

# Notice of General Meeting and Explanatory Statement

GENERAL MEETING TO BE HELD AT  
CHRISTIE CORPORATE, CAMBRIDGE ROOM,  
GROUND FLOOR, 56 BERRY STREET, NORTH SYDNEY, NSW,  
ON THURSDAY, 22 NOVEMBER 2007 AT 10.00 AM AEDT.



**This Notice of Extraordinary General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.**

# Notice of General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Hill End Gold Limited (**The Company**) will be convened at 10.00 am AEDT on Thursday, 22 November 2007 at Christie Corporate, Cambridge Room, Ground Floor, 56 Berry Street, North Sydney, NSW, to consider, and if thought fit, to pass the following resolutions.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form. The completed Proxy Form must be received by the Company at least 48 hours before the commencement time of the meeting.

An Explanatory Statement is attached. Shareholders should read this in full.

## ORDINARY BUSINESS

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### **Annual Accounts**

*“To receive and consider the Annual Company Financial Statements and reports of the Directors and the Auditor for the period ended 30 June 2007.”*

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### **RESOLUTION 1**

#### **Remuneration Report.**

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

*“To adopt the remuneration report for the year ended 30 June 2007”*

**Note:** the vote on this resolution is advisory only and does not bind the directors.

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### **RESOLUTION 2**

#### **Re-election of Mr. Bruce Thomas as a Director.**

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

*“That Mr Bruce Thomas, a Director of the Company retiring in accordance with the Company’s Constitution, be re-elected as a Director.”*

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### **RESOLUTION 3**

#### **Re-election of Mr. Ian Sloan as a Director.**

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

*“That Mr Ian Sloan, a Director of the Company retiring in accordance with the Company’s Constitution, be re-elected as a Director.”*

**RESOLUTION 4****Approval of an Issue of Securities**

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

*“That, pursuant to and in accordance with Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company be authorised to allot and issue securities up to 30% of the fully paid ordinary shares of the capital of the Company at an issue price no less than 80% of the weighted average price for 5 trading days prior to the announcement of a placement on the terms and conditions set out ‘Annexure A’ in the Explanatory Statement accompanying this notice.”*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 4 by a person and an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote 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
- (ii) the vote 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****Grant of Options to Alfred Paton**

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

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 500,000 options to subscribe for shares in the Company to Mr Alfred Paton or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.”*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 5 by Alfred Paton and an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote 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
- (ii) the vote 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 6****Grant of Options to Philip Bruce**

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

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 2,500,000 options to subscribe for shares in the Company to Mr P Bruce or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.”*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 6 by Philip Bruce and an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote 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
- (ii) the vote 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 7****Grant of Options to Graham Reveleigh**

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

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 500,000 options to subscribe for shares in the Company to Mr G Reveleigh or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.”*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 6 by Graham Reveleigh and an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote 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
- (ii) the vote 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 8****Grant of Options to Ian Sloan**

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

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 500,000 options to subscribe for shares in the Company to Mr Ian Sloan or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.”*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 7 by Ian Sloan and an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote 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
- (ii) the vote 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 9****Grant of Options to Bruce Thomas**

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

*“That, pursuant to and in accordance with Listing Rule 10.11 of the ASX Listing Rules, Chapter 2E of the Corporations Act 2001 and all other purposes, the Directors be authorised to grant 500,000 options to subscribe for shares in the Company to Mr Bruce Thomas or his nominee, the details of which are set out in the Explanatory Memorandum forming part of this Notice of Meeting.”*

**Voting Exclusion Statement**

The Company will disregard any votes cast on Resolution 9 by Bruce Thomas and an associate of that person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if:

- (i) the vote 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
- (ii) the vote 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 10****Approval of Employee Share Option Plan**

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

*“That pursuant to and in accordance with Exception 9(b) of Listing Rule 7.2 of the ASX Listing Rules and for all other purposes, the Company be authorised to issue securities under the Hill End Gold Limited Employee Share Option Plan (**PLAN**).”*

**Note:** A summary of the terms of the PLAN are contained in the Explanatory Memorandum accompanying this Notice of Extraordinary General Meeting.

**Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by: any of the Directors of the Company; any associate of any Director. However, the Company need not disregard a vote if:

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

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**RESOLUTION 11****Increase cap on directors' remuneration**

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

*“That the limit on total aggregate remuneration per year that may be paid by the Company to its non-executive directors, as fees for undertaking their directoral responsibilities, be increased by \$150,000 from \$150,000 to \$300,000”.*

**Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by: any of the Directors of the Company; any associate of any Director. However, the Company need not disregard a vote if:

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

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**RESOLUTION 12****Section 195 Approval**

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

*“That for the purposes of section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete the transactions as contemplated in this Notice.”*

Dated this 11 October 2007.

**BY ORDER OF THE BOARD**

**Kevin Lynn**

*Company Secretary*

**Notes:** In accordance with Regulation 7.11.37 of the Corporations Act, the time nominated by the Board for the purposes of determining the identity of those entitled to attend and vote at the meeting is 10.00am (AEDT) on Tuesday, 20 November 2007.

# Explanatory Statement

This Explanatory Statement accompanies and forms part of the Notice of General Meeting dated 11 October 2007 (**Notice**) and has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the General Meeting of the Company. Amongst other things, this Explanatory Statement provides Shareholders with the information required to be provided to Shareholders by the Corporations Act 2001 and the Official Listing Rules of the Australian Stock Exchange Limited (**ASX Listing Rules**).

The Explanatory Statement sets out an explanation of each of the resolutions to be put to Shareholders. Shareholders should read this Explanatory Statement carefully before determining how to vote in respect of the resolutions.

## **RESOLUTION 2**

### **Re-election of Bruce Thomas as a Director**

Mr Thomas was appointed as a Director of the Company in February 2005.

The Company's Constitution requires that the appointment of any Director by the other Directors be put to shareholders for approval.

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## **RESOLUTION 3**

### **Re-election of Ian Sloan as a Director**

Mr Reveleigh was appointed as a Director of the Company in February 1996.

The Company's Constitution requires that the appointment of any Director by the other Directors be put to shareholders for approval.

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## **RESOLUTION 4**

### **Approval of an Issue of Securities**

Resolution 4 of the Notice of Meeting proposes the issue and allotment of up to 30% of the then issued capital fully paid ordinary shares in the capital of the Company per the ASX Listing Rules.

In compliance with the information requirements of ASX Listing Rule 7.3, members are advised of the following particulars in relation to the proposed issue:

1. Maximum number of shares to issued – at the date of this Notice the Company had 238,099,265 shares on issue. Up to 30% of the then issued capital.
2. Date by which the Company will issue and allot shares – No later than 3 months after the date of the meeting.
3. Price at which shares to be issued – Minimum being no less than 80% of the average market price calculated in accordance with ASX Listing Rules. The average is calculated over the last five days in which sales in the securities were recorded before the day on which the issue was made.
4. Basis upon which allottees will be determined – The allottees will be determined by the Board having regard to a number of issues, including:
  - a. The level of demand for placement shares;
  - b. The identification of shareholders with a long term commitment to the Company; and
  - c. Other issues which the board may consider appropriate from time to time.

5. Terms of issue – The shares will rank equally in all respects with the existing ordinary shares on issue.
6. Intended use of funds raised – The issue of shares will provide additional funding required by the Company for the following purposes:
  - a. Exploration programs on HEG's highly prospective tenements, primarily within New South Wales;
  - b. Assessment of capital acquisitions and funding overseas programs; and
  - c. General working capital.
10. Dates of allotment – Allotment will occur progressively.

Pursuant to the placement to sophisticated investors proposed under resolution 4, no single shareholder/placee will be permitted to exceed 20% of the issued capital of the Company and therefore no change in control of the Company is anticipated. This prohibition will be included in the placement Information Statement.

It is proposed that the placement be made to selected allottees pursuant to a placement Information Statement.

## RESOLUTIONS 5, 6, 7, 8 and 9

Grant of Options to Alfred Paton, Philip Bruce, Graham Reveleigh, Ian Sloan and Bruce Thomas.

Under Resolutions 5, 6, 7, 8 and 9 shareholder approval is being sought for the grant of Options to related parties of the Company.

The purpose of the issue of options to Messrs Paton, Bruce, Reveleigh, Sloan and Thomas is to provide an incentive to the Directors to provide dedicated and ongoing commitment and effort to the Company. The issue of options as part of the remuneration package of Directors is an established practice of junior public listed companies and has the benefit of conserving cash whilst properly rewarding the Directors. Based on this, the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act 2001 requires shareholder approval to be obtained for the issue of any options to Directors.

### ASX Listing Rule 10.11

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

**a) The name of the persons to whom the securities will be issued;**

- i) Mr A Paton
- ii) Mr P Bruce
- iii) Mr G Reveleigh
- iv) Mr I Sloan
- v) Mr B Thomas

**b) The number of securities to be granted**

4,500,000 Options are to be granted as follows:

Name of Director	Number of Options
Mr A Paton	500,000
Mr P Bruce	2,500,000
Mr G Reveleigh	500,000
Mr I Sloan	500,000
Mr B Thomas	500,000

- c) **The date by which the Company will grant the securities** – Within 1 month of the General Meeting.
- d) **The issue price of the securities and terms of the issue** – There is no issue price for these Options as the Options will be granted for no consideration. The terms and conditions of the Options are set out in this Explanatory Statement.
- e) **A voting Exclusion Statement** – See Notice of Meeting.
- f) **The intended use of the funds raised** – There will be no funds raised.

By reason of ASX Listing Rule 7.2 (Exception 14), if the approval of the Shareholders for the issue of these options is obtained pursuant to Listing Rule 10.11, separate approval is not required pursuant to Listing Rule 7.1. This means that the issue of these options will not erode the Company's ability to issue equity securities up to the 15% limit prescribed by the ASX Listing Rule 7.1 without further shareholder approval.

### **Chapter 2E of the Corporations Act 2001 ("the Act")**

Chapter 2E of the Act prohibits, subject to certain exceptions (none of which are relevant here), a Company from giving a financial benefit to a related party of the Company without prior Shareholder approval.

A "related party" for the purposes of the Corporations Act is widely defined. It includes a director of a public company and specified members of the director's family. It also includes an entity over which a director maintains control.

A "financial benefit" for the purposes of the Corporations Act is also defined widely. It includes a public company paying money to another entity. It also includes the public company granting an option over its securities. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

For the purposes of Chapter 2E of the Act, Messrs Paton, Reveleigh, Sloan, Bruce and Thomas are considered to be "related parties", whilst the issue of Options to them constitutes "financial benefits" which require prior shareholder approval.

In accordance with Section 219 of the Act, the following information is provided to shareholders to allow them to assess whether or not it is in the Company interests to pass this resolution.

- a) Messrs Paton, Bruce, Reveleigh, Sloan and Thomas are related parties by virtue of them being directors of the Company. Subject to shareholder approval, the following maximum number of Options will be granted to Messrs Paton, Reveleigh, Sloan, Bruce and Thomas:

<b>Name of Related Party</b>	<b>Number of Options</b>
Mr A Paton	500,000
Mr P Bruce	2,500,000
Mr G Reveleigh	500,000
Mr I Sloan	500,000
Mr B Thomas	500,000
<b>Total</b>	<b>4,500,000</b>

- b) The nature of the financial benefit is the issue of the options for nil consideration as noted above and on the terms set out at the end of this Explanatory Memorandum.
- c) Messrs Paton, Bruce, Reveleigh, Sloan and Thomas express no opinion and make no recommendations to the shareholders in respect Resolutions 5, 6, 7, 8 and 9 because they have a material interest in the outcome of the respective Resolutions.
- d) Messrs Paton, Bruce, Reveleigh, Sloan and Thomas have an interest in the outcome of these resolutions and details of the potential benefits are listed below.

### **Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

#### *Current Share Capital*

If the options are issued pursuant to the proposed resolution, the Company considers that Messrs Paton, Bruce, Reveleigh, Sloan and Thomas will have a vested interest in the affairs of the Company. As options are a performance based incentive, they will have that incentive to ensure that the market price of the shares of the Company increases to create a value in the options and this will benefit all shareholders. Should the options be exercised \$900,000 of working capital will be raised at no significant cost.

The potential cost to the Company of the issue of 4,500,000 options is that there will be dilution of the issued share

capital if the options are exercised. Based on issued capital of 238,058,242 the dilution effect would be 1.9%, however if all of the listed options currently on issue were exercised the dilution effect would be significantly smaller.

If the options were exercised at a time when the market price of the Company's shares is greater than the exercise price of the options, there would be a detriment in so far as the Company will be required to issue shares at a price lower than it may might otherwise have been able to, with the results that less funds will be raised.



### Valuation of Options

At the time of preparing this notice of meeting, the closing price of the Company's shares on the ASX was 15.0 cents. Using the Black and Scholes option valuation model (assumptions – 6.5% interest rate, 31.7% volatility, discounted by 30% as the options are non transferable) each one of the options exercisable at 20 cents would be worth approximately 3.1 cents. This would value each issue as follows;

- |                   |           |
|-------------------|-----------|
| a) Mr A Paton     | \$ 15,255 |
| b) Mr P Bruce     | \$ 76,276 |
| c) Mr G Reveleigh | \$ 15,255 |
| d) Mr I Sloan     | \$ 15,255 |
| e) Mr B Thomas    | \$ 15,255 |

### Directors' Remuneration

Currently each Director receives the following from the Company;

- Mr Paton as a non executive Chairman receives \$40,000 per annum in Director Fees.
- Mr Bruce as Managing Director receives a cash benefit of \$325,000 per annum including statutory superannuation;
- Mr Reveleigh as a non executive director receives \$50,000 per annum plus statutory superannuation in Director Fees;
- Mr Sloan as a non executive director receives \$40,000 per annum plus statutory superannuation in Director Fees; and
- Mr Thomas a non executive director receives \$40,000 per annum plus statutory superannuation in Director Fees.

### Share Price

The price of the Company's shares quoted on the ASX over the last 12 months have ranged from a low of 10 cents on 2 November 2006 to a high of 19 cents between 11–18 April 2007. The closing price of the Shares on ASX on the trading day immediately preceding the date of lodgement of this Notice was 15 cents on 11 October 2007.

### Other Information

Neither the Directors nor the Company are aware of any other information that would be reasonably required by the shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 4, 5, 6, 7, 8, 9 and 10.

### TERMS AND CONDITIONS OF OPTIONS

Full details of the terms and conditions of the Options to be issued are as follows:

	Options	Number of Options	Vesting Date	Expiry Date	Exercise Price
<b>Alfred Paton</b>	Tranche	500,000	Date of issue	5 years after date of issue	\$0.20
<b>Philip Bruce</b>	Tranche	2,500,000	Date of issue	5 years after date of issue	\$0.20
<b>Graham Reveleigh</b>	Tranche	500,000	Date of issue	5 years after date of issue	\$0.20
<b>Ian Sloan</b>	Tranche	500,000	Date of issue	5 years after date of issue	\$0.20
<b>Bruce Thomas</b>	Tranche	500,000	Date of issue	5 years after date of issue	\$0.20

- Subject to condition (g) the options are exercisable wholly or in part at any time from day of issue and will expire on the date that is 5 years from the date of issue;
- Each option shall entitle the option holder to acquire one (1) share in the capital of the Company;
- Each option may be exercised by delivering to the registered office of the Company a notice in writing during the period referred to in condition (a) stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
- All shares issued on exercise of the options will rank pari passu in all respects with the Company's then issued shares. These options will be unlisted;
- The options are not transferable;
- Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of the receipt;
- There are no participating rights or entitlements inherent in the Options and holders will not be entitled to

- participate in new issues of securities Offered to Shareholders of the Company during the currency of the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced so as to give holders the opportunity to exercise their Options before the date for determining entitlement to participate in any issue;
- h) Share allotted pursuant to the exercise of the Options will be allotted following receipt of all the relevant documents and payment and will rank equally with existing issued shares; and
  - i) In the event of a reconstruction (including consolidations, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder shall be reconstructed in accordance with the ASX Listing Rules.

## RESOLUTION 10

### Approval of Employee Share Option Plan

The Company proposes to adopt an Employee Share Option Plan ('Plan') pursuant to which the Company can issue Options to eligible Participants in order to provide them with an incentive to deliver growth and value to all Shareholders. A complete copy of the PLAN is available free of charge on request. The Shareholder approval is sought for the for the PLAN to allow the Company to issue Options to eligible participants of the Company for the purposes of Exception 9(b) of Listing Rule 7.2. If approval is given, Options issued under the Plan will be exempt from counting towards the 15% of the issued capital of the Company that can be issued in any 12 month period without Shareholding approval under Listing Rule 7.1.

#### *Summary of the Plan*

The Board introduced the Plan for the purpose of providing Participants with an additional incentive to work to improve the performance of the Company, attracting and retaining personnel essential for the continued growth and development of the Company, promoting and fostering loyalty and support amongst Company personnel for the benefit of the Company and enhancing the relationship between the Company and Participants for the long term mutual benefit of all parties.

The Plan satisfies certain ASIC class order conditions, relieving the Company from the obligation to issue a prospectus for the offer of Options to Participants other than consultants under the Plan. Offers of Options under the Plan which are made to contractors or consultants will constitute excluded offers under section 708(12) of the Corporations Act which exempts the Company from the obligation to issue a Prospectus.

- (a) Each Option entitles the holder, on exercise, to one Share.
- (b) Shares issued on exercise of Options will rank equally with other Shares.
- (c) An Option may only be exercised after that Option has vested, after any conditions associated with the exercise of the Option are satisfied and before its expiry date. The Board may determine the vesting period. On the grant of an Option the Board may in its absolute discretion impose other conditions on the exercise of an Option.
- (d) The Exercise Price of each Option issued under the Plan will be determined by the Board when it resolves to offer the Options, and will be not less than the Market Price of the Shares on ASX over the five trading days immediately preceding the day of the announcement of the issue of Options by the Board.
- (e) The expiry date of an Option will be determined by the Board, and will be no later than 5 years after the date of issue.
- (f) An Option will lapse immediately upon the first to occur of its expiry date or three months after ceasing to be an Eligible Person.
- (g) An Option will lapse three (3) months after voluntary resignation from employment or engagement by the holder.
- (h) Options may not be transferred without Board approval or if at any time prior to the Expiry Date of any Options: an Eligible Person ceases to be an Eligible Person for any reason other than Retirement, Permanent Disability, Redundancy or death. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.
- (i) Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (j) If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). Upon issue the Bonus Shares will rank *pari passu* in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- (k) If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.
- (l) As at the date of this Meeting, no Options have been issued under the Employee Share Option Plan

In accordance with Exception 9 of Listing Rule 7.2 the Company advises a summary of the terms of the PLAN are set out in Annexure B.

# Annexure A

## Material Terms and Conditions of Options

The Options will entitle the holders to subscribe for Shares in the Company on the following terms:

- (a) each Option entitles the holder, when exercised, to one (1) Share in the Company;
- (b) the Options are exercisable at any time on or prior to their expiry date by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- (c) each option may be exercised by notice in writing to the Company during the period referred to in condition (a), accompanied by payment.
- (d) an Option does not confer the right to a change in exercise price or a change in the number of underlying shares over which the Option can be exercised;
- (e) the Options will be listed;
- (f) the Options are transferable;
- (g) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for the quotation on ASX of the Options and all Shares issued upon exercise of the Options;
- (h) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to and such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (i) if at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to the reorganisation of capital at the time of the reorganisation.

# Annexure B

## Employee Share Option Plan

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

In these Rules, unless the contrary intention appears:

“**Associated Company**” means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the Corporations Act;

“**ASX**” means Australian Stock Exchange Limited and includes any body corporate which may hereafter succeed to the powers, functions and duties of Australian Stock Exchange Limited;

“**Board**” means the directors acting as the board of directors of the Company;

“**Business Day**” means a day on which the stock market of ASX is open for trading in securities;

“**Certificate**” means the certificate issued by the Company to a Holder in respect of an Option;

“**Company**” Hill End Gold Limited ACN 072 692 365;

“**Director**” means a director of the Company from time to time;

“**Eligible Person**” means at any time a person who then is an employee (whether full-time or part-time), director of the Company;

“**Exercise Price**” means, in respect of an Option, the subscription price per Share, determined in accordance with clause 12, payable by a Holder on exercise of the Option;

“**Expiry Date**” means, in relation to an Option, the period of 5 years from and including the Issue Date of the Option;

“**Company**” means the Company or any Associated Company;

“**Holder**” means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company’s register of options as the holder of that Option;

“**Issue Date**” means, in relation to an Option, the date on which the Company grants that Option;

“**Listing Rules**” means the Official Listing Rules of ASX;

“**Market Value**” means:

- (a) the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the day on which the Board resolves to offer an Option (excluding special crossings and overnight sales); or
- (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX (excluding special crossings and overnight sales);

“**Option**” means an Option issued under the Plan to subscribe (subject to clause 11) for a Share;

“**Permanent Disablement**” means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience;

“**Permitted Nominee**” has the meaning given to it by clause 5.4;

“**Plan**” means The Hill End Gold Limited Employee Share Option Plan established in accordance with these Rules;

“**Redundancy**” means, in relation to an Eligible Person, a determination by the Board that the relevant Company’s need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of any Company of his own accord);

“**Retirement**” means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age

60 or over or such earlier age as considered appropriate by the Board;

“**Rules**” means these rules, as amended from time to time;

“**Shares**” means fully paid ordinary shares in the capital of the Company.

## 1.2 Interpretation

In these Rules, unless the contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act or the Listing Rules has the same meaning where used in these Rules.

## 2. ESTABLISHMENT AND TERMINATION OF THE PLAN

- 2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute and uncontrolled discretion.
- 2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 2.3 The Board may not issue any further Options after the Plan has been terminated.

However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

## 3. NUMBER OF OPTIONS TO BE ISSUED

The Company shall not offer or issue Options to any Eligible Person in accordance with the Plan if the total number of shares the subject of Options, when aggregated with:

- 3.1 The number of shares in the same class which would be issued were each outstanding offer or option to acquire unissued shares in the Company, being an offer made or option acquired pursuant to the Plan or any other employee share scheme extended only to employees, or directors of Companies, be accepted or exercised (as the case may be); and
- 3.2 The number of shares in the same class issued during the previous five years pursuant to the Plan or any other employee share scheme extended only to employees, or directors of the Company, (but disregarding any offer made, or option acquired or share issued by way of or as a result of an offer to a person situated at the time of receipt of the offer outside Australia or any offer which, pursuant to Section 708 of the Corporations Act, does not need disclosure to investors), would exceed 5% of the total number of issued shares in that class of the Company as at the time of the proposed offer.

## 4. ENTITLEMENT TO PARTICIPATE

- 4.1 The Board may from time to time determine in its absolute and uncontrolled discretion that any Eligible Person is entitled to participate in the Plan and the extent of that participation. The determination of the Board shall be binding and neither the Board nor any director of the Company shall be obliged to give any reason for a determination.
- 4.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.
- 4.3 Unless otherwise determined by the Board in its absolute and uncontrolled discretion, no Eligible Person shall be entitled to participate in the Plan unless that Eligible Person has been in continuous employment with the Company for at least 12 months prior to the Issue Date.
- 4.4 The Plan shall not form part of any contract of employment between any Company and any of its employees and shall not confer directly or indirectly on any such employee any legal or equitable right whatsoever against any Company.

## 5. OFFER OF OPTIONS

- 5.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Persons at such times and on such terms as the Board considers appropriate in its absolute and uncontrolled discretion. Each offer must state:
- (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
  - (b) the period within which the offer may be accepted; and
  - (c) any other matters which the Board may determine.
- 5.2 Upon receipt of an offer of Options, an Eligible Person may, within the period specified in the offer:
- (a) accept the whole or any lesser number of Options offered by notice in writing to the Board; or
  - (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Board. The Board may, in its absolute and uncontrolled discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision.
- 5.3 Each Option will be issued free.
- 5.4 Upon:
- (a) receipt of the acceptance referred to in paragraph 5.2(a); or
  - (b) the Board resolving to allow a renunciation of an offer in favour of a nominee ("**Permitted Nominee**") and the Permitted Nominee accepting the whole or any lesser number of Options offered by notice in writing to the Board, then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be issued Options subject to these Rules.
- 5.5 Certificates for Options will be dispatched within 10 Business Days after their Issue Date (or within such lesser period (if any) as may be required by the Listing Rules).
- 5.6 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

## 6. QUOTATION

- 6.1 The Company will not apply for official quotation by ASX of any Options.
- 6.2 If the Company's Shares have been granted official quotation by ASX, the Company must apply for official quotation of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment (or within such lesser period (if any) as may be required by the Listing Rules).

## 7. TRANSFER OF OPTIONS

Subject to clause 10.3, Options are only transferable with Board approval.

## 8. EXERCISE OF OPTIONS

- 8.1 Subject to these Rules, Options may be exercised at any time during the period commencing after the Issue Date and ending on the Expiry Date.
- 8.2 Options not exercised on or before the Expiry Date will automatically lapse.
- 8.3 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:
- (a) the Exercise Price for the number of Options specified in the notice; and
  - (b) the Certificate for those Options, for cancellation by the Company.
- The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).
- 8.4 Subject to clause 8.2, within 10 Business Days after the notice referred to in clause 8.3 becomes effective (or within such lesser period (if any) as may be required by the Listing Rules), the Board must:
- (a) allot and issue the number of Shares specified in the notice to the Holder;
  - (b) cancel the Certificate for the Options being exercised; and
  - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

## 9. SHARES ALLOTTED ON EXERCISE OF OPTIONS

All Shares allotted upon exercise of Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the Holders to participate fully in:

- 9.1 Dividends declared by the Company after the date of allotment; and
- 9.2 All issues of securities made or offered pro rata to holders of Shares.

## 10. CEASING TO BE AN ELIGIBLE PERSON

10.1 If at any time prior to the Expiry Date of any Options, an Eligible Person ceases to be an Eligible Person for any reason other than Retirement, Permanent Disability, Redundancy or death, all Options held by such Eligible Person or his Permitted Nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of:

- (a) The expiry of the period of three (3) calendar months from the date of such occurrence, and
- (b) The Expiry Date.

10.2 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the date of such occurrence.

10.3 If at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's legal personal representative may:

- (a) elect to be registered as the new Holder of the deceased Holder's Options;
- (b) whether or not he becomes so registered, exercise those Options as if it were the Holder of them in accordance with these Rules; and
- (c) if the deceased Holder had already given the Company a notice of exercise of his Options, pay the Exercise Price in respect of those Options.

## 11. ENTITLEMENT TO PARTICIPATE IN FUTURE ISSUES

### 11.1 New Issues

Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

### 11.2 Bonus Issues

If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). Upon issue the Bonus Shares will rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

### 11.3 Pro Rata Issue [FORMAT]

If there is a pro rata share issue (other than a Bonus Issue) to the holders of Shares, the

Exercise Price of an Option will be reduced according to the following formula:

$$A = O - E [P - (S+D)] / N + 1$$

A = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Shares into which one Option is exercisable.

P = the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises).

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.



#### **11.4 Reorganisation of Capital**

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

#### **11.5 Advice**

In accordance with the Listing Rules, the Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 11.2, 11.3 or 11.4.

### **12. EXERCISE PRICE OF OPTIONS**

The Exercise Price of each Option will be determined by the Board when it resolves to offer the Option and will be not less than the Market Value of a Share at that time.

### **13. AMENDMENTS TO THE RULES**

The Board may alter, delete or add to these Rules at any time (save for the provisions of clause 3), but, where the Company is admitted to the Official List of ASX, its resolution to do so has no effect unless the requirements of the Listing Rules in relation to the alteration, deletion or addition have been complied with.

### **14. NOTICES**

Notices may be given by the Company to any Holder either personally or by sending by post to his address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices.

Notices of any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or Secretary of the Company. A notice of exercise of Options shall not be deemed to be served on the Company until actually received.



# Schedule 1

## Employee Share Option Plan Invitation to Apply for Options

Registered Office: 4 Bowen Street Hill End NSW 2850

Incorporated In: New South Wales

### No. of Options

[Number]

Name & Address of Eligible Employee:

Terms:

Vesting Dates:

Exercise Parcels:

Exercise Rights:

Restrictions:

### Exercise Period

[Date to the Expiry Date]

[Name and address]

Dear [Insert Name]

You are invited to apply for the number of options specified above to acquire ordinary shares in the capital of Hill End Gold Limited (the “**Company**”) in accordance with the Employee Share Option Plan.

The exercise price for your options will be [price]. The options will be issued [free of charge/at [price]].

**[The Company will also provide you with information on the current market price of the Company’s shares from time to time during the exercise period of your options. Please contact [name] or [alternative contact] on [number] if you would like this information.]**

The Company’s Employee Share Option Plan permits you to nominate a relative or associate (as defined in the Income Tax Assessment Act) to receive your entitlement to options. To nominate a relative or an associate, you must ensure that that nominee is identified in the attached Application for Options.

To accept this invitation, you must complete the attached Application for Options and return it to the Company [or identify alternate address] no later than [date]. You will not receive the options referred to above unless you sign and return the attached Application for Options by this date.

If you have any questions regarding this invitation, you should contact [name] on [telephone number].

Should you decide to accept this invitation, please sign and return the attached Application for Options.

[Name]

Company Secretary

[Date]

# Application for Options

The Company Secretary  
Hill End Gold Limited  
3 Spring Street,  
Sydney NSW 2000

Dear Sir/Madam

I apply for options to acquire **[number]** ordinary shares in the capital of Hill End Gold Limited (the “**Company**”) on the terms of the Invitation to apply for options dated **[date]**. I understand that these options will be issued to me on the terms of the Company’s Employee Share Option Plan current on the date of this acceptance (as amended from time to time).

I request that the options referred to above be allocated to.

\_\_\_\_\_ of  
(name)

\_\_\_\_\_  
(address)\*.

\_\_\_\_\_  
Employee

\_\_\_\_\_  
Dated:

\* Delete if inapplicable

# Form of Notice of Exercise

The Company Secretary  
Hill End Gold Limited  
3 Spring Street,  
Sydney NSW 2000

Dear Sir/Madam

**[Name of Optionholder]** hereby gives notice of the exercise of **[number of Options]** issued pursuant to the Company's Employee Share Option Plan and exercisable at **[\$\*]**.

A cheque made payable to "**[\*]**" for **[\$\*]** (being the total of the exercise price payable on the exercise of these Options), is enclosed.

The relevant SRN is **[\*]**.

**[Optionholder to sign]**

**Individual:**

**SIGNED** by **[\*]**

in the presence of:

\_\_\_\_\_

Witness

\_\_\_\_\_

Name of Witness (print)

**Company:**

**EXECUTED** by **[\*]** in accordance with section 127

of the Corporations Act by:

\_\_\_\_\_

Secretary/Director

\_\_\_\_\_

Name of Secretary/Director (print)

\_\_\_\_\_

Director

\_\_\_\_\_

Name of Director (print)

# Schedule 2

## Option Certificate

Registered Office: 4 Bowen Street NSW 2850

Incorporated in: New South Wales

Certificate No. [Number]

No. of Options [Number]

Terms:

Grant Date:

Vesting Dates:

Exercise Period:

Exercise Parcels:

Exercise Price:

Exercise Rights:

Expiry Date:

Restrictions:

This is to certify that **[Name]** of **[Address]** is the registered holder of **[Number]** options numbered as shown above, in Hill End Gold Limited, subject to the Constitution, and Employee Share Option Plan, of Hill End Gold Limited and the Rules.

**SIGNED BY HILL END GOLD LIMITED** in the presence of: )

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director / Secretary