

MALACHITE RESOURCES LIMITED

ABN 86 075 613 268

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the fifteenth Annual General Meeting of the Company -

**At: The Mantra Chatswood,
 10 Brown Street, Chatswood NSW 2067, Australia**

On: Friday 25 November 2011 at 10.30 am

BUSINESS

1. Financial Report – Year Ended 30 June 2011

To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and the Auditor for the financial year ended 30 June 2011.

2. Remuneration Report

That the Remuneration Report as it appears in the Company's Financial Report for the year ended 30 June 2011 be adopted.

3. Re-election of Dr. Garry Lowder as a Director

To re-elect, as a Director of the Company, Dr. Garry Lowder, who retires in accordance with the Constitution of the Company, and being eligible, offers himself for re-election.

4. Election of Mr. James Dean as a Director

To elect, as a Director of the Company, Mr. James Dean who, having been appointed as a Director since the last Annual General Meeting, retires in accordance with the Constitution of the Company, and being eligible, offers himself for election.

5. Issue of Options to Dr. Garry Lowder (Executive Chairman)

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

“That, for all purposes under the *Corporations Act 2001* (Cth) (including sections 195 and 208) and the Listing Rules of the Australian Securities Exchange (including Listing Rule 10.11) and for all other purposes, the Company be authorised to issue to **Dr. Garry Lowder** or his nominee a total of five million (5,000,000) options to purchase fully paid ordinary shares in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by:

- Dr. Garry Lowder and any associate of Dr. Garry Lowder.

However, the Company 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 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.

6. Issue of Options to Mr. Russell Meares (Non-Executive Director)

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

“That, for all purposes under the *Corporations Act 2001* (Cth) (including sections 195 and 208) and the Listing Rules of the Australian Securities Exchange (including Listing Rule 10.11) and for all other purposes, the Company be authorised to issue to **Mr. Russell Meares** or his nominee a total of three million (3,000,000) options to purchase fully paid ordinary shares in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by:

- Mr. Russell Meares and any associate of Mr. Russell Meares.

However, the Company 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 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.

7. Issue of Options to Mr. James Dean (Non-Executive Director)

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

“That, for all purposes under the *Corporations Act 2001* (Cth) (including sections 195 and 208) and the Listing Rules of the Australian Securities Exchange (including Listing Rule 10.11) and for all other purposes, the Company be authorised to issue to **Mr. James Dean** or his nominee a total of three million (3,000,000) options to purchase fully paid ordinary shares in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by:

- Mr. James Dean and any associate of Mr. James Dean.

However, the Company 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 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.

8. Issue of Options to Mr. Roy Randall (Non-Executive Director)

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

“That, for all purposes under the *Corporations Act 2001* (Cth) (including sections 195 and 208) and the Listing Rules of the Australian Securities Exchange (including Listing Rule 10.11) and for all other purposes, the Company be authorised to issue to **Mr. Roy Randall** or his nominee a total of three million (3,000,000) options to purchase fully paid ordinary shares in the capital of the Company on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 8 by:

- Mr. Roy Randall and any associate of Mr. Roy Randall.

However, the Company 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 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.

9. Approve Issue of Securities under Employee and Contractors Option Plan

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

“That approval is given, under the Listing Rules of the Australian Securities Exchange Rule 7.2 – *Exception 9*, to the issue of securities under the Company’s Employee and Contractors Option Plan (the terms of which are summarised in the attached Explanatory Memorandum).”

Voting Exclusion: The Company will disregard any votes cast on Resolution 9 by:

- Any Director of the Company; and
- an associate of any Director of the Company.

However, the Company 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 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.

10. Increase Aggregate Amount of Fees that may be paid to Directors

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

“To, in accordance with Rule 13.8 (b) of the Constitution of the Company, increase by \$200,000 the total maximum amount of directors’ fees payable to all directors in aggregate for their services as directors to \$300,000 in any financial year, to be divided among the directors in such proportion and manner as they shall from time to time agree.”

Voting Exclusion: All Directors and any associates thereof are excluded from voting on resolution 10 in the Notice of Meeting.

Accordingly, the Company will disregard any votes cast on resolution 10 by any Director or any of their associates, including Dr. Garry G. Lowder, Mr. Russell M. Meares, Mr. Roy Randall and Mr. James Dean.

However, the Company 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 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.

VOTING EXCLUSIONS – KEY MANAGEMENT PERSONNEL (KMP):

RESOLUTION 2:

The Company will disregard any votes cast on Resolution 2:

- by or on behalf of a member of the KMP (as defined in Section 9 of the *Corporations Act 2001* (Cth)) details of whose remuneration are included in the Remuneration Report;
- by or on behalf of a closely related party (as defined in Section 9 of the *Corporations Act 2001* (Cth) such as close family members and any controlled companies) of a member of the KMP; or
- as a proxy by a member of the KMP or a KMP’s closely related party,

unless the vote is cast as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form.

Important Notice for Resolution 2: If a shareholder appoints the Chairman of the meeting as the shareholder’s proxy and does not specify how the Chairman is to vote on Resolution 2, the Chairman will vote, as proxy for that shareholder, in favour of Resolution 2.

RESOLUTIONS 6, 7 & 8:

A vote must not be cast on resolutions 6, 7 & 8 by a KMP, or a closely related party of a KMP, acting as a proxy, if their appointment does not specify the way the proxy is to vote on these resolutions. This voting exclusion does not apply if the KMP is the Chairman of the meeting acting as proxy and their appointment expressly authorises the chair to exercise the proxy even though the resolution is connected with the remuneration of a member of the key management personnel for the Company.

Undirected proxy voting by the Chairman of the meeting

If you appoint the Chairman of the meeting as your proxy, and you do not provide a voting direction in respect of Resolutions 6, 7 & 8 on the proxy form, you will be taken to have expressly authorised the Chairman of the meeting to exercise your proxy even though Resolutions 6, 7 & 8 are connected with the remuneration of a member of the key management personnel for the Company.

The Chairman of the meeting intends to vote all undirected proxies able to be voted in favour of Resolutions 6, 7 & 8.

RESOLUTIONS 5, 9 & 10:

A vote must not be cast on Resolutions 5, 9 & 10 by a KMP, or a closely related party of a KMP, acting as a proxy, if their appointment does not specify the way the proxy is to vote on these resolutions. This voting exclusion does not apply if the KMP is the Chairman of the meeting acting as proxy and their appointment expressly authorises the chair to exercise the proxy even though the resolution is connected with the remuneration of a member of the key management personnel for the Company.

Undirected proxy voting by the Chairman of the meeting

The Chairman of the meeting will not vote any undirected proxies in relation to any of Resolutions 5, 9 & 10 unless the shareholder specifically authorises the Chairman to vote in accordance with the Chairman's stated voting intentions. If a shareholder wishes to nominate the Chair as their proxy for the purpose of any of Resolutions 5, 9 & 10 the shareholder must either tick the 'for', 'against' or 'abstain' box directing the Chairman how to vote, or tick the box authorising the Chairman to vote in accordance with his or her stated voting intentions, on the enclosed Proxy Form in order for their proxy vote to be counted. Alternatively, shareholders can nominate as their proxy for the purpose of Resolutions 5, 9 & 10 a proxy who is not a member of the Company's Key Management Personnel or Closely Related Party. That person would be permitted to vote undirected proxies.

The Chairman intends to vote all available proxies in favour of Resolutions 5, 9 & 10.

ENTITLEMENT TO VOTE

In accordance with the *Corporations Act 2001* (Cth) the Board has determined that for the purposes of the meeting, a person's entitlement to vote at the meeting will be the entitlement of that person set out in the Register of Members of the Company at 7.00pm on **23 November, 2011**. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

VOTING BY PROXY

- A shareholder entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies to attend and vote instead of the shareholder.
- Where 2 proxies are appointed the Proxy Form should specify the proportion, or the number of votes that the proxy may exercise. If the Proxy Form does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.
- A proxy need not be a shareholder of the Company. The proxy appointed may be described in the Proxy Form by an office held, e.g. "the Chair of the Meeting".
- Proxy Forms must be signed by a shareholder or the shareholder's attorney or, if the shareholder is a corporation, must be under its common seal, or if it does not have one, by 2 directors or by a director and a company secretary, or if it is a proprietary company that has a sole director who is also the company secretary, by that director, or under hand of its attorney or duly authorised officer. If the Proxy Form is signed by a person who is not the registered holder of shares in the Company (i.e. under power of attorney or other authorisation), then the relevant authority (or a certified copy of such authority) must either have been exhibited previously to the Company or be enclosed with the Proxy Form.

To be effective, duly completed Proxy Forms (duly completed and executed) must be:

- received by mail at: **Malachite Resources Limited**
PO Box 5218, West Chatswood NSW 1515; Australia
- sent by fax to fax number: **(02) 9411 6066** (+61 2 9411 6066 from overseas)

by 10.30 am on **23 November, 2011**.

ANNUAL REPORT

Malachite Resources Limited will now make annual reports available online for shareholders. The default option for receiving annual reports is via the Company's website rather than in hard copy. You will not receive a hard copy unless you have requested a printed version.

The Annual Report for the Year Ending 30 June 2011 may be downloaded from the Company's website from the homepage: www.malachite.com.au

or by accessing the following link:

<http://www.malachite.com.au/pdf/annual/MAR2011AnnualReport.pdf>

By order of the Board



Andrew J Cooke
Company Secretary
21 October 2011

EXPLANATORY MEMORANDUM TO NOTICE OF ANNUAL GENERAL MEETING

Resolution 1.

Financial Report – Year Ended 30 June 2011

The *Corporations Act 2001* (Cth) (“Corporations Act”) requires the financial report (which includes the financial statements and the Directors’ declaration), the Directors’ report and the Auditor’s report to be laid before the AGM. There is no requirement either in the Corporations Act or in the Constitution of the Company for shareholders to approve the financial report, the Directors’ report or the Auditor’s report.

This item of business provides shareholders with an opportunity to ask questions concerning or make comments on the Company’s financial statements and reports for the year ended 30 June 2011 and the Company’s performance generally.

A representative of the Auditor will be attending the Annual General Meeting.

As a shareholder, you are entitled to submit a written question to the Auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor’s report; or
- the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than **18 November 2011**. All questions must be sent to the Company and may not be sent direct to the Auditor. The Company will then forward all questions to the Auditor.

The Auditor will answer written questions submitted prior to the Annual General Meeting.

The Auditor will also answer questions at the meeting from shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor’s report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

Resolution 2.

Remuneration Report

The Directors’ report for the year ended 30 June 2011 contains a Remuneration Report which sets out the policy on remuneration of the Directors of the Company and specified executives of the Company.

The Company’s remuneration structure is designed to align executive and shareholder interests, retain personnel and generate long term value creation by providing employees with competitive remuneration and appropriate incentive to achieve project milestones.

The Corporations Act requires that a resolution be put to the vote that the Remuneration Report be adopted. The Corporations Act expressly provides that the vote is advisory and does not bind the Directors of the Company. However, if at least 25% of the votes cast are against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken.

In the following year, if at least 25% of the votes cast on the resolution that the Remuneration Report be adopted are against adoption, shareholders will then vote to determine whether the Directors, excluding the CEO, will need to stand for re-election. If more than 50% of the votes cast on the resolution are in favour, a separate re-election meeting must be held within 90 days.

Members attending the AGM will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

Resolution 3.

Re-election of Dr. Garry Lowder as a Director

Geologist with over 40 years Australian and international experience in both the public and private sectors. Founded Malachite Resources in 1997, after spending four years as Director General of Mineral Resources in NSW. Previously held senior positions in several Australian and overseas mining companies. Has a strong record of success in mineral exploration, mining, corporate management and government administration, much of it focussed on NSW, with key roles in the discovery of the Northparkes Copper and Cowal Gold deposits. Former non-executive director of ASX-listed Straits Resources Limited (retired 1 July 2011). Former non-executive director of Macmin Silver Limited (resigned 5 November 2008). Graduate of the University of Sydney (BSc Hons), the University of California at Berkeley (PhD) and the Advanced Management Program at the Harvard Business School.

Resolution 4.

Election of Mr. James Dean as a Director

Corporate Advisor and Professional Investor with over 25 years professional experience in the finance industry and investment in mining, construction equipment, property development, feature film and biotech. Most experience has been related to evaluating the operational and financial performance of numerous businesses and then aptly negotiating and matching risk profiles with investment criteria. For more than 20 years he has held fiduciary positions with regard to shareholders and beneficiaries of various investment vehicles. Extensively travelled and possesses a worldwide network of business collaborators. Of particular benefit to the Board of Malachite is his first-hand knowledge of the "Lorena" gold mine and surrounding area gained from being a significant shareholder in that mine since its rebirth in 2009.

Resolutions 5, 6, 7 and 8.

Issue of Options to Executive and Non-Executive Directors

The Company proposes to grant:

- 5,000,000 options to Dr. Gary Lowder (Executive Chairman);
- 3,000,000 options to Mr. Russell Meares (Non-Executive Director);
- 3,000,000 options to Mr. James Dean (Non-Executive Director); and
- 3,000,000 options to Mr. Roy Randall (Non-Executive Director),

each referred to hereinafter as an “Option” and together as “Options”.

50% of the total number of Options granted to each Director shall have an exercise price calculated at a 50% premium over the 3 day Volume Weighted Average Price (“VWAP”) of the Company’s share price up to and including the date of the 2011 Annual General Meeting (but in any event not less than 5.0 cents) – such options to vest 12 months after the grant date.

The remaining 50% of the total number of Options granted to each Director shall have an exercise price calculated at a 100% premium over the 3 day VWAP of the Company’s share price up to including the date of the 2011 Annual General Meeting (but in any event not less than 7.5 cents) – such Options to vest 24 months after the grant date.

The issue of the Options to the above Directors is designed to further align the interests of these parties with those of the Company and its shareholders and is intended to provide incentive for each of them to further enhance the growth and value of the Company.

The ASX Listing Rules and the Corporations Act (in certain circumstances) require shareholder approval to be obtained for the issue of the Options to Directors. Accordingly, approval for the issue of the Options is sought in accordance with the provisions of ASX Listing Rule 10.11 and Part 2E of the Corporations Act.

The proposed Resolutions 5 to 8, if passed, will approve the issue of securities to and confer financial benefits upon the Directors of the Company. The Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11. Accordingly, information required under the ASX Listing Rules and the Corporations Act as well as information that will properly enable shareholders to consider Resolutions 5 to 8 is presented below.

Corporations Act

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party it must obtain the prior approval of its members.

A “related party” for the purposes of the Corporations Act includes a director of a public company. A “financial benefit” for the purposes of the Corporations Act is widely defined and includes a public company granting options to a related party. The granting of Options to the Directors as contemplated by Resolutions 5 - 8 may constitute the giving of a financial benefit and accordingly, the Company is seeking shareholder approval under section 208 of the Corporations Act to approve the grant of the Options.

The resolutions are also being put to shareholders pursuant to section 195(4) of the Corporations Act. Section 195(1) provides that a director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting must not be present when the matter is being considered at the meeting or vote on the matter.

Section 195(4) of the Corporations Act permits directors to call a general meeting of shareholders and seek shareholder approval in respect of a given matter where there are not enough directors to form a quorum for a directors' meeting to consider the resolution as a number of the directors have a material personal interest in that matter. Since all of the Directors are materially interested in the resolutions as a whole, shareholder approval is sought for the purposes of section 195(4) of the Corporations Act.

ASX Listing Rules

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue equity securities to a related party of the company, such as a director, without the company first obtaining the approval by ordinary resolution of its shareholders.

The Company is seeking approval of shareholders under ASX Listing Rule 10.11 to allow the Company to issue the Options (up to a maximum of 14,000,000 Options in aggregate) to Dr. Garry Lowder, Mr. Russell Meares, Mr. James Dean and Mr. Roy Randall. If shareholders approve the issue of the Options under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1, as a result the Options would not be taken into account in determining whether a future share issue would result in the 15% cap imposed by Listing Rule 7.1 being exceeded.

The shares to be issued upon the exercise of these Options will be issued on the same terms as all other ordinary shares of the Company currently on issue. The Options are issued on the terms set out under the heading "Terms and Conditions of the Options" set out below.

Corporate Governance

The Options to be issued to the Executive Chairman are in addition to his existing remuneration package. The ASX Corporate Governance Principles and Recommendations (Box 8.1) recognise that most executive remuneration packages will involve a balance between fixed and incentive pay including an equity-based remuneration component. The Options granted to the Executive Chairman constitute equity-based remuneration with vesting and exercise price thresholds. The Board believes that this provides the Executive Chairman with appropriate additional incentive and reflects core performance requirements and expectations.

The Options to be issued to the Non-executive Directors are in addition to the Directors' fees payable by the Company to each of them. The Board acknowledges that the issue of the Options to Non-executive Directors is a departure from the ASX Corporate Governance Principles and Recommendations (Box 8.2). Nevertheless, the Board considers the issue of the Options to Non-executive Directors to be an effective means to compensate Non-executive Directors more adequately at no cash cost to the Company, allowing it to constrain the levels of fees otherwise payable to Non-executive Directors and to still attract suitably skilled and qualified persons to become and remain members of the Board, particularly in view of the increased responsibilities that arise as

the Company advances its Lorena Gold Project towards potential commercial development.

The Board contemplates that options on similar terms may also be offered to management, senior executives and officers of the Company to align the interests of these parties with those of the Company and its shareholders and to provide incentive for each of them to further enhance the growth and value of the Company.

The Nature of the Financial Benefits - Terms and Conditions of the Options

Subject to shareholder approval, the Options will be issued on the following terms:

- 50% of the total number of Options granted to each Director shall have an exercise price calculated at a 50% premium over the 3 day Volume Weighted Average Price (“VWAP”) of the Company’s share price up to and including the date of the 2011 Annual General Meeting (but in any event not less than 5.0 cents) – such options to vest 12 months after the grant date.
- The remaining 50% of the total number of options granted to each Director shall have an exercise price calculated at a 100% premium over the 3 day VWAP of the Company’s share price up to including the date of the 2011 Annual General Meeting (but in any event not less than 7.5 cents) – such options to vest 24 months after the grant date.
- The Options will be issued at a nil issue price.
- The Options will be issued to the Directors (effective as at the date of this meeting) as soon as practicable after the date of the meeting and in any event not later than one month from the date of the meeting.
- The Options will have an expiry date of 25 May 2015. Subject to vesting as set out above, each Option may be exercised at any time prior to that expiry date by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
- The Company will not apply to the ASX for official quotation of the Options but will apply for granting of official quotation of shares issued pursuant to exercise of the Options as soon as practicable after the date of allotment of the shares.
- Shares issued on the exercise of the Options will rank equally with the then existing issued fully paid ordinary shares in the Company.
- 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 ASX Listing Rules, so that the holder will not receive a benefit that the existing holders of ordinary shares do not receive but in all other respects the terms of exercise will remain the same.
- 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 Options without first exercising their Options.
- If a takeover bid is made for the shares of the Company then, at any time during the Takeover Period, any unvested Options will vest and the Option holder may

exercise each Option at the exercise price, despite the fact that it is then outside an exercise period specified in the Option. The “Takeover Period” referred to is from the start of the offer period until one month after the end of the offer period.

- The Options may vest regardless of whether or not the optionholder remains a Director of the Company as at the vesting date. The Options will not expire by reason of the optionholder ceasing to be a Director of the Company.
- The Options will otherwise be in accordance with the requirements of the ASX Listing Rules.

The Options will be issued for no cost and no funds will be raised from the issue of the Options unless and until they are exercised. If all of the Options are exercised the amount of funds raised from the Options the subject of Resolutions 5 – 8 will amount to a total of \$875,000. The funds raised will form part of the working capital of the Company.

The total number of new Options to be granted to the Directors represents approximately 2% of the current issued capital of the Company. Subject to shareholder approval, it is proposed that Non-Executive Directors be granted 3,000,000 options each and that the Executive Chairman be granted 5,000,000 options.

50% of the new Options have an exercise price of not less than 5.0 cents which is double the prevailing market price of the Company’s shares. The remaining 50% have an exercise price of not less than 7.5 cents which is triple the current market value.

The number of new Options to be granted, the Option Exercise Price and 3.5 year term of the options were determined by the Board so as to provide the Directors with an appropriate degree of equity based remuneration linked to shareholder expectations in terms of share price performance. This alignment with shareholder interests is structured to support value creation whilst also providing meaningful incentive to Directors. This approach is designed to assist the Company in its efforts to identify and retain Directors with the skills and expertise to achieve substantial share price uplift in the short to medium term and to advance the Company’s business strategy.

The exercise price of the two tranches of Options to be granted to the Directors was selected to give Directors an incentive to increase the Company's share price for the benefit of all shareholders. 5,000,000 Options for the Executive Chairman and 3,000,000 for each Director with a calculated value of \$61,750 in the case of the Executive Chairman and \$37,050 in the case of each Director over the 3 and half year term of the Options was considered to be appropriate relative to the annual Directors' fees of \$55,800 for the Executive Chairman and \$36,000 for Non-Executive Directors.

Potential Benefits – Issue of Options

If the Options are issued pursuant to the proposed Resolutions 5 to 8, the Company considers that the following benefits will arise:

- the Directors will have a vested interest in the affairs of the Company and incentives to ensure that the Company is able to create a successful and profitable business. The consequential increase in shareholder value and the market price of the shares of the Company will benefit all shareholders, notwithstanding the dilutionary effect on shareholders of the Options being exercised;

- the issue of the Options to the Directors is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue of the Options therefore enables the Company to provide its Directors with a reward for services provided and an incentive for future services they will provide to the Company to further progress the Company in a cost-effective manner, as opposed to other forms of remuneration, such as cash; and
- the exercise of the Options will provide working capital for the Company. If all of the Options proposed to be issued to the Directors are ultimately exercised, an amount of approximately \$875,000 would be subscribed into the capital of the Company. As the Options are to be granted for nil consideration there will be no funds raised by the Company in granting the Options.

Furthermore, the Board considers it important to adequately compensate Executive Directors and Non-executive Directors in order to attract and retain such people with appropriate qualifications and skills to be able to contribute to the success of the Company.

Potential Costs – Issue of Options

The potential cost to the Company of the issue of the Options to the Directors is that there will be a dilution of the issued share capital if the Options are exercised.

If the Options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the 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.

From an economic and commercial point of view the Board considers that the potential cost and detriment to the Company resulting from the granting of the Options is nominal given that the Options will be out of the money at the date of the issue.

If all of the Options to be issued under Resolutions 5 - 8 are exercised and no further shares are issued by the Company in the meantime, the total number of ordinary fully paid shares issued would increase by 14,000,000 to 712,886,696 and the newly issued shares would comprise 2.0% of the issued shares at that time. The effect would be to dilute the shareholding of existing shareholders by approximately 2.0% on an undiluted basis (based on 698,886,696 shares currently on issue).

The lowest and highest price of shares in the Company in the past 12 months on the ASX was 2.5 cents on 30 September and 11, 12 and 14 October 2011 and 8.23 cents on 31 October 2010 respectively.

The closing price of shares in the Company on 14 October 2011, the last trading day before lodgement of the Notice of Annual General Meeting and Explanatory Statement with the ASIC was 2.5 cents.

Valuation of Options

The Options are not currently quoted on the ASX and as such have no market value. It is not intended for the Options to be listed on the ASX. The Options will each grant the holder a right to one share in the Company upon exercise of an Option and payment of the exercise price of the Option. Accordingly, the Options may have a present value at the date of their grant. The Options may acquire future value dependent upon the extent to which the shares exceed the exercise price of the Options during the term of the Options.

It is a requirement of ASIC that a dollar value be placed on the Options to be issued in these circumstances.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black Scholes option price calculation).

In determining the value of the Options, the following inputs have been assumed:

- a) the Options are granted for nil consideration and have a 3.5 year life vesting in 2 tranches (see Terms and Conditions of the Options below);
- b) 50% of the options have an exercise price of 5.0 cents;
- c) 50% of the options have an exercise price of 7.5 cents;
- c) grant date: 25/11/11
- d) expiry date: 25/5/15
- e) share price at grant date: 25/11/11 assumed to be 3.0 cents
- f) expected price volatility of the Company's shares: 80%
- g) expected dividend yield: 0.00%
- h) risk-free interest rate: 3.7%

Using the Black Scholes option price calculation method and the assumed data outlined above, the Options have been valued as follows:

- a) 50% of the options having an assumed exercise price of 5.0 cents: \$0.0137
- b) 50% of the options having an assumed exercise price of 7.5 cents: \$0.0110

Accordingly, the total value of the proposed Options to be granted to Directors is \$172,900 over the 3.5 year term of the Options split as follows:

- \$61,750 to Dr Gary Lowder (Executive Chairman);
- \$37,050 to Mr Russell Meares (Non-Executive Director);
- \$37,050 to Mr James Dean (Non-Executive Director); and
- \$37,050 to Mr Roy Randall (Non-Executive Director).

In determining the number and terms of the Options to be issued to each Director, consideration was given to the relevant experience and role of each Director, each Director's overall remuneration terms and the current market price of shares in the Company.

Identifying the Related Parties

The related parties to whom Resolutions 5 to 8 would permit financial benefits to be given are as follows:

- Resolution 5 – to Dr Garry Lowder, the Executive Chairman of the Company;
- Resolution 6 - to Mr Russell Meares, Non- Executive Director of the Company;
- Resolution 7 - to Mr James Dean, Non-Executive Director of the Company;
- Resolution 8 - to Mr Roy Randall, Non-Executive Director of the Company.

Related Parties' Existing Interests

With the exception of shares issued to Directors pursuant to their participation in the Company's recent Rights Issue, the only other shares or options issued to Directors in the past 12 months were 7,936,508 shares issued on an arms length basis to an associate of Mr. James Dean pursuant to the Company's acquisition of the Lorena Gold Project in February 2011.

The following table sets out the current entitlement (both directly and indirectly) of the Directors to ordinary fully paid shares in the Company and their entitlement if they exercised all of the Options, and no other shares are issued by the Company.

| Director | No. of Shares (current) | No. of Shares (post resolutions and post exercise) | % of Issued Capital (post resolutions and post exercise) |
|--------------------|------------------------------------|---|---|
| Dr. Garry Lowder | 11,081,244 | 16,081,244 | 2.26% |
| Mr. Russell Meares | 2,140,017 | 5,140,017 | 0.72% |
| Mr. James Dean | 11,936,508 | 14,936,508 | 2.10% |
| Mr. Roy Randall | 3,489,754 | 6,489,754 | 0.91% |

In addition, the following table sets out the current entitlement (both direct and indirect) of the Directors to existing options (unlisted) over fully paid shares in the Company.

| Director | No. of Options (current) |
|--------------------|---|
| Dr. Garry Lowder | 4,000,000 @ 5.0 cents expiring 15 June 2012 3,000,000 @ 20.0 cents expiring 25 November 2013 1,250,000 @ 30.0 cents expiring 30 November 2011 3,000,000 @ 43.1 cents expiring 22 November 2012 |
| Mr. Russell Meares | 99,600 @ 5.0 cents expiring 15 June 2012 2,000,000 @ 20.0 cents expiring 25 November 2013 1,000,000 @ 30.0 cents expiring 30 November 2011 2,000,000 @ 43.1 cents expiring 22 November 2012 |
| Mr. James Dean | 4,000,000 @ 5.0 cents expiring 15 June 2012 1 Class B Option Expire 30 November 2012 exercisable at 11.1 cents |
| Mr. Roy Randall | 1,008,001 @ 5.0 cents expiring 15 June 2012 400,000 @ 20.0 cents expiring 25 November 2013 250,000 @ 30.0 cents expiring 30 November 2011 300,000 @ 43.1 cents expiring 22 November 2012 |

Directors Emoluments

Details of other remuneration received by the Directors during the financial year ended 30 June 2011 and disclosed in the 2011 Annual Report are as follows:

| | Short-term Employee Benefits | | | | Post-employment Benefits | Long-term Benefits | | Share Based Payments | |
|-------------------|---|---------|------------|-----------------------|---|--------------------|----------------------|----------------------|---------|
| | Cash Salary and Fees | | Cash Bonus | Non Monetary Benefits | Director's Superannuation Contributions | Long Service Leave | Termination Benefits | *Options | Total |
| | Paid | Accrued | | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| 2011 | | | | | | | | | |
| Directors | | | | | | | | | |
| Dr GG Lowder | 190,958 | 41,667 | - | - | 20,936 | 53,700 | - | 38,911 | 346,172 |
| Mr RD Meares ** | 104,619 | 4,583 | - | - | 9,828 | - | - | 25,940 | 144,970 |
| Mr RM Randall | 24,306 | 5,000 | - | - | - | - | - | 4,342 | 33,648 |
| Mr James Dean *** | - | 10,640 | - | - | - | - | - | - | 10,640 |
| ** | Retired from Executive position December 2010 and took up a Non-Executive position in January 2011. | | | | | | | | |
| *** | Appointed 10/02/11. | | | | | | | | |

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

Other than the information above and otherwise set out in this Explanatory Memorandum and the accompanying cover letter, the Directors believe that there is no other information known to the Company or its Directors that will be reasonably required by shareholders to make a decision in relation to benefits contemplated by the proposed Resolutions 5 to 8.

Directors' Interests and Recommendations

Each of the Directors named in resolutions 5 - 8 has an interest in the outcome of the resolution in which they are named by reason of the benefit that they will receive if each relevant resolution is passed, and therefore declines to make a recommendation to shareholders in relation to that resolution. The Directors also decline to make a recommendation in respect of the other resolutions which relate to the remuneration of the other Directors as there may be a conflict of interest in doing so.

However, to assist shareholders in determining how to vote on these resolutions, the Directors have set out above the potential benefits and the potential costs of issuing the Options together with a valuation of the Options and other information required by the ASX Listing Rules and the Corporations Act.

Please refer to the Notice of Meeting for details of the voting exclusions for resolutions 5 – 8.

Resolution 9.

Approve Issue under Employee and Contractors Option Plan

This item of business deals with an approval, for the purposes of ASX Listing Rule 7.2 – *Exception 9*, to the issue of securities under the Company's Employee and Contractors Option Plan.

The terms of the Company's Employee and Contractors Option Plan ("**Plan**") are summarised below.

The Plan was previously approved by shareholders at an Extraordinary General Meeting held on 15 September 2004 and then again at the Annual General Meeting of the Company held on 22 November 2007. The Company is seeking further approval in order to maintain compliance with Listing Rule 7.2 – *Exception 9*.

Since the Plan was last approved on 22 November 2007 a total of 5,110,000 options have been issued to employees and contractors in accordance with the terms of the Plan. Of these options issued 600,000 have lapsed by reason of the option holders ceasing employment with the Company. There are 4,750,000 options currently issued under the plan.

Commencement

- The Plan commenced on the day that approval for introduction of the Plan was first given by the Directors, such date being 9 August 2004.

Eligible Persons

- Only "Eligible Persons" (and their "Associates", as that term is defined in the rules of the Plan) may be invited to participate in the Plan. "Eligible Persons" include:
 - (a) a full-time employee of the Company Group;
 - (b) a permanent part-time employee of the Company Group;
 - (c) a Qualifying Contractor;
 - (d) a full-time, or permanent part-time, employee of a Qualifying Contractor;

- (e) a person who is a director, alternate director or company secretary of the Company or any entity in the Company Group.
- An Eligible Person to whom an invitation to participate in the Plan has been issued may, in accepting such invitation, nominate a person who is an Associate of the Eligible Person to be the grantee of the Options offered.
- The Directors of the Company have an absolute discretion as to:
 - (a) which Eligible Persons will be invited to participate in the Plan; and
 - (b) the number of Options to be made available to each such Eligible Person.
- After acceptance of an invitation, the Directors of the Company may in their absolute discretion determine:
 - (a) not to grant the Options specified in the invitation; or
 - (b) grant Options which differ in number or their terms from that specified in the invitation.

Limitation to size of Plan

- At any particular point of time the total of:
 - a) the number of Shares the subject of Options which are both unexercised and unexpired; and
 - b) the number of Shares issued as a result of the exercise of Options,must not exceed 5% of the number of Shares on issue at that time.

Consideration for grant

- No consideration is payable by any person in respect of the grant by the Company of an Option under the Plan.

Exercise price

- At the time of issuing an invitation to participate in the Plan, the Directors will specify the proposed Exercise Price of each Option.

Requirements

- The Directors may also specify:
 - (a) the days on which, or periods during which, the Options are exercisable; and
 - (b) the performance hurdles, if any, that must be satisfied before any Option is exercisable; and
 - (c) any other requirements that must be satisfied before any Option is exercisable.

Takeover

- If a takeover bid is made for the Company then, at any time during the Takeover Period (that is, from the start of the offer period until one month after the end of the offer period):
 - (a) the Company may give the Option Holder not less than 21 days written notice of the intention of the Company to cancel one or more of the Options with effect from the expiry of the Takeover Period;
 - (b) the Company may, at any time after expiry of that notice and during the Takeover Period, cancel the number of Options in respect of which it gave notice under paragraph (a) by giving the Option Holder a written notice to that effect;
 - (c) the Option Holder may exercise each Option at the exercise price, despite the fact that either it is then outside an exercise period specified in the Option Certificate or a performance hurdle specified in the Option Certificate has not yet been satisfied.

Rules binding

- Each Eligible Person or Associate who accepts an invitation to take up Options under the Plan, and each Option Holder, is bound by the Rules of the Plan and each Option Holding who exercises an option and is allotted a Share is bound by the Constitution of the Company in the same way as any other holder of Shares.

Powers of Directors

- The Plan will be administered by the Directors of the Company who have power at any time to:
 - (a) determine the exercise price of Options and the manner in which the exercise price is specified
 - (b) determine appropriate procedures for administration of the Plan;
 - (c) resolve all questions of fact or interpretation arising in connection with the Plan;
 - (d) subject to any restrictions imposed by the Corporations Act 2001 or the Listing Rules, add to, delete or otherwise vary the Plan Rules.

Exercise

- An Option may only be exercised if it has not yet lapsed, has not been cancelled, and the performance hurdles and other requirements in the Option Certificate have been satisfied.

Shares

- Each Share allotted as a result of the exercise of an Option will rank pari passu with all other Shares which comprise the main class of Shares quoted on the ASX. Following allotment of a Share as a result of the exercise of an Option, the Company will make application, within the period specified in the Listing Rules, for the new Share to be quoted on the ASX.

No listing of Options

- The Options will not be listed or quoted on any stock exchange.

No transfer

The Option Holder must not sell, transfer, mortgage, pledge or otherwise encumber an Option at any time (although Options may be transferred to an Associate in certain circumstances with the prior written consent of the Directors).

Lapsing of Options

- Each Option will lapse on the earliest to occur of:
 - (a) the end of the date, if any, specified in the Option Certificate as the date on which the Option expires or lapses;
 - (b) if when the Option was granted the Option Holder was an Eligible Person, the date 90 days after the Option Holder ceases to be an Eligible Person, regardless of the reasons or causes for the Option Holder ceasing to be an Eligible Person;
 - (c) if when the Option was granted the Option Holder was an Associate of an Eligible Person, the earlier to occur of:
 - (i) the date 90 days after the Eligible Person ceases to be an Eligible Person;
 - (ii) the date on which the Option Holder ceases to be an Associate of the Eligible Person.

Participation in dividends and new issues

- Each Option does not give any right to participate in dividends declared or paid on existing Shares. However, a Share allotted pursuant to the exercise of the Option is entitled to participate in those dividends where the record date for the dividend is after the date the Share is allotted.

Bonus issues

- If at any time after the date an Option is granted and before it is exercised there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

Rights issues

- If at any time after the date an Option is granted and before it is exercised there is a pro rata issue (other than a bonus issue) to the holders of Shares, the exercise price of each unexercised Option will be reduced such that the new exercise price of the Option is equal to the old exercise price of the Option less a value attributed to the right as calculated in accordance with the following formula;

$$\frac{E[P - (S + D)]}{N + 1}$$

where:

- “E” = the number of Shares into which one Option is exercisable;
- “P” = the average market price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (calculated in accordance with Listing Rule 6.2.2.2);
- “S” = the subscription price for a security under the pro rata issue;
- “D” = the dividend due but not yet paid on existing Shares (except those to be issued under the pro rata issue);
- “N” = the number of Shares with rights or entitlements that must be held to receive a right to one new security.

Reorganisation of share capital

- The rights of an Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to any reorganisation of the capital of the Company (at any time after the Options are granted) at the time of the reorganisation.

ASX events

- If any of the following events occurs:
 - (a) a trading halt, suspension of quotation of Shares on the ASX, reinstatement of such quotation, or ending of such quotation; or
 - (b) the removal of the Company from the official list of the ASX,

then:

- (i) any unexercised Options do not, by reason of that event alone, lapse; and
- (ii) the terms of each Option Certificate remain unaltered in their application (with no extension of time being granted) even though this may mean that either the Company or the Option Holder is thereby prevented from satisfying, effecting or complying with a provision of the Option Certificate; and
- (iii) the Option Holder has no claim for damages against the Company, regardless of the reason or cause of such event occurring.

Resolution 10.

Increase Aggregate Amount of Fees that may be paid to Directors

Rule 13.8 (a) of the Constitution of the Company provides that the Directors shall be entitled to payment of any fees for their service as Directors decided by a resolution of shareholders of the Company in general meeting.

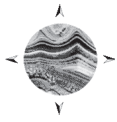
At the Company's Annual General Meeting held on 20 September 2002 shareholders approved a maximum aggregate amount that may be paid to all Directors of \$100,000.

This limit does not apply to fees payable to Executive Directors or fees for extra professional services which may be rendered from time to time by a Non-executive Director. It should also be noted that in 2002 two of the five Directors were executives of the Company, whereas currently only one Director is an executive and in the near future it is expected that another Director will also assume non-executive status, raising to four the number of Non-executive Directors to be covered by the aggregate amount.

It is therefore proposed that the limit on fees payable to Non-executive Directors be increased by \$200,000 to a new maximum aggregate amount of \$300,000.

Currently directors fees of \$36,000 are paid to Non-executive Directors and the Board has determined that an amount of \$55,800 be paid to a Non-executive Chairman. The 9% Superannuation Guarantee Levy is payable on top of these amounts from the aggregate amount available.

The proposed maximum of \$300,000 has been determined to provide capacity for the Board to appoint additional Directors as contemplated in the Convertible Note Subscription Agreements recently executed by the Company or to increase these fees paid to individual Directors as may be appropriate as the business of the company develops and the work of the Non-executive Directors becomes more onerous.



Malachite Resources Limited

ABN 86 075 613 268

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000



000001 000 MAR
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 10:30am (Sydney time) Wednesday 23 November 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Malachite Resources Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Malachite Resources Limited to be held at The Mantra Chatswood, 10 Brown Street, Chatswood NSW 2067 on Friday, 25 November 2011 at 10:30am (Sydney time) and at any adjournment of that meeting.

Important for Items 2, 5, 6, 7, 8, 9 & 10 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

Important for Item 2 - If you do not mark any of the boxes in step 2 below on Item 2 you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions as set out below and in the Notice of Meeting even though Item 2 is connected directly or indirectly with the remuneration of a member of key management personnel. Please note you can direct the Chairman of the Meeting to vote for, against or abstain from voting on Item 2 by marking the appropriate box in step 2 below.

Important for Items 6, 7 & 8 - You authorise the Chairman of the Meeting to exercise your proxy on Items 6, 7, & 8 even though the items are connected directly or indirectly with the remuneration of a member of key management personnel.

For **Items 5, 9 & 10**, this authority is also subject to you marking the box in the section below.

Important for Items 5, 9 & 10: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 5, 9 & 10 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 5, 9 & 10 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 5, 9 & 10 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| ORDINARY BUSINESS | | | For | Against | Abstain | | | | For | Against | Abstain |
|-------------------|--|--------------------------|--------------------------|--------------------------|---------|---|--------------------------|--------------------------|--------------------------|---------|---------|
| Item 2 | Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Item 7 | Issue of Options to Mr James Dean (Non-Executive Director) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | |
| Item 3 | Re-election of Dr Garry Lowder as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Item 8 | Issue of Options to Mr Roy Randall (Non-Executive Director) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | |
| Item 4 | Election of Mr James Dean as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Item 9 | Issue of Securities under Employee and Contractors Option Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | |
| Item 5 | Issue of Options to Dr Garry Lowder (Executive Chairman) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Item 10 | Increase Aggregate Amount of Fees that may be paid to Directors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | |
| Item 6 | Issue of Options to Mr Russell Meares (Non-Executive Director) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | | | | |

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

SIGN Signature of Securityholder(s) *This section must be completed.*

| | | |
|---|---|---|
| Individual or Securityholder 1 <input style="width: 90%; height: 20px;" type="text"/> | Securityholder 2 <input style="width: 90%; height: 20px;" type="text"/> | Securityholder 3 <input style="width: 90%; height: 20px;" type="text"/> |
| Sole Director and Sole Company Secretary | Director | Director/Company Secretary |

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____