

Niuminco Group Limited

ABN 44 009 163 919

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Niuminco Group Limited will be held at the Grace Hotel, 77 York Street, Sydney at 10.00am on Monday 28th November, 2011.

Business

1. To consider the annual financial report of the Company and of the consolidated entity for the year ended 30th June 2011 and the reports by the Directors and Auditor.

2. To consider and, if thought fit, to pass the following ordinary resolution:

"In accordance with Section 250R of the Corporations Act 2001, the Remuneration Report be adopted".

The Corporations Act 2001 requires listed companies to put a non-binding resolution to the AGM regarding the remuneration report.

3. To consider and, if thought fit, to pass the following ordinary resolution:

"That Mr David Fuller, being eligible for election, be elected as a Director of Niuminco Group Limited."

Mr David Fuller was appointed an additional Director on 9th May 2011. In accordance with the Company's Constitution he offers himself for election as a Director of the Company.

4. To consider and, if thought fit, to pass the following ordinary resolution:

"That Mr Arthur Jones, being eligible for election, be elected as a Director of Niuminco Group Limited."

Mr Arthur Jones was appointed an additional Director on 9th May 2011. In accordance with the Company's Constitution he offers himself for election as a Director of the Company.

5. To consider and, if thought fit, to pass the following ordinary resolution:

"That Professor Ian Plimer, being eligible for election, be elected as a Director of Niuminco Group Limited."

Professor Ian Plimer was appointed an additional Director on 9th May 2011. In accordance with the Company's Constitution he offers himself for election as a Director of the Company.

6. To consider and, if thought fit, to pass the following ordinary resolution:

"That Mr Terence Willsteed, being eligible for election, be elected as a Director of Niuminco Group Limited."

Mr Terence Willsteed was appointed an additional Director on 9th May 2011. In accordance with the Company's Constitution he offers himself for election as a Director of the Company.

7. To consider and, if thought fit, to pass the following ordinary resolution:

"That Mr Andrew Davis, being eligible for election, be elected as a Director of Niuminco Group Limited."

Mr Andrew Davis was appointed an additional Director on 9th May 2011. In accordance with the Company's Constitution he offers himself for election as a Director of the Company.

8. To consider and, if thought fit, to pass the following ordinary resolution:

"That for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001 and for all other purposes, the proposed issue by the Company of the Options to Professor Ian Plimer as specified in the Explanatory Memorandum attached to and forming part of this Notice of Meeting, be approved".

Voting exclusion: In accordance with ASX Listing Rule 14.11 the Company will disregard any votes cast on this resolution by Professor Ian Plimer and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on a proxy form; or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

PLEASE READ THE EXPLANATORY MEMORANDUM FOR THIS RESOLUTION

9. To consider and, if thought fit, to pass the following ordinary resolution:

"That for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001 and for all other purposes, the proposed issue by the Company of Options to Mr Terence Willstead as specified in the Explanatory Memorandum attached to and forming part of this Notice of Meeting, be approved."

Voting exclusion: In accordance with ASX Listing Rule 14.11 the Company will disregard any votes cast on this resolution by Mr Terence Willstead and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on a proxy form; or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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10. To consider and, if thought fit, to pass the following ordinary resolution:

"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Company issue to Alan Davis Pty Limited 2,250,000 shares in the capital of the Company as specified in the Explanatory Memorandum attached to and forming part of this Notice of Meeting."

Voting exclusion: In accordance with ASX Listing Rule 14.11 the Company will disregard any votes cast on this resolution by Mr Andrew Davis and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on a

proxy form; or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

PLEASE READ THE EXPLANATORY MEMORANDUM FOR THIS RESOLUTION

11. To consider and, if thought fit, to pass the following ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11 , section 208 of the Corporations Act 2001 and for all other purposes, the proposed issue by the Company of the Options to Mr Andrew Davis as specified in the Explanatory Memorandum attached to and forming part of this Notice of Meeting, be approved.

Voting exclusion: In accordance with ASX Listing Rule 14.11 the Company will disregard any votes cast on this resolution by Mr Andrew Davis and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on a proxy form; or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

PLEASE READ THE EXPLANATORY MEMORANDUM FOR THIS RESOLUTION

12. To consider and, if thought fit, to pass the following ordinary resolution:

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 2,360,000 ordinary shares in the capital of the Company to Mr Trevor Neale as specified in the Explanatory Memorandum attached to and forming part of this Notice of Meeting, be approved.”

Voting exclusion: In accordance with ASX Listing Rule 14.11 the Company will disregard any votes cast on this resolution by Mr Trevor Neale and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on a proxy form; or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

PLEASE READ THE EXPLANATORY MEMORANDUM FOR THIS RESOLUTION

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 Key Management Personnel of the Company (including Directors) (**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 instructions for Resolution 2: If the Chairman of the meeting is your proxy and you have not directed him/her how to vote on Resolution 2, the Chairman will be prevented from casting your votes on Resolution 2. If the Chairman is your proxy, in order for your votes to be counted on Resolution 2, you must direct your proxy how to vote on Resolution 2.

Resolutions 8 & 9:

A vote must not be cast on Resolutions 8 & 9 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 8 & 9 on the proxy form, you will be taken to have expressly authorised the Chairman of the meeting to exercise your proxy even though Resolutions 8 & 9 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 8 & 9.

Resolutions 10 & 11:

A vote must not be cast on Resolutions 10 & 11 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 10 & 11 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 either of Resolutions 10 or 11 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 10 & 11 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 10 & 11.

ENTITLEMENT TO VOTE

In accordance with the Corporations Act 2001 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 7.00 pm on 24th 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 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 Level 8, 139 Macquarie Street, Sydney, NSW 2000 Australia;
- in person at Level 8, 139 Macquarie Street, Sydney, NSW 2000 Australia; or
- sent by fax to fax number: +61 2 9251 5778

by 10.00 am on 24th November 2011.

By order of the Board



Mark Ohlsson
Company Secretary
26th October 2011

EXPLANATORY MEMORANDUM

This is the Explanatory Memorandum attached to and forming part of the Notice of Annual General Meeting of Niuminco Group Limited dated 24 October 2011.

Resolution 8

Issue of Options to Professor Ian Plimer

The Company proposes to grant 2,500,000 Options over ordinary shares in the capital of the Company to Professor Ian Plimer (a Director of the Company) each at an exercise price of 30 cents per share on the terms set out below, under the heading "Terms and Conditions of Options". Each an "Option" and together the "Options". The issue of the Options to Professor Plimer is designed to align his interests with those of the Company and its shareholders and is intended to provide incentive for him to further enhance the growth and value of the Company.

In the Company's Prospectus dated 14 June 2011 it was stated that, subject to shareholder approval, the Company intended to issue 2,500,000 to Professor Plimer as part of his remuneration package as a Non-Executive Director of the Company exercisable at \$0.30 per share on or before 30 December 2013. By agreement the Company has changed the expiry date to 30 September 2013.

Introduction

The ASX Listing Rules and the Corporations Act 2001 (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 section 208 of the Corporations Act 2001.

The proposed Resolution 8, if passed, will approve the issue of securities to and confer financial benefits upon a Director of the Company. The Company seeks to obtain shareholder approval in accordance with the requirements of section 208 of the Corporations Act 2001 and ASX Listing Rule 10.11. Accordingly, information required under the ASX Listing Rules and the Corporations Act 2001 as well as information that will properly enable shareholders to consider Resolution 8 is presented below.

Corporations Act 2001

Section 208 of the Corporations Act 2001 provides that for a public company to give a financial benefit to a related party it must obtain the prior approval of its shareholders.

A "related party" for the purposes of the Corporations Act 2001 includes a director of a public company. A "financial benefit" for the purposes of the Corporations Act 2001 is widely defined and includes a public company granting options to a related party. The granting of Options to a Director as contemplated by Resolution 8 constitutes the giving of a financial benefit and accordingly, the Company is seeking shareholder approval under section 208 of the Corporations Act 2001 to approve the grant of the Options to Professor Plimer.

The resolution is also being put to shareholders pursuant to section 195(4) of the Corporations Act 2001. 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.

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 to Professor Plimer. 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 ASX Listing Rule 7.1 being exceeded.

The shares issued on any exercise of the 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.

Directors' Recommendation

As it is proposed that all Directors of the Company, other than Mr David Fuller and Mr Arthur Jones, be granted options on the same terms as the Options to be granted to Professor Plimer, the Directors, other than Mr David Fuller and Mr Arthur Jones, make no recommendation with respect to Resolution 8 as they may have a conflict of interest in doing so.

However, to assist shareholders in determining how to vote on the Resolution, the Directors have set out below the potential benefits and 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 2001.

Mr David Fuller and Mr Arthur Jones recommend that shareholders vote in favour of Resolution 8 because they consider that the potential benefits of the proposed issue of the Options outweigh the costs, as outlined below.

Potential Benefits – Issue of Options

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

- Professor Plimer will have a vested interest in the affairs of the Company and an incentive 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 Professor Plimer 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 Professor Plimer with a reward for services provided and an incentive for future services he 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 at no significant cost. If all of the Options proposed to be issued to Professor Plimer are ultimately exercised, an amount of approximately \$750,000 would be subscribed into the capital of the Company which would be used for general working capital purposes. 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 Professor Plimer in order to attract and retain 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 Professor Plimer is that there will be a dilution of the issued share capital of the Company 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 Resolution 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 2,500,000 to 188,002,508 and the newly issued shares would comprise 1.3% of the issued shares at that time. The effect would be to dilute the shareholding of existing shareholders by approximately 1.3% on an undiluted basis (based on 185,502,508 shares currently on issue).

The lowest and highest price of shares in the Company in the past 12 months on the ASX was 0.0 cents during the period while the Company was suspended and 21 cents on 30th August 2011 respectively.

The closing price of shares in the Company on 25th October 2011, the last trading day before lodgement of the Notice of Annual General Meeting and Explanatory Memorandum with the ASX was \$0.13.

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 grant Professor Plimer a right to one share in the Company upon exercise of an Option and payment of the exercise price by Professor Plimer. 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.

The Black Scholes option price calculation method has been used to value the Options based on the assumed exercise price of 30 cents. In determining the value of the Options, the following inputs have been assumed:

- a) the Options are granted for nil consideration and have less than a three year life vesting immediately;
- b) assumed exercise price: 30 cents (71% more than estimated share price at grant date);
- c) grant date: 30th November 2011
- d) expiry date: 30th September 2013
- e) share price at grant date: estimated 17.5 cents
- f) expected price volatility of the Company's shares: 80%
- g) expected dividend yield: 0
- h) risk-free interest rate: 4.75%

Using the Black Scholes option price calculation method and the assumed data outlined above, the Options have been valued at \$0.06143 each. Accordingly, the total value of the proposed Options to be granted to Professor Plimer is \$153,593 over the term of the Options.

Accordingly, the total balance sheet impact attributable to the granting of the Options is \$153,593 over the term of the Options. In determining the number and terms of the Options to be issued to Professor Plimer, consideration was given to the relevant experience and role of Professor Plimer, his remuneration terms, the current market price of shares in the Company and the terms of the recent option packages granted to directors of other companies within the sector in which the Company operates.

Corporate Governance

ASX Corporate Governance Principles and Recommendations states that Non-executive Directors should not receive Options.

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.

Reasons for Options

The exercise price of the Options to be granted to the Directors was selected as being 50% above the offer price for the securities issued under the Company's Prospectus dated 14 June 2011. It was intended to give Directors an incentive to increase the Company's share price for the benefit of all shareholders. The issue of 2,500,000 Options to Professor Plimer was considered to be appropriate relative to his annual Director's fees of \$36,000.

Total Remuneration Package and Interest in Company

Professor Plimer's annual remuneration is \$36,000.

Professor Plimer currently holds no interest in any shares or options in the Company. However, he is to be issued 2,500,000 options on approval of Resolution 8.

Interest in outcome of Resolution

Professor Ian Plimer has an interest in the outcome of the Resolution in that if it passed he will be issued the Options.

Issue of Options

It is proposed that the Options be issued within 1 month following the date of this meeting.

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 Information

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

Other than the information above and otherwise set out in this Explanatory Memorandum, 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 Resolution 8.

Terms and Conditions of the Options

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

- Each Option entitles the holder to subscribe for one ordinary share in the Company at a price of 30 cents per share.
- The Options will be issued at a nil issue price and will vest immediately.
- The Options will be issued to Professor Plimer (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 30th September 2013. The Options will vest immediately.
- The Options may be exercised 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.
- If there is a pro rata issue (except a bonus issue) to shareholders, the exercise price of the option may be reduced according to the following formula:

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

Where:

O' = the new exercise price of the option;

O = the Old exercise price of the option;

E = the number of underlying securities into which one option is Exercisable;

Note: E is one unless the number has changed because of a bonus issue.

P = the average market Price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date;

S = the Subscription price for a security under the pro rata issue;

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

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

- 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.
- In the event of the Company effecting a Rights Issue at a discount, the exercise price of the Options shall be adjusted in accordance with the ASX Listing Rules.
- 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 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 Resolution 8 will amount to a total of \$750,000. The funds raised will form part of the working capital of the Company.

Resolution 9

Issue of Options to Mr Terence Willstead

The Company proposes to grant 2,500,000 Options over ordinary shares in the capital of the Company to Mr Terence Willstead (a Director of the Company) each at an exercise price of 30 cents per share on the terms set out below, under the heading "Terms and Conditions of Options". Each an "Option" and together the "Options". The issue of the Options to Mr Willstead is designed to align his interests with those of the Company and its shareholders and is intended to provide incentive for him to further enhance the growth and value of the Company.

In the Company's Prospectus dated 14 June 2011 it was stated that, subject to shareholder approval, the Company intended to issue 2,500,000 Options to Mr Willstead as part of his

remuneration package as a Non-Executive Director of the Company exercisable at \$0.30 per share on or before 30 December 2013. By agreement the Company has changed the expiry date to 30 September 2013.

Introduction

The ASX Listing Rules and the Corporations Act 2001 (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 section 208 of the Corporations Act 2001.

The proposed Resolution 9, if passed, will approve the issue of securities to and confer financial benefits upon a Director of the Company. The Company seeks to obtain shareholder approval in accordance with the requirements of section 208 of the Corporations Act 2001 and ASX Listing Rule 10.11. Accordingly, information required under the ASX Listing Rules and the Corporations Act 2001 as well as information that will properly enable shareholders to consider Resolution 9 is presented below.

Corporations Act 2001

Section 208 of the Corporations Act 2001 provides that for a public company to give a financial benefit to a related party it must obtain the prior approval of its shareholders.

A “related party” for the purposes of the Corporations Act 2001 includes a director of a public company. A “financial benefit” for the purposes of the Corporations Act 2001 is widely defined and includes a public company granting options to a related party. The granting of Options to a Director as contemplated by Resolution 9 constitutes the giving of a financial benefit and accordingly, the Company is seeking shareholder approval under section 208 of the Corporations Act 2001 to approve the grant of the Options to Mr Willsteed.

The resolution is also being put to shareholders pursuant to section 195(4) of the Corporations Act 2001. 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.

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 to Mr Willsteed. 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 ASX Listing Rule 7.1 being exceeded.

The shares issued on any exercise of the 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.

Directors’ Recommendation

As it is proposed that all Directors of the Company, other than Mr David Fuller and Mr Arthur Jones, be granted Options on the same terms as the Options to be granted to Mr Willsteed, the Directors other than Mr David Fuller and Mr Arthur Jones, make no recommendation with respect to Resolution 9 as they may have a conflict of interest in doing so.

However, to assist shareholders in determining how to vote on the Resolution, the Directors have set out below the potential benefits and 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 2001.

Mr David Fuller and Mr Arthur Jones recommend that shareholders vote in favour of Resolution 9 because they consider that the potential benefits of the proposed issue of the Options outweigh the costs, as outlined below.

Potential Benefits – Issue of Options

If the Options are issued pursuant to the proposed Resolution 9, the Company considers that the following benefits will arise:

- Mr Willsteed will have a vested interest in the affairs of the Company and an incentive 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 Mr Willsteed 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 Mr Willsteed with a reward for services provided and an incentive for future services he 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 at no significant cost. If all of the Options proposed to be issued to Mr Willsteed are ultimately exercised, an amount of approximately \$750,000 would be subscribed into the capital of the Company which would be used for general working capital purposes. 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 Mr Willsteed in order to attract and retain 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 Mr Willsteed is that there will be a dilution of the issued share capital of the Company 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 Resolution 9 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 2,500,000 to 188,002,508 and the newly issued shares would comprise 1.3% of the issued shares at that time. The effect would be to dilute the shareholding of existing shareholders by approximately 1.3% on an undiluted basis (based on 185,502,508 shares currently on issue).

The lowest and highest price of shares in the Company in the past 12 months on the ASX was 0.0 cents during the period while the Company was suspended and 21 cents on 30th August 2011 respectively.

The closing price of shares in the Company on 25th October 2011, the last trading day before lodgement of the Notice of Annual General Meeting and Explanatory Memorandum with the ASX was \$0.13.

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 grant Mr Willsted a right to one share in the Company upon exercise of an Option and payment of the exercise price by Mr Willsted. 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.

The Black Scholes option price calculation method has been used to value the Options based on the assumed exercise price of 30 cents. In determining the value of the Options, the following inputs have been assumed:

- a) the Options are granted for nil consideration and have less than a three year life vesting immediately;
- b) assumed exercise price: 30 cents (71% more than estimated share price at grant date);
- c) grant date: 30th November 2011
- d) expiry date: 30th September 2013
- e) share price at grant date: estimated 17.5 cents
- f) expected price volatility of the Company's shares: 80%
- g) expected dividend yield: 0
- h) risk-free interest rate: 4.75%

Using the Black Scholes option price calculation method and the assumed data outlined above, the Options have been valued at \$0.06143 each. Accordingly, the total value of the proposed Options to be granted to Mr Willsted is \$153,593 over the term of the Options.

Accordingly, the total balance sheet impact attributable to the granting of the Options is \$153,593 over the term of the Options. In determining the number and terms of the Options to be issued to Mr Willsted, consideration was given to the relevant experience and role of Mr Willsted, his remuneration terms, the current market price of shares in the Company and the terms of the recent option packages granted to directors of other companies within the sector in which the Company operates.

Corporate Governance

ASX Corporate Governance principals and recommendations states that Non-Executive Directors should not receive Options.

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.

Reasons for Options

The exercise price of the Options to be granted to the Directors was selected as being 50% above the offer price for the securities issued under the Company's Prospectus dated 14 June 2011. It was intended to give Directors an incentive to increase the Company's share price for the benefit of all shareholders. The issue of 2,500,000 Options to Mr Willsted was considered to be appropriate relative to his annual Director's fees of \$36,000.

Total Remuneration Package and Interest in Company

Mr Willsted's annual remuneration is \$36,000.

Mr Willsted has an interest in 1,000,000 ordinary shares and is to be issued 2,500,000 options on approval of Resolution 9.

Interest in Outcome of Resolution

Mr Terence Willsted has an interest in the outcome of the Resolution in that if it is passed he will be issued the Options.

Issue of Options

It is proposed that the Options be issued within 1 month following the date of this meeting.

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 Information

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

Other than the information above and otherwise set out in this Explanatory Memorandum, 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 Resolution 9.

Terms and Conditions of the Options

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

- Each Option entitles the holder to subscribe for one ordinary share in the Company at a price of 30 cents per share.
- The Options will be issued at a nil issue price and will vest immediately.
- The Options will be issued to Mr Willstedt (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 30th September 2013. The Options will vest immediately.
- The Options may be exercised 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.
- If there is a pro rata issue (except a bonus issue) to shareholders, the exercise price of the option may be reduced according to the following formula:

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

Where

O' = the new exercise price of the option;

O = the Old exercise price of the option;

E = the number of underlying securities into which one option is Exercisable;

Note: E is one unless the number has changed because of a bonus issue.

P = the average market Price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date;

S = the Subscription price for a security under the pro rata issue;

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

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

- 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.

- In the event of the Company effecting a Rights Issue at a discount, the exercise price of the Options shall be adjusted in accordance with the ASX Listing Rules.
- 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 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 Resolution 9 will amount to a total of \$750,000. The funds raised will form part of the working capital of the Company.

Resolution 10

Issue of Shares to Mr Andrew Davis

Alan Davis Pty Limited, a company controlled by Mr Andrew Davis is a creditor of Niuminco Limited (a wholly owned subsidiary of Niuminco Group Limited) being owed an amount of \$481,920.

This debt includes a signing on fee of \$200,000 plus GST, consulting fees for the months of February, March, April and May 2011 totalling \$100,000 plus GST and loans made by Alan Davis Pty Limited to Niuminco Limited totalling \$151,920. The Company agreed to issue 2,250,000 shares at an issue price of \$0.20 per share to Alan Davis Pty Limited in satisfaction of \$450,000 of the debt, subject to shareholder approval to be sought for the purposes of ASX Listing Rule 10.11. Any amount of the debt in excess of \$450,000 remains outstanding and is to be repaid in cash.

If shareholder approval for the issue of the shares is not obtained and the shares are not issued to Alan Davis Pty Limited by 30 November 2011, then \$450,000 of debt shall be immediately due and payable.

At the time the arrangements were entered into they were considered by the Board to be on arm's length terms, accordingly, shareholder approval is sought only for the purposes of ASX Listing Rule 10.11.

The foregoing arrangements were disclosed in section 13.11 of the Company's Prospectus dated 14 June 2011.

The ASX Listing Rules require shareholder approval to be obtained for the issue of shares to directors or their associates.

As Mr Davis is a Director of the Company and controls Alan Davis Pty Limited, approval for the issue of the share is sought in accordance with ASX Listing Rule 10.11.

If the proposed Resolution 10 is passed the shares will be issued to Alan Davis Pty Limited not more than 1 month after the date of this meeting.

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

The Directors, other than Mr Andrew Davis, recommend that shareholders vote in favour of the resolution as, if the resolution is not passed, the Company will be required to pay the sum of \$450,000 in repayment of the loan owing to Alan Davis Pty Limited by not later than 30 November 2011.

Resolution 11

Issue of Options to Mr Andrew Davis

The Company proposes to grant 5,000,000 Options over ordinary shares in the capital of the Company to Mr Andrew Davis (a Director of the Company) each at an exercise price of 30 cents per share (each an "Option" and together the "Options"). The issue of the Options to Mr Davis is designed to align his interests with those of the Company and its shareholders and is intended to provide incentive for him to further enhance the growth and value of the Company.

In the Company's Prospectus dated 14 June 2011 it was stated that, subject to shareholder approval, the Company would issue 5,000,000 options to Mr Davis as part of his remuneration package as Managing Director of the Company. The Options would be exercisable at \$0.30 per share on or before that date that is three months after the termination of his position as Managing Director.

Introduction

The ASX Listing Rules and the Corporations Act 2001 (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 section 208 of the Corporations Act 2001.

The proposed Resolution 11, if passed, will approve the issue of securities to and confer financial benefits upon a Director of the Company. The Company seeks to obtain shareholder approval in accordance with the requirements of section 208 of the Corporations Act 2001 and ASX Listing Rule 10.11. Accordingly, information required under the ASX Listing Rules and the Corporations Act 2001 as well as information that will properly enable shareholders to consider Resolution 11 is presented below.

Corporations Act 2001

Section 208 of the Corporations Act 2001 provides that for a public company to give a financial benefit to a related party it must obtain the prior approval of its shareholders.

A "related party" for the purposes of the Corporations Act 2001 includes a director of a public company. A "financial benefit" for the purposes of the Corporations Act 2001 is widely defined and includes a public company granting options to a related party. The granting of Options to a Director as contemplated by Resolution 11 constitutes the giving of a financial benefit and accordingly, the Company is seeking shareholder approval under section 208 of the Corporations Act 2001 to approve the grant of the Options to Mr Davis.

The resolution is also put to shareholders pursuant to section 195(4) of the Corporations Act 2001. 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.

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 to Mr Davis. 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 ASX Listing Rule 7.1 being exceeded.

The shares issued on exercise of the 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.

Directors' Recommendation

As it is proposed that all Directors of the Company, other than Mr David Fuller and Mr Arthur Jones, be granted options on the same terms as the Options to be granted to Mr Davis, the Directors, other than Mr David Fuller and Mr Arthur Jones, make no recommendation with respect Resolution 11 as they may have a conflict of interest in doing so.

However, to assist shareholders in determining how to vote on the Resolution the Directors have set out below the potential benefits and 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 2001.

Mr David Fuller and Mr Arthur Jones recommend that shareholders vote in favour of Resolution 11 because they consider that the potential benefit of the proposed issue of the Options outweighs the costs, as outlined below.

Potential Benefits – Issue of Options

If the Options are issued pursuant to the proposed Resolution 11, the Company considers that the following benefits will arise:

- Mr Davis will have a vested interest in the affairs of the Company and an incentive 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 Mr Davis 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 Mr Davis with a reward for services provided and an incentive for future services he 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 at no significant cost. If all of the Options proposed to be issued to Mr Davis are ultimately exercised, an amount of approximately \$1,500,000 would be subscribed into the capital of the Company which would be used for general working capital purposes. 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 Mr Davis in order to attract and retain 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 Mr Davis is that there will be a dilution of the issued share capital of the Company 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 Resolution 11 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 5,000,000 to 190,502,508 and the newly issued shares would comprise 2.6% of the issued shares at that time. The effect would be to dilute the shareholding of existing shareholders by approximately 2.6% on an undiluted basis (based on 185,502,508 shares currently on issue).

The lowest and highest price of shares in the Company in the past 12 months on the ASX was 0.0 cents during the period while the Company was suspended and 21 cents on 30th August 2011 respectively.

The closing price of shares in the Company on 25th October 2011, the last trading day before lodgement of the Notice of Annual General Meeting and Explanatory Memorandum with the ASX was \$0.13.

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 grant Mr Davis a right to one share in the Company upon exercise of an Option and payment of the exercise price by Mr Davis. 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.

The Black Scholes option price calculation method has been used to value the Options based on the assumed exercise price of 30 cents. In determining the value of the Options, the following inputs have been assumed:

- a) the Options are granted for nil consideration and have less than a three year life vesting immediately;
- b) assumed exercise price: 30 cents (71% more than estimated share price at grant date);
- c) grant date: 30th November 2011
- d) expiry date: 30th March 2014
- e) share price at grant date: estimated 17.5 cents
- f) expected price volatility of the Company's shares: 80%
- g) expected dividend yield: 0
- h) risk-free interest rate: 4.75%

Using the Black Scholes option price calculation method and the assumed data outlined above, the Options have been valued at \$0.0705 each. Accordingly, the total value of the proposed Options to be granted to Mr Davis is \$352,646 over the term of the Options.

Accordingly, the total balance sheet impact attributable to the granting of the Options is \$352,646 over the term of the Options. In determining the number and terms of the Options to be issued to Mr Davis, consideration was given to the relevant experience and role of Mr Davis, his remuneration terms, the current market price of shares in the Company and the terms of the recent option packages granted to directors of other companies within the sector in which the Company operates.

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 exercise price thresholds. The Board believes that this provides the Executive Chairman with appropriate additional incentive and reflects core performance requirements and expectations.

Reasons for Options

The exercise price of the Options to be granted to the Directors was selected as being 50% above the offer price for the securities issued under the Company's Prospectus dated 14 June 2011. It was intended to give Directors an incentive to increase the Company's share price for the benefit of all shareholders. The issue of 5,000,000 Options to Mr Davis was considered to be appropriate relative to his annual Director's fees of \$300,000.

Total Remuneration Package and Interest in Company

Mr Davis' annual remuneration is \$300,000.

Mr Davis currently holds no interest in any shares or option in the Company. However, he is to be issued 2,250,000 ordinary shares and 5,000,000 options on approval of Resolutions 10 and 11 respectively.

Interest in Outcome of Resolution

Mr Davis has an interest in the outcome of the Resolution in that if it is passed he will be issued with the Options

Issue of Options

It is proposed that the Options be issued within 1 month following the date of this meeting.

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 Information

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1. Other than the information above and otherwise set out in this Explanatory Memorandum, 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 Resolution 11.

Terms and Conditions of the Options

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

Each Option entitles the holder to subscribe for one ordinary share in the Company at a price of 30 cents per share.

- The Options will be issued a nil issue price and will vest immediately.
- The Options will be issued to Mr Davis (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 expire on or before that date that is three months after the termination of Mr Davis' position as Managing Director. The Options will vest immediately.
- The Options may be exercised 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.
- If there is a pro rata issue (except a bonus issue) to shareholders, the exercise price of the option may be reduced according to the following formula:

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

Where

O' = the new exercise price of the option;

O = the Old exercise price of the option;

E = the number of underlying securities into which one option is Exercisable;

Note: E is one unless the number has changed because of a bonus issue.

P = the average market Price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date;

S = the Subscription price for a security under the pro rata issue;

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

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

- 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.
- In the event of the Company effecting a Rights Issue at a discount, the exercise price of the Options shall be adjusted in accordance with the ASX Listing Rules.
- 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 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 Resolution 11 will amount to a total of \$1,500,000. The funds raised will form part of the working capital of the Company.

Resolution 12

Share Issue

As part of the arrangements for the purchase by the Company of all of the shares in Niuminco Limited, as disclosed in the Company's Prospectus dated 14 June 2011, Mr Trevor Neale agreed to the cancellation of 4 million shares in Niuminco Limited having an exercise price of \$0.10 in consideration of the issue to Mr Neale of 2,360,000 ordinary shares in the capital of the Company. Those shares were issued to Mr Neale on 30 August 2011 following completion of the acquisition by the Company of all the shares in Niuminco Limited.

ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue more than 15% of its issued capital in any twelve month period except with shareholder approval or in other specified circumstances.

ASX Listing Rule 7.4 provides that shareholders may subsequently approve the issue of shares with the result that those shares are not taken into account in calculating the company's capacity to issue shares under ASX Listing Rule 7.1. Shareholder approval is now sought pursuant to ASX Listing Rule 7.4 to ratify the issue of 2,360,000 ordinary shares in the capital of the Company to Mr Neale.

The shares issued to Mr Neale were issued as consideration for the cancellation options and had a nominal issue price of \$0.20.

The shares were ordinary shares in the capital of the Company and issued on the same terms as all other ordinary shares.

There were no funds raised by the Company in connection with the issue.