

EXPLANATORY MEMORANDUM

NEW MILLENNIUM RESOURCES NL ABN 31 075 830 938

INTRODUCTION

This Explanatory Memorandum has been prepared for the shareholders of NEW MILLENNIUM RESOURCES N.L. to provide information about the items of business to be considered at the Annual General Meeting to be held on Monday 29 November 2004. There are 8 resolutions on the agenda to consider. Each resolution is explained in depth in this Memorandum. As an overview the 8 resolutions fall into 3 categories.

Resolutions 1 to 4 deal with the election and re-election of directors.

Resolutions 5 to 7 deal with Executive Director's emoluments and incentives.

Resolution 8 deals with changing the status of the Company from an NL to a Limited company.

ELECTION OF DIRECTORS

RESOLUTION 1 – Re-election of Datuk Fung-Chee Lim

It is a requirement under the Company's Constitution that Datuk Fung-Chee Lim retires by rotation. Datuk Fung-Chee Lim has offered himself for re-election as a director of the Company. The Company's remaining Directors recommend to shareholders that Datuk Fung-Chee Lim be re-elected as a director of the Company.

RESOLUTION 2 – Re-election of Chong-Kiat Lim

Chong-Kiat Lim was appointed as managing director of the Company on 16th April 1999. As the managing director of the Company is exempt from the retirement by rotation process Chong-Kiat Lim's reappointment as a director has never been previously required. It is a requirement under the Company's Constitution and the Corporations Act that as Chong-Kiat Lim is no longer the managing director his appointment as a director applies only until the next Annual General Meeting of shareholders at which time the director can offer himself for re-election. Chong-Kiat Lim now offers himself for re-election as a director of the Company. The Company's remaining Directors recommend to shareholders that Chong-Kiat Lim be re-elected as a director of the Company.

RESOLUTION 3 – Election of John Michael Cross

John Michael Cross was appointed as managing director of the Company on 26 April 2004. It is a requirement under the Company's Constitution that any director appointed during the year only hold office until the next Annual General Meeting of shareholders at which time the director can offer himself for re-election. John Michael Cross now offers himself for re-election as a director of the Company. The Company's remaining Directors recommend to shareholders that John Michael Cross be re-elected as a director of the Company.

As the managing director of the Company is exempt from the retirement by rotation process John Michael Cross will not be required to submit for re-election again.

RESOLUTION 4 – Election of Shane Michael Healy

Shane Michael Healy was appointed as Finance Director and Company Secretary of the Company on 26 April 2004. It is a requirement under the Company's Constitution that any director appointed during the year only hold office until the next Annual General Meeting of shareholders at which time the director can offer himself for re-election. Shane Michael Healy now offers himself for re-election as a director of the Company. The Company's remaining Directors recommend to shareholders that Shane Michael Healy be re-elected as a director of the Company.

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EXECUTIVE DIRECTORS EMOLUMENTS AND INCENTIVES RESOLUTIONS

Overview

It is proposed to issue Cross and Healy incentive options under both their Executive Employment Agreements and otherwise which will vest to them on meeting certain performance hurdles. These hurdles are based on the Company's share price. The hurdles can be summarised as follows:

Performance Options to be issued to Cross (7.8 million) vest:

- 600,000 on share price reaching 16p (A\$0.40)
- 600,000 on share price reaching 24p (A\$0.60)
- 600,000 on share price reaching 32p (A\$0.80)
- 1,000,000 on share price reaching 40p (A\$1.00)
- 1,000,000 on share price reaching 45p (A\$1.10)
- 1,000,000 on share price reaching 50p (A\$1.20)
- 3,000,000 on share price reaching 55p (A\$1.30)

Performance Options to be issued to Healy (6.2 million) vest:

- 400,000 on share price reaching 16p (A\$0.40)
- 400,000 on share price reaching 24p (A\$0.60)
- 400,000 on share price reaching 32p (A\$0.80)
- 1,000,000 on share price reaching 40p (A\$1.00)
- 1,000,000 on share price reaching 45p (A\$1.10)
- 1,000,000 on share price reaching 50p (A\$1.20)
- 2,000,000 on share price reaching 55p (A\$1.30)

RESOLUTION 5 – Issue of Options to John Michael Cross (“Cross”) and Shane Michael Healy (“Healy”) under Executive Employment Agreements

In accordance with sections 195(4) and 208(1) of the Corporations Act the Board seeks approval for the allotment and issue of a total of 4,000,000 options to Cross and Healy in accordance with the terms and conditions of the Executive Employment Agreements entered into by those directors with the Company.

The Company has entered into an Executive Employment Agreement with each of Cross and Healy to govern their employment as Executive Directors of the Company which commenced on 20 April 2004.

Cross has been appointed as Chief Executive Officer of the Company and Healy has been appointed as Chief Financial Officer.

Cross and Healy are appointed for fixed terms of 3 years on terms and conditions which are, in the Company's view, normal commercial terms for the appointment of executives of this nature other than the entitlements for which approval of shareholders is sought under Resolutions 5 and 6.

In addition to the remuneration payable to Cross and Healy (including the proposed termination benefits referred to in this Explanatory Memorandum under Resolution 6) and subject to the approval of shareholders, the Agreements contemplate the issue of options of Cross and Healy as set out below.

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The options proposed to be issued to Cross are as follows:

- (a) 600,000 options to acquire fully paid ordinary shares in the Company to be issued as soon as shareholder approval is obtained;
- (b) 1,800,000 options also to be issued as soon as shareholder approval has been obtained but will not vest in or be granted to Cross until the following:
 - (i) if the share price for shares in the Company on AIM has reached a minimum base price of 16 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 600,000 of those options will vest in and be granted to Cross on the 20th such trading day;
 - (ii) if the share price for shares in the Company on AIM has reached a minimum base price of 24 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 600,000 of those options will vest in and be granted to Cross on the 20th such trading day;
 - (iii) if the share price for shares in the Company on AIM has reached a minimum base price of 32 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 600,000 of those options will vest in and be granted to Cross on the 20th such trading day.

The options proposed to be issued to Healy are as follows:

- (a) 400,000 options to acquire fully paid ordinary shares in the Company to be issued as soon as shareholder approval is obtained;
- (b) 1,200,000 options also to be issued as soon as shareholder approval has been obtained but will not vest in or be granted to Healy until the following:
 - (i) if the share price for shares in the Company on AIM has reached a minimum base price of 16 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 400,000 of those options will vest in and be granted to Healy on the 20th such trading day;
 - (ii) if the share price for shares in the Company on AIM has reached a minimum base price of 24 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 400,000 of those options will vest in and be granted to Healy on the 20th such trading day;
 - (iii) if the share price for shares in the Company on AIM has reached a minimum base price of 32 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 400,000 of those options will vest in and be granted to Healy on the 20th such trading day.

The options referred to in both paragraph (b)'s above automatically vest and are granted to Cross and Healy irrespective of the share price requirements set out above if:

- (i) there is a successful takeover of the Company pursuant to Chapter 6 of the Corporations Act; or

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- (ii) a change in Control of the Company from that existing on 20 April 2004. “Control” is defined by reference to Section 50AA of the Corporations Act to the capacity to determine the outcome of decisions about the Company’s financial and operating policies; or
- (iii) the Board at its sole discretion so deems.

The base share price referred to in both paragraph (b)’s is based on the total issued number of shares being 107,679,497 being the number of shares on issue at the date of the Agreements. If the number of fully paid ordinary shares increases then the base price will be reduced by the proportion of the increase in the number of issued shares. If the number of fully paid ordinary shares reduces then the base price will be increased by the proportion of the reduction in the number of issued shares:

Part 2E of the Corporations Act

Part 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior approval is obtained from shareholders to the giving of the financial benefit.

For the purposes of Part 2E, each Director of the Company is considered to be a related party of the Company and a grant of options constitutes the giving of a financial benefit.

The proposed issue of options to Cross and Healy involves the provision of a financial benefit to related parties of the Company and therefore, requires prior member approval.

In accordance with the requirements of Part 2E, and in particular with section 219 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed issue of options to Cross and Healy:

- (a) Cross and Healy are each related parties of the Company to whom the proposed resolution would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to each of Cross and Healy is the issuing of options to subscribe for ordinary shares in the numbers set out in the Resolution;
- (c) the issue of options to Cross and Healy contemplated by the Executive Employment Agreements were included in the Agreements at the request of Cross and Healy and were, and remain, considered by the remaining Directors to be appropriate to gain and retain the services of Cross and Healy and as additional motivation in the implementation of the Company’s strategies and increase of the price of the Company’s shares.

The Board considers the number of options and their attaching terms and conditions to be in accordance with other employee incentive arrangements in the market, the share price history of the Company and the Company’s objectives in the future;

- (d) neither of Cross or Healy wish to make a recommendation to shareholders about the proposed resolution because each has an interest in the outcome of the resolution;

The remaining directors, who have no interest in the outcome of the Resolution other than to ensure compliance with the terms of the Executive Employment Agreements, recommend shareholders vote in favour of the Resolution for the following reasons:

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- (i) both Cross and Healy bring a wealth of expertise and experience to the Company and the issue of options formed an integral part of the negotiations which lead to the appointment of both of them;
 - (ii) the remaining directors consider the remuneration payable to Cross and Healy is in accordance with reasonable commercial levels for a company and business of the size of the Company;
 - (iii) whilst the exercise price of the options is not at any significant premium to the current market price of the shares of the Company on the AIM the entitlement of Cross and Healy to the majority of the options will only arise on a significant increase in the price of the shares of the Company on the AIM. Any such increase will be of significant benefit to all of the shareholders of the Company and the entitlement to the options is considered by the remaining directors to be an incentive to the executive officers to achieve a positive result for all shareholders.
- (e) the respective interests of Cross and Healy arise because each is a proposed recipient of options to subscribe for fully paid ordinary shares in the capital of the Company;
 - (f) the options are granted for no consideration other than Cross and Healy entering into the Executive Employment Agreements pursuant to which they receive other remuneration in addition to the options as stated in (q) below;
 - (g) the options will be issued in accordance with the terms of the Executive Employment Agreements referred to above;
 - (h) the terms and conditions of the options set out the Executive Employment Agreements, other than those referred to in other paragraphs of this section, are as follows:
 - the exercise price of the options is 8 pence each;
 - the options are not transferable without the consent of the Company, which consent will not be unreasonably withheld if the transferee is the spouse of Cross or Healy or a company or trust controlled by them or of which they are the primary beneficiary;
 - there is no participating right or entitlement associated with the options under which Cross or Healy will be entitled to participate in new issues of capital offered to shareholders during the option term, other than the Company sending a notice at least 9 business days before the relevant date to Cross and Healy to give them the opportunity to exercise the options prior to the date for determining entitlements to any new issue;
 - if, prior to 19 April 2007, the Company makes a bonus issue to shareholders then, upon exercise of the options, Cross and Healy will be entitled to have issued, in addition to the shares issued on exercise of the options, the number of shares which would have been issued to them under the bonus issue if, on the relevant date for the bonus issue, Cross and Healy had been the holder of the number of shares for which they have subsequently exercised options;
 - on any consolidation, sub-division, return of capital, reduction of capital, pro rata cancellation of capital or any other reorganisation the number of options and their exercise price will be reorganised so that Cross and Healy will not receive a benefit that other shareholders do not receive and also to reorganise the options in the same ratio as the ordinary capital of the Company together with the consequent effect and alteration on the exercise price;
- (i) the market sale prices of the Company's shares on the AIM during the 12 months immediately preceding the date of preparation of this Notice have ranged from a high of 10.25 pence on 10 February 2004 and a low of 3 pence on 20 October 2003. On the date of preparation of this Explanatory Memorandum the market sale price was 5.5 pence.

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- (j) The options to be issued will not be listed on the AIM;
- (k) the Options will be offered to and, if accepted, granted to Cross and Healy as soon as is practicable after Resolution 5 is passed, subject to the vesting requirements set out in the Executive Employment Agreements referred to above;
- (l) the Options will be exercisable on or before 19 April 2009, subject to their vesting in Cross and Healy in accordance with the terms of the Executive Employment Agreements;
- (m) if the Company's shares are trading on the AIM at a price in excess of the exercise price of Options the holders of the Options will obtain a potential financial gain on the exercise of the options and subsequent sale of shares;
- (n) the Company has calculated a value per potential share arising out of the options the subject of this Resolution based on the number of shares into which those Options could be converted on exercise as:
- (i) 0.21 pence for the Options to be vested in Cross and Healy on shareholder approval being obtained;
 - (ii) 1.06 pence for the Options with the 16 pence threshold;
 - (iii) 1.81 pence for the Options with the 24 pence threshold;
 - (iv) 2.57 pence for the Options with the 32 pence threshold;

This calculation has been made using the Black & Scholes formula which is the standard formula used for calculating the valuation of an option. The formula requires the use of various assumptions to calculate a value for the options.

The assumptions used by the Company for the calculation are:

- the exercise price and time to expiry of the proposed options
- a current share price of 5.5 pence per share
- a volatility factor for the Company's share price of 75% which was derived by the Company by reference to the Bloomberg Historical Price Volatility and Standard Option Valuation Model. This volatility factor represents the historical standard deviation of the Company's share price over time and has been used as a proxy for the future standard deviation (volatility) of the share price of the Company
- a discount rate of 5.2% by reference to the current 10 year Government Bond Rate.

On the basis of that valuation, the total value of the options proposed to be issued to Cross is £33,900 and Healy is £22,600;

- (o) If all of the options are exercised, this will have a dilution effect on the holding of existing shareholders of 3.57% based on the total issued capital of the Company at the date of preparation of this Notice, being 11.92% if the options proposed to be granted by Resolution 7 are added.
- (p) At the date of preparation of this Notice, Cross and Healy had a beneficial interest in the following securities of the Company:
- | | |
|-------|-----|
| Cross | Nil |
| Healy | Nil |
- (q) The remuneration packages for Cross and Healy for the year ended 30 June 2004, as disclosed in the 2004 annual report, are as follows:

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Salary inclusive of Superannuation

Cross \$218,000 per annum

Healy \$190,750 per annum

The total remuneration package for the year ended 30 June 2005 will be the same as that above except that Cross and Healy will receive an additional benefit of \$82,682 and \$55,122 respectively being the approximate value of the employee options proposed to be issued under this Resolution 5.

Cross and Healy also receive a benefit for Directors & Officers insurance cover. The amount of this benefit was valued at Nil for the year ended 30 June 2004. The value of this benefit in future years will be dependent on the level of insurance premium and the number of Directors & Officers that fall under the cover.

Both Cross and Healy, under the terms of the Executive Employment Agreements are also each provided with a fully maintained motor vehicle, mobile telephone, home or lap top computer and internet connection and travel insurance when travelling outside Perth for the purposes of their employment:

All fringe benefits tax payable on any component of the total remuneration package of either Cross or Healy is payable by the Company.

The Company considers the value of these benefits as \$24,000 each.

- (r) ownership of shares pursuant to the exercise of the options will entitle the holders of shares to receive benefits of ownership / membership, on the same basis as existing shareholders of the Company;
- (s) no Fringe Benefits Tax liability will arise to the Company for the proposed issue of Options to Cross and Healy. The liability to income tax will be borne by the recipients of the Options who may be required to include certain amounts in their assessable income;
- (t) all Options issued pursuant to Resolution 5 will not be subject to the terms and conditions Company's Share Option Plan previously approved by the shareholders of the Company.
- (u) other than the information specified above, the Company believes there is no other information that would be reasonably required by shareholders in order to decide whether it is in the best interests of the Company to pass the resolution.

Section 195 of the Corporations Act

Section 195 of the Corporations Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

Approval is sought to grant to each of Cross and Healy options to subscribe for fully paid ordinary shares in the Company.

The remaining Directors have accordingly exercised their right under section 195 of the Corporations Act and have resolved to place the proposed issue of options to subscribe for fully paid ordinary shares in the Company pursuant to the to shareholders to consider and resolve upon.

The Company will disregard any votes cast on this resolution by John Michael Cross or Shane Michael Healy or any associate of either of them. However, the Company will not disregard a vote if:

- (a) it is cast by John Michael Cross or Shane Michael Healy or an associate as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or

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- (b) it is cast by John Michael Cross or Shane Michael Healy or an associate who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 6 – Approval of Termination Benefits to Cross and Healy and Executive Employment Agreements

The Executive Employment Agreements provide that if:

- (a) there is a successful takeover of the Company pursuant to Chapter 6 of the Corporations Act; or
- (b) a change of Control of the Company from that existing on 20 April 2004 occurs “Control is defined by reference to Section 50AA of the Corporations Act to the capacity to determine the outcome of decisions about the Company’s financial and operating policies; or
- (c) if all necessary shareholder approvals for the issue of the Options referred to in Resolution 1 are not obtained at this meeting

the Agreements will immediately terminate and the Company will pay out the balance of remuneration payable under the Agreements up to and including 19 April 2007.

The entitlement of Cross and Healy to those payments are subject to the approval of the shareholders at this meeting both by the terms of the Agreements and the Corporations Act. Section 200B, in addition to the likely application of Part 2E of the Act also, prohibits the giving of a termination benefit in connection with a person’s retirement from the Board without the approval of shareholders, subject to various exemptions.

Of the exemptions, benefits that are in the nature of a genuine pension are exempt, subject to falling within the payment limit calculated by a formula prescribed by the Act. The payments contemplated by the Agreements will, during the later period of the terms of those Agreements, fall within the limits under the formula but will not do so if the Agreements are terminated for the specified reasons in the early part of the term.

In accordance with the requirements of Section 200E and Part 2E of the Corporations Act the following information is provided to shareholders to assess the proposed entitlement of Cross and Healy to a payment of the termination benefits:

- (a) the terms of the Agreements end on 19 April 2007;
- (b) the initial remuneration of Cross and Healy under the Agreements, inclusive of superannuation, is:

Cross	\$218,000 per annum
Healy	\$190,750 per annum

together with the other benefits referred to in paragraph (q) in the Notes to Resolution 5;

- (c) the remuneration is reviewed in July each year by the Company but will not reduce as the result of a review;
- (d) other expenses paid for or provided by the Company to Cross and Healy or their value will not form a part of the termination payments, nor will Cross and Healy be entitled to their provision following termination;

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- (e) neither of Cross or Healy wish to make a recommendation to shareholders about the proposed resolution because each has an interest in the outcome of the resolution as the recipient of the possible payments;
- (f) the remaining directors, who have no interest in the outcome of the Resolution other than to ensure compliance with the terms of the Agreements, recommend shareholders vote in favour of the Resolution for the following reasons:
 - (i) both Cross and Healy bring a wealth of expertise and experience to the Company and the payments formed an integral part of the negotiations which lead to the appointment of both of them;
 - (ii) the remaining directors consider the remuneration payable to Cross and Healy is in accordance with reasonable commercial levels for a company and business of the size of the Company;
 - (iii) the payments will, for a substantial period during the term of appointment, be less than the amount allowed under the Corporations Act for termination payments without the need to seek shareholder approval; and
 - (iv) the payments will be made in circumstances where Cross and Healy, as the executive officers of the Company, have produced a positive result for shareholders in terms of a takeover or change in control which is likely to result in shareholders achieving a successful sale of their shareholdings.

The Company will disregard any votes cast on this resolution by John Michael Cross or Shane Michael Healy or any associate of either of them. However, the Company will not disregard a vote if:

- (a) it is cast by John Michael Cross or Shane Michael Healy or an associate as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by John Michael Cross or Shane Michael Healy or an associate who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 7 – Issue of Incentive Options to John Michael Cross and Shane Michael Healy

In accordance with sections 195(4) and 208(1) of the Corporations Act the Board seeks approval for the allotment and issue of a total of 11,000,000 options to Cross and Healy in accordance with the terms and conditions resolved by the Board at its meeting on 29 September 2004.

The Board considers it is in the best interests of the Company and all of its shareholders for the Executive Officers of the Company to have additional incentive to increase the price of the shares of the Company over and above the levels specified in the options proposed to be issued under Resolution 5.

Accordingly it has proposed the options referred to below be issued to Cross and Healy to further incentivise their work for the Company subject to the meeting of minimum prices for the shares in the Company which are between a multiple of 7 and 10 times the current trading price of the Company's shares on AIM.

The options proposed to be issued to Cross are as follows:

- (a) 6,000,000 options to be issued as soon as shareholder approval has been obtained but will not vest in or be granted to Cross until the following:

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- (i) if the share price for shares in the Company on AIM has reached a minimum base price of 40 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 1,000,000 of those options will vest in and be granted to Cross on the 20th such trading day;
- (ii) if the share price for shares in the Company on AIM has reached a minimum base price of 45 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 1,000,000 of those options will vest in and be granted to Cross on the 20th such trading day;
- (iii) if the share price for shares in the Company on AIM has reached a minimum base price of 50 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 1,000,000 of those options will vest in and be granted to Cross on the 20th such trading day; and
- (iv) if the share price for shares in the Company on AIM has reached a minimum base price of 55 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Cross (ie prior to 19 April 2007) 3,000,000 of those options will vest in and be granted to Cross on the 20th such trading day.

The options proposed to be issued to Healy are as follows:

- (a) 5,000,000 options to be issued as soon as shareholder approval has been obtained but will not vest in or be granted to Healy until the following:
 - (i) if the share price for shares in the Company on AIM has reached a minimum base price of 40 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 1,000,000 of those options will vest in and be granted to Healy on the 20th such trading day;
 - (ii) if the share price for shares in the Company on AIM has reached a minimum base price of 45 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 1,000,000 of those options will vest in and be granted to Healy on the 20th such trading day;
 - (iii) if the share price for shares in the Company on AIM has reached a minimum base price of 50 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 1,000,000 of those options will vest in and be granted to Healy on the 20th such trading day
 - (iv) if the share price for shares in the Company on AIM has reached a minimum base price of 55 pence for at least 20 trading days (which need not be consecutive) in any 3 month period during the term of employment of Healy (ie prior to 19 April 2007) 2,000,000 of those options will vest in and be granted to Healy on the 20th such trading day.

All the options referred to above automatically vest and are granted to Cross and Healy irrespective of the share price requirements set out above if:

- (i) there is a successful takeover of the Company pursuant to Chapter 6 of the Corporations Act; or

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- (ii) a change in Control of the Company from that existing on 20 April 2004. "Control" is defined by reference to Section 50AA of the Corporations Act to the capacity to determine the outcome of decisions about the Company's financial and operating policies; or
- (iii) the Board at its sole discretion so deems.

The minimum base price will be calculated on the total number of issued shares in the Company at the date of preparation of this Notice, being 115,031,562.

If the number of fully paid ordinary shares increases then the minimum base price will be reduced by the proportion of the increase in issued shares. The reverse will apply if the number of fully paid ordinary shares decreases from the above figure.

To satisfy the requirements of Part 2E, and in particular with Section 219 of the Corporations Act, the information provided to shareholders to allow them to assess the proposed issue of options to Cross and Healy in the notes to Resolution 5 is equally applicable to the proposed issue of incentive options to Cross and Healy with the following alterations and additional information:

- (a) the options will be issued on the terms and conditions otherwise summarised in this Explanatory Statement for the options proposed to be issued under Resolution 5;
- (b) the exercise price of the options is 4 pence each;
- (c) the options may be exercised in the period of 3 years after the date they are vested in or transferred to Cross and Healy;
- (d) the options are to be granted for nil consideration;
- (e) If all of the options proposed to be granted by Resolution 7 are exercised, this will have a dilution effect on the holding of existing shareholders of 9.28% based on the total issued capital of the Company at the date of preparation of this Notice being 11.92% if the options proposed to be granted by Resolution 5 are added;
- (f) The value per potential share of each of the incentive options proposed to be issued to Cross and Healy, calculated on the same basis as the calculation specified in paragraph (n) of the Notes to Resolution 5 is:
 - (i) 0.73 pence for the options with a 40 pence threshold;
 - (ii) 0.83 pence for the options with a 45 pence threshold;
 - (iii) 0.93 pence for the options with a 50 pence threshold;
 - (iv) 1.03 pence for the options with a 55 pence threshold,

The total value of the incentive options proposed to be issued to Cross and Healy under this Resolution 7 is \$136,087 and \$110,975 respectively.

The Company will disregard any votes cast on this resolution by John Michael Cross or Shane Michael Healy or any associate of either of them. However, the Company will not disregard a vote if:

- (a) it is cast by John Michael Cross or Shane Michael Healy or an associate as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by John Michael Cross or Shane Michael Healy or an associate who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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Resolution 8 – Change of Company Type to Limited Company

The Company was originally incorporated in 1996 as a No Liability company.

The distinguishing features of a No Liability company under the Corporations Act from a public limited company are:

- (i) its Constitution must state the sole object of the company as mining purposes; and
- (ii) the company has no contractual right to recover calls made on its shares from shareholders who fail to pay calls made on partly paid shares.

The Directors consider the status of the Company as a No Liability company is not in accordance with what they consider usual corporate practice for current publicly listed companies, out of date in relation to the Company's objectives, unnecessarily restrictive on the Company's activities and should be changed.

The consequential changes to the name of the Company and the deletion of the provisions in the Constitution are necessary procedural steps which form part of the change of status.

The Directors recommend all shareholders support this resolution and advise all Directors and their related entities will be voting in favour of this Resolution 8.

Proxies

Members can return their proxy appointments to the Company by facsimile on the facsimile number set out on the proxy form.

Queries

If you have any queries on any matter arising out of the business proposed for the General Meeting, please call Shane Healy on +61 8 9368 0388.