this Explanatory Statement;

- (e) the McCracken Options will be issued as soon as practicable after the Annual General Meeting but in any event not later than one month after the Annual General Meeting;
- (f) the McCracken Options will be granted for no cash consideration; and
- (g) no funds will be raised by the issue of the McCracken Options.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders with respect to Resolution 9:

- (a) the Green Options will be issued to Dr Green;
- (b) the maximum number of Options to be issued under Resolution 9 is 17,000,000;
- (c) the Green Options will vest in tranches subject to meeting specified criteria as set out in the terms and conditions in **Annexure A**;
- (d) the full terms and conditions of the Green Options are set out in **Annexure A** to this Explanatory Statement;
- (e) the Green Options will be issued as soon as practicable after the Annual General Meeting but in any event not later than one month after the Annual General Meeting;
- (f) the Green Options will be granted for no cash consideration; and
- (g) no funds will be raised by the issue of the Green Options.

Directors' recommendations

Based on recommendations of the remuneration committee in accordance with the Company's remuneration policies and the agreements with Mr McCracken (with respect to Resolution 8) and Dr Green (with respect to Resolution 9), the Board (other than Mr McCracken in respect of Resolution 8, and Dr Green in respect of Resolution 9) has determined it is appropriate to issue the Options the subject of Resolutions 8 and 9 on the terms set out in this Explanatory Memorandum and, accordingly, recommends that Shareholders vote in favour of Resolutions 8 and 9.

Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the resolution set out in the Notice of Meeting.

Attached to the Notice of Meeting is a Proxy Form for use by Shareholders. Shareholders are invited and encouraged to attend the Annual General Meeting or, if unable to attend in person, to complete, sign and return the Proxy Form to the Company in accordance with the instructions contained on the Proxy Form and in the Notice of Meeting. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Annual General Meeting in person.

GLOSSARY

The following terms and abbreviations used in this Explanatory Memorandum have the following meanings:

10% Placement Facility	Has the meaning given in the Explanatory Memorandum for Resolution 5.
AGM	An annual general meeting of the Company.
Annual General Meeting or Meeting	The Annual General Meeting of the Company to be held on 18 November 2013.
Annual Report	The Company's annual report including the reports of the Directors and the Auditor and the Financial Statements of the Company for the year ended 30 June 2012, which can be downloaded from the Company's website http://www.bmgil.com.au/ .
ASIC	Australian Securities and Investments Commission.
Associate	Has the meaning given to it by Division 2 of Part 1 of the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.
Auditor	BDO (WA) Pty Ltd (ACN 124 158 863).
Board	The board of Directors.
Chairman	The chairman of the Meeting.
Company	Brazilian Metals Group Limited (ACN 107 118 678).
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Eligible Entity	An entity that, at the date of the relevant general meeting: (a) is not included in the A&P/ASX 300 Index; and (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.
Equity Securities	Includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.
Explanatory Memorandum	This explanatory statement which accompanies and forms part of the Notice.

Feasibility Study	A study of the technical, commercial and economic feasibility of development, mining, treatment and rehabilitation which includes exploration, geological, engineering, environmental and other relevant data and capital and operating cost estimates and (if appropriate) marketing studies in sufficient detail to enable options for optimum development, mining, treatment and rehabilitation to be identified in reasonable detail.
Key Management Personnel	Those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rules	The listing rules published by ASX.
Notice or Notice of Meeting	The Notice convening the General Meeting which accompanies this Explanatory Memorandum.
Option	An option to subscribe for a Share.
Proxy Form	The Proxy Form attached to the Notice.
Resolution	A resolution set out in the Notice.
Share Registrar	Security Transfer Registrars Pty Ltd (ACN 008 894 488).
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	A registered holder of a Share.
Vendors	The following individuals: <ul style="list-style-type: none"> (a) John William Bengier of 14 Osprey Road, Eaglehawk Neck, Tasmania, Australia; (b) Christodoulos Alexandrou of 5 Chanion Street, Lamaca, Cyprus; (c) Wilson Arkim Gewargis (passport number M6618093) formerly of 46A Sartor Crescent, 1st Floor, Bossleypark, New South Wales, Australia; and (d) Kostas Latouros of 7 Chanion Street, Larnaca, Cyprus.
WST	Western Standard Time, being the time in Perth, Western Australia.

ANNEXURE A

1. Terms of Options issued to Mr Christopher Eager

- a) No monies will be payable for the issue of the Options.
- b) The Options will vest and become exercisable as follows:
 - 5,000,000 Options to vest on Shareholder approval at the AGM; and
 - 5,000,000 Options to vest on 31 December 2014.
- c) The Options will expire on the earlier of the third anniversary of the date of issue or six months after Mr Eager's employment with the Company ceases (**Expiry Date**).
- d) The exercise price of the Options is \$0.035 for the first tranche of 5,000,000 Options and \$0.05 for the subsequent tranche of 5,000,000 Options and will be payable in full on exercise.
- e) Subject to conditions (k) and (l), each Option is a right in favour of the Option holder to subscribe for one Share.
- f) Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option holder to exercise all or a specified number of the Options held by the Option holder accompanied by a Option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified Options. An exercise of only some of the Options will not affect the rights of the Option holder to the balance of the Options held by him.
- g) The Company will allot the resultant Shares and deliver the holding statement within five business days after the exercise of the Option.
- h) The Options are not transferrable, and no application will be made to the ASX for Official Quotation of the Options.
- i) There will be no participating entitlements inherent in the Options to participate in new issues of capital that may be offered to Shareholders during the currency of the Options. Prior to any new pro-rata issue of securities to Shareholders, holders of Options will be notified by the Company in accordance with the requirements of the Listing Rules.
- j) In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
- k) In the event of a bonus issue of securities, the number of Shares over which the Options are exercisable may be increased by the number of Shares that the Option holders

would have received if the Options had been exercised before the record date for the bonus issue.

- l) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the Expiry Date, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules.
- m) There is no right to a change in the exercise price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the Options.
- n) Shares allotted pursuant to an exercise of Options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary Shares of the Company.
- o) In accordance with the Listing Rules the Company will apply for Official Quotation of all Shares allotted pursuant to an exercise of Options.

2. Terms of Options issued to Mr Bruce McCracken

- a) No monies will be payable for the issue of the Options.
- b) The Options will vest and become exercisable as follows:
 - 5,000,000 Options to vest on the Company achieving a JORC inferred resource;
 - 5,000,000 Options to vest on the Company achieving a JORC inferred resource of greater than 2 million tonnes;
 - 5,000,000 Options to vest on the Company achieving a JORC inferred resource of greater than 4 million tonnes or an indicated/measured resource greater than 2 million tonnes; and
 - 10,000,000 Options to vest on the Company's completion of a successful Feasibility Study.
- c) The Options may only be exercised if they vest.
- d) The Options will expire on the earlier of the third anniversary of the date on which they vest or six months after Mr McCracken's employment with the Company ceases (**Expiry Date**).
- e) Any Options which do not vest before the Expiry Date will be forfeited.
- f) The exercise price of the Options is:
 - \$0.035 for the first tranche of 5,000,000 Options;
 - \$0.04 for the second tranche of 5,000,000 Options;
 - \$0.045 for the third tranche of 5,000,000 Options; and

- \$0.05 for the final tranche of 10,000,000 Options,
and will be payable in full on exercise.
- g) Subject to conditions (m) and (n), each Option is a right in favour of the Option holder to subscribe for one Share.
 - h) Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option holder to exercise all or a specified number of the Options held by the Option holder accompanied by a Option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified Options. An exercise of only some of the Options will not affect the rights of the Option holder to the balance of the Options held by him.
 - i) The Company will allot the resultant Shares and deliver the holding statement within five business days after the exercise of the Option.
 - j) The Options are not transferrable, and no application will be made to the ASX for Official Quotation of the Options.
 - k) There will be no participating entitlements inherent in the Options to participate in new issues of capital that may be offered to Shareholders during the currency of the Options. Prior to any new pro-rata issue of securities to Shareholders, holders of Options will be notified by the Company in accordance with the requirements of the Listing Rules.
 - l) In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
 - m) In the event of a bonus issue of securities, the number of Shares over which the Options are exercisable may be increased by the number of Shares that the Option holders would have received if the Options had been exercised before the record date for the bonus issue.
 - n) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the Expiry Date, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules.
 - o) There is no right to a change in the exercise price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the Options.
 - p) Shares allotted pursuant to an exercise of Options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary Shares of the Company.

- q) In accordance with the Listing Rules the Company will apply for Official Quotation of all Shares allotted pursuant to an exercise of Options.

3. Terms of Options issued to Dr Michael Green

- a) No monies will be payable for the issue of the Options.
- b) The Options will vest and become exercisable as follows:
- 3,000,000 Options to vest on the Company achieving a JORC inferred resource;
 - 3,000,000 Options to vest on the Company achieving a JORC inferred resource of greater than 2 million tonnes;
 - 3,000,000 Options to vest on the Company achieving a JORC inferred resource of greater than 4 million tonnes or an indicated/measured resource greater than 2 million tonnes; and
 - 8,000,000 Options to vest on the Company's completion of a successful Feasibility Study.
- c) The Options may only be exercised if they vest.
- d) The Options will expire on the earlier of the third anniversary of the date on which they vest or six months after Dr Green's employment with the Company ceases (**Expiry Date**).
- e) Any Options which do not vest before the Expiry Date will be forfeited.
- f) The exercise price of the Options is:
- \$0.035 for the first tranche of 3,000,000 Options;
 - \$0.04 for the second tranche of 3,000,000 Options;
 - \$0.045 for the third tranche of 3,000,000 Options; and
 - \$0.05 for the final tranche of 8,000,000 Options,
- and will be payable in full on exercise.
- g) Subject to conditions (m) and (n), each Option is a right in favour of the Option holder to subscribe for one Share.
- h) Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option holder to exercise all or a specified number of the Options held by the Option holder accompanied by a Option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified Options. An exercise of only some of the Options will not affect the rights of the Option holder to the balance of the Options held by him.

- i) The Company will allot the resultant Shares and deliver the holding statement within five business days after the exercise of the Option.
- j) The Options are not transferrable, and no application will be made to the ASX for Official Quotation of the Options.
- k) There will be no participating entitlements inherent in the Options to participate in new issues of capital that may be offered to Shareholders during the currency of the Options. Prior to any new pro-rata issue of securities to Shareholders, holders of Options will be notified by the Company in accordance with the requirements of the Listing Rules.
- l) In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
- m) In the event of a bonus issue of securities, the number of Shares over which the Options are exercisable may be increased by the number of Shares that the Option holders would have received if the Options had been exercised before the record date for the bonus issue.
- n) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the Expiry Date, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules.
- o) There is no right to a change in the exercise price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the Options.
- p) Shares allotted pursuant to an exercise of Options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary Shares of the Company.

In accordance with the Listing Rules the Company will apply for Official Quotation of all Shares allotted pursuant to an exercise of Options.

