

# Auzex Resources Limited

ABN 74 106 444 606

## Notice of General Meeting

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## **Notice of General Meeting**

Notice is given that a general meeting of the members of Auzex Resources Limited ACN 106 444 606 (the **Company**) will be held at 9.00am (Perth time) on Friday 22 October 2010 at The Western Australian Club, 101 St Georges Terrace, Perth, Western Australia.

The business to be considered at the meeting is set out below. This notice of meeting should be read in conjunction with the accompanying Explanatory Memorandum. A Proxy Form also accompanies this Notice of Meeting.

## **Business of the meeting**

### **Resolution 1 - To refresh the Company's 15% placement capacity**

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

*"That for the purposes of Listing Rule 7.4 and for all other purposes, the issue by the Company of 7,652,264 shares at an issue price of 12 cents on the date and otherwise on the terms and conditions in the Explanatory Memorandum and to the persons named in the Explanatory Memorandum, is approved."*

### **Voting exclusion statement**

The Company will disregard any votes cast on resolution 1 by persons who participated in the placement and their associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Resolution 2 - To approve the grant of 2,550,754 options**

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

*"That for the purposes of Listing Rule 7.1 and for all other purposes, the grant by the Company of 2,550,754 options with an exercise price of 20 cents and an expiry date of 13 February 2012, and otherwise on the terms and conditions in the Explanatory Memorandum and to the persons named in the Explanatory Memorandum, is approved."*

### **Voting exclusion statement**

The Company will disregard any votes cast on resolution 2 by persons who will receive options and their associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 3 - To approve the grant of 2,000,000 options to Stonebridge Securities Limited**

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

*"That for the purposes of Listing Rule 7.1 and for all other purposes, the grant by the Company of 2,000,000 options with an exercise price of 20 cents and an expiry date of 13 February 2012, and otherwise on the terms and conditions in the Explanatory Memorandum to Stonebridge Securities Limited, is approved."*

**Voting exclusion statement**

The Company will disregard any votes cast on resolution 3 by Stonebridge Securities Limited and its associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 4 - To adopt the Employee Option Plan**

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

*"That, in accordance with ASX Listing Rule 7.2, exception 9 and for all other purposes, the issue of securities by the Company under the Employee Option Plan on the terms and conditions in the Explanatory Memorandum, is approved."*

**Voting exclusion statement**

The Company will disregard any votes cast on resolution 4 by the Directors and their associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 5 - To approve the grant of 1,943,479 options to Directors**

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

*"That for the purposes of Listing Rule 10.11 and for all other purposes, the grant by the Company of 1,943,479 options with an exercise price of 15 cents and an expiry date of 36 months after the date of grant, and otherwise on the terms and conditions in the Explanatory Memorandum to the Directors named in the Explanatory Memorandum, is approved."*

**Voting exclusion statement**

The Company will disregard any votes cast on resolution 5 by the Directors and their associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**By order of the Board**

**Paul Frederiks**

Company Secretary

24 September 2010

### **Voting Entitlements**

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be as it appears in the Share Register at 7.00pm (Sydney time) on Wednesday 20 October 2010. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the General Meeting.

### **Proxies**

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. To be valid, the Proxy Form must be received by the company's share registrar, Computershare Investor Services Pty Limited, by 9.00am (Perth time) on Wednesday 20 October 2010. For further details on completing the Proxy Form, please see the instructions on the reverse of the Proxy Form.

The completed form of proxy may be:

- Mailed to the Company's share register, Computershare Investor Services Pty Limited at GPO Box 242, Melbourne Victoria 3001, or
- Mailed or hand delivered to the Company's registered business office at c/ DLA Phillips Fox, Level 28, 1 Eagle Street Brisbane Queensland 4000, or
- Faxed to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

## **Explanatory Memorandum**

### **General**

This explanatory memorandum has been prepared for the information of shareholders in connection with the business to be conducted at a meeting of the Company to be held at 9.00am (Perth time) on Friday 22 October 2010 at The Western Australian Club, 101 St Georges Terrace, Perth, Western Australia. It forms part of the notice of meeting and must be read together with that notice.

***Shareholders should read this document in full and if they have any questions, obtain professional advice, before making any decision in relation to the resolutions to be put to the meeting.***

### **Regulatory background**

Listing Rule 7.1 provides that, in general, a company must not issue or agree to issue securities without shareholder approval if in doing so it would mean that the number of securities issued in the preceding 12 month period would exceed 15% of the number of fully paid ordinary shares on issue at the beginning of the 12 month period. This 15% limit is referred to in this notice of meeting as the Company's '*placement capacity*'.

### **Ratification of previous issues**

Under Listing Rule 7.4 an issue of securities made without specific approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 (and is not included in the placement capacity) if the original issue did not breach Listing Rule 7.1 and is subsequently approved by shareholders.

Accordingly, the Company is seeking shareholder approval to restore its placement capacity by ratifying the issue of shares in resolution 1.

### **Approval of future issues**

If an issue of securities takes place with shareholder approval, those securities are not counted towards the placement capacity. In resolutions 2 and 3 the Company is seeking shareholder approval for the grant of options so that these options do not count towards the placement capacity.

The Board believes that it is in the best interests of the Company that it maintains its full flexibility under the placement capacity to issue securities in the future, so that the Company may raise capital and take advantage of commercial opportunities as and when they arise.

### **Approval of issues of options under the Employee Option Plan**

If an issue of securities takes place under an employee incentive scheme that has been approved by shareholders no more than 3 years before the date of issue of securities, those securities are not counted towards the placement capacity. When obtaining shareholder approval, the notice of meeting must include a summary of the terms of the scheme, the number of securities issued under the scheme since the date of the last approval, and a voting exclusion statement.

In resolution 4 the Company is seeking shareholder approval to grant options under the Employee Option Plan so that the grant of those options does not count towards the placement capacity.

#### **Approval of issues to Directors**

Under Listing Rule 10.11, the Company cannot issue securities to Directors without shareholder approval. Accordingly, shareholder approval is sought for the grant of options to Directors in resolution 5. If an issue of options takes place with shareholder approval under Listing Rule 10.11, those shares are not counted towards the placement capacity.

***The Directors unanimously recommend that shareholders vote in favour of resolutions 1, 2 and 3 and abstain from providing a recommendation on resolutions 4 and 5.***

#### **Resolution 1 - To refresh the Company's 15% placement capacity**

On 30 June 2010, the Company placed 7,652,264 shares to institutional and sophisticated investors at an issue price of 12 cents per share to raise approximately \$900,000.

In accordance with Listing Rule 7.5, the Company provides the following information:

<b>Details of shares issued</b>	<b>Allottee</b>	<b>Number of shares issued</b>
	Mr David Coventry	125,000
	Demasiado Pty Ltd	129,167
	Mr James Romagnesi and Mrs Lynette Romagnesi	250,000
	Mr Kevin Moore	83,334
	Mr Mark Walters	100,000
	York Developers Pty Ltd	62,500
	Petson (Vic) Pty Ltd	208,334
	Mr Richard Glass and Mrs Liza Glass	166,666
	Powermaster Electrical Pty Ltd	125,000
	Mrs Beverley Landman	100,000
	Mrs Beverley Landman	100,000
	Bongiorno Management Services Pty Ltd	100,000
	Solo Management Pty Ltd	116,666
	Cootamundra Holdings Pty Ltd	41,667
	Mr Kieran James	1,000,000
	Butler Gibpat Ltd	200,000
	Resource Capital Funds	416,667
	Race Capital	333,333
	Accretion Super Fund	118,930
	David Packman	125,000
	Baker Steel	3,750,000



<b>Total number of shares issued:</b>	7,652,264 fully paid ordinary shares.
<b>Issue price of shares:</b>	12 cents per share.
<b>The terms of the shares:</b>	Fully paid ordinary shares. All of the shares issued are fully paid ordinary shares in the Company that rank pari passu with all other shares on issue.
<b>The use (or intended use) of the funds raised:</b>	Funds raised were used to undertake exploration activities at the Bullabulling Gold Project in Western Australia, where the Company, in joint venture with Central China Goldfields Plc, intends to fast-track a feasibility study into the development of the Project over the next 12 to 18 months.
<b>Date of allotment and issue:</b>	30 June 2010.

## Resolution 2 - To approve the grant of 2,550,754 options

As announced to ASX on 30 June 2010, the Company agreed, subject to shareholder approval, to allot one attaching option for every three shares issued to allottees under the 30 June 2010 placement. The options will be quoted on ASX in the same class as those to be granted under resolution 3.

In accordance with Listing Rule 7.3, the Company provides the following information

<b>Details of options to be granted</b>	<b>Allottee</b>	<b>Number of options</b>
	Mr David Coventry	41,667
	Demasiado Pty Ltd	43,056
	Mr James Romagnesi and Mrs Lynette Romagnesi	83,333
	Mr Kevin Moore	27,778
	Mr Mark Walters	33,333
	York Developers Pty Ltd	20,833
	Petson (Vic) Pty Ltd	69,445
	Mr Richard Glass and Mrs Liza Glass	55,555
	Powermaster Electrical Pty Ltd	41,667
	Mrs Beverley Landman	33,333
	Mrs Beverley Landman	33,333
	Bongiorno Management Services Pty Ltd	33,333
	Solo Management Pty Ltd	38,889
	Cootamundra Holdings Pty Ltd	13,889
	Mr Kieran James	333,333
	Butler Gibpat Ltd	66,667
	Resource Capital Funds	138,889

	Race Capital	111,111
	Accretion Super Fund	39,643
	David Packman	41,667
	Baker Steel	1,250,000
<b>Total number of options:</b>	2,550,754 options over fully paid ordinary shares.	
<b>Issue price of options:</b>	Nil	
<b>The terms of the options:</b>	An exercise price of \$0.20 and an expiry date of 13 February 2012. Options not exercised by the expiry date lapse.  Refer to Annexure A for complete terms.	
<b>The use (or intended use) of the funds raised:</b>	No funds will be raised by the grant of the options. Any funds raised from the exercise of the options will be used for working capital purposes.	
<b>Date of grant:</b>	No later than three months after the date of the meeting.	

### Resolution 3 - To approve the grant of 2,000,000 options to Stonebridge Securities Limited

The Company engaged Stonebridge Securities Limited to advise on the Company's June 2010 share placement and rights issues. Stonebridge Securities Limited is Australian-owned global investment, advisory and trading house.

As announced to ASX on 30 June 2010, the Company agreed, subject to shareholder approval, to issue 2,000,000 options to Stonebridge Securities Limited for services provided. The options will be quoted on ASX in the same class as those to be granted under resolution 2.

In accordance with Listing Rule 7.3, the Company provides the following information

<b>Number of options:</b>	2,000,000 options over fully paid ordinary shares.
<b>Issue price of options:</b>	Nil
<b>The terms of the options:</b>	Exercise price of \$0.20 and an expiry date of 13 February 2012. Options not exercised by the expiry date lapse.  Refer to Annexure A for complete terms.
<b>Name of the allottee:</b>	Stonebridge Securities Limited ACN 067 161 755.
<b>The use (or intended use) of the funds raised:</b>	No funds will be raised by the grant of the options. Any funds raised from the exercise of the options will be used for working capital purposes.
<b>Date of grant:</b>	No later than three months after the date of the meeting.

### Resolution 4 - To adopt the Employee Option Plan

In accordance with Listing Rule 7.2, the Company provides the following information:

- The Employee Option Plan is a new incentive plan. Accordingly, no options have been issued under the Employee Option Plan to date.
- A copy of the Employee Option Plan Rules will be available on the Company's website [www.auzex.com.au](http://www.auzex.com.au).

### Summary of terms of Employee Option Plan

- The purpose of the Plan is to provide performance-based remuneration for eligible employees, incentivise eligible employees by enabling them to participate in the profits and financial performance of the Company, and align the interests of eligible employees more closely with shareholders in the Company and provide greater incentive for the eligible employees (including directors and contractors) to focus on longer-term goals of the Company.
- Only eligible employees are entitled to participate in the Plan. The Board may, from time to time, determine which employees are entitled to participate in the Plan and may offer such number of options (if any) to such eligible employees in accordance with the Plan Rules.
- Offers under the Plan will be personal and will generally not be assignable other than to a related nominee.
- Subject to the Plan Rules, each option will entitle the participant on exercise to subscribe for and be allotted one share at the exercise price.
- Options will not be quoted on ASX. The Company will apply for official quotation on ASX of shares issued on exercise of an option.
- Any share allotted and issued pursuant to an exercise of an option will rank equally with the shares on issue on the date of exercise of the option. Where any share is allotted and issued during a period in respect of which a dividend or distribution is declared, the holder of such a share will only be entitled to receive a dividend or distribution where the share was allotted and issued to a participant by the Company, pursuant to the exercise of an option, on or before the relevant record date.
- Notwithstanding any Plan Rule or the terms of any option, no option may be granted or exercised if to do so would contravene the Corporations Act, the Listing Rules (if applicable) or any other applicable laws.
- In the event of any reorganisation (including but not limited to consolidation, subdivision, reduction, capital return, buy back or cancellation) of the issued share capital of the Company, the rights attaching to options will be reorganised as required by the Listing Rules.
- Participants will not be entitled to participate in any new issue of shares in the Company as a result of their option holding unless they have become entitled to exercise their options under the Plan and have exercised those options or any of them in accordance with the terms of the Plan prior to the record date for the determination of entitlements to the new issue. The Company must give no less than 10 business days notice of any new issue of shares to the participant before the record date for determining entitlements to the issue in accordance with the Listing Rules, so as to permit the participant to exercise any option which, on its terms, may be exercised before the record date.
- Where, prior to the first exercise date, there is a change of control of the Company, the Board shall, notwithstanding any other provisions of the Plan Rules, allow each participant 30 days to lodge with the Company a notice of exercise which the Board will approve, after which the options will lapse.

- Subject to the satisfaction of the performance hurdles or vesting conditions and the Plan Rules, an option which has not lapsed is exercisable during the exercise period by the participant lodging with the company secretary of the Company or such other person nominated by the Board for that purpose a notice of exercise signed by the participant, together with the certificate and, subject to the Plan Rules, the exercise price for each share to be acquired on exercise.
- An option may only be exercised after the first exercise date and prior to the last exercise date at any of the following times:
  - in a period specified in the Company's corporate governance policies from time to time or as otherwise approved under such policies; or
  - at or within such additional or replacement dates or periods as may be determined by the Board and notified to a Participant.
- A participant must not lodge a notice of exercise with the Board if the resulting acquisition of shares or the sale of such shares would result in a breach of Part 7.10 Division 3A of the Corporations Act.
- An option not previously exercised during the exercise period will lapse at 5:00 pm (Brisbane, Queensland time) on the date that is the earlier of:
  - the last exercise date;
  - a period as determined by the Board after the occurrence of a special circumstance;
  - a determination of the Board following the participant having, in the opinion of the Board, been dismissed for a reason which entitles the Company or a related body corporate to dismiss the participant without notice or for cause or for committing any act or omission of fraud, defalcation or gross misconduct in relation to the affairs of the Company or any related body corporate (whether or not charged with an offence) or doing any act which in the reasonable opinion of the Board brings the Company or any related body corporate into disrepute;
  - any action or inaction by the participant which, in the reasonable opinion of the Board, constitutes hedging (using other financial contracts or securities to offset financial risk) or attempting to hedge the financial risk associated with this Plan;
  - the date on which the participant assigns the options in breach of the Plan Rules; or
  - a determination of the Board following the failure to attain one or more of the Relevant Requirements or a breach or occurrence of any of the conditions or events contained in the offer which in the opinion of the Board requires the lapse of options held by a Participant to occur.
- Where a participant, having satisfied all performance hurdles or vesting conditions, ceases to be an employee holding options not previously exercised during the exercise period, and that have not lapsed under the Plan Rules, any such options held by the participant will lapse at 5:00 pm (Brisbane, Queensland time) on the date that is 30 calendar days from the date the participant ceased to be an employee.

## Resolution 5 - To approve the grant of 1,943,479 options to Directors

The Directors' resolved at a Board meeting, subject to shareholder approval and other conditions, to issue a total of 1,943,479 options over fully paid ordinary shares to Directors under the Employee Option Plan, provided that the Plan is also approved by shareholders.

The options have an exercise price of 15 cents, and the number of options granted is calculated to equate to 20% of their remuneration or Directors' fees per year. The number of options proposed to be granted represents a three year benefit and options under the EOP are therefore granted in three year cycles. The Directors highlight to shareholders that the Board made the determination to issue these options at the June 2010 board meeting when the pricing for the share placement and rights issue had been determined at 12 cents.

The Directors believe that the issue of options is reasonable remuneration having regard to the Company's circumstances, and the roles and responsibilities of each Director.

Under Listing Rule 10.11, the Company cannot issue the options without shareholder approval. Accordingly, shareholder approval is sought and the Company provides the following additional information in accordance with Listing Rule 10.13:

Details of options to be granted	Allottee	Number of options
	Chris Baker, Non-executive Chairman	104,348
	John Lawton, Managing Director	782,609
	Greg Partington, Executive Director	652,174
	Eugene Iliescu, Non-executive Director	104,348
	Paul Frederiks, Non-executive Director	300,000
<b>Total number of options to be granted:</b>	1,943,479	
<b>Issue price of options:</b>	Nil	
<b>The terms of the options:</b>	<p>Exercise price of 15 cents and expire 36 months after the date of grant. Options not exercised by the expiry date lapse.</p> <p>The options will vest in three tranches as follows:</p> <ul style="list-style-type: none"> <li>• 1/3 12 months after the date of grant, subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 12 months after the date of grant being 16.1 cents or more being 7% greater than the exercise price .</li> <li>• 1/3 24 months after the date of grant, subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 24 months after the date of grant being 17.2 cents or more being 14.5% greater than the exercise price (7% compound over 2 years).</li> </ul>	

	<ul style="list-style-type: none"> <li>• 1/3 35 months after the date of grant, subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 35 months after the date of grant being 18.4 cents or more being 22.5% greater than the exercise price (7% compound over 3 years).</li> </ul> <p>The options will be granted in accordance with the terms of the Employee Option Plan, which is summarised in the Explanatory Note to Resolution 4.</p>
<p><b>The use (or intended use) of the funds raised from the issue of the options:</b></p>	<p>No funds will be raised by the grant of the options. Any funds raised from the exercise of the options will be used for working capital purposes.</p>
<p><b>Date of allotment and issue:</b></p>	<p>No later than one month after the date of the meeting.</p>

**Annexure A**

- 1 Subject to adjustment in accordance with these terms and conditions, the holder of an Option is entitled to subscribe for the allotment and issue of one Share upon payment of the Exercise Price before the Expiry Date.
- 2 The Company will at least five Business Days before the Expiry Date send notices to the Optionholders stating the name of the Optionholder, the number of Options held and the number of securities to be issued on exercise of the Options, the exercise price, the due date for payment and the consequences of non-payment.
- 3 No certificate will be issued if the Options are granted quotation on ASX.
- 4 If the Options are admitted to quotation on ASX, the Options are freely transferable in the same manner as Shares unless classified as Restricted Securities under the ASX Listing Rules.
- 5 The Options may be exercised on or before the Expiry Date by notice in writing to the Company requesting that the Options be exercised, together with payment of the Exercise Price. All cheques must be payable to the Company and crossed not negotiable. The notice must specify the number of Options being exercised.
- 6 The Optionholder may not exercise less than 2,500 Options at any one time, unless the Optionholder has less than 2,500 Options in which event the Optionholder must exercise all such Options together.
- 7 Upon the valid exercise of an Option, the Company will issue the holder of the Option one Share for each Option so exercised within 5 Business Days from receipt of such payment.
- 8 All Shares issued upon exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- 9 An Optionholder may participate in new issues of securities to holders of Shares only if and to the extent that an Option has been exercised and a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.
- 10 If the Company makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
  - 10.1 the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
  - 10.2 no change will be made to the Exercise Price.
- 11 If the Company makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:
 
$$\text{New exercise price} = \frac{O - \frac{E[P - (S + D)]}{N + 1}}$$

where

  - O = the old exercise price of the Option.
  - E = the number of underlying shares into which one Option is exercisable.
  - P = the average market price per Share (weighted by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
  - S = the subscription price of a share under the pro rata issue.
  - D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).
  - N = the number of shares with rights or entitlements that must be held to receive a right to one new share.
- 12 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Optionholder is entitled, and/or the Exercise Price, must be reconstructed in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

