
CONSOLIDATED TIN MINES LIMITED

ACN 126 634 606

NOTICE OF GENERAL MEETING

TIME: 9 am (AEST)

DATE: Tuesday, 5 April 2016

PLACE: Hilton Cairns, 34 The Esplanade, Cairns QLD 4870

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 7 4032 3319.

This page has been left blank intentionally.

CONTENTS

Business of the Meeting (setting out the proposed Resolutions)	4
Explanatory Statement (explaining the proposed Resolutions)	5
Glossary	9
Schedule 1 – Terms and Conditions of Convertible Notes	10
Schedule 2 – Terms and Conditions of Guarantor Options	13

IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at Hilton Cairns, 34 The Esplanade, Cairns QLD 4870 on 5 April 2016 at 9am (AEST).

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (AEST) on 3 April 2016.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

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 (ie 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 (ie 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 (ie 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; or
 - 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.

BUSINESS OF THE MEETING

AGENDA

1. **RESOLUTION 1 – APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE NOTES TO SPM**

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 580,000,000 Consideration Shares and 165,000,000 Convertible Notes to SPM on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by SPM and any of their associates. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the 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.

2. **RESOLUTION 2 – APPROVAL FOR THE ISSUE OF REPAYMENT SHARES TO SPII**

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 30,000,000 Repayment Shares to SPII on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by SPII and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the 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.

3. **RESOLUTION 3 – APPROVAL FOR THE GRANT OF OPTIONS TO THE GUARANTOR**

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 200,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any 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 and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the 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.

Dated: 1 March 2016

By order of the Board

RALPH DE LACEY
DIRECTOR

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND

On 27 October 2014, the Company announced that it had entered into an asset sale agreement with Snow Peak Mining Pty Ltd (ACN 161 212 504) (**SPM**) and Snow Peak International Investments Limited (a company incorporated in China) (**SPIL**) for the purchase of the following assets by the Company and its subsidiaries:

- (a) all mining tenements which make up the SPM Projects and the mining tenements underlying the Mt Garnet Processing Plant (**Tenements**);
- (b) all financial assurances in respect of the SPM Projects;
- (c) the environmental authorities in respect of the Tenements;
- (d) the statutory and water licences which relate to the Tenements;
- (e) all plant and equipment of SPM (including the Mt Garnet Processing Plant);
- (f) SPM's premises at the Mt Garnet Mine Site;
- (g) SPM's interest in all contracts in respect of the SPM Projects; and
- (h) all mining information and records in relation to the Tenements,

(**Assets**) in consideration for the issue 580,000,000 Shares (**Consideration Shares**) and 165,000,000 Convertible Notes to SPM. A summary of the terms of the Asset Sale Agreement are set out in the notice of meeting dated 1 December 2015 for the Company's general meeting of shareholders held on 12 January 2015 (**Original Meeting**).

Under the Asset Sale Agreement, the Company also agreed to issue 30,000,000 Shares to SPIL (**Repayment Shares**) in full and final satisfaction of SPIL making an interest free advance (**Advance**) of \$3,000,000 to the Company.

The Company received Shareholder approval at the Original Meeting for:

- (a) SPM and SPIL's voting power in the Company to increase from 22.76% to up to 79.50% for the purpose of Item 7 of Section 611 of the Corporations Act;
- (b) the acquisition of the Assets from SPM for the purposes of ASX Listing Rule 10.1;
- (c) the issue of the Consideration Shares and Convertible Notes to SPM for the purposes of ASX Listing Rule 10.11; and
- (d) the issue of the Repayment Shares to SPIL for the purposes of ASX Listing Rule 10.11.

Due to delays in satisfaction of the conditions precedent under the Asset Sale Agreement, the Consideration Shares, Convertible Notes and Repayment Shares have not yet been issued. As such, the Company is seeking Shareholder approval at this Meeting for the issue of the Consideration Shares, Convertible Notes and Repayment Shares for the purposes of ASX Listing Rule 10.11.

The conditions precedent required to be satisfied prior to issue of the Consideration Shares, Convertible Notes and Repayment Shares are as follows:

- (a) the Company obtaining all necessary approvals required by the Corporations Act, the ASX Listing Rules or any other law to allow the Company to lawfully complete the Acquisition – this condition is anticipated to have been satisfied following Shareholders approving Resolutions 1 and 2 at this Meeting; and
- (b) SPM obtaining all necessary approvals or consents to allow SPM to lawfully complete the transactions the subject of the Asset Sale Agreement – this condition is anticipated to be satisfied within 3 months from the date of the Meeting.

Following discussions with the Company's advisors, including Stantons International Securities who prepared the independent expert's report provided to Shareholders in preparation of the Original Meeting, the Company is has formed the view that the Shareholder approval under Item 7 of Section 611 of the Corporations Act obtained at the Original Meeting remains effective notwithstanding the passing of time since the Original Meeting.

In this regard, the Company does not consider that any change in circumstances arising since the Original Meeting results in the transaction being materially different from that approved by Shareholders at the Original Meeting.

2. RESOLUTION 1 - APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE NOTES TO SPM

2.1 General

Resolution 1 seeks Shareholder for the issue of 580,000,000 Consideration Shares and 165,000,000 Convertible Notes to SPM upon completion under the Asset Sale Agreement.

2.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The Company issuing 580,000,000 Consideration Shares and 165,000,000 Convertible Notes to SPM in accordance with the Asset Sale Agreement constitutes giving a financial benefit and SPM is a related party of the Company by virtue of it being controlled by a Director, Si He Tong.

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The Directors, other than Mr Tong (who controls SPIL and SPM) who has a material personal interest in the Resolution, consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Consideration Shares and Convertible Notes under the Asset Sale Agreement as the Asset Sale Agreement was negotiated on an arm's length basis.

2.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Consideration Shares to SPM:

- (a) the related party is SPM who is a related party by virtue of SPM being an entity controlled by a director of the Company, Si He Tong;
- (b) the Consideration Shares and Convertible Notes will be issued no later than 12 months after the date of the Meeting (as permitted by a waiver of the ASX Listing Rules granted to the Company announced on 28 January 2016 and it is intended that issue of the Consideration Shares and Convertible Notes will occur on the same date;
- (c) the maximum number of Consideration Shares and Convertible Notes (being the nature of the financial benefit being provided) to be granted to SPM is 580,000,000 Consideration Shares and 165,000,000 Convertible Notes;

- (d) the Consideration Shares will be issued at a deemed issue price of \$0.05 per Share and the Convertible Notes will be issued at a deemed consideration price of \$0.10 per Convertible Note in consideration for the acquisition of the Assets, accordingly no funds will be raised;
- (e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Convertible Notes will be issued upon the terms and conditions set out in Schedule 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Consideration Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Consideration Shares and Convertible Notes to SPM will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

3. RESOLUTION 2 – APPROVAL FOR THE ISSUE OF REPAYMENT SHARES TO SPII

3.1 General

Resolution 2 seeks Shareholder approval for the issue of the Repayment Shares to SPII.

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Section 2.2 above.

The issue of Repayment Shares constitutes giving a financial benefit and SPII is a related party of the Company by virtue of being controlled by a Director, Si He Tong.

The Directors (other than Mr Tong (who controls SPM and SPII) who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Repayment Shares because the agreement to issue the Repayment Shares was negotiated on an arm's length basis.

It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

3.2 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 2:

- (a) the related party is SPII who is a related party by virtue of SPII being an entity controlled by a director of the Company, Si He Tong;
- (b) the number of Repayment Shares to be issued is 30,000,000;
- (c) the Repayment Shares will be issued will be issued no later than 12 months after the date of the Meeting (as permitted by a waiver of the ASX Listing Rules granted to the Company announced on 28 January 2016 and it is intended that issue of the Consideration Shares and Convertible Notes will occur on the same date;
- (d) the Repayment Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) the Repayment Shares will be issued for a deemed issue price of \$0.10 per Repayment Share in repayment of the Advance, accordingly no funds will be raised.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Repayment Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Repayment Shares to SPII will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

4. RESOLUTION 3 – APPROVAL FOR THE GRANT OF OPTIONS TO GUARANTOR

4.1 General

On 29 February 2016, the Company announced that it had entered into a loan guarantee agreement with Beijing Huacheng Dadi Investment Limited (**Guarantor**) under which the Guarantor has agreed to act as guarantor (by way of a standby letter of credit) for a US\$20,000,000 loan facility to be provided to the Company by a Chinese commercial bank (**Facility**) (**Guarantee Agreement**).

Under the Guarantee Agreement, the Company has agreed to issue 200,000,000 Options to the Guarantor (or its nominee) exercisable at \$0.10 on or before the date that is 2 years from the date of issue (**Guarantor Options**).

A summary of the material terms of the Guarantee Agreement is set out in the Company's announcement of 29 February 2016.

Resolution 3 seeks Shareholder approval for the issue of the Guarantor Options to the Guarantor in consideration for the Guarantor guaranteeing the provision of the Facility on behalf of the Company.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the Guarantor Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Guarantor Options:

- (a) the maximum number of Guarantor Options to be issued is 200,000,000;
- (b) the Guarantor Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Guarantor Options will occur on the same date;
- (c) the Guarantor Options will be issued for nil cash consideration in satisfaction of the Guarantor guaranteeing the Facility;
- (d) the Guarantor Options will be issued to Beijing Huacheng Dadi Investment Limited (or its nominee), who is not a related party of the Company;
- (e) the Guarantor Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from the issue of the Guarantor Options as they are being issued in consideration for the provision of a guarantee in respect of the Facility.

GLOSSARY

\$ means Australian dollars.

Advance has the meaning set out in Section 1.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Consolidated Tin Mines Limited (ACN 126 634 606).

Convertible Notes means the convertible notes to be issued to SPM on the terms and conditions set out in Schedule 1.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Facility means the loan facility described in Section 4.1 and announced by the Company on 29 February 2016.

Guarantee Agreement means the agreement under which the Guarantor has agreed to guarantee the Company's repayment of the Facility, the terms of which are set out in the Company's announcement dated 29 February 2016.

Guarantor means Beijing Huacheng Dadi Investment Limited.

Guarantor Options means the Options to be issued to the Guarantor on the terms and conditions set out in Schedule 2.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

SPM Projects means the Surveyor Project, the Einasleigh Project, the Maitland Project and the Baal Gammon Project all of which are currently held by SPM.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF CONVERTIBLE NOTES

1. FACE VALUE

Each Convertible Note has a face value of \$0.10.

2. NOTES ARE UNSECURED OBLIGATIONS

Each Convertible Note is an unsecured obligation of the Company.

3. INTEREST

The Convertible Notes bear interest at a rate of 7% per annum calculated and payable quarterly in arrears from the date of issue of the Convertible Notes on the last day of the months of March, June, September and December in each year and on the Maturity Date (defined below) until the earlier of the conversion or redemption of the Convertible Notes.

4. MATURITY DATE

The Convertible Notes shall mature one year after the date of issue (**Maturity Date**).

5. CONVERSION PROVISIONS

5.1 Conversion

- (a) The Convertible Notes (together with any interest accrued in respect of the Convertible Notes) are convertible on the last day of the months of March, June, September and December in each year until the Maturity Date and on the Maturity Date, provided that the Noteholder must have given written notice to the Company by no later than 5 Business Days prior to the proposed date of conversion.
- (b) In the event that the Company gives a Noteholder a Redemption Notice (defined below), the Noteholder may, by notice in writing to the Company within a period of 15 Business Days after the date of the Redemption Notice, require that the Company convert the Convertible Notes.

5.2 Conversion ratio

Each Convertible Note is convertible into one (1) fully paid ordinary share in the capital of the Company.

5.3 Listing of Shares

- (a) The Company will apply for quotation on ASX of all Shares issued on conversion the Convertible Notes.
- (b) Within 5 Business Days of the Company issuing Shares to a Noteholder, the Company agrees to lodge with ASX a cleansing notice under section 708A(6) of the Corporations Act, provided that, if the Company is unable to comply with the requirements of section 708A(5) of the Corporations Act for any reason, the Company shall, at its own expense, do everything necessary to ensure the Shares so issued are able to be freely traded on ASX in compliance with the requirements of the Listing Rules and the Corporations Act as soon as reasonably practicable after they are issued, including, if considered necessary by the Noteholder, lodging a disclosure document with ASIC in accordance with Chapter 6D of the Corporations Act.

6. ISSUE OF SHARES ON CONVERSION

Shares issued on conversion of Convertible Notes rank equally in all respects, including with respect to dividends.

7. REDEMPTION

7.1 Redemption by Company

- (a) Subject to condition 5.1(b), if the Company's Shares trade on the ASX for 35 consecutive trading days at above \$0.20 per Share, the Company may, at its sole election and subject to paragraph (b) below, redeem some or all of the Convertible Notes by giving the Noteholder notice in writing that it wishes to redeem the Convertible Notes (**Redemption Notice**).
- (b) The Company must redeem all Convertible Notes which have not been redeemed or converted in accordance with these conditions of issue on the Maturity Date.
- (c) If the Company elects to give a redemption notice under condition 7.1(a) and does not receive written notice from the Noteholder to convert after 15 Business Days pursuant to clause 5.1(b), or is required to redeem the Convertible Notes under clause 7.1(b), the Company must, on or before the twentieth Business Day after giving the redemption notice or, on or before the fifth Business Day after the requirement to redeem the Convertible Notes arising (as applicable), pay the Noteholder an amount per Convertible Note equal to the face value of the Convertible Notes to be redeemed plus any interest which has accrued in respect of the Convertible Notes to be redeemed.

7.2 Redemption by Noteholder

- (a) If
 - (i) the Company does not make a payment it is required to make under the Agreement; or
 - (ii) an Insolvency Event occurs in relation to the Company,a Noteholder may, by notice in writing to the Company, require the Company to redeem all (not some only) of the Convertible Notes held by the Noteholder.
- (b) If a Noteholder gives a redemption notice under condition 7.2(a), the Company must pay the Noteholder on before the fifth Business Day after receiving the redemption notice an amount per Convertible Note equal to the face value of the Convertible Notes plus any interest which has accrued in respect of the Convertible Notes which are converted.

8. REORGANISATION EVENTS

Where as a consequence of:

- (a) a pro rata bonus issue of Shares (not including an issue for cash or other consideration);
- (b) conversion of Shares into a larger or smaller number of Shares in the Company; or
- (c) any other reorganisation of share capital,

(each, a **Reorganisation Event**) the number of Shares alters, then the number of Shares into which the Convertible Notes are convertible is adjusted so that the Convertible Notes are convertible into the same percentage of the issued ordinary share capital of the Company as the percentage into which they are convertible immediately before the relevant Reorganisation Event.

9. PAYMENT TO NOTEHOLDERS

When payable, moneys payable to the Noteholder must be paid in Australian dollars:

- (a) by cheque marked 'not negotiable' and sent to the address of the Noteholder on the Company's share register;
- (b) by deposit to an account with any bank in Australia that the Noteholder, by written notice to the Company, may direct; or
- (c) by any other method of transferring money agreed by the Company and the relevant Noteholder from time to time.

10. CANCELLATION OF NOTES

All Convertible Notes redeemed or converted are automatically cancelled on redemption or conversion.

11. TRANSFER OF NOTES

The Convertible Notes are transferable.

12. INDEMNITY TO THE COMPANY

12.1 Indemnity and lien

Where in consequence of:

- (a) the death of a Noteholder;
- (b) the non-payment of any tax payable by a Noteholder;
- (c) the non-payment of any tax by the legal personal representatives of a Noteholder or his estate; or
- (d) any other act or thing in relation to a Note or a Noteholder,

any law for the time being of any country or place, in respect of that Convertible Note, imposes or purports to impose any liability of any nature whatever on the Company to make any payment to any governmental authority, the Company:

- (e) is indemnified by that Noteholder, his estate and his legal personal representatives for that liability and any money paid by the Company in respect of that liability may be recovered by action from that Noteholder or the Noteholder's legal personal representatives as a debt due to the Company; and
- (f) has a lien in respect of any money paid by the Company in respect of that liability on the Convertible Notes held by that Noteholder, his estate or his legal personal representatives.

12.2 Rights not affected

Nothing in Condition 12.1 prejudices or affects any right or remedy which any law may confer or purport to confer on the Company.

SCHEDULE 2 – TERMS AND CONDITIONS OF GUARANTOR OPTIONS

1. Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price

Subject to paragraph 9, the amount payable upon exercise of each Option will be \$0.10 (**Exercise Price**).

3. Expiry Date

Each Option will expire at 5:00 pm (EST) on the date that is 2 years from the date of issue of the Options (**Expiry Date**). An Option not exercised on the Expiry Date will automatically lapse on the Expiry Date.

4. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

5. Notice of Exercise

The Options may be exercised at any time during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

6. Timing of issue of Shares on exercise

Within 15 Business Days after the Notice of Exercise, the Company will:

- (a) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under 6(b) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

7. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

8. Quotation of Shares issued on exercise

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

9. Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

10. Participation in new issues

There are no participation 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 without exercising the Options.

11. Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

12. Unquoted

The Company will not apply for quotation of the Options on ASX.

13. Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

This page has been left blank intentionally.