



## **NOTICE OF ANNUAL GENERAL MEETING**

**&**

## **EXPLANATORY STATEMENT**

**To be held**

At 10.00am (WST), Friday, 28 November 2014

**at**

The Offices of AMEC,  
6 Ord Street, West Perth WA 6005

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8<sup>th</sup> October 2014

Dear Fellow Encounter Shareholder,

Please find enclosed the Notice of Annual General Meeting for the Shareholders' Meeting to be held at 6 Ord Street, West Perth at 10.00am (WST) on Friday, 28 November 2014.

The purpose of the meeting is to conduct the annual business of the Company, being consideration of the annual financial statements, the remuneration report and in addition seek shareholder approval in accordance with the Corporations Act 2001 and the Listing Rules of the ASX to a number of resolutions, which are set out in the attached Notice of Meeting paper.

Your Directors seek your support and look forward to your attendance at the meeting.

Yours sincerely



**Paul Chapman**  
Chairman

**ENCOUNTER RESOURCES LIMITED**

ABN 47 109 815 796

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Encounter Resources Limited will be convened at 10.00am WST on Friday, 28 November 2014 at 6 Ord Street, West Perth, Western Australia.

**AGENDA**

**1. Discussion of Financial Statements and Reports**

To discuss the Financial Report, the Directors' Report and Auditor's Report for the year ended 30 June 2014.

**2. Adoption of the Remuneration Report**

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

*"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2014."*

*Voting Prohibition Statement*

*The Company will disregard any votes cast on Agenda Item 2 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:*

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- (b) it is not cast on behalf of a Restricted Voter.*

*Further, a Restricted Voter who is appointed as a proxy will not vote on Agenda Item 2 unless:*

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 2. Shareholders may also choose to direct the Chair to vote against Agenda Item 2, or to abstain from voting.*

**3. Re-election of Director – Mr Paul Chapman**

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

*"That, Mr Paul Chapman who retires in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director."*

**4. Approval of Additional 10% Placement Capacity**

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

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

*Voting Exclusion Statement*

*The Company will disregard any votes cast on Agenda Item 4 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person associated with those persons.*

*However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.*

**ENCOUNTER RESOURCES LIMITED**

ABN 47 109 815 796

**NOTICE OF ANNUAL GENERAL MEETING**

**5. Approval of the Grant of Options to Director – Mr Peter Bewick**

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

*“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 1,500,000 options to Mr Peter Bewick to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”*

*Voting Exclusion Statement*

*The Company will disregard any votes cast on Agenda Item 5 by Mr Peter Bewick and any of his associates.*

*However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.*

*Voting Prohibition Statement*

*A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 5 unless:*

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 5. Shareholders may also choose to direct the Chair to vote against Agenda Item 5, or to abstain from voting.*

**6. Approval of the Grant of Options to Director – Dr Jon Hronsky**

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

*“That pursuant to and in accordance with ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 500,000 options to Dr Jon Hronsky to subscribe for ordinary shares in the Company. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement.”*

*Voting Exclusion Statement*

*The Company will disregard any votes cast on Agenda Item 6 by Dr Jon Hronsky and any of his associates.*

*However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.*

*Voting Prohibition Statement*

*A Restricted Voter who is appointed as a proxy will not vote on Agenda Item 6 unless:*

- (a) the appointment specifies the way the proxy is to vote on that Resolution; or*
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Agenda Item 6. Shareholders may also choose to direct the Chair to vote against Agenda Item 6, or to abstain from voting.*

**ENCOUNTER RESOURCES LIMITED**

ABN 47 109 815 796

**NOTICE OF ANNUAL GENERAL MEETING**

**OTHER BUSINESS**

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Statement.

**GENERAL NOTES**

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.
2. **Voting by Proxy:** Sections 250BB and 250BC of the Corporations Act came into effect on 1 July 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:
  - if proxy holders vote, they must cast all directed proxies as directed; and
  - if a poll is demanded for a particular resolution, any directed proxies which are not voted (where the appointed proxy is not the chair of the meeting) will automatically default to the Chair, who must vote the proxies as directed.

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

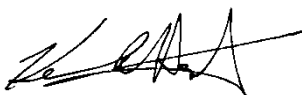
Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

3. The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.
4. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5.00pm (WST) on 26 November 2014.

**BY ORDER OF THE BOARD**



Kevin R Hart  
COMPANY SECRETARY

Dated this 8<sup>th</sup> day of October 2014

## ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

### EXPLANATORY STATEMENT

The purpose of the Explanatory Statement is to provide shareholders with information concerning all of the Agenda Items in the Notice of Annual General Meeting.

Certain abbreviations and other defined terms are used throughout this Explanatory Statement. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Statement.

#### 1. Discussion of Financial Statements & Reports

The Company's financial reports for the financial year ended 30 June 2014, together with the Directors' reports and the auditor's report are placed before the Annual General Meeting thereby giving shareholders the opportunity to discuss those documents and to ask questions. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

#### 2. Adoption of Remuneration Report

Section 250R(2) of the Corporations Act requires the Company to present to its Shareholders the Remuneration Report, as disclosed in the Company's Annual Report.

The Resolution is advisory only and does not bind the Directors or the Company. The Annual Report (together with the Remuneration Report) is available on the Company's website ([www.enrl.com.au](http://www.enrl.com.au)).

Under the Corporations Act, if at least 25% of the votes cast on the resolution to Agenda Item 2 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's next Annual General Meeting, the Company will be required to put to Shareholders a resolution proposing the calling of general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's Annual General Meeting. All of the Directors who were in office when the Company's Directors' report was approved, other than the Managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The proportion of votes cast against the adoption of the 2013 Remuneration Report was less than 25% of the total votes cast. Accordingly the Spill Resolution is not relevant for this Annual General Meeting.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to the Directors and sets out the Company's remuneration arrangements for each of the Directors and senior management of the Company for the financial year ended 30 June 2014. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2014.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

The Board considers that its current practices of setting executive and non-executive remuneration are within normal industry expectations, and provides an effective balance between the need to attract and retain the services of the highly skilled key management personnel that the Company requires. As such the directors recommend that shareholders vote in favour of the resolution to Agenda Item 2.

## ENCOUNTER RESOURCES LIMITED

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### EXPLANATORY STATEMENT

#### 2. Adoption of Remuneration Report (Continued)

##### Voting

Note that a voting exclusion applies to Agenda Item 2 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

By appointing the Chair as proxy, and not providing voting directions, you are considered to have expressly authorised the Chair to exercise your proxy, even though the resolution may be connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

#### 3. Re-Election of Director – Mr Paul Chapman (*B.comm, ACA, Grad.Dip.Tax, MAICD, AAusImm*) as an Ordinary Resolution

Mr Chapman is a chartered accountant with over twenty five years' experience in the resources sector gained in Australia and the United States. Mr Chapman has experience across a range of commodity businesses including gold, nickel, uranium, manganese, bauxite/alumina and oil/gas. Mr Chapman has held managing director and other senior management roles in public companies of various sizes. Mr Chapman is the chairman of ASX listed gold producer Silver Lake Resources Ltd.

During the last 3 years, Mr Chapman was a director of Rex Minerals Limited (resigned 31 December 2013), and Phillips River Mining (resigned 26 March 2014).

Mr Chapman was appointed as Director on 7 October 2005.

#### 4. Approval of Additional 10% Placement Capacity as a Special Resolution

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital over a 12 month period after the Annual General Meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution (**Additional 10% Placement Capacity**). The Additional 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An entity will be eligible to seek approval under Listing Rule 7.1A if: (a) the entity has a market capitalisation of \$300 million or less; and (b) the entity that is not included in the S&P ASX 300 Index. The Company is an eligible entity for the purposes of Listing Rule 7.1A.

The number of Equity Securities to be issued under the Additional 10% Placement Capacity will be determined in accordance with the formula set out in Listing Rule 7.1A.2.

The Company is putting Agenda Item 4 to Shareholders to seek approval to issue additional Equity Securities under the Additional 10% Placement Capacity.

This Resolution does not mean that the Company will necessarily utilise the 10% Additional Placement Capacity. Rather, capital markets have recently been in a state of fluctuation and the Directors acknowledge that they may need to act quickly to raise funds when favourable markets emerge. The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities. Under these circumstances, the Additional 10% Placement Capacity will provide flexibility for the Company to issue additional securities, in the event that the Directors determine that the issue of the additional securities is in the interests of the Shareholders and the Company in achieving its objectives.



## ENCOUNTER RESOURCES LIMITED

ABN 47 109 815 796

### EXPLANATORY STATEMENT

#### 4. Approval of Additional 10% Placement Capacity (Continued)

##### Listing Rule 7.1A

The effect of Agenda Item 4 will be to permit the Company to issue the Equity Securities under Listing Rule 7.1A during the Additional Placement Period (as defined below) without using the Company's 15% placement capacity under Listing Rule 7.1.

Equity Securities issued under the Additional 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice the Company has quoted securities in the form of Shares on issue.

Based on the number of Shares on issue at the date of this Notice the Company has **132,543,350** Shares on issue and therefore, subject to Shareholder approval being sought under Agenda Item 4, **13,254,335** Equity Securities will be permitted to be issued in accordance with Listing Rule 7.1A. Shareholders should note that the calculation of the number of Equity Securities permitted to be issued under the Additional 10% Placement Capacity is a moving calculation and will be based on the formula set out in Listing Rule 7.1A at the time of issue of the Equity Securities. The table on the page below demonstrates various examples as to the number of Equity Securities that may be issued under the Additional 10% Placement Capacity.

The resolution the subject of Agenda Item 4 is a special resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

##### Specific information required by Listing Rule 7.3A

The following information in relation to the Shares to be issued is provided to Shareholders for the purposes of Listing Rule 7.3A:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If the resolution the subject of Agenda Item 4 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Capacity, the existing Shareholders' economic and voting interests in the Company will be diluted. There is also a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date of the Equity Securities.

The table below shows the dilution of existing Shareholders of the issue of the maximum number of Equity Securities under the Additional 10% Placement Capacity using different variables for the number of ordinary securities for variable "A" (as defined in Listing Rule 7.1A) and the market price of Shares. It is noted that variable "A" is based on the number of ordinary securities the Company has on issue at the time of the proposed issue of Equity Securities.

The table shows:

- (i) examples of where variable "A" is at its current level, and where variable "A" has increased by 50% and by 100%;
- (ii) examples of where the issue price of ordinary securities is the current market price as at close of trade on 6 October 2014 (current market price), where the issue price is halved, and where it is doubled; and
- (iii) the dilutionary effect will always be 10% if the maximum number of Equity Securities that may be issued under the Additional 10% Placement Capacity are issued.

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ABN 47 109 815 796

**EXPLANATORY STATEMENT**

**4. Approval of Additional 10% Placement Capacity (Continued)**

Variable 'A'	Number of Shares issued and funds raised under the Additional 10% Placement Capacity and dilution effect	Dilution		
		\$0.125 Issue Price at half the current market price	\$0.25 Issue Price at current market price	\$0.50 Issue Price at double the current market price
Current Variable A <b>132,543,350</b> Shares	Shares issued	13,254,335	13,254,335	13,254,335
	Funds raised	\$1,656,792	\$3,313,584	\$6,627,168
	Dilution	10%	10%	10%
50% increase in current Variable A <b>198,815,025</b> Shares	Shares issued	19,881,503	19,881,503	19,881,503
	Funds raised	\$2,485,188	\$4,970,376	\$9,940,752
	Dilution	10%	10%	10%
100% increase in current variable A <b>265,086,700</b> Shares	Shares issued	26,508,670	26,508,670	26,508,670
	Funds raised	\$3,313,584	\$6,627,168	\$13,254,335
	Dilution	10%	10%	10%

Note: this table assumes:

- (i) No Options are exercised before the date of the issue of the Equity Securities;
  - (ii) The Company issues the maximum number of Equity Securities under the Additional 10% Placement Capacity and the Equity Securities issues consists only of Shares;
  - (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholders holding at the date of the Annual General Meeting;
  - (iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (c) Approval of the Additional 10% Placement Capacity will be valid from the date of the Annual General Meeting and will expire on the earlier of:
- (i) the date that is 12 months after the date of the Annual General Meeting; and
  - (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),
- (Additional Placement Period).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) cash consideration. If Equity Securities are issued for cash consideration, the Company intends to use the funds to advance its exploration programs and general working capital purposes; or
  - (ii) non-cash consideration for the acquisition of new assets. If Equity Securities are issued for non-cash consideration, the Company will comply with the minimum issue price limitation under Listing Rule 7.1A.3 in relation to such issue and will release the valuation of the non-cash consideration to the market.

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

**ENCOUNTER RESOURCES LIMITED**

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**EXPLANATORY STATEMENT**

**4. Approval of Additional 10% Placement Capacity (Continued)**

- (e) The Company's allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s). Securities allotted pursuant to the allocation policy will be determined following consideration of a number of factors including, but not limited to, the following matters:
- (i) the ability of the Company to raise funds at the time of the proposed issue of Equity Securities;
  - (ii) the dilutionary effect of the proposed of the issue of the Equity Securities on existing Shareholders at the time of proposed issued of Equity Securities;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from its professional advisers, including corporate, financial and broking advisers (if applicable).

At the date of this Notice, the Company has not formed an intention as to whether the securities will be offered to existing security holders, or to any class or group of existing security holders, or whether the securities will be offered exclusively to new investors that have not previously been security holders of the Company. The Company will give consideration before making any placement of securities under Listing Rule 7.1A whether the raising of any funds under such placement could be carried out in whole, or in part, by an entitlements offer to existing security holders.

The allottees under the Additional 10% Placement Capacity have not been determined as at the date of this Notice but will not include related parties (or their associates) of the Company.

- (f) The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2013 Annual General Meeting.

The Company has issued no securities pursuant to that Listing Rule 7.1A approval.

During the 12 month period to 28 November 2014, being the date of the Meeting, the Company otherwise issued a total of nil new Shares and 945,000 new Options, being a total of 945,000 New Equity Securities.

The total amount of 945,000 New Equity Securities issued represents approximately 0.7% of the total diluted number of Equity Securities on issue in the Company on 28 November 2013, being 142,713,350.

Information relating to issues of Equity Securities by the Company in the 12 months prior to 28 November 2014 is as follows:

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to Market Price <sup>1</sup> on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds  If issued for non-cash consideration – a description of the consideration and the current value of the consideration
18 February 2014	200,000 unlisted options	Note 2	Issued to certain employees of the Company pursuant to the terms of the Company's Employee Share Option Plan.	Nil issue price	Options issued to employees of the Company for no cash consideration.  At the date of this meeting the options have nil fair value as the exercise price of the options exceeds the underlying market value of the Company's shares.

**ENCOUNTER RESOURCES LIMITED**  
**ABN 47 109 815 796**

**EXPLANATORY STATEMENT**

**4. Approval of Additional 10% Placement Capacity (Continued)**

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to Market Price <sup>1</sup> on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds  If issued for non-cash consideration – a description of the consideration and the current value of the consideration
27 June 2014	745,000 unlisted options	Note 3	Issued to certain employees of the Company pursuant to the terms of the Company's Employee Share Option Plan.	Nil issue price	Options issued to employees of the Company for no cash consideration.  At the date of this Notice of Meeting the options have a fair value of 3 cents per option as the underlying market value of the Company's shares (being 25 cents at 6 October 2014) exceeds the 22 cents required to exercise each option.

**Notes:**

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises).
  2. Unlisted options issued pursuant to the terms and conditions of the Encounter Resources Limited Employee Option Plan and exercisable at 31 cents each on or before 31 January 2018.
  3. Unlisted options issued pursuant to the terms and conditions of the Encounter Resources Limited Employee Option Plan and exercisable at 22 cents each on or before 31 May 2018.
- (g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not determined its allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity. The Company has not approached, and has not yet determined to approach, any particular existing security holders or an identifiable class of existing security holders to participate in an offer under the Additional 10% Placement Capacity, and therefore no Shareholder will be excluded from voting on Agenda Item 4.

**Directors Recommendation**

The Board recommends Shareholders vote in favour of Agenda Item 4.

**EXPLANATORY STATEMENT**

**5. Approval of the Grant of Options to Directors – Mr Peter Bewick and Dr Jon Hronsky**

Agenda items 5 and 6 seek Shareholder approval to allow the Company to issue 1,500,000 Options to Mr Peter Bewick, Executive Director (or his nominee) and 500,000 Options to Dr Jon Hronsky, one of the Non-Executive Directors of the Company, (or his nominee).

The number of Incentive Options to be granted to each of the Participating Directors has been determined based upon a consideration of:

- (a) the remuneration / fees of the Participating Directors;
- (b) the Directors' wish to ensure that the remuneration / fees offered is competitive with market standards. The Directors have considered the proposed number of Incentive Options to be granted will ensure that the Participating Directors' overall remuneration / fees is in line with market standards; and
- (c) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

**Listing Rule 10.11 and Corporations Act Chapter 2E**

Listing Rule 10.11 provides that a Company must not issue equity securities (including options) to a related party of the company, such as a director, without the Company obtaining its Shareholders approval. If Shareholder approval is given under Listing Rule 10.11, Listing Rule 7.2, Exception 14 provides that approval is not required under Listing Rule 7.1.

The grant of Options to Mr Bewick and Dr Hronsky, and the potential allotment and issue of Shares pursuant to the same will constitute the giving of a financial benefit to a related party of the Company, for which Shareholder approval is usually required pursuant to Section 208 of the Corporations Act.

There are various exceptions to the requirement for Shareholder approval. This includes, in accordance with Section 211 of the Corporations Act, where the benefit is remuneration to a related party as an officer or employee of the Company, and to give the remuneration would be reasonable given:

- the circumstances of the Company in giving the remuneration; and
- the related party's circumstances (including the responsibilities involved in the office or employment)

The Board is of the view that the exception in Section 211 of the Corporations Act is relevant to the financial benefits to be granted to Mr Bewick and Dr Hronsky under their engagement as Officers of the Company. Further, the Board believes that the financial benefits available to Mr Bewick and Dr Hronsky pursuant to the proposed grant of Options are commensurate with the responsibilities and performance levels expected of them.

Accordingly, the Company is not seeking the approval of Shareholders under Section 208 of the Corporations Act.

**ENCOUNTER RESOURCES LIMITED**

ABN 47 109 815 796

**EXPLANATORY STATEMENT**

**5. Approval of the Grant of Options to Directors – Mr Peter Bewick and Dr Jon Hronsky (Continued)**

The following information is provided to Shareholders to allow them to assess the proposed resolution:

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given.**

Subject to Shareholder approval, the Incentive Options will be granted to Mr Peter Bewick, Executive Director and Dr Jon Hronsky, Non-Executive Director, or their respective nominees.

**(b) Nature of the Financial Benefit**

The proposed financial benefit to be given is the grant of 1,500,000 unlisted options to Mr Bewick and 500,000 unlisted options to Dr Hronsky, for no consideration, to subscribe for fully paid ordinary shares in the capital of the company.

The exercise price and expiry date of the Incentive Options are as follows:

<i>Director</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
Peter Bewick	750,000	150% of the market closing Share price on the day prior to grant of the Options	4 years from the date of grant of the Options
	750,000	200% of the market closing Share price on the day prior to grant of the Options	5 years from the date of grant of the Options
Jon Hronsky	500,000	150% of the market closing Share price on the day prior to grant of the Options	4 years from the date of grant of the Options

The Incentive Options will have an expiry dates as disclosed in the table above and will be issued in accordance with terms and conditions as set out in Schedule 1 of this Explanatory Statement.

The Directors of the Company (having obtained an independent valuation of the Incentive Options by HLB Mann Judd Corporate (WA) Pty Ltd) consider the indicative theoretical value attributable to the Incentive Options at a valuation date of 6 October 2014 to be as follows, notwithstanding that the Incentive Options will not be issued until after 28 November 2014 being the date of the Annual General Meeting of the Shareholders of the company.

<i>Director</i>	<i>Exercise Price</i>	<i>Expiry Date</i>	<i>Theoretical Value</i>
Peter Bewick	37.5 cents	5 October 2018	15.9 cents per Option
	50.0 cents	5 October 2019	16.5 cents per Option
Jon Hronsky	37.5 cents	5 October 2018	15.9 cents per Option

The Black and Scholes option valuation methodology was used by HLB Mann Judd Corporate (WA) Pty Ltd as a basis for the calculations using the following assumptions:

The share price of a fully paid Share as at the valuation date of 6 October 2014 was \$0.25.

The risk free interest rate used was 2.92% (based on the 5 year Reserve Bank treasury bond rates respectively as at 6 October 2014).

A volatility factor of 100% was used to value the options as determined using the daily closing share prices for the last 12 months.

The Black and Scholes option pricing model assumes that the Incentive Options the subject of the valuation can be sold on a secondary market. The terms and conditions of the proposed Incentive Options state that the Incentive Options shall not be listed for official quotation on ASX. In addition, the Incentive Options are not transferable. Accordingly, in determining the indicative value of the Incentive Options HLB Mann Judd Corporate (WA) Pty Ltd has applied a 30% discount to the theoretical value of attributed to the Black and Scholes option pricing model.

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**EXPLANATORY STATEMENT****5. Approval of the Grant of Options to Directors – Mr Peter Bewick and Dr Jon Hronsky (Continued)**

Based on the above assumptions, the value of the 2,000,000 Incentive Options using the indicative values attributed is as follows:

<i>Director</i>	<i>Theoretical Value per Option (cents)</i>	<i>Discount (%)</i>	<i>Indicative value per Option (cents)</i>	<i>Number of Options issued</i>	<i>Total value (\$)</i>
Peter Bewick	15.9	30%	11.1	750,000	\$83,250
	16.5	30%	11.5	750,000	\$86,250
Jon Hronsky	15.9	30%	11.1	500,000	\$55,500

Any change in the variables applied in the Black and Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have an impact on their value.

**(c) Directors Recommendation**

Messrs Chapman, Robinson and Hronsky (who have no interest in the outcome of Agenda Item 5) recommend that Shareholders vote in favour of Agenda Item 5 as they believe the issue of the Incentive Options to Mr Bewick (or his nominee) is in the best interests of the Company because the Incentive Options provide Mr Bewick with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Mr Bewick's professional services at reasonable market rates.

Mr Bewick declines to make a recommendation on Agenda Item 5 because he has a material personal interest in the outcome of the Resolution, on the basis that he (or his nominee) is to be granted Incentive Options should the Resolution be passed.

Messrs Chapman, Robinson and Bewick (who have no interest in the outcome of Agenda Item 6) recommend that Shareholders vote in favour of Agenda Item 6 as they believe the issue of the Incentive Options to Dr Hronsky is in the best interests of the Company because the Incentive Options provide Dr Hronsky with an incentive to enhance the future value of the Company's Shares for the benefit of all Shareholders, and also an appropriate way to retain Dr Hronsky's professional services at reasonable market rates.

Dr Hronsky declines to make a recommendation on Agenda Item 6 because he has a material personal interest in the outcome of the Resolution, on the basis that he (or his nominee) is to be granted Incentive Options should the Resolution be passed.

**(d) Directors Interest**

Mr Bewick has a personal interest in the outcome of the resolution the subject of Agenda Item 5.

Dr Hronsky has a personal interest in the outcome of the resolution the subject of Agenda Item 6.

With the exception of Mr Bewick and Dr Hronsky, no other Director has a personal interest in the outcome of the resolutions.

**(e) Terms and Conditions of Options**

The terms and conditions of the Incentive Options proposed to be granted to the Participating Directors are included at Schedule 1

The Incentive Options will also have the following specific terms:

1. the key terms, as set out in Section 5(b) above; and
2. the benefit of the cashless exercise facility on the terms and conditions set out in Schedule 1.

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**EXPLANATORY STATEMENT****5. Approval of the Grant of Options to Directors – Mr Peter Bewick and Dr Jon Hronsky (Continued)****(f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors**

The Incentive Options form part of the Company's long term incentive for employees and are to be granted in addition to the total fixed remuneration/fees set out below. The exercise price of the Incentive Options is linked to improved share price performance. Importantly, this provides ongoing incentive to increase shareholder value over time and the exercise price reflects levels in excess of the current market price of the Company's Shares.

Exercise of the Incentive Options is allowable immediately after issue, but only likely to occur if there is sustained upward movement in the Company's Share price.

The number of Incentive Options to be issued to Mr Bewick and Dr Hronsky has been determined based on the reasons outlined in the director's recommendation to shareholders at item (c). The number of Incentive Options has also been determined having regard to less tangible issues such as alignment of interests to the Company.

The Incentive Options shall be granted free to Mr Bewick and Dr Hronsky (or their respective nominees) and will be issued within one month of the date of the meeting.

If the Incentive Options proposed to be granted to Mr Bewick and Dr Hronsky (or their nominee) under Agenda Items 5 and 6 are exercised, the Company's issued Share capital would increase by a maximum of 2,000,000 Shares to a total of issued Share capital of 134,543,350 Shares (assuming no other Shares are issued or outstanding Options are exercised), and will represent a maximum of approximately 1.5% of the total issued capital of the Company on a fully diluted basis. The maximum dilution stated is calculated based on all of the Incentive Options being exercised by payment of the exercise price in full.

The Incentive Options proposed to be granted under Agenda Items 5 and 6 are subject to cashless exercise provisions consistent with those provisions the subject of the Encounter Resources Limited Employee Share Option Plan. Should Mr Bewick or Dr Hronsky elect to utilize the cash less exercise provisions this would result in a lesser number of shares to be issued, and a reduction in the funds receivable by the Company, on the exercise of the Incentive Options.

As at 6 October 2014 the issued capital of the Company comprised the following Shares and Options:

132,543,350	<i>Ordinary fully paid shares.</i>
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<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
5,375,000	135 cents	22 November 2014
500,000	80 cents	30 September 2015
500,000	40 cents	31 May 2016
1,450,000	30 cents	30 November 2016
650,000	21 cents	31 May 2017
750,000	39 cents	30 November 2017
200,000	31 cents	31 January 2018
745,000	22 cents	31 May 2018



**ENCOUNTER RESOURCES LIMITED**

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**EXPLANATORY STATEMENT**

**5. Approval of the Grant of Options to Directors – Mr Peter Bewick and Dr Jon Hronsky (Continued)**

**(f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (cont'd)**

The following table sets out Mr Bewick's and Dr Hronsky's current interest in Shares and Options in the Company:

Director	Relevant Interest in Shares	Relevant Interest in Options		
		Number of Options	Exercise Price	Expiry Date
Peter Bewick	5,102,000	3,500,000	135 cents	22 November 2014
		750,000	30 cents	30 November 2016
		750,000	39 cents	30 November 2017
Jon Hronsky	Nil	800,000	135 cents	22 November 2014
		500,000	30 cents	30 November 2016

Details of the nature and amount of each major element of the emoluments of Mr Bewick and Dr Hronsky for the financial year ended 30 June 2014, as detailed in the 2014 Annual Financial Statements is as follows:

Director	Base Remuneration \$	Short Term Incentive – Bonus \$	Superannuation \$	Value of Options \$	Total \$
Peter Bewick	270,000	13,500	26,224	Nil	309,724
Jon Hronsky	50,000	Nil	4,625	Nil	54,625

The market price of the Company's Shares during the term of the Options will ordinarily determine whether or not option holders exercise their Options.

If the market price of the Company's Shares is in excess of the exercise price of the Options it is likely that the Options will be exercised. A benefit would accrue on the exercise of the Options by the payment of the amount determined under this Notice and the sale of the Shares for an amount in excess of these amounts.

In the 12 months preceding the date of this Notice the highest and lowest market prices of the Company's Shares were as follows:

	Date	Closing price of Company's shares on ASX
Highest price	26 August 2014	30 cents
Lowest Price	25 June 2014	14 cents

The closing market price of the Company's Shares on the day before the date of this Notice was:

Date	Closing price of Company's shares on ASX
7 October 2014	22.5 cents

All Shares issued pursuant to the exercise of Incentive Options under Agenda Items 5 and 6 will rank pari passu with the existing Shares on issue.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass the Resolutions of Agenda Items 5 and 6.

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**EXPLANATORY STATEMENT**

**5. Approval of the Grant of Options to Directors – Mr Peter Bewick and Dr Jon Hronsky (Continued)**

**(f) Other information reasonably required by the members to make a decision and that is known to the Company or any of its Directors (cont'd)**

*Information requirements pursuant to Listing Rule 10.13*

In addition, the following information is provided in accordance with the notice requirements of Listing 10.13:

- (a) the Incentive Options will be granted to the Participating Directors, or their nominees, as noted in section 5(a) above;
- (b) the maximum number of Incentive Options to be granted is 2,000,000 Options:
  - pursuant to Agenda Item 5 up to 1,500,000 Incentive Options will be issued to Mr Bewick or his nominee; and
  - pursuant to Agenda Item 6 up to 500,000 Incentive Options will be issued to Dr Hronsky or his nominee.

Details of the terms of the Incentive Options are as noted in section 5(e) above;

- (c) The Incentive Options will be granted within 1 month after the date of the Annual General Meeting;
- (d) the Incentive Options will be granted for no consideration. As such, no funds will be raised by the grant of the Incentive Options;
- (e) voting exclusions apply to Agenda Items 5 and 6 and are set out in the Notice of Meeting.

## ENCOUNTER RESOURCES LIMITED

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### EXPLANATORY STATEMENT

#### Definitions

**Annual General Meeting** means the annual general meeting of the Company.

**Accounting Standards** has the meaning given to that term in the Corporations Act.

**Additional 10% Placement Capacity** has the meaning set out in Section 4 of the Explanatory Statement.

**Additional Placement Period** has the meaning set out in Section 4(c) of the Explanatory Statement.

**Annual General Meeting or Meeting** means the annual general meeting the subject of the Notice.

**Annual Report** means the annual report of the Company for the year ended 30 June 2014.

**ASX** means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Board** means the board of Directors.

**Closely Related Party** has the meaning given to that term in the Corporations Act.

**Company** means Encounter Resources Limited ACN 47 109 815 796.

**Constitution** means the constitution of the Company.

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

**Director** means a director of the Company.

**Equity Securities** has the meaning as in the Listing Rules.

**Explanatory Statement** means this Explanatory Statement accompanying the Notice.

**Key Management Personnel** has the meaning given to that term in the Accounting Standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

**Market Value** means the value of Shares as determined by the volume weighted average trading price of Shares sold on the ASX over the last 5 trading days immediately before the relevant date.

**New Equity Securities** means all securities issued in the 12 months prior to 28 November 2014.

**Notice or Notice of Meeting** means the notice of annual general meeting accompanying this Explanatory Statement.

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

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.

**Restricted Voter** means Key Management Personnel and their Closely Related Parties.

**Resolution** means a resolution the subject of this Notice.

**Share** means an ordinary fully paid share in the capital of the Company;

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

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**WST** means Australian Western Standard Time.

**ENCOUNTER RESOURCES LIMITED**

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**EXPLANATORY STATEMENT**

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**SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS**

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The following is a summary of the key terms and conditions of the Options to be issued to Participating Directors (Eligible Participants) pursuant to Agenda Items 5 and 6:

1. General
  - 1.1 No monies will be payable for the grant of the options.
  - 1.2 A certificate will be issued for the options.
  - 1.3 The options will not be listed for Official Quotation.
  - 1.4 The options are not transferable.
  - 1.5 Each option shall carry the right to subscribe for one Share upon exercise of the option.
  - 1.6 The options shall expire at 5.00pm WST on the Expiry date.
  - 1.7 Subject to clauses 1.6, 2 and 3, the options may be exercised by the Optionholder at any time, but subject to the prior satisfaction of the Exercise Conditions (if any).
  - 1.8 The Board may, at its discretion, by notice to the Optionholder adjust or vary the terms of an option, subject to the requirements of the Listing Rules. No adjustment or variation will be made without the consent of the Optionholder if such adjustment or variation would have a materially prejudicial effect upon the Optionholder (in respect of their outstanding options).
  - 1.9 Options may only be exercised by delivery to the Company Secretary (at a time when the options may be exercised) of:
    - (a) the certificate for the options or, if the certificate for the options has been lost or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost or destroyed;
    - (b) a notice, in the required form, addressed to the Company and signed by the Optionholder stating that the Optionholder exercises the options and specifying the number of options which are exercised; and
    - (c) subject to clause 1.10, payment to the Company of an amount equal to the Exercise Price multiplied by the number of options which are being exercised unless there is no exercise price payable in respect of the options to be exercised. Unless clause 1.10 applies, 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) by the Expiry Date and subject to the options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.
  - 1.10 In lieu of paying the aggregate Exercise Price to purchase Shares under clause 1.9(c), the Optionholder may, at the Board's sole and absolute discretion, elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):
$$A = \frac{B(C - D)}{C}$$
where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the optionholder;  
B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;  
C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and  
D = the Exercise Price.
  - 1.11 Options may be exercised in one or more parcels of any size, provided that the number of Shares issued upon exercise of the number of options in any parcel is not less than a Marketable Parcel. An exercise of only some options shall not affect the rights of the Optionholder to the balance of the options held by the Optionholder.
  - 1.12 The Company shall allot the resultant Shares and deliver the holding statements within 10 Business Days of the exercise of the option.

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**EXPLANATORY STATEMENT**

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**SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS (CONTINUED)**

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- 1.13 Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.14 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation, if the Company is listed on the ASX at the time.
2. Lapse of Options
- 2.1 Unless clause 2.2, 2.3 or 2.4 applies, the options will lapse immediately and all rights in respect of the options will be lost:
- (a) if the Eligible Participant ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation or termination for cause) and the Exercise Conditions have not been met; or
  - (b) the Exercise Conditions are unable to be met; or
  - (c) the Expiry Date has passed; or
  - (d) the deadline provided for in clause 2.4 has passed,
- whichever is earlier.
- 2.2 If the term of an option would otherwise expire outside a Trading Window applicable to the Eligible Participant or the Optionholder, then the term of such Option shall be extended to the close of business on the 10th Business Day during the next Trading Window applicable to the Eligible Participant or the Optionholder.
- 2.3 If the Eligible Participant dies, becomes Permanently Disabled, resigns employment on the basis of retirement from the workforce or is made redundant by the relevant member of the Group, prior to the Expiry Date of any options granted to the Optionholder (Ceasing Event) the following provisions apply.
- (a) the Optionholder or the Optionholder's legal personal representative, where relevant, may exercise those options which at that date:
    - (i) have become exercisable;
    - (ii) have not already been exercised; and
    - (iii) have not lapsed, in accordance with clause 2.3(c);
  - (b) at the absolute discretion of the Board, the Board may resolve that the Optionholder, or the Optionholder's legal personal representative, where relevant, may exercise those Options which at that date:
    - (i) have not become exercisable; and
    - (ii) have not lapsed,in accordance with clause 2.3(c) and, if the Board exercises that discretion, those unexercisable options will not lapse other than as provided in clause 2.3(c);
  - (c) the Optionholder or the Optionholder's legal personal representative (as the case may be) must exercise those referred to in clause 2.3(a) and, where permitted, clause 2.3(c), not later than the first to occur of:
    - (i) the Expiry Date of the options in question; and
    - (ii) the date which is 6 months after the Ceasing Event provided that in the case of options referred to in clause 2.3(b), all Exercise Conditions have been met at that time (unless the Board decides to waive any relevant Exercise Conditions, in its absolute discretion); and
  - (d) options which have not been exercised by the end of the period specified in clause 2.3(c) lapse immediately at the end of that period and all rights in respect of those options will thereupon be lost.
- 2.4 Where the Eligible Participant ceases to be an employee or director of, or to render services to, a member of the Group, for any reason whatsoever (including without limitation resignation or termination for cause), prior to the Expiry Date in relation to the options (Ceasing Date) and the Exercise Conditions have been met, the Optionholder will be entitled to exercise options for a period of up to 1 month after the Ceasing Date, after which the options will lapse immediately and all rights in respect of those options will be lost.

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**EXPLANATORY STATEMENT**

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**SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS (CONTINUED)**

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3. Change in Control Event

- (a) On the occurrence of a Change of Control Event, the Board may in its sole and absolute discretion determine that unvested options will vest despite the non-satisfaction of any Exercise Conditions and become exercisable in accordance with clause 3(b), with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the Eligible Participant is terminated or ceases in connection with the Change of Control Event.
- (b) Whether or not the Board determines to accelerate the vesting of any options, the Company shall give written notice of any proposed Change of Control Event to the Optionholder. Upon the giving of any such notice the Optionholder shall be entitled to exercise, at any time within the 14-day period following the giving of such notice, all or a portion of those options granted to the Optionholder which are then vested and exercisable in accordance with their terms, as well as any unvested Options which shall become vested and exercisable in connection with the completion of such Change of Control Event. Unless the Board determines otherwise (in its sole and absolute discretion), upon the expiration of such 14 day period, all rights of the Optionholder to exercise any outstanding options, whether vested or unvested, shall terminate and all such options shall immediately lapse, expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control Event.

4. Participation Rights

- 4.1 The Optionholder is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
  - (a) the Optionholder has become entitled to exercise the options under clauses 1.6, 2 or 3; and
  - (b) the Optionholder does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.

The Company must give the Optionholder, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

- 4.2 In the event of a bonus issue of Shares being made pro-rata to shareholders (Bonus Issue), the number of Shares issued to an Optionholder on exercise of each option will include the number of Shares that would have been issued to the Optionholder if the option had been exercised prior to the record date for the Bonus Issue (Bonus Shares). No adjustment will be made to the Exercise Price. The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
- 4.3 If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares the Exercise Price shall be reduced according to the formula specified in the Listing Rules.
- 4.4 If, prior to the expiry of any options, there is a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the rights of a Participant (including the number of options to which each Optionholder is entitled and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- 4.5 If, prior to the expiry of any options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Optionholder of the proposed resolution. Subject to the Exercise Conditions, the Optionholder may, during the period referred to in the notice, exercise their options.
- 4.6 The options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant options.

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