



TARUGA GOLD

LIMITED

ACN 153 868 789

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

Thursday 28 November 2013, 10.00 am (WST) • Perth Flying Squadron Yacht Club | Esplanade | Dalkeith | Western Australia

The Annual Report is available online at www.tarugagold.com.au

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

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on **+61 (0)8 9222 5800**.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Taruga Gold Limited will be held at Perth Flying Squadron Yacht Club on Thursday 28 November at 10.00 am WST.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

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 as Shareholders on 26 November 2013 at 5.00pm (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

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AGENDA

ANNUAL REPORT

To receive and consider the Company's Annual Report for the year ended 30 June 2013, which includes the Financial Report, the Directors' Report and the Auditor's Report.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That, the Remuneration Report included in the Annual Report for the financial year ended 30 June 2013 be adopted by the Shareholders on the terms and conditions set out in the Explanatory Memorandum."

The vote on this resolution is advisory only and does not bind the directors of the Company.

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub paragraph (a) or (b) above; or
- (c) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote on a Resolution connected with the remuneration of a member of the Key Management Personnel.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – PETER NEWCOMB

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

"That Mr Peter Newcomb, a director who was appointed on 21 October 2011, retires by rotation in accordance with clause 11.3 of the Company's Constitution and being eligible, is hereby re-elected as a director of the Company."

RESOLUTION 3 — RE-ELECTION OF DIRECTOR — FRANK TERRANOVA

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

“That Mr Terranova, having been appointed by the Directors on 3 September 2013 until this annual general meeting in accordance with clause 11.11 of the Constitution, retires, and having offered himself for re-election and being eligible, is hereby re-elected as a Director.”

RESOLUTION 4 — APPROVAL OF 10% PLACEMENT FACILITY

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

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on terms and conditions in the Explanatory Memorandum.”

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares (and any of their associates), if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction of the Proxy Form to vote as the proxy decides.

RESOLUTION 5 — ISSUE OF INCENTIVE OPTIONS TO DIRECTOR — F TERRANOVA

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

“That, for the purposes of ASX Listing Rules 10.11, Section 195 and Chapter 2E of the Corporations Act and for all other purposes, the directors be authorised to grant a total of 1,500,000 Incentive Options to subscribe for Shares to Director Mr F Terranova or his nominee as set out in the Explanatory Memorandum, (such Incentive Options are exercisable at an issue price of AUD\$0.07 per Share on or before 30 June 2016 and are otherwise to be issued on the terms and conditions set out in the Explanatory Memorandum).”

Taruga will disregard any votes cast on this resolution by or on behalf of a Director (or his nominee) who may participate in the proposed issue and any of their associates. However, Taruga need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 6 — ISSUE OF INCENTIVE OPTIONS TO DIRECTOR P NEWCOMB

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

“That, for the purposes of ASX Listing Rule 10.11, Section 195 and Chapter 2E of the Corporations Act and for all other purposes, the directors be authorised to grant a total of 1,500,000 Incentive Options to subscribe for Shares to Director Mr P Newcomb or his nominee as set out in the Explanatory Memorandum, (such Incentive Options are exercisable at an issue price of AUD\$0.07 per Share on or before 30 June 2016 and are otherwise to be issued on the terms and conditions set out in the Explanatory Memorandum).”

Taruga will disregard any votes cast on this resolution by or on behalf of a Director (or his nominee) who may participate in the proposed issue and any of their associates. However, Taruga need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the chairperson of 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 25 October 2013

BY ORDER OF THE BOARD

Peter Newcomb

Company Secretary

EXPLANATORY MEMORANDUM

I. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of members of Taruga Gold Limited (“Taruga”) in connection with the business to be conducted at the Annual General Meeting of Members to be held on Thursday 28 November 2013 commencing at 10.00am at Perth Flying Squadron Yacht Club, Esplanade, Dalkeith, WA

This Explanatory Memorandum forms part of and should be read in conjunction with the accompanying Notice of Annual General Meeting.

Shareholders should note that all the directors approved the proposal to put the resolutions to shareholders as outlined in the Notice of Annual General Meeting and to prepare this Explanatory Memorandum.

The purpose of this Explanatory Memorandum is to provide information for Shareholders in deciding whether or not to pass the Resolutions in the Notice of Annual General Meeting.

2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a **proxy**) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 VOTING PROHIBITION BY PROXY HOLDERS

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 as proxy if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 1; and
 - (ii) expressly authorizes the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel.

3. ANNUAL REPORT

In accordance with the requirements of the Company's Constitution and the Corporations Act, the 2013 Annual Report will be tabled at the annual general meeting. There is no requirement for Shareholders to approve the Annual Report, however Shareholders will have the opportunity of discussing the Annual Report and making comments and raising queries in relation to the Report.

The Annual Report is available online at www.tarugagold.com.au.

Representatives from the Company's auditors, HLB Mann Judd, will be present to take Shareholders' questions and comments about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report; and
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Annual Report for the financial year ended 30 June 2013 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities, and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

Under the Corporations Act, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2014 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a 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 2014 annual general meeting. All the Directors who were in office when the Company's 2014 Director's 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.

At the Company's previous annual general meeting the votes cast against the remuneration report were less than 25%. Accordingly, the resolution for the re-election of the Board is not relevant for this Meeting.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, the Shareholder is considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

5. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – PETER NEWCOMB

In accordance with the requirements of clause 11.3 of the Company's Constitution and the Corporations Act, one-third of the directors of the Company retire from office at this annual general meeting of the Company and, being eligible, may offer themselves for re-election. Mr Peter Newcomb retires by rotation and offers himself for re-election.

Details of Mr Newcomb's background and experience are set out in the Annual Report.

The Directors (excluding Mr Newcomb) recommend that Shareholders vote in favour of Resolution 2. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

6. RESOLUTION 3 — RE-ELECTION OF DIRECTOR — FRANK TERRANOVA

Mr Terranova was appointed to the Board during the year in accordance with clause 11.10 of the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Terranova automatically retires at this annual general meeting in accordance with clause 11.11 of the Constitution, and being eligible, seeks re-election at the Meeting.

Details of Mr Terranova's background and experience are set out in the Annual Report.

The Directors (excluding Mr Terranova) recommend that Shareholders vote in favour of Resolution 3. The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 3.

7. RESOLUTION 4 — APPROVAL OF 10% PLACEMENT FACILITY

7.1 GENERAL

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements in the 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalization of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer Section 7.2 below).

The Company may use the 10% Placement Facility to fund ongoing development.

The Directors of the Company believe Resolution 4 is in the best interest of the Company and its Shareholders and unanimously recommend that the Shareholders vote in favour of this Resolution.

7.2 DESCRIPTION OF LISTING RULE 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one class of quoted Equity Securities.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is number of shares on issue 12 months before the date of issue or agreement to issue:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (d) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under listing rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.4

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 160,616,000 Shares and therefore has a capacity to issue:

- (i) 24,092,400 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 4, 16,061,600 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

(e) **Minimum Issue Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days (on which trades in that class of Equity Securities were recorded) immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued or 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.

(f) **10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (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),

or such longer period if allowed by ASX (**10% Placement Period**).

7.3 LISTING RULE 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires 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).

7.4 SPECIFIC INFORMATION REQUIRED BY LISTING RULE 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days (on which trades in that class of Equity Securities were recorded) 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 Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are exercised). There is 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 of 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 or the Equity Securities are issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue as at the date of this Notice. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Dilution example

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.0075 50% decrease in Issue Price	\$0.015 Issue Price	\$0.03 100% increase in Issue Price
Current Variable "A" 160,616,000 Shares	10% Voting Dilution	16,061,600 Shares	16,061,600 Shares	16,061,600 Shares
	Funds raised	\$120,462	\$240,924	\$481,848
50% increase in current Variable "A" 240,924,000 Shares	10% Voting Dilution	24,092,400 Shares	24,092,400 Shares	24,092,400 Shares
	Funds raised	\$180,693	\$361,386	\$722,772
100% increase in current Variable "A" 321,232,000 Shares	10% Voting Dilution	32,123,200 Shares	32,123,200 Shares	32,123,200 Shares
	Funds raised	\$240,924	\$481,848	\$963,696

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Options are exercised into Shares before the date of the issue of the Equity Securities;
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example at 10%.
- (iv) 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 the Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- (vii) The issue price is \$0.015, being the closing price of the Shares on ASX on 16 October 2013.
- (c) The Company will only issue the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

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

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

(e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

8. RESOLUTIONS 5 AND 6— ISSUE OF INCENTIVE OPTIONS TO DIRECTORS

The Company has agreed subject to obtaining Shareholder approval to issue a total of 3,000,000 Options (**Incentive Options**) to Mr F Terranova and Mr P Newcomb (being 1,500,000 Incentive Options each) (**Related Parties**) on the terms and conditions set out below.

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.

Additionally, 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. Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Incentive Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Incentive Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Incentive Options to the Related Parties.

CORPORATIONS ACT REQUIREMENTS

Chapter 2E of the Corporations Act prohibits, subject to certain exceptions, a company from giving a financial benefit to a related party of the company without prior shareholder approval.

Mr F Terranova and Mr P Newcomb, (the parties to which Resolutions 5 and 6 relate) are considered "related parties" for this purpose, whilst the issue of Incentive Options to them constitutes a "financial benefit" for this purpose.

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

As a majority of the directors are considered to hold a material personal interest in the consideration of the issue of options to directors, a quorum cannot be formed to consider the matter at Board level. However, by reason of section 195(4) of the Corporations Act, the directors are permitted in such instances to put the matter before shareholders to consider and resolve.

The directors have accordingly exercised their right under section 195(4) of the Corporations Act and have resolved to place the proposed issue of Incentive Options to shareholders to consider and resolve upon.

The purpose of the issue is to remunerate the specified directors as an incentive for future services. The Directors believe that the future success of the Company will depend in large measure on the skills and motivation of the people engaged in and overseeing the management of the Company's operations. It is therefore important that the Company is able to attract and retain people of the highest calibre.

The Directors consider that the most appropriate means of achieving this is to provide the directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

- (i) The issue of options as part of the remuneration packages of directors, senior executives and key consultants is a well established practice of public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding directors, executives and consultants.

ASX Listing Rules and the Corporations Act require shareholder approval to be obtained for the issue of options to the Related Parties.

In accordance with section 219 of the Corporations Act (and, in satisfaction of the information requirements of ASX Listing Rules 10.13), the following information is provided to shareholders to allow them to assess whether or not it is in the Company's interests to pass Resolutions 5 and 6:

- (a) Mr F Terranova and Mr P Newcomb are the related parties to whom the proposed resolutions would permit a financial benefit to be given. They are a related party to the Company by virtue of their positions as directors of the Company.

(b) The proposed participants in the issue of Incentive Options and the number of Incentive Options to be issued are:

Name	Position	Incentive Options
Mr F Terranova	Non Executive Chairman	1,500,000
Mr P Newcomb	Executive Director	1,500,000

(c) The nature of the financial benefit to be given to the related party is the issue of the Incentive Options free of charge on the terms and conditions set out in:

- (i) Annexure "A" of this Explanatory Memorandum in respect of the Incentive Options to be issued to Mr F Terranova; and
- (ii) Annexure "B" of this Explanatory Memorandum in respect of the Incentive Options to be issued to Mr P Newcomb.

(d) The options referred to in Resolutions 5 and 6 will be issued free of charge and within one month after the date of this meeting to the Related Parties.

The Incentive Options to be issued will not be quoted on ASX and are non-transferable. The Incentive Options must be exercised on or before 30 June 2016, after which date all of the Incentive Options automatically lapse.

The price of the Company's shares quoted on the ASX over the last twelve months has ranged from a low of 1.3 cents on 12 July 2013 to a high of 15 cents on 11 October 2012. The latest available price of the Company's shares quoted on the ASX, prior to the date of this Explanatory Memorandum, on 16 October 2013 was 1.5 cents.

On the basis of the indicative option value, as detailed in (i) below, the value of Incentive Options proposed to be issued to the Related Parties, is as follows:

Name	No. of Incentive Options	Indicative Value \$
Mr F Terranova	1,500,000	\$11,250
Mr P Newcomb	1,500,000	\$11,250

(e) The Directors of the Company (with the exception of Mr Terranova and Mr Newcomb, who have an interest in the outcome of Resolutions 5 and 6 and therefore do not consider themselves justified in making a recommendation) recommend to members that they vote in favour of Resolutions 5 and 6 for the reasons outlined in this Section 8.

(f) Mr Terranova and Mr Newcomb do not wish to make any recommendation to members in their capacity as directors of the Company in relation to proposed resolutions 5 and 6 because of their interest in the proposed issue of Incentive Options.

(g) None of the directors, other than Mr Terranova in respect of Resolution 5 and Mr Newcomb in respect of Resolution 6, have an interest in the outcome of the proposed resolutions.

(h) Excluding any securities proposed to be issued to the Related Parties pursuant to Resolutions 5 and 6, Mr Terranova and Mr Newcomb have a relevant interest in the securities set out below:

Name	Shares
Mr F Terranova	1,250,000
Mr P Newcomb	140,000

(i) The previous financial year and the proposed remuneration and emoluments (inclusive of superannuation, if any) for the current financial year are set out below:

Name	Current	Previous
	Financial Year Ended 30 June 2014	Financial Year Ended 30 June 2013
Mr F Terranova	\$40,000	Nil (appointed as a Director on 3 September 2013)
Mr P Newcomb	\$96,000	\$96,000

(j) The parties to be issued Incentive Options have an interest in Resolutions 5 and 6. Details of the potential benefits and costs to the Company are listed below.

(k) The Directors requested Stantons International Audit And Consulting Pty Ltd (trading as Stantons International Securities) (**Stantons**), to provide an indicative valuation of the Incentive Options proposed to be granted to the related parties for inclusion in this Explanatory Memorandum (**Valuation**). The Valuation is set out as Annexure "C" to this Explanatory Memorandum.

(i) As set out in the Valuation, Stantons have concluded that the Black and Scholes Option Pricing Model attributes an indicative value of 0.69 cents to each Incentive Option to be issued to Mr F Terranova based on the following assumptions:

- (1) The underlying value of each share in the Company on the closing share price of 1.5 cents as at 16 October 2013.
- (2) Risk free rate of return - 3.08% (based on the 3 year bond rate as at 15 October 2013);
- (3) A volatility of the share price of 150%;
- (4) The Incentive Options to be issued are exercisable on or before 30 June 2016;

- (5) The appropriate discount factor to be applied to the value of each of the options due to the lack of marketability would be in the order of 20%.
- (ii) As set out in the Valuation, Stantons have concluded that the Black and Scholes Option Pricing Model attributes an indicative value of 0.69 cents to each Incentive Option to be issued to Mr P Newcomb based on the following assumptions:
 - (1) The underlying value of each share in the Company on the closing share price of 1.5 cents as at 16 October 2013.
 - (2) Risk free rate of return – 3.08% (based on the 3 year bond rate as at 15 October 2013);
 - (3) A volatility of the share price of 150%;
 - (4) The Incentive Options to be issued are exercisable on or before 30 June 2016;
 - (5) The appropriate discount factor to be applied to the value of each of the options due to the lack of marketability would be in the order of 20%.
- (l) No funds will be raised from the issue of the Incentive Options. If all of the Incentive Options proposed to be issued pursuant to Resolutions 5 and 6 are exercised, an amount of \$150,000 would be raised and used to provide working capital for the Company.
- (m) There is no other information known to the Directors or the Company that is reasonably required by shareholders to make a decision whether or not it is in the Company's interests to pass Resolutions 5 and 6, other than as set out throughout this Explanatory Memorandum (including the current entitlements of the Directors to securities in the Company).

POTENTIAL BENEFITS

The Board acknowledges the grant of Incentive Options to the Related Parties is contrary to Recommendation 8.3 of the *Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition)* as published by The ASX Corporate Governance Council. However, the Board considers the grant of Incentive Options to the Related Parties is reasonable in the circumstances for the reasons set out below.

If the Incentive Options are issued pursuant to the proposed resolutions, the Company considers the following benefits arise:

- (a) Mr Terranova and Mr Newcomb will have a vested interest in the affairs of the Company. As the Incentive Options are a performance based incentive, they will have that incentive to ensure the market price of the shares of the Company increases to create value in the options and this will benefit all shareholders.
- (b) The issue of the Incentive Options is a non-cash form of remuneration, thus conserving liquid funds.
- (c) The exercise of the Incentive Options will provide working capital for the Company at no significant cost. If all of the Incentive Options proposed to be issued pursuant to Resolutions 5 and 6 are ultimately exercised, an amount of \$150,000 would be raised.

DILUTION EFFECT AND POTENTIAL COSTS

The potential cost to the Company of the issue of an aggregate of 3,000,000 Incentive Options pursuant to Resolutions 5 and 6 is that there will be a dilution of the issued share capital if the options are exercised. Based on 160,616,000 shares currently on issue, the exercise of the proposed options to related parties would have a dilution effect of approximately 1.9% of non-associated shareholders interest in the company. If the other existing and proposed options held by third parties were also to be exercised the dilution effect would be significantly smaller.

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in respect of the proposed issue of the Incentive Options other than, if the Incentive Options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the Incentive Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

SCHEDULE 1 – DEFINITIONS

In this Notice and the Explanatory Memorandum:

\$	means Australian Dollars.
Annual Report	means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ending 30 June 2013.
ASX	means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.
Auditor's Report	means the auditor's report on the Financial Report.
Board	means the board of Directors.
Business Day	means: <ul style="list-style-type: none"> (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth.
Chair or Chairman	means the person appointed to chair the Meeting conveyed by this Notice.
Closely Related Party of a member of the Key Management Personnel	means: <ul style="list-style-type: none"> (a) a spouse or child of the member; (b) a child of the member's spouse; (c) a dependent of the member or the member's spouse; (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; (e) a company the member controls; and (f) a person prescribed by the Corporations Regulations 2001 (Cth).
Company	means Taruga Gold Limited.
Constitution	means the constitution of the Company as at the commencement of the Meeting.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Directors' Report	means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Explanatory Memorandum	means the explanatory memorandum attached to the Notice.
Financial Report	means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.
Incentive Option	means an option to acquire a Share on the terms and conditions as specified in Annexure “A” in respect of the options to be issued to Mr F Terranova and Annexure “B” in respect of the options to be issued to Mr P Newcomb.
Key Management Personnel	means 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 ASX.
Meeting	has the meaning in the introductory paragraph of the Notice.
Notice or Notice of Annual General Meeting	means this notice of annual general meeting.
Option	means an option to acquire a Share in the Company.
Proxy Form	means the proxy form attached to the Notice.
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 2013.
Resolution	means a resolution contained in the Notice.
Section	means a section contained in this Explanatory Memorandum.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a shareholder of the Company.
Stantons	means Stantons International Audit And Consulting Pty Ltd (trading as Stantons International Securities).
WST	means Western Standard Time, being the time in Perth, Western Australia.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

TERMS AND CONDITIONS OF INCENTIVE OPTIONS TO BE ISSUED TO MR F TERRANOVA

The Incentive Options granted will entitle the holder to subscribe for and be issued Shares as follows:

- (i) Each Incentive Option entitles the holder to subscribe for and be issued one fully paid ordinary share in the Company upon payment of 7 cents per option.
- (ii) The Incentive Options shall lapse at 5.00pm Western Standard Time on 30 June 2016 ("Expiry Date").
- (iii) The Incentive Options shall be exercisable wholly or in part by notice in writing to the directors of the Company at any time on or after the following vesting dates until the Expiry Date on payment of 7 cents per option according to the following schedule:
 - (1) 500,000 Incentive Options to vest 1 December 2013;
 - (2) 500,000 Incentive Options to vest 1 June 2014; and
 - (3) 500,000 Incentive Options to vest 1 December 2014.
- (iv) No application will be made to the ASX for Official Quotation of the Incentive Options.
- (v) There are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.
- (vi) However, option holders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 9 business days before the date for determining entitlements to exercise the options (within 10 business days of receipt of a properly executed option notice and the required application monies the number of shares specified in the notice will be issued).
- (vii) Shares issued on the exercise of the options will rank pari-passu with the then existing issued ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the options within three business days after the date of issue of those shares.
- (viii) In the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the options will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (ix) The options are not transferable, without the prior written approval of the Directors.
- (x) Cessation of engagement or death of the holder.
 - (A) In the event of the death of a holder, the options in the name of such person shall remain in full force and effect for the full term up until the Expiry Date and may be exercised at any time up to the Expiry Date by the holder or a deceased holder's legal personal representative.
 - (B) Subject to paragraph (C) below, in the event of a holder ceasing to be engaged by the Company or any of its subsidiaries as either a consultant (directly or via any legal entity) or as an employee ("Termination"):
 - a. within 1 year of the date of issue of the options, the options may only be exercised by the holder within 1 month of such Termination and immediately following that 1 month shall forthwith lapse and have no further effect, unless otherwise determined by the board of directors of the Company.
 - b. after 1 year of the date of issue of the options, then all of the options issued to that holder shall remain in full force and effect for the full term up until the Expiry .
 - (C) in the event of a Termination following the takeover of, or Change in Control in, the Company, all options shall remain in full force and effect for the full term up until the Expiry Date.

ANNEXURE “B”

6

SECTION

TERMS AND CONDITIONS OF INCENTIVE OPTIONS TO BE ISSUED TO MR P NEWCOMB

The Incentive Options granted will entitle the holder to subscribe for and be issued Shares as follows:

- (i) Each Incentive Option entitles the holder to subscribe for and be issued one fully paid ordinary share in the Company upon payment of 7 cents per option.
- (ii) The Incentive Options shall lapse at 5.00pm Western Standard Time on 30 June 2016 (“Expiry Date”).
- (iii) The Incentive Options shall be exercisable wholly or in part by notice in writing to the directors of the Company at any time until the Expiry Date on payment of 7 cents per option.
- (iv) No application will be made to the ASX for Official Quotation of the Incentive Options.
- (v) There are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.
- (vi) However, option holders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 9 business days before the date for determining entitlements to exercise the options (within 10 business days of receipt of a properly executed option notice and the required application monies the number of shares specified in the notice will be issued).
- (vii) Shares issued on the exercise of the options will rank pari-passu with the then existing issued ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the options within three business days after the date of issue of those shares.
- (viii) In the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the options will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (ix) The options are not transferable, without the prior written approval of the Directors.
- (x) Cessation of engagement or death of the holder.
 - (A) In the event of the death of a holder, the options in the name of such person shall remain in full force and effect for the full term up until the Expiry Date and may be exercised at any time up to the Expiry Date by the holder or a deceased holder’s legal personal representative.
 - (B) Subject to paragraph (C) below, in the event of a holder ceasing to be engaged by the Company or any of its subsidiaries as either a consultant (directly or via any legal entity) or as an employee (“Termination”):
 - a. within 1 year of the date of issue of the options, the options may only be exercised by the holder within 1 month of such Termination and immediately following that 1 month shall forthwith lapse and have no further effect, unless otherwise determined by the board of directors of the Company.
 - b. after 1 year of the date of issue of the options, then all of the options issued to that holder shall remain in full force and effect for the full term up until the Expiry .
 - (C) in the event of a Termination following the takeover of, or Change in Control in, the Company, all options shall remain in full force and effect for the full term up until the Expiry Date.

ANNEXURE "C"

VALUATION OF INCENTIVE OPTIONS BY STANTONS

Stantons International Securities

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
AFS Licence No: 418019
www.stantons.com.au

17 October 2013

The Directors
Taruga Gold Limited
24 Colin Street
WEST PERTH WA 6005

Attention: Mr Ed Edwards

Dear Sirs

At the request of Ed Edwards on behalf of Taruga Gold Limited ("Taruga" or "the Company") received on 9 October 2013, Stantons International Securities hereby set out our technical valuation of the following tranches of options:-

- 1) Tranche 1 – 1,500,000 share options ("Options") to be granted to a Director of Taruga (Mr Frank Terranova); and
- 2) Tranche 2 – 1,500,000 share options ("Options") to be granted to a Director of Taruga (Mr Peter Newcomb).

The grant of the above Options is subject to shareholders' approval to be obtained in its annual general meeting to be held on 28 November 2013. This valuation is made for the inclusion in the notice of the annual general meeting.

Tranche 1 and 2 Option Valuations

In arriving at the below mentioned valuations, we have used the following assumptions.

1. The Black Scholes Option Valuation methodology has been used with the expectation that the majority of these Options will be exercised towards the expiry date.
2. The date of the valuation has been set as at the grant date being 28 November 2013 based on the last sale price of a Taruga share as traded on ASX, but for the purpose of this Option valuation we have used the spot price of 17 October 2013 for the valuation purpose. This valuation is made for the purpose of its inclusion in the notice of the annual general meeting; hence these Options need to be re-valued on their grant date i.e. the date of the general meeting.
3. The closing market price of a listed Taruga share as at the close of the last trading day i.e. 17 October 2013 was 1.50 cents.
4. The exercise price of these Options (Tranche 1 and 2 Options) is the 7 cents.

5. These Options (Tranche 1 and 2 Options) will expire on 30 June 2016 i.e. the term of approximately 31 months from 28 November 2013.
6. The risk free bond rate of the Reserve Bank of Australia for a three year term approximates 3.08% (as at 15/10/2013).
7. The Options (Tranche 1 and 2 Options) will be issued without any consideration. The Tranche 2 Options will vest on 1 December 2013 while the Tranche 1 Options will vest as follows:-
 - (i) 500,000 Incentive Options to vest 1 December 2013;
 - (ii) 500,000 Incentive Options to vest 1 June 2014; and
 - (iii) 500,000 Incentive Options to vest 1 December 2014.
8. No dividends are expected to be declared or paid by the Company.
9. We note that the one year high for the Company's share price was 15.5 cents (9/10/2012) and the one year low share price was 1.5 cents (since 10/09/2013) and the annualised volatility to 17 October 2013 has been calculated using the volatility calculator is 142.49%.

Taruga's share price is very sensitive to ASX announcements made by the Company especially with its interests in exploration projects in Niger, Ghana, Cote d'Ivoire and Mali. It is not uncommon for listed mineral exploration companies to have volatilities in the range of 50% to 100% with some companies falling outside that normal range. In our view after taking into account the above factors, the volatility calculator and the general trend in most shares trading on the ASX over the past 4 and 12 months, we are of the view that the fair volatility factor for the purpose of valuation as at 17 October 2013 should be 150%. As this report is for a Notice of Meeting, we have also used volatilities at 140% and 160%. You may wish to report valuations of Options using 140%, 150% and 160%.

10. The valuations noted below are not necessarily the market price that the Options could be traded at and it is not automatically the market price for taxation purposes. The recipients of the Options in the Company should seek their own tax advice as to the tax treatment of receiving Options in Taruga and the value for taxation purposes.
11. It is common practice to discount the technical value arrived at by Binomial or Black Scholes on unlisted share options as the "market value" of an unlisted security is arguably less than a listed security. This is supported by Lonergan in his book on valuations. It is common that the discount is in the range of 20% to 50%. In our view a discount of 20% is considered reasonable as these Options are not transferable at any time prior to expiry date. However, you should seek your auditors' opinion on applying the discount.

12. Based on the above assumptions, the value of one of the Options noted above is as follows:

No of Options (Tranches 1 & 2 Options)	Expiry Date	Exercise Price (Cents)	Volatility percentage	Value (cents) for one Option pre-discount (Tranches 1 & 2 Options)	Value (cents) for one Option post-discount 20% (Tranches 1 & 2 Options)
1,500,000	30 June 2016	7.00	140	0.7801	0.6240
1,500,000	30 June 2016	7.00	150	0.8632	0.6905
1,500,000	30 June 2016	7.00	160	0.9406	0.7524

Stantons International Securities

Should you wish to discuss the above, do not hesitate to contact me.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International Securities)



John P Van Dieren - FCA
Director

PROXY FORM

8

SECTION

The Secretary
Taruga Gold Limited

By delivery:
24 Colin Street
West Perth, WA 6005

By post:
PO Box 1970
West Perth, WA 6872

By facsimile:
+61 8 222 5810

Name of
Shareholder¹:

Address of
Shareholder:

Number of Shares
entitled to vote:

Please mark to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

The Chairman of the
Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy²

or failing the person/body corporate named, or if no person/body is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Meeting of the Company to be held at Perth Flying Squadron Yacht Club on Thursday 28 November at 10.00am WST.

Important – If the Chairman of the Meeting is your proxy or is appointed your proxy by default

If you have not directed your proxy how to vote as your proxy in respect of the Resolution 1 and the Chairman is, or may by default be, appointed your proxy, you must mark the box below.

- I/we direct the Chairman to vote in accordance with his/her voting intentions (as set out above) on Resolution 1 (except where I/we have indicated a different voting intention) and expressly authorise that the Chairman may exercise my/our proxy even though the Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 1. If the Chairman of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 1, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on Resolution 1 even if Resolution 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

Step 2 – Instruction as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

	For	Against	Abstain
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Peter Newcomb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Frank Terranova	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Incentive Options – Frank Terranova	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue of Incentive Options – Peter Newcomb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section must be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹ Insert name and address of Shareholder

² Insert name and address of proxy

*Omit if not applicable

PROXY NOTES:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate or Appointment of Representative prior admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy, of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicated the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received at the Perth office of the Company 24 Colin Street West Perth WA 6005 or Facsimile +61 8 9222 5810 not less than 48 hours prior to the time of commencement of the Meeting.