

## **NOTICE OF ANNUAL GENERAL MEETING – AUGUST 31, 2016**

### **MACARTHUR MINERALS LIMITED**

ACN 103 011 436

Notice is hereby given that the Annual General Meeting (the “**Meeting**”) of Macarthur Minerals Limited ACN 103 011 436 (the “**Company**”) will be held at Dexus Place, Level 31, Waterfront Place, 1 Eagle Street, Brisbane, Queensland, Australia on Wednesday, August 31, 2016 commencing at 10:00 a.m. (Australian Eastern Standard Time).

#### **AGENDA**

##### **ORDINARY BUSINESS**

##### **FINANCIAL STATEMENTS & REPORTS**

To receive and consider the Australian statutory report of the directors and the Australian and Canadian financial reports of the Company and its controlled entities for the year ended March 31, 2016 together with the Auditors’ reports thereon.

##### **1. RE-ELECTION OF DIRECTOR – DAVID LENIGAS**

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

*“That David Lenigas, who retires in accordance with the clause 18.3 (a) of the Company’s Constitution, and being eligible, be elected as a director of the Company in accordance with clause 18.3(a) of the Company’s Constitution.”*

##### **2. RE-ELECTION OF DIRECTOR – ALAN SPENCE PHILLIPS**

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

*“That Alan Spence Phillips, who retires by rotation in accordance with clause 18.5 of the Company’s Constitution, and being eligible, be re-elected as a director of the Company in accordance with clause 18.3(a) of the Company’s Constitution.”*

##### **3. RE-ELECTION OF DIRECTOR – CAMERON MCCALL**

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

*“That Cameron McCall who retires in accordance with the clause 18.7(a) of the Company’s Constitution, and being eligible, be re-elected as a director of the Company in accordance with clause 18.8(a)(1) of the Company’s Constitution.”*

##### **4. RE-ELECTION OF DIRECTOR – DAVID TAPLIN**

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

*“That David Taplin who retires in accordance with the clause 18.7(a) of the Company’s Constitution, and being eligible, be re-elected as a director of the Company in accordance with clause 18.8(a)(1) of the Company’s Constitution.”*

##### **5. APPOINTMENT OF CANADIAN AUDITOR**

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

*“That, Davidson & Company LLP Chartered Accountants, be re-appointed as Canadian auditors of the Company for the 2016-2017 financial year at a remuneration to be fixed by the directors.”*

##### **6. APPROVAL OF THE CREATION OF RARE EARTH MINERALS AS A NEW CONTROL PERSON**

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

*“The approval of the acquisition of a relevant interest in the issued voting shares of the Company by Rare Earth Minerals plc, in excess of the threshold prescribed by section 606(1) of the Corporations Act and the creation of a new “Control Person” (as defined in the policies of the TSX Venture Exchange), by virtue of the shares issued pursuant to the exercise of warrants, all as more particularly set forth in the Information Circular”.*

## **7. AMENDMENT AND RESTATEMENT OF EMPLOYEE SHARE COMPENSATION PLAN AND CONSULTANT SHARE COMPENSATION PLAN**

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

“

1. *The amended employee share compensation plan and the consultant share compensation plan of the Company (the “Share Compensation Plans”) to fix the maximum number of common shares of the Company that may be issued under the Share Compensation Plans at 20% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans, as described in the Information Circular dated July 29, 2016 (the “Information Circular”) are hereby approved, subject to the Company obtaining all required approvals from the TSX-V and any other regulatory authorities;*
2. *any unallocated entitlements under the Share Compensation Plans are approved and the Company is authorized to grant entitlements under the Share Compensation Plans; and*
3. *any director or officer of the Company is hereby authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.”*

## **8. ALTERNATIVE RESOLUTION FOR SHARE COMPENSATION PLANS**

If Resolution 7 is not passed, to consider and, if thought fit, pass the following **ordinary resolution**, with or without amendment:

“

1. *The Share Compensation Plans as described in the Information Circular are hereby re-approved, subject to the Company obtaining all required approvals from the TSX-V and any other regulatory authorities;*
2. *any unallocated entitlements under the Share Compensation Plans are approved and the Company is authorized to grant entitlements under the Share Compensation Plans until the next Annual General Meeting; and*
3. *any director or officer of the Company is hereby authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.”*

## **9. INCREASE NUMBER OF COMMON SHARES THAT MAY BE ISSUED TO INSIDERS UNDER THE SHARE COMPENSATION PLANS**

If Resolution 7 is passed, to consider and, if thought fit, pass the following **ordinary resolution of disinterested shareholders**, with or without amendment:

“

1. *The amended Share Compensation Plans, as described in the Information Circular be further amended to;*
  - a. *Increase the number of common shares of the Company that may be issued under the Share Compensation Plans to insiders at any point in time from 10% to 20% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans;*
  - b. *Increase the number of common shares of the Company that may be issued under the Share Compensation Plans to any one person, at any point in time from 5% to 10% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans;*
  - c. *Increase the aggregate number of common shares of the Company that may be issued under the Share Compensation Plans that can be issued for RSUs, Bonus Shares and SPS from 2,800,000, within any one year period to 10,000,000 at any point in time, including to insiders; and*
2. *any director or officer of the Company is hereby authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.”*

Accompanying this Notice of Meeting is the Information Circular, a proxy form and a financial statement request form. The accompanying Information Circular is incorporated into this Notice of Meeting and provides information relating to the matters to be addressed at the Meeting, and further particulars on voting instructions.

DATED this 29<sup>th</sup> day of July, 2016.

By Order of the Board

*“Nicola Ingram”*

Nicola Ingram  
Company Secretary

Notes:

- (a) The record date for determining shareholders entitled to receive this Notice of Meeting and Information Circular is 7:00 a.m. on Saturday, July 30, 2016 (Australian Eastern Standard Time) or 5:00 p.m. (Eastern Daylight Time) or 2:00p.m (Pacific Daylight Time) on Friday, July 29, 2016 as (“**Notice Record Date**”). Shareholders who are registered on the Company’s register of members on the Notice Record Date or by 7:00 a.m. Tuesday, August 30, 2016 (Australian Eastern Standard Time) or 5:00 p.m. (Eastern Daylight Time) or 2:00p.m. (Pacific Daylight Time) on Monday, August 29, 2016 (“**Final Record Date**”) are entitled to attend and cast a vote at the Meeting. All registered shareholders who are unable to attend the Meeting in person are entitled to appoint a person to act as their proxy.
- (b) A registered shareholder that is a corporation must elect to appoint a representative in accordance with section 250D of the *Corporations Act 2001 (Cth)* in which case the Company will require written proof of the representative’s appointment which must be lodged with or presented to the Company before the Meeting.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return a proxy form in accordance with the directions set out in the attached Information Circular.
- (d) The proxy need not be a shareholder of the Company. A registered shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If two proxies are appointed by one shareholder neither of them will be entitled to vote on a show of hands at the Meeting.
- (e) Shareholders may beneficially own shares that are registered in the name of a nominee (such as a broker, another intermediary or an agent of that broker or intermediary) (“**Non-Registered Shareholders**”). Without specific instructions, nominees are prohibited from voting shares for their clients. If you are a Non-Registered Shareholder, it is vital that the voting instruction form provided to you, your nominee or its agent is returned according to the instructions provided in or with such form, sufficiently in advance of the deadline specified, to ensure that they are able to provide voting instructions on your behalf.
- (f) With respect to Resolution 6, for the purposes of Item 7 of Section 611 of the Corporations Act, an Independent Expert’s Report prepared by Hanrick Curran Corporate Finance Pty Ltd is enclosed with this Notice of Meeting. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders. The Independent Expert has determined that the proposal as outlined in Resolution 6 is not fair but reasonable to the non-associated Shareholders.
- (g) With respect to Resolution 6, the Company will disregard any votes cast by Rare Earth Minerals plc who is the warrant holder, and any associate of Rare Earth Minerals plc.
- (h) With respect to Resolution 9, the Company will disregard any votes cast by insiders to whom shares under the Share Compensation Plans may be issued or their associates.
- (i) If you have any queries on how to cast your votes then call Ms. Nicola Ingram on (07) 3221 1796 (Australia local) or +61 7 3221 1796 (internationally) during Australian business hours or Macarthur’s proxy solicitation agent, Laurel Hill Advisory Group, by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com) or by telephone at 1-877-452-7184 (toll free within Canada or the U.S.) or + 1 416-304-0211 (for collect calls outside Canada and the U.S.).
- (j) The Company’s financial statements and reports, are available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company’s website at [www.macarthurminerals.com](http://www.macarthurminerals.com).

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# MANAGEMENT INFORMATION CIRCULAR

July 29, 2016

MACARTHUR MINERALS LIMITED

ACN 103 011 436

FOR THE 2016 ANNUAL GENERAL MEETING OF SHAREHOLDERS

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This management information circular (“**Information Circular**”) is furnished to shareholders (“**Shareholders**”) of Macarthur Minerals Limited (“**Macarthur**” or the “**Company**”) in order to explain the resolutions (the “**Resolutions**”) to be put to Shareholders at the Annual General Meeting of the Company (“**Meeting**”) to be held on Wednesday August 31, 2016 in Brisbane, Australia at 10:00 a.m. (Australian Eastern Standard Time) and at any adjournments thereof. The directors recommend Shareholders to read the accompanying Notice of Meeting and this Information Circular in full before making any decision in relation to the Resolutions.

The contents and the sending of this Information Circular have been approved by the directors of the Company.

All dollar amounts are stated in Australian dollars unless specified otherwise. Information contained in this Information Circular is as at July 29, 2016 unless indicated otherwise.

Note that any reference in the Notice of Meeting or this Information Circular to “**Corporations Act**” means the *Corporations Act 2001* (Cth) and to the “**TSX-V**” means the TSX Venture Exchange and “**TSX**” means the Toronto Stock Exchange.

## VOTING ENTITLEMENTS

The directors of the Company have set 7:00 a.m. on Saturday, July 30, 2016 (Australian Eastern Standard Time) or 5:00 p.m. (Eastern Daylight Time) or 2:00p.m (Pacific Daylight Time) on Friday, July 29, 2016 as the record date for determining Shareholders entitled to receive this Notice of Meeting and Information Circular (“**Notice Record Date**”). Shareholders who are registered on the Company’s register of members on the Notice Record Date or by 7:00 a.m. Tuesday August 30, 2016 (Australian Eastern Standard Time) or 5:00 p.m. (Eastern Daylight Time) or 2:00p.m. (Pacific Daylight Time) on Monday, August 29, 2016 (“**Final Record Date**”) are entitled to vote at the Meeting (“**Registered Shareholders**”). Accordingly, all Registered Shareholders not appearing on the Company’s register of members on the Notice Record Date or by the Final Record Date will be disregarded in determining entitlements to attend and vote at the Meeting.

## SOLICITATION OF PROXIES

This Information Circular is also furnished in connection with the solicitation of proxies by management (“**Management**”) for use at the Meeting. Any solicitation by Management will be conducted by mail or e-mail and may be supplemented by telephone or other personal contact to be made without special compensation by officers and employees of the Company and such cost of solicitation will be borne by the Company. In addition, the Company has also retained Laurel Hill Advisory Group to solicit proxies in connection with the matters to be considered at the Meeting as described herein for a fee of CAD\$25,000, plus reasonable out of pocket expenses.

## APPOINTMENT OF PROXY HOLDER – REGISTERED SHAREHOLDER

**A Registered Shareholder is entitled to attend (whether in their own right, or as a corporate representative, or power of attorney) and vote at the Meeting, or may, by lodging a valid proxy form, appoint another person (who need not be a Shareholder of the Company), to attend the Meeting and represent the Shareholder (a “Proxy Holder”). A Registered Shareholder may appoint a Proxy Holder by inserting that person’s name on the proxy form. If no person is named in the proxy form, the Chairman of the Meeting (“Chairman”) will be appointed as that Shareholder’s Proxy Holder. A Shareholder who holds two or more shares can appoint a maximum of two Proxy Holders to vote their shares.**

A Proxy Holder can be appointed by a Registered Shareholder (or its attorney or other person duly authorised) in writing which must be signed or otherwise be authenticated in a manner permitted by the Corporations Act and the Company’s Constitution. If a proxy form is signed or otherwise authenticated by an attorney or other person duly authorised, the power of attorney or authority under which the proxy was signed or otherwise authenticated (or a certified copy of that power of attorney or authority) must be delivered to the Company at an address and time as specified below.

A Proxy Holder’s appointment will not be valid unless the completed proxy form is delivered to an address set out below by **7:00 a.m. on Saturday, August 27, 2016 (Australian Eastern Standard Time) or Friday, August 26, 2016 at 5:00 pm (Eastern Daylight Time) or 2:00 p.m. (Pacific Daylight Time)** or not less than 48 hours before any adjournment of the Meeting (“**Proxy Cut-off Time**”). Proxy forms delivered after that time will not be accepted.

A proxy form is included with this Information Circular and completed forms can be submitted to Computershare, the Company's transfer agent, as follows:

- **by post and/or hand deliver to:** Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor Toronto, ON M5J 2Y1, Canada
- **by fax to:** 1-866-249-7775 (Toll Free North America); +1 416-263-9524 (International)
- **by email to:** [service@computershare.com](mailto:service@computershare.com)

Proxy forms may also be delivered to the Company's registered office in Australia at Level 20, 10 Eagle Street, Brisbane, Queensland, Australia, posted to the Company at P.O. Box 7031, Brisbane, Queensland, 4000, Australia or by facsimile to the Company on 07 3221 6152 or +617 3221 6152 (if sent from overseas).

## VOTING BY PROXY

### Direction on how to vote

If you wish to direct the Proxy Holder how to vote, *please place a mark in the appropriate boxes that appear on the proxy form.*

The shares represented by a properly executed proxy form, where the Chairman is the Proxy Holder will:

- where a choice with respect to any matter to be acted upon has been specified in the proxy form or on any ballot or poll that may be taken, be voted in accordance with the specification made in such proxy form; and
- **On a show of hands or a poll, such shares will be voted in favour of each matter for which no choice has been specified, or where both choices have been specified by the Shareholder.**

### No Direction on how to vote - General

If no person is named in the proxy form, the Chairman will be appointed as that Shareholder's Proxy Holder. If you do **not** direct your Proxy Holder how to vote in respect of the Resolution(s), the Proxy Holder may cast your vote as the Proxy Holder thinks fit or may abstain from voting. By signing an undirected appointment you acknowledge that, subject to the Corporations Act, the Proxy Holder may exercise your vote even if he/she has an interest in the outcome of the Resolution(s) and even if votes cast by him/her other than as Proxy Holder will be disregarded because of that interest.

The enclosed proxy form, when properly completed, delivered and not revoked, confers discretionary authority upon the Proxy Holder thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the Chairman to vote in accordance with his best judgment on such matters or business. At the time of the printing of this Information Circular, Management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

## NON-REGISTERED HOLDERS

Only Registered Shareholders or duly appointed Proxy Holders are permitted to vote at the Meeting. Most North American Shareholders of the Company are Non-Registered Shareholders because the shares they own are not registered in their names but instead registered in the name of a nominee such as a brokerage firm through which they purchased the shares; bank, trust company, trustee or administrator of self-administered RRSPs, RRIFs, RESPs and similar plans; or clearing agency such as CDS Clearing and Depository Services Inc. (a "Nominee"). If you purchased your shares through a broker, you are likely to be a Non-Registered Shareholder.

Shares held by Nominees can only be voted (for or against resolutions) at the direction of the Non-Registered Shareholder. Without specific instructions, Nominees are prohibited from voting shares for Non-Registered Shareholders. **Therefore, each Non-Registered Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Proxy Cut-off Time.**

Existing regulatory policy requires Nominees to seek voting instructions from Non-Registered Shareholders in advance of Shareholders' meetings. The various Nominees have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Non-Registered Shareholders in order to ensure that their shares are voted at the Meeting. Often the proxy form supplied to a Non-Registered Shareholder by its broker is identical to the proxy form provided by the Company to the Registered Shareholders. However, its purpose is limited to instructing the Registered Shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Non-Registered Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada and the United States. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone,

for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting.

There are two kind of Non-Registered Shareholders those who object to their name being made known to the issuers of securities which they own called OBOs, Objecting Beneficial Owners and those who do not object to the issuers of the securities they own knowing who they are called NOBOs, Non-Objecting Beneficial Owners.

The Company may utilize the Broadridge Quickvote™ service to assist shareholders with voting their shares. Certain Non-Registered Shareholders who have not objected to the Company knowing who they are (non-objecting beneficial owners) may be contacted by Laurel Hill to conveniently obtain a vote directly over the telephone.

**A Non-Registered Shareholder who receives a Broadridge voting instruction form cannot use that form to vote shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of shares must be communicated to Broadridge) well in advance of the Proxy Cut-off Time in order to have the shares voted.**

Although Non-Registered Shareholders may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of their Nominee, a Non-Registered Shareholder may attend the Meeting as Proxy Holder for their Non-Registered shareholding and vote the shares in that capacity only in a poll. **Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their shares only on a poll as proxy holder for their Non-Registered shareholding should enter their own names in the blank space on the voting instruction form provided to them and return the same to their Nominee (or the Nominee's agent) in accordance with the instructions provided by such Nominee.**

All references to Shareholders in this Information Circular and the accompanying form of proxy and Notice of Meeting are to Registered Shareholders and Non-Registered Shareholders as at the record date of notice unless specifically stated otherwise.

#### **REVOCABILITY OF PROXY**

A Registered Shareholder who has submitted a proxy form may revoke it at any time in writing signed by the Registered Shareholder or by the Registered Shareholder's attorney or, where the Registered Shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and received by the Company:

- In **Canada**: at any time up to **5:00 p.m. Friday, August 26, 2016 (Eastern Daylight Time)** by hand or by post to Computershare Investor Services Inc., 100 University Avenue, 8th Floor Toronto, ON, M5J 2Y1, Canada, or facsimile to 1-866-249-775 (Toll Free North America); +1-**416-263-9524** (International) or via email on [service@computershare.com](mailto:service@computershare.com);
- In **Australia**: at any time up to **5:00 p.m. (Australian Eastern Standard Time) on the last business day preceding the day of the Meeting** (or if adjourned, any reconvening thereof) to the head office of the Company, at Level 20, 10 Eagle Street, Brisbane, Queensland, Australia, or posted to P.O. Box 7031, Brisbane, Queensland, 4000, Australia, facsimile to 07 3221 6152 or +617 3221 6152 (if sent from overseas) or via email on [communications@macarthurminerals.com](mailto:communications@macarthurminerals.com); **or**
- to the Chairman on the day of the Meeting (or if adjourned, any reconvening thereof); or in any other manner provided by law.

A revocation of a proxy form does not affect any matter on which a vote has been taken prior to the revocation. Only Registered Shareholders have the right to revoke a proxy form. Non-Registered Shareholders who wish to change their vote must in sufficient time in advance of the Meeting, arrange for the respective Nominee to revoke their proxy form on their behalf.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as set out herein:

- (a) no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year;
- (b) no proposed nominee of Management of the Company for election as a director of the Company; and
- (c) no associate or affiliate of the foregoing persons;

has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in any matter to be acted upon at the Meeting other than the election of directors (Resolutions 1 to 4), the amendment and restatement of the Share Compensation Plan, the alternative resolution for the Share Compensation Plan and the increase in the number of common shares that may be issued to insiders under the Share Compensation Plans (Resolution 7 to 9). See "*Particulars of Matters to be Acted Upon*" for further details.



## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Company is authorized to issue an unlimited number of ordinary (common) shares without par value of which 114,265,390 shares were issued and outstanding on July 29, 2016. The holders of common shares are entitled to one vote for each common share held.

To the knowledge of the directors and executive officers of the Company, at the date of this Information Circular, no disclosed person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all shares of the Company except the following:

<i>Name</i>	<i>No. of Common Shares Owned or Controlled</i>	<i>Percentage of Outstanding Common Shares</i>
Rare Earth Minerals plc	15,000,000 <sup>^</sup>	13.07%

<sup>^</sup> Rare Earth Minerals plc holds 15,000,000 warrants, see “*Particulars of Matters to be Acted Upon*” below for more details.

## PARTICULARS OF MATTERS TO BE ACTED UPON

There are ten (10) items of business on the agenda for the Meeting, and nine (9) items to be acted upon.

### 1. FINANCIAL STATEMENTS & REPORTS

The Corporations Act and Canadian regulations require that the reports of the directors, the auditors’ reports and the financial reports of the Company and its controlled entities for the year ended March 31, 2016 be laid before the Meeting. A copy of the reports will be provided to Shareholders who have requested a copy, filed on SEDAR and available on the Company’s website ([www.macarthurminerals.com](http://www.macarthurminerals.com)). Neither the Corporations Act, Canadian regulations, nor the Company’s Constitution requires a vote of Shareholders at the Meeting on such reports or statements. However, Shareholders will be given an opportunity to raise questions with respect to these reports and statements at the Meeting.

Following consideration of the reports, the Chairman will provide Shareholders an opportunity to ask questions about or comment on the management and audit of the Company.

### 2. ELECTION OF DIRECTORS (RESOLUTIONS 1 – 4)

The Company’s Constitution requires that all newly appointed directors stand for re-election at the next annual general meeting and that the remaining directors, either through retirement by rotation or in order to comply with the TSX-V Corporate Finance Manual must stand for re-election at each annual general meeting. Shareholders will therefore have the opportunity to vote on the election of each director at the Meeting.

The Company has adopted a majority voting system which aligns with Australian corporate practice. Under majority voting in Australia, security holders can vote “for”, “against” or “abstain” in relation to each resolution. On a show of hands, a resolution requires a majority of those present (whether voting in their own right or by Proxy Holder, corporate representative or power of attorney) to vote in favour of the resolution in order for it to be passed. Votes cast as an abstention are not counted in favour or against a resolution. If directors receive a majority of votes against, they will not be re-elected and their position on the board will cease in accordance with the Company’s Constitution.

Under the Company’s Constitution the minimum number of directors is three. The board of directors (the “**Board**”) presently consists of four directors. The Company is required to have an Audit Committee and the members of this committee are as set out in the table below.

Information on the directors is as follows:

Name & Position <sup>(1)</sup>	Principal Occupation or Employment during the past 5 years	Period of Service as an Officer or Director	Number of Shares, Warrants and Options <sup>(3)</sup>
<p><b>David Lenigas</b> <sup>(2)</sup> Independent Director</p> <p>London, UK</p>	<p>Mr Lenigas was appointed as Independent Director on July 11, 2016.</p> <p>Mr Lenigas is a Mining Engineer, with extensive experience in the lithium business, having recently retired as the Executive Chairman of Rare Earth Minerals plc (AIM: REM, OTC: REMMY) (“REM”). REM is a London listed Investment Company, which has a number of strategic investments in lithium projects around the world. Mr Lenigas is Executive Chairman of London listed Leni Gas Cuba Limited (ISDX: CUBA) (“LGC”). LGC is currently subject to a reverse take over with TSX-V listed Knowlton Capital Inc (TSX-V: KWC.H) and on completion Mr Lenigas will be the Co-Chairman and Chief Executive of the renamed entity; LGC Capital Ltd listed on the TSX-V. In addition, he is the Executive Chairman of a bespoke agri-logistics company; London listed AfriAg plc (ISDX: AFRI) and Executive Chairman of UK oil company, Doriemus plc (ISDX: DOR).</p>	<p>Independent Director, appointed July 11, 2016.</p>	<p>1,200,000 options</p>
<p><b>Alan Spence Phillips</b> Executive Director</p> <p>Queensland, Australia</p>	<p>Mr Alan Phillips was appointed to the board on October 19, 2005. Mr Phillips was President and CEO of the Company from August 31, 2009 until his resignation from those positions on April 28, 2015. Mr Phillips continues as Executive Director.</p> <p>Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 40 years. Mr Phillips specialises in start up and turnaround companies across a broad range of industries, but predominantly in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.</p>	<p>Executive Director, appointed October 19, 2005</p> <p>Re-appointed for a further term in 2010, 2011, 2014 and 2015.</p>	<p>1,000,000 options</p> <p>625,628 warrants</p>
<p><b>Cameron McCall</b> <sup>(2)</sup> Non-Executive Independent Director</p> <p>Queensland, Australia</p>	<p>Mr McCall was appointed as Independent Director on April 28, 2015 and Non-Executive Independent Chairman on December 3, 2015.</p> <p>Mr McCall has a wealth of experience across the financial services and commercial property industries within Australia and internationally. He has been providing investment, equity capital raising and share trading advice for over 17 years to corporate entities and private clients at Hartleys Limited and Macquarie Bank Limited. Mr McCall has during his 40 year career built an extensive network of international and Australian based high net worth individuals and corporate entities. Mr McCall is currently running a corporate advisory business providing advice on asset acquisition and capital raising to international and Australian based organisations.</p>	<p>Non-Executive Independent Director, appointed April 28, 2015.</p> <p>Re-elected for a further term on August 31, 2015.</p>	<p>2,000,000 shares</p> <p>2,000,000 options</p>



Name & Position <sup>(1)</sup>	Principal Occupation or Employment during the past 5 years	Period of Service as an Officer or Director	Number of Shares, Warrants and Options <sup>(3)</sup>
<p><b>David Taplin</b><sup>(2)</sup> President, CEO and Director  Queensland, Australia</p>	<p>Mr Taplin was appointed as an Executive Director on April 28, 2015 and appointed President and CEO on 3 December 2015. Prior to his appointment as President and CEO from August 31, 2009 Mr Taplin was the Company's CFO, General Counsel and Company Secretary. Mr Taplin resigned as Company Secretary on March 31, 2016.</p> <p>Mr Taplin has 25 years' experience as an executive in mining, gas and electricity. In addition to President and CEO, he has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX and TSX-V companies and government-owned corporations. Mr Taplin has worked extensively in corporate finance, corporate law and corporate governance both in Australia and internationally. Mr Taplin holds Bachelor of Laws, Master of Business Administration (AGSM), Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Business Management, and is a solicitor, CPA, Chartered Secretary (ACIS and FGIA) and member of the Australian Institute of Company Directors.</p>	<p>President and CEO, appointed Dec 3, 2015. Executive Director, appointed April 28, 2015. CFO, GC &amp; CS, appointed August 31, 2009.</p> <p>Re-elected for a further term on August 31, 2015.</p>	<p>5,962,474 shares</p> <p>3,000,000 options</p>

Notes:

1. The information as to place of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and officers individually.
2. Member of Audit Committee, Mr. McCall is the Chair.
3. Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at July 29, 2016, based upon information furnished to the Company by individual directors. Unless otherwise indicated, such shares are held directly.

**No proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company.**

To the knowledge of the Company, no proposed director of the Company is, as at the date hereof, or has been, within the 10 years before the date of this Information Circular, a director, chief executive officer ("CEO") or chief financial officer ("CFO") of any corporation (including the Company) that:

- (a) was subject to an order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "Order"), that was issued while the proposed director was acting in the capacity as a director, CEO or CFO; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO; or
- (c) is, as at the date of this Information Circular, or has been within 10 years before the date of the Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual; or
- (e) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (f) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

**Directors' Recommendation**

The directors (except for their interests) recommend that Shareholders vote in favour of the re-election of each director.

**The Chairman of the Meeting intends to vote in favour of the respective Resolutions where there are no directions indicated on the proxy form.**

### 3. APPOINTMENT OF CANADIAN AUDITOR (RESOLUTION 5)

Davidson & Company LLP, Chartered Accountants of Vancouver, British Columbia, Canada has been the auditors of the Company in Canada since August 15, 1997. Unless otherwise instructed, the proxies given in favour of the Chairman will be voted for the re-appointment of Davidson & Company LLP, Chartered Accountants as the auditors of the Company to hold office for the ensuing year at a remuneration to be fixed by the directors.

Under Australian law, the Company's corporate auditors, Nexia Audit Brisbane Pty Ltd (formerly Hayes Knight (QLD) Pty Ltd), were appointed by Shareholders in 2014 and do not require re-appointment every year at the annual general meeting.

#### *Directors' Recommendation*

The directors recommend that Shareholders vote in favour of the appointment of Davidson & Company LLP as the Company's Canadian auditors.

**The Chairman of the Meeting intends to vote in favour of the respective resolution where there are no directions indicated on the proxy form.**

### 4. APPROVAL OF THE CREATION OF A NEW CONTROL PERSON (RESOLUTION 6)

#### *Background*

On February 4, 2016 and March 7, 2016, the Company announced a non-brokered private placement (the "2016 Offering") of 15,000,000 Units at a price of CAD\$0.02 per Unit ("Unit") for aggregate gross proceeds of CAD\$300,000 to Rare Earth Minerals Plc ("Rare Earth Minerals"). Each Unit comprised of one common share and one share purchase warrant at an exercise price of CAD\$0.05 per share for a period of twelve months from the date of issuance.

The Company closed the 2016 Offering on April 12, 2016 and the issuance of Units was subject to the approval by the Foreign Investment Review Board ("FIRB") in Australia. On May 9, 2016 Rare Earth Minerals was notified by FIRB that it had no objection to the 2016 Offering and the Units were issued to Rare Earth Minerals.

As at July 29, 2016, Rare Earth Minerals holds 15,000,000 Common Shares representing 13.07% of the Company's issued and outstanding Common Shares on an undiluted basis.

Rare Earth Minerals also holds 15,000,000 share purchase warrants at an exercise price of CAD\$0.05 per Common Share which expire on May 8, 2017 ("Warrants"), which are subject to a 4 month hold and will be available to exercise from September 9, 2016.

Reference is also made to the Company's news release dated February 4, 2016, March 17, 2016, April 12, 2016 and May 9, 2016, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and provides information about 2016 Offering.

#### *TSX-V Requirements*

The rules of the TSX-V applicable to a private placement of TSX-V listed shares or other securities convertible or exercisable into TSX-V listed shares require that an issuance of such securities to an investor that results or could result in the creation of a new "Control Person" is subject to shareholder approval.

A Control Person is defined by the policies of the TSX-V as "any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of the Issuer, or that holds more than 20% of the outstanding Voting Shares of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer".

The Company obtained approval from the TSX-V in relation to the 2016 Offering. In providing that approval, Rare Earth Minerals provided to the TSX-V a signed undertaking that it would not exercise all or any of the Warrants in circumstances where such exercise would cause Rare Earth Minerals to beneficially own 20% or more of the then issued and outstanding common shares of the Company, unless Rare Earth Minerals has received specific disinterested shareholder's approval of the creation of the new Control Person.

As at July 29, 2016, assuming the full exercise of the Warrants, Rare Earth Minerals would hold 30,000,000 Common Shares representing a maximum interest of approximately 23.12% of the non-diluted and 20.28% of the fully diluted share

capital of the Company. Accordingly, pursuant to the rules of the TSX-V, Rare Earth Minerals would be considered a new Control Person.

Until such time as the Control Person Resolution is passed, Rare Earth Minerals rights under the Warrants will be limited so as to restrict it from holding in excess of 19.99% of the outstanding Common Shares at any one time. In other words, such limitation provisions imposed by the TSX-V have the effect of restricting Rare Earth Minerals from becoming a new Control Person until such time as shareholder approval is obtained in accordance with the rules of the TSX-V.

Non-associated shareholders will be asked at the Meeting to consider and, if thought fit, to pass an ordinary resolution, with or without amendment, to approve the creation of Rare Earth Minerals as a new Control Person.

***Australian Corporations Act - Exceptions to prohibited acquisitions***

Section 606 of the Corporations Act prohibits a person from acquiring an interest in a company if the acquisition would result in that person's or another person's voting power (as defined in the Corporations Act) in the company increasing, where the person's voting power increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

The future issue of the shares arising from the exercise of the Warrants to Rare Earth Minerals is prohibited by section 606 of the Corporations Act unless a relevant exception applies.

Item 7 of section 611 of the Corporations Act exempts an acquisition agreed to by a resolution passed at a general meeting on which no votes were cast in favour of the resolution by the person proposing to make the acquisition or their associates.

The Company therefore also seeks shareholder approval for the future issue of the shares arising from the exercise of the Warrants to Rare Earth Minerals for the purpose of Item 7 of section 611 of the Corporations Act. This Information Circular has been prepared to provide sufficient detail for shareholders of the Company to appropriately consider Resolution 7 and should be read in conjunction with the Independent Expert's Report.

If shareholders pass Resolution 6, this will have the effect of Rare Earth Minerals, gaining a relevant interest in the Company in excess of 20%.

***Specific information required by Item 7 of Section 611 of the Corporations Act***

Section 611 of the Corporations Act assumes that the directors of a company will provide shareholders with proper and full disclosure to enable them to assess the merits of a proposal and to decide whether to agree by resolution to an acquisition of shares.

The Australian Securities & Investments Commission ("ASIC") policy recommends that directors should ensure that all matters are disclosed that are material and relevant for shareholders to make an informed decision on the resolutions to be passed and that shareholders should be given an analysis of whether the proposals which are being approved under section 611 (item 7) of the Corporations Act are fair and reasonable when considered in the context of the interest of the shareholders other than those involved in the proposed issue of shares or their associates (non-associated shareholders).

The following information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act in respect to obtaining approval pursuant to Item 7 of Section 611 of the Corporations Act.

The figures in the following sections and the tables below assume that:

- (a) the Company has 114,765,390 Shares on issue, at the date of this Information Memorandum;
- (b) the Company does not issue any additional Shares; and
- (c) no options or warrants to acquire Shares are exercised, apart from Rare Earth Minerals' warrants (for details of outstanding options and warrants see below under "*The maximum extent of the increase in Rare Earth Minerals' voting power in the Company (including their associates) as a result of them exercising their Warrants.*" below.

***The identity of the person and their associates and any person who will have a relevant interest in the Shares to be allotted***

Rare Earth Minerals is a London listed Investment Company focused on creating a diverse portfolio of direct and indirect interests in lithium and rare earth element deposits. Rare Earth Minerals' investment strategy is to acquire a diverse portfolio of direct and indirect interests in exploration and development projects and assets.

Rare Earth Minerals has a significant stake in Bacanora Minerals Ltd (TSX-V, AIM: BCN), and has joint ventures with Bacanora which cover part of the Sonoroa Lithium Project in Northern Mexico.

Rare Earth Minerals also has an investment in European Metals Holdings Limited (ASX, AIM: EMH) that owns the exploration rights to one of the most significant lithium deposits in Europe, the Cinovec Lithium Deposit. Further, Rare Earth Minerals has an investment in Western Lithium USA Corporation (TSX: WLC, OTCQX: WLCDF), which owns the Kings Valley Lithium Project in Nevada and the Cauchari – Olaroz Project in Argentina. Rare Earth Minerals also has strategic investments in other rare earth projects in Australia and Greenland.

***The maximum extent of the increase in Rare Earth Minerals' voting power in the Company (including their associates) as a result of them exercising their Warrants.***

The future issue of the shares arising from the exercise of the Warrants to Rare Earth Minerals, and subject to assumptions set out above, Rare Earth Minerals will increase its relevant interest in the Company from a starting point that is below 20% to above 20%.

Rare Earth Minerals' Warrants are subject to a 4 month hold from the date of issue and cannot be exercised until September 9, 2016.

After the future issue of the shares arising from the exercise of the Warrants to Rare Earth Minerals, the number and percentage of shares Rare Earth Minerals will hold will be as follows:

<b>Security Holder</b>	<b>Current Shareholding</b>	<b>Current % of issued Share capital</b>	<b>Shareholding after full exercise of warrants</b>	<b>Maximum % issued capital after exercise</b>
Rare Earth Minerals	15,000,000	13.07%	30,000,000	23.12%

The above table is based on current issued capital and on a non-dilutive basis as at July 29, 2016.

As at July 29, 2016 the Company has the following options on issue:

<b>Date Option Granted</b>	<b>Expiry Date</b>	<b>Issue Price of Shares (CAD\$)</b>	<b>Number under option</b>
14 May 2015	13 May 2018	0.046	280,000
2 Sept 2015	1 Sept 2018	0.05	3,920,000
14 Apr 2016	13 Apr 2019	0.05	2,660,000
11 Jul 2016	10 Jul 2019	0.0525	3,540,000
			10,400,000

As at July 29, 2016 the Company has the following warrants on issue:

<b>Date Warrant Granted</b>	<b>Expiry Date</b>	<b>Issue Price of Shares (CAD\$)</b>	<b>Number under warrant</b>
18 Aug 2015	17 Aug 2016	0.05	7,761,578
9 May 2016	8 May 2017	0.05	15,000,000 <sup>^</sup>
			22,761,578

<sup>^</sup> these warrants are Rare Earth Minerals' warrants.

***Effect of Rare Earth Minerals' relevant interest on voting power***

As set out in the table above, the maximum potential voting power Rare Earth Minerals could have as a result of the exercise of Warrants by Rare Earth Mineral's is 23.12% (an increase of 10.05%).

***The maximum extent of the increase in the voting power of each of the associates of Rare Earth Minerals that would result from the transaction.***

None of the associates of Rare Earth Minerals hold any interests in the Company.

***Intentions of Rare Earth Minerals in relation to the Company***

The Company understands that Rare Earth Minerals does not presently:

- a) have any intention of making any changes to the Company's business;
- b) intend to inject further capital into the Company, other than potential exercise of its Warrants;
- c) intend to change the employees of the Company;
- d) have any intention to significantly change the Company's financial or dividend policies;
- e) intend to transfer any property between the Company and itself nor any person associated to it; or
- f) intend to redeploy the fixed assets of the Company.

***Independent Expert's Report***

In compliance with ASIC Regulatory Guide 74, the Directors appointed Hanrick Curran Corporate Finance Pty Ltd. ("**Hanrick Curran**"), Chartered Accountants as an independent expert, to examine the proposals and to provide an opinion as to whether the proposed issue of shares upon exercise of the Warrants, under Resolution 6 is fair and reasonable to the non-associated shareholders of the Company (the "**Independent Experts Report**" or "**IER**").

A copy of the IER is attached to this Notice of Meeting as **Schedule "A"**. Hanrick Curran has consented to the use of the IER in the form and context used in this Information Circular.

The Independent Expert's Report concludes that the proposals as outlined in Resolution 6 is **not fair but reasonable** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

***Proposed Resolution***

Pursuant to the rules of the TSX-V and the Corporations Act, Resolution 6 must be approved by the "disinterested" shareholders of the Company that are eligible to vote thereon. Accordingly, such resolution requires that it be passed by a simple majority vote excluding any votes attaching to Common Shares held by Rare Earth Minerals or its affiliates and associates. To the knowledge of the Company, as at the date of this Information Circular, Rare Earth Minerals' affiliates or associates do not own or hold any Common Shares.

The ordinary resolution substantially in the form below, must be at least a majority passed by Shareholders of the Company of votes cast at the Meeting in person or by proxy, other than the Rare Earth Minerals.

**BE IT RESOLVED:**

*"The approval of the acquisition of a relevant interest in the issued voting shares of the Company by Rare Earth Minerals plc, in excess of the threshold prescribed by section 606(1) of the Corporations Act and the creation of a new "Control Person" (as defined in the policies of the TSX Venture Exchange), by virtue of the shares issued pursuant to the exercise of warrants, all as more particularly set forth in the Information Circular".*

***Directors' Recommendation***

The directors recommend that Shareholders vote in favour of the approval of the creation of Rare Earth Minerals as a new control person.

**The Chairman of the Meeting intends to vote in favour of the respective resolution where there are no directions indicated on the proxy form.**

## 5. AMENDMENT AND RESTATEMENT OF EMPLOYEE SHARE COMPENSATION PLAN AND CONSULTANT SHARE COMPENSATION PLAN (RESOLUTION 7)

### *Background*

The Company currently has two incentive plans, the Employee Share Compensation Plan and the Consultant Share Compensation Plan (collectively the “**Share Compensation Plans**”). The Share Compensation Plans were accepted by TSX-V, and approved by Shareholders at the Company’s AGM held on August 31, 2015, and are in effect until August 31, 2016 (effectively the next AGM of the Company). When the Share Compensation Plans were drafted the Company sought extensive Australian and Canadian legal advice, tax advice and consulted closely with the TSX-V.

The Share Compensation Plans provide participants with the opportunity, not only through the grant of stock options, but also through the award of restricted share units (“**RSUs**”), share purchase scheme (the “**SPS**”) and share bonus scheme (the “**SBS**”) to acquire an ownership interest in the Company.

The Share Compensation Plans have been summarized as set out below and is put forward to Shareholders for approval as Resolution 7.

### *Australian Corporations Act Requirements*

Chapter 6D of the *Corporations Act 2001* (Cth) (“**Corporations Act**”) requires that, subject to certain exemptions, the Company provide prospectus level disclosure before an offer of securities (which includes share based compensation) is made. However, the Australian Securities and Investments Commission (“**ASIC**”) provides relief from prospectus level disclosure for employee incentive schemes. The Company has previously relied on such relief, hence the need for two plans:

- the Employee Share Compensation Plan; and
- the Consultant Share Compensation Plan.

The Employee Share Compensation Plan relies on relief from prospectus level disclosure pursuant to ASIC Class Order 14/1001 and/or ASIC Class Order 1001 (formerly ASIC Class Order 03/184) and the Consultant Share Compensation Plan on general disclosure exemptions.

The two plans currently have an aggregate limit of 10% of issued capital.

### *Summary of Proposed Amendments to be made to the Share Compensation Plans*

The Company is proposing to amend the Share Compensation Plans as follows:

- fixing the maximum number of common shares of the Company that may be issued under the Share Compensation Plans at 20% of the number of common shares of the Company issued and outstanding as of the effective date of the Share Compensation Plans (i.e. on the approval at this Meeting). As at the date of this Information Circular, the Company has on issue 114,765,390 common shares; and
- so that in the Event of Termination occurs as a result of termination for other than just cause (as defined below), directors have 365 days to exercise their options (previously 90 days).

All other terms of the Share Compensation Plans remain unchanged.

The TSX-V has provided their conditional approval on the Share Compensation Plans.

Pursuant to Policy 4.4 of the TSX Venture Exchange Manual (“**Manual**”), any amendment to the Share Compensation Plan requires shareholder approval. In the event that Resolution 7 is not approved by Shareholders at this Meeting, Shareholders will be asked to re-approve the Share Compensation Plan, un-amended, in accordance with TSX-V policy (see Resolution 8 below).

### *Summary of the Share Compensation Plans*

The Share Compensation Plans provide participants with the opportunity, through RSUs, options, the SPS and the SBS to acquire an ownership interest in the Company.

- RSUs are units that rise and fall in value based on the value of the Company’s shares. Unlike options, RSUs do not require the payment of any monetary consideration to the Company. Instead, each RSU represents a right to receive one common share following the attainment of vesting criteria determined at the time of the award. See “*Restricted Share Units*” below.
- Options are rights to acquire the Company’s common shares upon payment of monetary consideration (i.e. the exercise price), subject also to vesting criteria determined at the time of the grant. See “*Options*” below.

- The SPS will give participants the opportunity to purchase shares by making contributions from their salary and a part contribution by the Company. See “*Share Purchase Scheme*” below.
- The SBS gives the Company the discretion to allot, issue and distribute common shares to eligible participants who are deemed to have provided an extraordinary contribution to the Company. See “*Share Bonus Scheme*” below.

#### ***Purpose of the Share Compensation Plans and Participants***

The stated purpose of the Share Compensation Plan is to advance the interests of the Company and its Shareholders by:

- (a) ensuring that the interests of directors, officers, employees and consultants are aligned with the success of the Company;
- (b) encouraging share ownership by such persons; and
- (c) providing compensation opportunities to attract, retain and motivate such persons.

Each director (including non-executive directors), officer, employee and consultant of the Company and its subsidiaries, that are confirmed as bona fide eligible persons, will be eligible to participate in the Share Compensation Plans. See “*Restrictions on the Issuance of Shares from Treasury Under the Share Compensation Plans*” below.

Participants retained to provide Investor Relations Activities can only participate in Options. They are not allowed to receive RSUs, Bonus Shares and Common Shares pursuant to the SPS.

#### ***Administration of the Share Compensation Plan***

The Share Compensation Plans will be administered by the Board or other such persons as may be designated by the Board from time to time (the “**Administrators**”) which may be through the recommendation of the Remuneration and Nomination Committee of the Board (if such a committee is appointed), which will determine, from time to time, the eligibility of persons to participate in the Share Compensation Plans, when RSUs, options and shares under the SBS (“**Bonus Shares**”) will be awarded or granted, the number of RSUs, options and Bonus Shares to be awarded or granted, the vesting criteria for each award of RSUs and grant of options and all other terms and conditions of each award and grant, in each case in accordance with applicable securities laws and stock exchange requirements. In addition, the Administrators will determine the amount that participants and the Company may contribute under the SPS and whether such contributions shall be used to subscribe for shares from treasury or purchase shares from the market. See “*Share Purchase Scheme*” below.

The grant of any Restricted Share Units, Bonus Shares and Common Shares pursuant to the Share Purchase Scheme to Insider Participants must receive disinterested shareholder approval.

#### ***Number of Shares Available for Issuance under the Share Compensation Plan***

The number of shares available for issuance from the treasury under the Share Compensation Plan must not at any time exceed 20% of the number of common shares of the Company issued and outstanding as of the effective date of the Share Compensation Plans (i.e. on the approval at this Meeting), currently expected to be 114,765,390. These limits do not apply to shares purchased from the market under the SPS.

#### ***Restrictions on the Issuance of Shares from Treasury Under the Share Compensation Plans***

Certain additional restrictions on the number of shares issuable from treasury under the Share Compensation Plans will apply as follows:

- (a) the number of shares issuable from treasury to insiders cannot exceed 10% of the shares then outstanding (however refer to proposed Resolution 9);
- (b) the number of shares issued from treasury to insiders within any one-year period cannot exceed 10% of the shares then outstanding (however refer to proposed Resolution 9);
- (c) the number of shares issued from treasury to any one person at any time cannot exceed 5% of the shares then outstanding within any one-year period (however refer to proposed Resolution 9);
- (d) the number of shares issued to any one consultant at any time cannot exceed 2% of shares then outstanding, within any one-year period ;
- (e) the number of shares issued to all persons that provide investor relations activities at any time cannot exceed 2% of shares then outstanding, within any one-year period ;
- (f) the aggregate number of Common Shares issued for RSUs, Bonus Shares; and the SPS cannot exceeding in the issuance of 2,800,000, within any one-year period, including:



- (i) provided that no other limits are breached the aggregate number of shares issuable as Bonus Shares under the Employee Share Compensation Plan; and under the Consultant Share Compensation Plan cannot exceed 400,000 shares each year; and
- (ii) provided that no other limits are breached the aggregate number of shares issuable under the SPS pursuant to the Employee Share Compensation Plan and the Consultant Share Compensation Plan cannot exceed 400,000 shares each year (however refer to proposed Resolution 9).

The foregoing restrictions do not apply to shares purchased on the market under the SPS.

### ***Restricted Share Units***

#### (a) Mechanics for RSUs

RSUs awarded to participants under the Share Compensation Plan will be credited to an account that will be established on their behalf and maintained in accordance with the Share Compensation Plans. Each RSU awarded will conditionally entitle the holder thereof to the issuance of one common share upon achievement of the vesting criteria.

#### (b) Vesting Provisions

The Share Compensation Plans provide that:

- (i) at the time of the award of RSUs, the Administrators will determine the vesting criteria applicable to the awarded RSUs;
- (ii) vesting of RSUs may include criteria such as time vesting criteria or performance vesting;
- (iii) RSUs with time vesting criteria would, at a minimum (i.e. as the least restrictive criteria), vest in respect 33  $\frac{1}{3}$  % of the shares subject to RSUs on the first day after each of the first three anniversaries of the award date of such RSUs;
- (iv) RSUs with performance vesting criteria would, at a minimum (i.e. as the least restrictive criteria), vest on the first day after the first achievement of vesting criteria as determined by the Administrators; and RSUs issued to persons retained to provide investor relations activities vest in accordance with TSX-V Corporate Finance Manual.

#### (c) Termination, Retirement and Other Cessation of Employment in connection with RSUs

A person participating in the Share Compensation Plans will cease to be eligible to participate in the following circumstances: (a) where a participant voluntarily resigns from their position on the termination date included in any notice of termination of employment; (b) where a consultant terminates for convenience (insofar as it is possible pursuant to the terms of the consultant's contract) on the termination date included in any notice of termination of contract or service; (c) in all other circumstances, by the giving of any notice of termination of employment (whether voluntary or with just cause or without cause), or any cessation of employment or service for any reason whatsoever, excluding disability or death; or (d) in all other circumstances by the giving of notice by the Company to a consultant of termination of contract, excluding notice of termination of contract due to disability or death of the primary person who provides management or consulting services, excluding disability or death (an "**Event of Termination**").

If an Event of Termination occurs after the vesting date of the RSUs, but prior to settlement of the award of shares, to the extent permitted under applicable laws and the rules of the TSX-V and any other applicable exchange that the Company may be listed on from time to time (the "**Listing Rules**"), the settlement shall occur as soon as practicable after the Event of Termination. If an Event of Termination has occurred prior to the vesting date by voluntary resignation, under the Employee Share Compensation Plan, or by termination for convenience, under the Consultant Share Compensation Plan, or a participant is terminated for just cause under both Share Compensation Plans, all of the participant's unvested RSUs will immediately be null and void. If an Event of Termination has occurred by the Company, without cause, all RSUs of the participant shall immediately vest and shall be paid out in shares no later than 10 days after the Event of Termination.

If a participant dies or suffers a disability which the Administrators, in their sole and unfettered discretion, consider likely to permanently prevent the participant (or the primary person who provides management or consulting services to the Company or to any entity controlled by the Company) from: (a) being employed or engaged by the Company, its subsidiaries or another employer, in a position the same as or similar to that in which they were last employed or engaged by the Company or its subsidiaries; or (b) acting as a director or officer of the Company or its subsidiaries (a "**Disability**"), the RSUs then held by the participant shall vest, depending on applicable time vesting criteria or achievement of performance criteria, at any time up to but not after the earlier of: (i) 365 days after the date of death or Disability; and (ii) the expiration date of the RSUs.

(d) Other Terms

Under the Share Compensation Plans, should the vesting of an RSU fall within a blackout period the vesting will be automatically extended to the business day after the end of the blackout period.

Under the Consultant Share Compensation Plan, if a participant's contract term ends after the vesting date of the RSUs, but prior to settlement of the award of shares, to the extent permitted under applicable laws and the Listing Rules, the settlement shall occur as soon as practicable after the expiry of the contract term. If the vesting of a participant's RSUs is delayed due to a blackout period, but the participant's contract ends on, or after, what would have been the vesting date but for the blackout period, the RSUs shall still vest in accordance with their terms despite expiry of the contract term. In all other cases, if a participant's contract term ends prior to the vesting date all rights of the participant in unvested RSUs granted to the participant shall be immediately null and void as of the date of the expiry of the contract.

Under the Share Compensation Plans, all unvested RSUs shall vest on occurrence of a "Change of Control". A "Change of Control" means: (i) the acceptance of a bona fide arm's length offer made to all holders of voting shares in the capital of the Company to purchase, directly or indirectly, voting shares in the capital of the Company (an "Offer") by a sufficient number of holders of voting shares in the capital of the Company to constitute the offeror, together with persons acting jointly or in concert with the offeror, a Shareholder of the Company being entitled to exercise more than 50% of the voting rights attaching to the outstanding voting shares in the capital of the Company (provided that prior to the Offer, the offeror was not entitled to exercise more than 50% of the voting rights attaching to the outstanding voting shares in the capital of the Company), (ii) the completion of a consolidation, merger or amalgamation of the Company with or into any other corporation whereby the voting Shareholders of the Company immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting shares of the consolidated, merged or amalgamated corporation, (iii) the completion of a sale whereby all or substantially all of the Company's undertakings and assets become the property of any other entity and the voting Shareholders of the Company immediately prior to that sale hold less than 50% of the voting rights attaching to the outstanding voting securities of that other entity immediately following that sale, (iv) a change in the composition of a majority of the board within a 60 day period as a result of a Shareholder (alone or collectively with other Shareholders) being able to exert control or influence over the composition of the Board, and so exercise such control or influence; or (v) any similar event or transaction not specifically contemplated by this section paragraph as determined by the Company in its sole discretion, acting reasonably, including but not limited to a change in control of the Board.

*Options*

(a) Mechanics for Options

Each option granted will entitle the holder thereof to the issuance of one share upon achievement of the vesting criteria and payment of the applicable exercise price.

(b) Termination, Retirement and Other Cessation of Employment in connection with Options

A person participating in the Share Compensation Plan will cease to be eligible to participate where there is an Event of Termination (as defined above).

If an Event of Termination occurs as a result of termination for just cause, any unvested options held by such participant on the date of such termination, shall be cancelled as of that date. Except as otherwise stated in the Share Compensation Plans or otherwise determined by the Administrators in their discretion, upon the occurrence of an Event of Termination that includes termination by voluntary resignation, under the Employee Share Compensation Plan, or by termination for convenience, under the Consultant Share Compensation Plan, or termination other than for just cause, under both Share Compensation Plan, any unvested options granted to the affected participant shall vest immediately and may be exercised only before the earlier of: (i) the expiry of the option; and (ii)(a) 90 days after the date of the Event of Termination for participants who are not directors; or (ii)(b) 365 days after the date of the Event of Termination for participants who are directors.

If a participant (or in the case of a consultant company, the primary person who provides management or consulting services to the Company or to any entity controlled by the Company), the options then held by the participant shall vest and be exercisable to purchase shares at any time up to but not after the earlier of: (i) 365 days after the date of death or Disability; and (ii) the expiration date of the options.

(c) Other Terms

The Administrators will determine the exercise price and term/expiration date of each option, provided that the exercise price shall not be less than the prescribed discount permitted by the TSX-V from the market price on the date of grant; and no option shall be exercisable after five years from the date on which it is granted.

Should the term of an option expire on a date that falls within a blackout period or within nine business days following the expiration of a blackout period, such expiration date will be automatically extended to the tenth business day after the end of the blackout period.

If a Change of Control occurs, all options will become vested, whereupon such option may be exercised in whole or in part by the optionee, subject to the approval of the TSX-V, if necessary.

If a bona fide Offer for shares is made to a participant who holds options or to Shareholders of the Company generally or to a class of Shareholders which includes the options held by a participant, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of the *Securities Act* (British Columbia), the Company may, upon receipt of notice of the Offer, determine in its discretion whether to amend the vesting provisions of the options and notify each affected participant of full particulars of the Offer, whereupon (subject to the approval of the TSX-V) the vesting provisions of the options may be accelerated and the options may be exercised in whole or in part by the participant so as to permit the participant to tender the shares received upon such exercise, pursuant to the Offer. Subject to approval of the TSX-V, the Administrators may declare that the expiry date for the exercise of all unexercised options granted under the Share Compensation Plan is accelerated so that all options will either be exercised or will expire prior to the date upon which common shares must be tendered pursuant to the Offer. However, if: (a) the Offer is not completed within the time specified therein; or (b) all of the shares tendered by the participant pursuant to the Offer are not taken up or paid for by the offeror in respect thereof, then the shares received upon such exercise, or in the case of clause (b) above, the shares that are not taken up and paid for, may be returned by the participant to the Company and reinstated as authorized but unissued shares and with respect to such returned shares, the participant's options shall be reinstated as if it had not been exercised and the terms upon which such options were to become vested shall be reinstated. If any shares are returned to the Company under this provision, the Company shall immediately refund the exercise price received by the Company to the participant for such options.

### **Share Purchase Scheme**

#### (a) Mechanics for the SPS

The Administrators shall designate the participants which may be entitled to participate in the SPS, however, Canadian residents shall not be entitled to participate in the SPS. Such participants will be entitled to make contributions from salary or consultant fees for services up to a limit set by the Administrators (to a maximum of 20% of their annual contracted amount). The Administrators shall also determine the contribution that will be made by the Company (up to a maximum of 25% of each participant's contribution). The Administrators shall determine whether a Purchase Scheme Treasury Option (as defined below) or a Purchase Plan Market Option (as defined below) will be utilized.

#### (b) Purchase Scheme Treasury Option

Under the purchase scheme treasury option (the "**Purchase Scheme Treasury Option**") each of the participant's contribution and the Company's contribution shall be aggregated ("**Aggregate Contribution**") and common shares shall be issued from treasury for the account of each participant. The number of common shares that are issued for the account of each participant is based on their Aggregate Contribution divided by market trading price of the common shares on any exchange where the common shares are listed (including the TSX-V).

#### (c) Purchase Scheme Market Option

Under the purchase scheme market option (the "**Purchase Scheme Market Option**") the participant's contribution and the Company's contribution will be paid into a trust (the "**Purchase Scheme Trust**") and the Purchase Scheme Trust will use the Aggregate Contribution to purchase common shares on the open market.

#### (d) Determination of Purchase Scheme Treasury Option or Purchase Scheme Market Option

At the commencement of every calendar quarter, the Administrators shall determine whether Aggregate Contributions in respect of a participant shall be used to:

- (i) purchase shares to be issued from treasury under the Purchase Scheme Treasury Option; or
- (ii) purchase shares through the facilities of the TSX-V (or such other stock exchanges as the Company may designate from time to time) under the Purchase Scheme Market Option, for the next following calendar quarter; provided that, if the Administrators do not make such a determination in respect of any calendar quarter, participants shall continue to participate in the SPS in the next following calendar quarter on the same terms and in the same manner as in the preceding calendar quarter.

Participants shall initially participate in the Purchase Scheme Treasury Option until such determination is changed by the Administrators. Each participant shall be advised in writing of his or her participation in the Purchase Scheme Treasury

Option or the Purchase Scheme Market Option and shall be advised of any changes in such participant's participation under the SPS Holding and Delivery of Shares.

(e) Common Shares Held in Trust

All common shares issued to or purchased by the trustee of the Purchase Plan Scheme Trust (the "Trustee") on behalf of a participant shall be held by the Trustee in trust for the benefit of such participant and the Trustee shall record the number of common shares so held by the Trustee for the benefit of the participant.

The common shares held by the Trustee on behalf of a participant pursuant to the SPS shall be voted by the Trustee at each meeting of the Shareholders of the Company in accordance with the timely instructions of such participant and, for the purposes thereof, the Trustee shall, at the expense of the Company cause each participant to be provided with a copy of the notice of meeting, information circular and proxy for each meeting of the shareholders of the Company together with an appropriate form on which the participant may indicate voting instructions to the Trustee, or alternatively, the Trustee may deliver to the participant a proxy for use at such meeting, duly endorsed by the Trustee, indicating the number of common shares held by the Trustee for such participant, entitling the participant to deposit such proxy directly with the Company in connection with such meeting.

The Trustee shall promptly advise all participants of take-over bids, issuer bids, rights offerings and other events notice of which is given to the Trustee or its nominee as the registered holder of common shares and cause all participants to be provided with copies of all materials delivered by the Company to the Trustee or its nominee in connection therewith and exercise the rights with respect thereto at the timely direction of the participant upon the participant providing such instructions, information or funds to the Trustee as may be specified by the Trustee.

Unless otherwise provided in the Share Compensation Plan, common shares held for the benefit of a participant in trust with the Trustee shall be delivered to the participant at such times as determined by the Administrators in consultation with the Trustee. With respect to any common shares held by the Trustee for the benefit of any participant on which the Hold Period (as defined below), if any, has not expired at such delivery time, the Trustee shall transfer the common shares then held in trust for such participant in his/her name and deliver such common shares to the participant within five (5) Business Days after expiry of the Hold Period. No fractional shares shall be delivered to any participant and the Trustee shall hold any unused balance of the Aggregate Contribution in respect of a participant in trust on behalf of such participant until used in accordance with the SPS or otherwise returned to the participant or Company, as applicable, in accordance with the terms of the SPS.

Unless otherwise provided under the terms of the Purchase Scheme Trust a participant shall be entitled to authorise and direct the Trustee to sell at or above the Market Price (as defined below) the common shares to which a participant is entitled to under the Purchase Scheme Trust, subject to applicable laws and Listing Rules, including compliance with the Hold Period (as defined below).

"Market Price" means the last closing price per Common Share on the trading day immediately preceding the day on which the Company announces the grant of the option or, if the grant is not announced, on the Grant Date.

(f) Termination of Contract and the SPS

If a participant ceases to be eligible to participate in the SPS for any reason including an Event of Termination, any cash portion of the participant's contribution then held on behalf of such participant shall be paid to the participant:

- (i) Under the Purchase Plan Treasury Option, any cash portion of the Company's contribution made on behalf of such participant to the Purchase Scheme Trust then held by the Purchase Scheme Trust shall be forfeited, and subject to the discretion of the Administrators, any common shares issued on behalf of such participant from time to time for the Aggregate Contribution then held in safekeeping for a participant, subject to applicable law and Listing Rules, be delivered to such participant subject to compliance with applicable law and Listing Rules, including expiry of the Hold Period (as defined below);
- (ii) Under the Purchase Plan Market Option any cash portion of the Company's contribution made on behalf of such participant to the Purchase Scheme Trust then held by the Purchase Scheme Trust shall be forfeited, and subject to the discretion of the Administrators, such Employee shall be entitled to receive the common shares purchased by the Purchase Scheme Trust with the Company's contribution made in respect of such participant up to the end of the quarter immediately prior to the date of the Event of Termination and shall forfeit the amount of the Company's contribution and any Common Shares purchased with such Company's contribution made in respect of such Employee after the end of such quarter.

If a participant shall cease to be employed or consultant's contract terminated by the Company and all designated affiliates by reason of Disability or the death of the participant:

- (i) such participant shall automatically cease to be entitled to participate in the SPS; and

- (ii) any issuance from treasury, purchase from the market and delivery of common shares by the Trustee in respect of such participant, shall not be accelerated by the Disability or death of such participant and shall occur on the date on which such common shares would otherwise have been issued, purchased and delivered to such participant had the Disability or death of the participant not occurred and the Company shall pay any unused portion of the Aggregate Contribution then held by the Trustee on behalf of such participant to the participant or the estate of the participant, as the case may be.

(g) Other Terms

Any participant may at any time during a calendar year, other than during the month of December, elect to withdraw from the applicable Share Purchase Plan. The participant's contribution contributed to the date of withdrawal will continue to be held in trust on behalf of the participant and issued at the time they would otherwise have been issued as if the participant had not withdrawn.

**Share Bonus Scheme**

(a) Mechanics of the SBS

The Administrators shall have the authority to allot, issue and distribute Bonus Shares to any participants whom the Administrators, in their sole and absolute discretion deem to have provided extraordinary contributions to the advancement of the Company as a discretionary bonus.

Bonus Shares will be issued at a deemed price determined by the Administrators at the time of issuance of such bonus shares, but such price shall not be less than the daily closing price per common share on the TSX-V on the trading day immediately preceding the day on which the bonus shares are issued.

(b) Other Terms

The pool of Bonus Shares available for any given year if not distributed cease to be available at the end of the year and do not accumulate or become available for any succeeding year.

**Transferability**

RSUs awarded and options granted under the Share Compensation Plan are non-transferable other than in accordance with the Share Compensation Plan.

Unless otherwise provided under the terms of the Purchase Scheme Trust a participant shall be entitled to authorise and direct the Trustee to sell at or above the current market price the common shares to which a participant is entitled to under the Purchase Scheme Trust.

**Hold Period**

All shares issued from treasury to a participant under the Share Compensation Plan, other than shares issued on the exercise of options, are subject to a four month and one day hold period, such longer period as may be required by law or any regulatory authority having jurisdiction over the securities of the Company (the "**Hold Period**"). Shares purchased on the market under the SPS will not be subject to the Hold Period.

If the exercise price of any options issued is at discount to the Market Price, the Hold Period applies from the Grant Date and will be legended in accordance with the Manual.

**Investor Relations Activities**

Any options or RSUs issued to Participants retained to provide Investor Relations Activities vest in accordance with Manual.

The Administrators must, through the establishment of appropriate procedures, monitor the trading in the securities of the Issuer by all Participants performing investor relations activities. These procedures may include, for example, the establishment of a designated brokerage account through which the participant conducts all trades in the securities of the Company or a requirement for such participants to file insider trade report to the Administrators.

**Amendment Provisions in the Share Compensation Plans**

The Board may amend the Share Compensation Plans or any RSU or option at any time without the consent of any participants under the Share Compensation Plans provided that such amendment shall:

- (a) not adversely alter or impair any RSU previously awarded or any option previously granted except as permitted by the adjustment provisions of the Share Compensation Plan;
- (b) be in accordance with the Manual and be subject to any regulatory approvals including, where required, the approval of the TSX-V; and

- (c) be subject to Shareholder approval, where required, by law or the requirements of the TSX-V, provided that Shareholder approval shall not be required for the following amendments:
- (i) amendments of a “housekeeping nature”, including any amendment to the Share Compensation Plans or a RSU or option that is necessary to comply with applicable laws, tax or accounting provisions or the requirements of any regulatory authority or stock exchange and any amendment to the Share Compensation Plans or a RSU or option to correct or rectify any ambiguity, defective provision, error or omission therein, including any amendment to any definitions therein;
  - (ii) amendments that are necessary for RSUs or options to qualify for favourable treatment under applicable tax laws;
  - (iii) a change to the vesting provisions of any RSU or any option (including any alteration, extension or acceleration thereof) or the Share Compensation Plans;
  - (iv) a change to the termination provisions of any option (for example, relating to termination of employment, resignation, contract, retirement or death) that does not entail an extension beyond the original expiration date (as such date may be extended by virtue of a blackout period);
  - (v) the introduction of features to the Share Compensation Plans that would permit the Company to, instead of issuing shares from treasury upon the vesting of the RSUs, retain a broker and make payments for the benefit of participants under the Share Compensation Plan to such broker who would purchase shares through the facilities of the TSX-V for such persons;
  - (vi) where amendments are required to comply with listing on a foreign exchange;
  - (vii) subject to compliance with TSX-V requirements, reduce the exercise price of any option (including any cancellation of an option for the purpose of reissuance of a new option at a lower exercise price to the same person);and
  - (viii) change the application of adjustment and change of control sections.
- (d) For greater certainty:
- (i) Shareholder approval will be required in circumstances where an amendment to the Share Compensation Plans would:
    - 1. increase the maximum number of shares issuable under the Share Compensation Plans, other than by virtue of the adjustment provisions in the Share Compensation Plans, or change from a fixed maximum percentage number of shares to a fixed maximum of issued and outstanding shares;
    - 2. amend the fixed limit on the number of Bonus Shares that can be issued for the term of a Share Compensation Plan;
    - 3. permit RSUs or options to be transferable or assignable other than for normal estate settlement purposes;
    - 4. extend the term of any option beyond the original term (except if such period is being extended by virtue of a blackout period);
    - 5. amend the method for determining the exercise price of options;
    - 6. increase the certain limits referred to above under “*Restrictions on the Award of RSUs and Grant of Options*”;
    - 7. amend the expiry and termination provisions applicable to RSUs, options, a SPS or SBS; or
    - 8. amend the number of shares reserved for issuance pursuant to the SPS;
    - 9. amend limit that the Corporation can contribute to a participant under the SPS; or
    - 10. amend the amendment provisions in the Share Compensation Plans.
  - (ii) Disinterested Shareholder approval will be required in circumstances where an amendment to the Share Compensation Plans would:
    - 1. reduce the exercise price of any Option granted under the Share Compensation Plans if the person is an Insider of the Company at the time of the proposed amendment; or
    - 2. increase the certain limits referred to above under “*Restrictions on the Award of RSUs and Grant of Options*”.

If the Share Compensation Plans are approved by Shareholders at the Meeting, the Share Compensation Plans in its current form will cease to operate, and any outstanding options will be rolled into and governed by the new Share Compensation Plans. The above description of the Share Compensation Plans is written on the assumption that the Share Compensation Plan, as presented to Shareholders, are approved at the Meeting.

Copies of the amended Share Compensation Plans will be available at the Meeting and will be mailed to any Shareholder free of charge by contacting the Company. See “*Additional Information*”.

#### ***Proposed Resolutions***

The ordinary resolution, substantially in the form below, must be passed by at least a majority of the votes cast at the Meeting in person or by proxy.

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

1. The amended employee share compensation plan and the consultant share compensation plan of the Company (the “**Share Compensation Plans**”) to fix the maximum number of common shares of the Company that may be issued under the Share Compensation Plans at 20% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans, as described in the Information Circular dated July 29, 2016 (the “**Information Circular**”) are hereby approved, subject to the Company obtaining all required approvals from the TSX-V and any other regulatory authorities;
2. any unallocated entitlements under the Share Compensation Plans are approved and the Company is authorized to grant entitlements under the Share Compensation Plans; and
3. any director or officer of the Company is hereby authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.

#### ***Directors’ Recommendation***

The Board has unanimously approved the amended Share Compensations Plans and recommends to Shareholders of the Company that they vote FOR the amended and restated Share Compensation Plans.

**The Chairman of the Meeting intends to vote in favour of the respective resolution where there are no directions indicated on the proxy form.**

#### **6. RESTATEMENT OF EMPLOYEE SHARE COMPENSATION PLAN AND CONSULTANT SHARE COMPENSATION PLAN (RESOLUTION 8)**

If Resolution 7 is **not** passed at the Meeting, the policies the TSX-V require shareholder approval for the Share Compensation Plans at each annual general meeting of Shareholders by ordinary resolution. See “*Amendment and Restatement of Employee Share Compensation Plan and Consultant Share Compensation Plan*” above for a summary of the material terms of the Share Compensation Plans. If Resolution 7 is not passed, the Share Compensation Plan will remain as a 10% rolling plan and no amendments will be made to the Share Compensation Plans.

Copies of the Share Compensation Plans will be available at the Meeting and will be mailed to any Shareholder free of charge by contacting the Company. See “*Additional Information*”.

#### ***Proposed Resolutions***

The ordinary resolution, substantially in the form below, must be passed by at least a majority of the votes cast at the Meeting in person or by proxy.

If Resolution 7 is **not** passed, BE IT RESOLVED THAT:

1. the Share Compensation Plans of the Company as described in the Information Circular dated July 29, 2016 is hereby approved;
2. any unallocated entitlements under the Share Compensation Plans are approved and the Company is authorized to grant entitlements under the Share Compensation Plan until the Company’s next annual general meeting of Shareholders; and



3. any director or officer of the Company is hereby authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.

***Directors' Recommendation***

The Board recommends to Shareholders of the Company that they vote FOR the Share Compensation Plans, in the event the Resolution 7 is not passed.

**The Chairman of the Meeting intends to vote in favour of the respective resolution where there are no directions indicated on the proxy form.**

**7. INCREASE NUMBER OF COMMON SHARES THAT MAY BE ISSUED TO INSIDERS UNDER THE SHARE COMPENSATION PLANS (RESOLUTION 9)**

Pursuant to TSX-V policies, disinterested shareholder approval is required if certain amendments are made to the Share Compensation Plan.

If Resolution 7 is passed, the Company is proposing to further amend the Share Compensation Plans, which requires disinterested shareholder approval, as follows:

- Increase the number of common shares of the Company that may be issued under the Share Compensation Plans to insiders (as a group) at any point in time from 10% to 20% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans;
- Increase the number of common shares of the Company that may be issued under the Share Compensation Plans to any one person, at any point in time from 5% to 10% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans;
- Increase the aggregate number of common shares of the Company that may be issued under the Share Compensation Plans that can be issued for RSUs, Bonus Shares and SPS from 2,800,000 within any one year period to 10,000,000 at any point in time, including to insiders.

The TSX-V has provided their conditional approval on the Share Compensation Plans.

***Proposed Resolutions***

Insiders to whom shares under the Share Compensation Plans may be issued or their associates will abstain from voting on Resolution 9. The ordinary resolution, substantially in the form below, must be passed by at least a majority of disinterested shareholders who cast a vote at the Meeting in person or by proxy.

If Resolution 7 is passed, BE IT RESOLVED THAT:

1. The amended Share Compensation Plans, as described in the Information Circular be further amended to;
  - a. Increase the number of common shares of the Company that may be issued under the Share Compensation Plans to insiders at any point in time from 10% to 20% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans;
  - b. Increase the number of common shares of the Company that may be issued under the Share Compensation Plans to any one person, at any point in time from 5% to 10% of the number of common shares of the Company issued and outstanding, as of the effective date of the Share Compensation Plans;
  - c. Increase the aggregate number of common shares of the Company that may be issued under the Share Compensation Plans that can be issued for RSUs, Bonus Shares and SPS from 2,800,000 within any one year period to 10,000,000 at any point in time, including to insiders; and
2. any director or officer of the Company is hereby authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.

### **Directors' Recommendation**

The Board recommends to Shareholders of the Company that they vote FOR the number of common shares that may be issued to insiders under the Share Compensation Plans, in the event the Resolution 7 is passed.

The Chairman of the Meeting intends to vote in favour of the respective resolution where there are no directions indicated on the proxy form.

### **EXECUTIVE COMPENSATION**

For the purposes of this Information Circular, a “**Named Executive Officer**” or “**NEO**” means each of the following individuals:

- (a) a CEO of the Company;
- (b) a CFO of the Company;
- (c) the Company’s most highly compensated executive officer (other than the CEO and CFO of the Company), at the end of the most recently completed financial year whose total compensation was, individually, more than CAD\$150,000 as determined in accordance with subsection 1.3(5) of National Instrument Form 51-102F6V (“**Form 51-102F6V**”); and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company including any of its subsidiaries, nor acting in a similar capacity at the end of the most recently completed financial year.

The following were NEOs for the year ended March 31, 2016 (being the Company’s most recently completed financial year):

- Alan Phillips, Executive Director (previously CEO until April 28, 2015)
- David Taplin, President, CEO and Director (appointed President and CEO December 3, 2015 and appointed Executive Director April 28, 2015, previously CFO, General Counsel and Company Secretary)
- Alan Joseph (“Joe”) Phillips, Former CEO and Executive Director (resigned as CEO and Director on 3 December 2015, and appointed CEO and Executive Director, April 28, 2015, previously COO)

### **1. DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

The following table (presented in accordance with Form 51-102F6V) sets forth all direct and indirect compensation provided to the Company’s directors and NEOs, for the financial years ended March 31, 2015 and 2016. All dollar amounts are Australian dollars unless otherwise indicated.

<b>Table of compensation excluding compensation securities</b>						
<b>Name and position<sup>(7)</sup></b>	<b>Year</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Value of perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
Alan Phillips <sup>(1)</sup> Executive Director	2016	289,580	-	-	-	289,580
	2015	316,663	-	-	-	316,663
David Taplin <sup>(2)</sup> President & CEO	2016	255,000	-	-	-	255,000
	2015	255,000	-	-	-	255,000
Joe Phillips <sup>(3)</sup> Former CEO	2016	183,333	-	-	-	183,333
	2015	267,504	-	-	-	267,504
Cameron McCall <sup>(4)</sup> Non-Executive Chairman	2016	60,000	-	-	-	60,000
	2015	-	-	-	-	-
Earl Evans <sup>(4)</sup> Former Non-Executive Chairman	2016	40,000	-	-	-	40,000
	2015	-	-	-	-	-
John Toigo <sup>(5)</sup> Former Independent director	2016	-	-	-	-	-
	2015	57,500	-	-	-	57,500
Jon Starink <sup>(5) (6)</sup>	2016	2,167	-	-	-	2,167

Former Director	2015	81,435	-	-	-	81,435
Jeffrey Wall <sup>(5) (6)</sup> Former Independent director	2016 2015	- 57,500	- -	- -	- -	- 57,500
Richard Patricio <sup>(5) (6)</sup> Former Independent Director	2016 2015	- 57,500	- -	- -	- -	- 57,500

Notes:

1. All of Alan Phillips' fees were for consulting services, not director's fees. Includes accrued consulting fees of \$105,746. Refer to *NEO's Consultancy Agreement* below in relation to deferment of payment of accrued consulting fees.
2. All of David Taplin's fees were for consulting services, not director's fees. Includes accrued consulting fees of \$55,000. Refer to *NEO's Consultancy Agreement* below in relation to deferment of payment of accrued consulting fees.
3. All of Joe Phillips' fees were for consulting services, not director's fees. Joe Phillips resigned on 3 December 2015. Includes fee of \$50,000 in 2016, as per Deed of Settlement.
4. Cameron McCall and Earl Evans were appointed on April 28, 2015. Earl Evans resigned on 3 December 2015.
5. All of the named directors resigned as directors on April 28, 2015 and agreed to a 50% reduction on directors' fee for the month of March 2015.
6. During 2015, Jon Starink was paid \$57,500 director fees and \$23,935 for consulting services to the Company under a consultancy agreement, commencing 1 September, 2012. During 2016, Jon Starink was paid \$2,167 in director fees.
7. No directors are paid fees for sitting on committees.

## 2. STOCK OPTIONS AND OTHER COMPENSATION SECURITIES

### Issue of Compensation Securities to Directors and NEOs

The following table sets forth information concerning all awards granted or issued under the Company's Share Compensation Plans during the year ended March 31, 2016, to each of the directors and NEOs.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue of grant	Issue, conversion or exercise price (CAD\$)	Closing price of security or underlying security on date of grant (CAD\$)	Closing price of security or underlying security at year end (CAD\$)	Expiry Date
Alan Phillips Executive Director	Options	1,000,000	2 Sep 2015	\$0.05	\$0.025	\$0.03	1 Sep 2018
David Taplin Managing Director	Options	1,000,000	2 Sep 2015	\$0.05	\$0.025	\$0.03	1 Sep 2018
Cameron McCall Non-Executive Chairman	Options	280,000 720,000	14 May 2015 2 Sep 2015	\$0.046 \$0.05	\$0.045 \$0.025	\$0.03 \$0.03	13 May 2018 1 Sep 2018
Joe Phillips <sup>(1)</sup> Former CEO	Options	1,000,000 <sup>(3)</sup>	2 Sep 2015	\$0.05	\$0.025	\$0.03	3 Dec 2015
Earl Evans <sup>(1)</sup> Former Non-Executive Chairman	Options	280,000 720,000	14 May 2015 2 Sep 2015	\$0.046 \$0.05	\$0.045 \$0.025	\$0.03 \$0.03	3 Dec 2015 3 Dec 2015
John Toigo <sup>(2)</sup> Former Independent director	-	-	-	-	-	-	-
Jon Starink <sup>(2)</sup> Former Director	-	-	-	-	-	-	-
Jeffrey Wall <sup>(2)</sup> Former Independent director	-	-	-	-	-	-	-
Richard Patricio <sup>(2)</sup> Former Independent Director	-	-	-	-	-	-	-

Notes:

1. Joe Phillips and Earl Evans resigned on December 3, 2015.
2. Named directors resigned on April 28, 2015.

3. Joe Phillips voluntarily relinquished 500,000 options on November 6, 2015.
4. There were no vesting provisions on the options granted.

#### Exercise of Compensation Securities by Directors and NEOs

No options were exercised by directors and NEOs during the most recently completed financial year ended March 31, 2016. The value of unexercised in the money options as at March 31, 2016 was \$NIL.

### **3. EXTERNAL MANAGEMENT COMPANIES**

The NEOs are engaged by external management companies. All amounts disclosed in the tables above were paid directly to the respective external management company and the full amount was paid to the NEO. The named NEOs do not provide any other services through their respective external management company to any other company.

### **4. STOCK OPTION PLAN AND OTHER INCENTIVE PLANS**

At the 2015 AGM Shareholders approved the Share Compensation Plans both of which form the basis of the provision of long-term incentives for the Company. The Share Compensation Plans are being presented for amendment and re-approval at this Meeting. The maximum aggregate number of shares that may be reserved for issuance under the current Share Compensation Plan is 10% of the issued shares of the Company at the time of grant. Resolution 7 proposes that the Company adopt a fixed Share Compensation Plan of 20% of the number of common shares of the Company issued and outstanding at the effective date of the Share Compensation Plans. Refer to “*Matters to be acted upon*” above.

The Share Compensation Plan, sets out the methodology for the award of RSUs, the grant of options, a share purchase scheme (the “**SPS**”) and a share bonus scheme (the “**SBS**”). The purpose of the Share Compensation Plan is to advance the interests of the Company, and its Shareholders by: (i) ensuring that the interests of employees and consultants are aligned with the success of the Company; (ii) encouraging share ownership by employees, directors and officers; and (iii) providing compensation opportunities to attract, retain and motivate employees.

The Company issued options under the Consultant Share Compensations Plan to NEOs and directors as set out in “*Stock Options and Other Compensation Securities*” above.

#### *Administration of the Share Compensation Plan*

The Share Compensation Plans are administered by the Board or other such persons as may be designated by the Board from time to time (the “**Administrators**”) which may be through the recommendation of the Remuneration and Nomination Committee of the Board (if such a committee is appointed), which will determine, from time to time, the eligibility of persons to participate in the Share Compensation Plans, when RSUs, options and shares under the SBS (“**Bonus Shares**”) will be awarded or granted, the number of RSUs, options and Bonus Shares to be awarded or granted, the vesting criteria for each award of RSUs and grant of options and all other terms and conditions of each award and grant, in each case in accordance with applicable securities laws and stock exchange requirements. In addition, the Administrators will determine the amount that participants and the Company may contribute under the SPS and whether such contributions shall be used to subscribe for shares from treasury or purchase shares from the market. See “*Share Purchase Scheme*” below.

The grant of any Restricted Share Units, Bonus Shares and Common Shares pursuant to the Share Purchase Scheme to Insider Participants must receive disinterested shareholder approval.

#### *Number of Shares Available for Issuance under the Share Compensation Plan*

Under the existing Share Compensation Plans the number of shares available for issuance from the treasury under the Share Compensation Plan must not at any time exceed 10% of the shares then issued and outstanding. Resolution 7 proposes that the Company adopt a fixed Share Compensation Plan of 20% of the number of common shares of the Company issued and outstanding at the effective date of the Share Compensation Plans. Refer to “*Matters to be acted upon*” above. These limits do not apply to shares purchased from the market under the SPS.

#### *Options*

Options provide the holder the right to buy a certain number of shares in the Company at a predetermined price, for a defined period with or without vesting conditions in accordance with TSX-V rules. Each option granted entitles the holder thereof to the issuance of one share upon achievement of the vesting criteria and payment of the applicable exercise price.

The Administrators determines to whom options are issued, how many options are issued and the exercise price.

### *Restricted Share Units (“RSUs”)*

RSUs provide the holder with notional units that represent a right to receive a set amount of shares when certain vesting conditions are met.

RSUs are units that rise and fall in value based on the value of the Company’s shares. Unlike options, RSUs do not require the payment of any monetary consideration to the Company. Instead, each RSU represents a right to receive one common share.

The Administrators recommends to the Board to whom RSUs should be granted, how many are granted to each participant and the vesting conditions. Vesting conditions may be goal or time based. The Company issues shares to participants upon achievement of vesting conditions and they would be tradable on the TSX-V by the participant.

### *Share Purchase Scheme (“SPS”)*

The SPS gives participants the opportunity to purchase shares by making contributions from their salary and a part contribution by the Company.

There are two alternatives to issue incentives under the SPS, a Purchase Scheme Treasury Option and a Purchase Scheme Market Option.

Under the share purchase scheme treasury option (the “**Purchase Scheme Treasury Option**”) each of the participant’s contribution and the Company’s contribution are aggregated (“**Aggregate Contribution**”) and common shares are issued from treasury for the account of each participant. The number of common shares that are issued for the account of each participant is based on their Aggregate Contribution multiplied by the weighted average trading price of the common shares on the TSX-V for the last five trading days prior to such day.

Under the purchase scheme market option (the “**Purchase Scheme Market Option**”) the Aggregate Contribution is paid into a trust (the “**Purchase Scheme Trust**”) and the Purchase Scheme Trust uses the Aggregate Contribution to purchase common shares on the open market. The Company would appoint a Trustee (which will be an accredited institution), for the purpose of depositing contribution moneys from a participant for the purpose of participation under the Purchase Scheme Trust.

At the commencement of every calendar quarter, the Board determines whether Aggregate Contributions in respect of a participant shall be used to: (a) purchase shares to be issued from treasury under the Purchase Scheme Treasury Option; or (b) purchase shares through the facilities of the TSX-V (or such other stock exchanges as the Company may designate from time to time) under the Purchase Scheme Market Option, for the next following calendar quarter; provided that, if the Administrators do not make such a determination in respect of any calendar quarter, participants shall continue to participate in the SPS in the next following calendar quarter on the same terms and in the same manner as in the preceding calendar quarter.

On implementation of the SPS, as determined by the Board, participants are initially invited to participate in the Purchase Scheme Treasury Option until such determination is changed by the Board. Each participant is advised in writing of his or her participation in the Purchase Scheme Treasury Option or the Purchase Scheme Market Option and is advised of any changes in such participant’s participation under the SPS.

The Purchase Scheme Market Option is a useful incentive because its operation does not come under the 10% cap so it can be used if the total amount of the cap has been utilised.

### *Share Bonus Scheme (“SBS”)*

The SBS gives the Company authority to allot, issue and distribute an aggregate total of common shares in each calendar year (the “**Bonus Shares**”), to any employees, directors or officers whom the Board, in their sole and absolute discretion deem to have provided extraordinary contributions to the advancement of the Company, as a discretionary bonus.

Bonus Shares are issued at a deemed price determined by the Board at the time of issuance of such Bonus Shares, but such price cannot be less than the daily closing price per common share on the TSX-V on the trading day immediately preceding the day on which the Bonus Shares are issued.

Currently, only options have been issued under the Share Compensation Plans.

## 5. EMPLOYMENT, CONSULTING AND MANAGEMENT AGREEMENTS

### NEO's Consultancy Agreements

The NEOs are each engaged by a separate entity which has entered into a consulting contract with the Company, as outlined in "External Management Companies" above. The key terms of each contract are:

- (a) each contract's term is open ended;
- (b) the Company must provide 12 months' notice for termination without cause. NEOs must provide six months' notice. The consulting contracts may be terminated by either party by mutual agreement;
- (c) should the Company terminate the contract without due cause, the Executive is entitled to a termination payment equal to the aggregate consulting fee that would be payable to the Executive in lieu of 12 months' notice; and
- (d) the Board may at its discretion agree to pay an additional fee to any or all of the above NEOs, should they perform services in excess of the required contracted hours.

The NEO's consulting agreements with the Company were amended throughout the year ended March 31, 2016. The key amendments are listed in the table below.

<i>Amendment</i>	<i>Alan Phillips Consultancy Agreement</i>	<i>Joe Phillips Consultancy Agreement (3)</i>	<i>David Taplin Consultancy Agreement</i>
Position amendments	Amended to reflect resignation as CEO and President and remaining as an executive.	Amended to reflect appointment as CEO.	Amended to state that David is also General Counsel, a position he has held since 2011.  Further amended to state David is President and CEO.
Temporary reduction of consultancy fees from 1 April 2015 until 31 December 2015 ("Temporary Period")	Reduction of \$10,416.33 per month <sup>(1)</sup>	Reduction of \$5,625.33 per month <sup>(1)</sup>	Reduction of \$4,583.33 per month <sup>(1)</sup>
End of Temporary Period	NEO will receive a consulting fee of \$16,666.67 per month <sup>(2)</sup> ("Temporary Consulting Fee").		
Share based compensation in accordance with the Consultant Share Compensation Plan	NEO will be awarded share based compensation of not less than 1.5% of the total common shares issued and outstanding in the Company.		
Permanent reduction of consultancy fees	Consultancy fees from 1 January 2016 has been permanently reduced to \$150,000 per annum or \$12,500 per month	N.A.	N.A.

Note:

1. The NEO's consulting agreements contain a calculation error of \$1 in each of these monthly figures.
2. The NEO's consulting agreements contain a calculation error of \$1 stating \$16,667.67 instead of \$16,666.67.
3. On December 3, 2015 Joe Phillips resigned as CEO and Director and the Consultancy Agreement terminated and a Deed of Settlement, Release and Discharge was entered into for settlement sum of A\$50,000.

NEOs were granted options during the year end March 31, 2016, information on those options are detailed above.

With effect from April 1, 2016 the Company resolved to enter into a bond, as a non-current liability with Alan Phillips and David Taplin whereby aggregate accrued salaries, totalling \$160,746 are not repayable before April 1, 2017, subject to other terms and conditions, unless agreed otherwise. Interest is payable on a monthly basis at 4% per annum.

### Directors' Engagement Letters

The Company has an engagement letter with each director pursuant to which the directors are compensated a set annual fee of \$60,000 for their services as directors, for committee participation, committee chairmanships, and certain additional responsibilities during the most recently completed financial year. The Company currently does not pay any additional amounts for participation in board committees.

#### Termination and Change of Control

There are change of control provisions in the Share Compensation Plan which would apply to any incentives issued. Any issued unvested, options and RSUs vest on a change of control and subject to TSX-V acceptance, appropriate adjustments with respect to options and RSUs and in the number of common shares that are available for options or RSUs under the Share Compensation Plans may be made to give effect to any change in the number of shares of the Company resulting from a change of control or change in capital.

In addition to the terms set out in the 'NEOs Consultancy Agreements' above, if a change of control occurs and there is a material alteration in the services which were being provided by the NEO to the Company prior to the change of control ("Changed Services") and performance of the Changed Services is inconsistent with the position, the NEOs may elect to cease providing the Services and be paid for the notice period, being twelve months from the date of the Changed Services.

If a change of control event occurred the following estimated payments would be made to the NEOs:

- Alan Phillips, Executive Director, \$324,996, bond and any accrued fees.
- David Taplin, President, CEO and Director, \$255,000, bond and any accrued fees.

## **6. OVERSIGHT AND DESCRIPTION OF DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

#### Determining Compensation

The Board or the R & N Committee (if such committee is appointed) ensures that total compensation paid to all NEOs and directors is fair and reasonable. Compensation is designed to reward directors and NEOs' contribution to the Company and achievement of meaningful outcomes that create value and move the Company forward. Total compensation for each executive officer currently varies with the Company's performance in achieving non-financial objectives (in the form of cash restricted unit milestones), and with individual performance.

When determining the compensation the Board considers:

- (a) recruiting and retaining people who are critical to the success of the Company and the enhancement of Shareholder value;
- (b) providing fair and competitive compensation;
- (c) balancing the interests of directors and NEOs and the Shareholders; and
- (d) rewarding performance, both on an individual basis and with respect to operations in general.

The Company's process for determining executive compensation is done on a case by case basis and involves discussion by the Board or the R & N Committee (if such committee is appointed) of the factors relevant to each case. The Board or the R & N Committee (if such committee is appointed) has authority to retain independent advisors to assist in determining current market conditions and rates and considers the compensation paid for directors, CEOs, CFOs and other NEOs of companies of similar size and stage of development in the mineral exploration/mining industry. In 2012 an independent remuneration consultant was engaged to assist in reviewing the Company's remuneration strategy and developing an appropriate balance between base salary and incentives. The Board is continuing to work with NEOs to implement the new strategy and align it with Shareholder's interests however it is challenging in the current uncertain market.

The Board or the R & N Committee (if such committee is appointed) endeavours to balance the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company.

#### Elements of Compensation

Compensation for NEOs is currently comprised of cash, in the form of base salary and long term incentive awards in the form of options. The table below outlines the different elements of compensation that can be awarded to, earned by, paid or payable to NEOs.



<b>Element of Compensation</b>	<b>Description</b>
Base Salary	Base salary is used to provide the NEOs a set amount of money during the year with the expectation that each NEO will perform his/her responsibilities to the best of his/her ability and in the best interests of the Company.
Option-based awards	The Company's Share Compensation Plan has been used to provide options which are granted in consideration of the level of responsibility of the NEO as well as his/her impact or contribution to the longer-term operating performance of the Company.
Restricted Share Units	RSUs provide the holder with notional units that represent a right to receive a set amount of shares when certain vesting conditions are met. RSUs are units that rise and fall in value based on the value of the Company's shares. Unlike options, RSUs do not require the payment of any monetary consideration to the Company. Instead, each RSU represents a right to receive one common share.
Share Purchase Scheme	The Share Purchase Scheme is a non-performance based scheme which gives participants the opportunity to purchase shares by making contributions from their salary and a part contribution by the Company.
Share Bonus Scheme	The Share Bonus Scheme gives the Company authority to allot, issue and distribute an aggregate total of common shares in each calendar year, to any employees whom the Board, in their sole and absolute discretion, deem to have provided extraordinary contributions to the advancement of the Company, as a discretionary bonus.

Further detail on the mechanics of each of the above elements of compensation is set out under “*Stock Option Plans and Other Incentive Plans*” above. The Company does not have any form of retirement or pension plan. The Board has the discretion to pay of cash bonuses to NEO's however there is no formal bonus plan or other formal arrangements pursuant to which bonuses may be earned.

#### Performance Goals

The Company considers the granting of performance based incentives to be a significant component of NEO's compensation as it allows the Company to reward the achievement of milestones that increase value for Shareholders.

The Board or the R & N Committee (if such committee is appointed) reviews NEO's performance in light of the Company's objectives and considers other factors that may have impacted the success of those NEOs in achieving its objectives.

#### Benchmarking

There are no formally defined objectives, benchmark criteria or analysis that are used in all cases of determining executive compensation. Executive compensation is benchmarked against data obtained from recruitment consultants for the relevant positions for companies of similar size in the Australian mining and exploration industries.

### **7. PENSION PLAN BENEFITS**

The Company does not have any form of pension plan that provides for payments or benefits to the directors and NEOs at, following, or in connection with retirement. The Company does not have any form of deferred compensation plan.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

#### **Equity Compensation Plan Information**

The following table provides information regarding compensation plans under which securities of the Company are authorized for issuance in effect as at March 31, 2016:

	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights CAD (\$)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
<b>Plan Category</b>	(a)	(b)	(c)
Equity Compensation Plans Approved By Shareholders	5,500,000	\$0.05	-
Equity Compensation Plans Not Approved By Shareholders	-	-	-
<b>Total:</b>	<b>5,500,000</b>	<b>\$0.05</b>	<b>-</b>

A description of the significant terms of the Company's Share Compensation Plan is found above under the heading 'Stock Option Plans and Other Incentive Plans'.

#### **INDEBTEDNESS TO COMPANY OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS**

As at March 31, 2016 no individual who is, or at any time during the most recently completed financial year was, a current or former director, executive officer or employee of the Company, no proposed nominee for election as a director of the Company and no associate of such persons:

- (a) is or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or its subsidiaries; or
- (b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or its subsidiaries, entered into in relation to a securities purchase program or other program.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as set out herein, none of the directors or executive officers of the Company, a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company, nor any Shareholder beneficially owning, directly or indirectly, common shares of the Company, or exercising control or direction over common shares of the Company, or a combination of both, carrying more than 10% of the voting rights attached to the outstanding shares of the Company, nor any proposed director of the Company nor an associate or affiliate of any of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which in either such case has materially affected or would materially affect the Company.

#### **APPOINTMENT OF AUDITOR**

The Company's Canadian auditor is Davidson & Company, LLP, who was re-appointed by Shareholders in 2012.

The Company is required to have an Australian auditor in accordance with the Corporations Act. The Company's Australian auditor is currently Nexia Brisbane (formerly Hayes Knight), who has acted for the Company since 2014.

#### **MANAGEMENT CONTRACTS**

No management functions of the Company are performed to any substantial degree by a person other than the directors or executive officers of the Company, as outlined under 'Executive Compensation' above.

#### **CORPORATE GOVERNANCE**

National Policy 58-201 – Corporate Governance Guidelines ("NI 58-201") establishes corporate governance guidelines which apply to all Canadian listed companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers

that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. NI 58-101 requires disclosure of the Company's corporate governance practices based on NI58-201F2 which are set out below.

### **Independence of Members of Board**

The Company's Board consists of four directors, of whom half are independent. Messrs David Lenigas and Cameron McCall are independent based upon the tests for independence set forth in National Instrument 52-110 – Audit Committees. Messrs Alan Phillips and David Taplin are not independent as they are executives of the Company. The Board looks to Mr. Cameron McCall as lead independent director to provide leadership for the independent directors. When faced with a decision that requires independent judgement following division by all directors, the two independent directors are charged with the responsibility of making the final decision.

### **Management Supervision by Board**

The executive directors report upon the operations of the Company separately to the independent directors of the Board at such times throughout the year as is considered necessary or advisable by the independent directors. Independent supervision of Management is accomplished by selecting Management personnel who demonstrate a high level of integrity and ability as well as having non-executive and independent Board members. The independent directors are encouraged to meet at any time they consider necessary without members of management (including the non-independent directors) being present. Such meetings are not held on a regularly scheduled basis. The Company's auditors, legal counsel and employees may be invited to attend. The independent directors exercise their responsibilities for independent oversight of management through their majority control of the Board.

### **Board Mandate (Charter)**

The Board has a charter which delineates its role and the responsibilities of the Audit and R & N Committees (if such committee is appointed). The Board also relies on the various areas of expertise of each of the directors to guide its decision making. A copy of the Board Charter is available on the Company's website, [www.macarthurminerals.com](http://www.macarthurminerals.com)

### **Participation of Directors in Other Reporting Issuers**

<b>Directors</b>	<b>Company</b>	<b>Period of Directorship</b>
Cameron McCall	-	-
David Lenigas	LGC Capital Ltd. (TSX-V: QBA) AfriAg plc (ISDX: AFRI) Doriemus plc (ISDX: DOR)	13 Jul, 2016 – Current 30 Jun, 2016 – Current 27 Jul, 2016 - Current
Alan S Phillips	-	-
David Taplin	-	-

### **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. the Company's Constitution and policies;
2. information outlining the functioning of the Board, committees and copies of the Company's corporate governance policies;
3. access to recent, publicly filed documents of the Company, technical reports and the Company's internal financial information;
4. access to management, technical experts and consultants; and
5. a summary of significant corporate and securities responsibilities.

Board members are encouraged and assisted to communicate with Management, auditors and technical consultants; to keep themselves current with industry trends and developments and changes in legislation; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records .

### **Ethical Business Conduct**

The Board views good corporate governance as both an integral component to the success of the Company and to meet responsibilities to Shareholders. The Board has instructed Management and employees to adopt and abide by values consistent with ethical business conduct, which is evidenced in the Company's Code of Conduct. A copy of the Code of Conduct is available on SEDAR and the Company's website ([www.macarthurminerals.com](http://www.macarthurminerals.com)). The Board monitors

compliance with the Code of Conduct through the Whistleblower Policy (which is also available of the Company's website). In addition, the Board, through discussions with Management, monitors its compliance with the Code of Conduct and encourages a culture of ethical business conduct. Management promotes a culture of ethical business conduct throughout the Company's operations and is expected to monitor the activities of the Company's employees, consultants and agents in that regard.

In order to avoid the potential for disclosure or the perception or appearance of disclosure of confidential inside information, the Company observes quiet periods as well as a blackout period during which informed persons are prohibited from discussing non-public material information or trading in securities of the Company.

To ensure that there is an objective process for making decisions in circumstances where a decision that requires independent judgement, following division by all directors, the two independent directors are charged with the responsibility of making the final decision.

Directors and executives who have an interest in a transaction or agreement with the Company must promptly disclose that interest at any meeting of the Board at which the transaction or agreement will be discussed and, in the case of directors, abstain from discussions and voting in respect to same if the interest is material. The Company maintains a register of directors' and executive's interests.

### **Nomination of Directors**

Since the resignation of directors who were members of the R & N Committee on April 28, 2015, the Company's R & N Committee has not been reconstituted. Following the Company's listing on the TSX-V and owing to the size of its operations, until an R & N Committee is reconstituted, the Board will deal with nomination matters.

### **Compensation of Directors and NEOs**

Since the resignation of directors who were members of the R & N Committee on April 28, 2015, the Company's R & N Committee has not been reconstituted. Following the Company's listing on the TSX-V and owing to the size of its operations, until an R & N Committee is reconstituted, the Board will deal with compensation matters, through the guidance of the independent directors.

Refer to "*Executive Compensation*" above for more information on the compensation of Directors and NEOs.

### **Board Committees**

The Audit Committee is the only committee of the Board at this time. As the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development. A copy of the Audit Committee Charters are available on the Company's website, [www.macarthurminerals.com](http://www.macarthurminerals.com).

### **Assessments**

The Board does not consider that formal assessments would be useful at this stage of the Company's development. The Board conducts informal annual assessments of the Board's effectiveness, the individual directors and each of its committees. To assist in its review, the Board conducts informal surveys of its directors on their assessment of the functioning of the Board and reports from each committee in respect to its own effectiveness. As part of the assessments, the Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.

### **AUDIT COMMITTEE**

Under National Instrument 52-110 – Audit Committees ("**NI 52-110**"), companies are required to provide disclosure with respect to their audit committee pursuant to Form 52-110F2 – Disclosure by Venture Issuers.

## The Audit Committee's Charter

The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditors. The Audit Committee Charter is attached hereto as Schedule "B".

## Audit Committee Composition and Relevant Education and Experience

The following are the members of the Committee:

Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>	Relevant Education & Experience
Cameron McCall <i>Committee Chairman</i>	Yes	Yes	Mr McCall has a wealth of experience across the financial services and commercial property industries within Australia and internationally. He has been providing investment, equity capital raising and share trading advice for over 17 years to corporate entities and private clients at Hartleys Limited and Macquarie Bank Limited. Mr McCall has during his 40 year career built an extensive network of international and Australian based high net worth individuals and corporate entities. Mr McCall is currently running a corporate advisory business providing advice on asset acquisition and capital raising to international and Australian based organisations.
David Lenigas	Yes	Yes	Mr Lenigas is a Mining Engineer, with extensive experience in the lithium business, having recently retired as the Executive Chairman of Rare Earth Minerals plc (AIM: REM, OTC: REMMY) ("REM"). REM is a London listed Investment Company, which has a number of strategic investments in lithium projects around the world. Mr Lenigas is Executive Chairman of London listed Leni Gas Cuba Limited (ISDX: CUBA)("LGC"). LGC is currently subject to a reverse take over with TSX-V listed Knowlton Capital Inc (TSX-V: KWC.H) and on completion Mr Lenigas will be the Co-Chairman and Chief Executive of the renamed entity; LGC Capital Ltd listed on the TSX-V. In addition, he is the Executive Chairman of a bespoke agri-logistics company; London listed AfriAg plc (ISDX: AFRI) and Executive Chairman of UK oil company, Doriemus plc (ISDX: DOR).
David Taplin	No	Yes	Mr Taplin has 25 years' experience as an executive in mining, gas and electricity. In addition to Managing Director, he has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX and TSX-V companies and government-owned corporations. Mr Taplin has worked extensively in corporate finance, corporate law and corporate governance both in Australia and internationally. Mr Taplin holds Bachelor of Laws, Master of Business Administration (AGSM), Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Business Management, and is a solicitor, CPA, Chartered Secretary (ACIS and FGIA) and member of the Australian Institute of Company Directors.

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors.

### **Reliance on Certain Exemptions**

From April 27, 2015, the Company has relied on the exemption in 3.5 of NI 52-110, when it was listed on the TSX, following the resignation of Messrs. John Toigo, Jeffrey Wall and Richard Patricio (previous Audit Committee members). Mr David Taplin, an executive director, was appointed to fill the vacancy following a determination by the board that a reliance on this exemption would not materially adversely affect the ability of the Audit Committee to act independently and satisfies the requirements of NI 52-110. On June 24, 2015 the Company became listed on the TSX-V, as such it no longer needed to rely on this exemption.

From December 3, 2015, the Company relied on the exemption in 6.1.1 of NI 52-110 following the resignation of Mr Earl Evans (previous Audit Committee member). On July 11, 2016 Mr. David Lenigas, an independent director, was appointed a member of the Audit Committee and as such the Company no longer relies on the exemption. The Company relied on the exemption due to the small number of directors. The Company now has an Audit Committee comprised of a majority of independent directors.

### **Pre-Approval Policies and Procedures**

The Audit Committee is authorized by the board of directors to review the performance of the Company's external auditors and approve in advance the provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Chairman of the Audit Committee is authorized to approve any non-audit services or additional work which the Chairman deems as necessary and is required to notify the other members of the Audit Committee of such non-audit or additional work.

### **External Auditor Service Fees**

The aggregate fees billed by the Company's current external auditors, Hayes Knight, Pilot Partners and Davidson & Company LLP, in each of the last two fiscal years are as follows.

	<b>Year Ended March 31, 2016</b>	<b>Year Ended March 31, 2015</b>
Audit Fees <sup>(1)</sup>	\$70,000	\$88,167
Audit-Related Fees <sup>(2)</sup>	-	\$13,636 <sup>(5)</sup>
Tax Fees <sup>(3)</sup>	-	-
All Other Fees <sup>(4)</sup>	11,801	\$3,139

Notes:

1. The aggregate fees billed for audit services.
2. The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, which are not included under the heading "Audit Fees".
3. The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
4. The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".
5. These fees related to Pilot Partners were the Company's Australian auditors until their resignation on August 28, 2014.

### **Exemption in Section 6.1 of NI 52-110**

The Company does not rely on the exemption in Section 6.1 of NI 52-110 from the requirement of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations) for venture issuers.

### **OTHER MATTERS**

Management of the Company is not aware of any other matter to come before the Meeting other than as set forth in the Notice of Meeting. If any other matter properly comes before the Meeting in accordance with the Corporations Act, it is the intention of the Chairman to vote the shares represented by any proxies issued in the Chairman's favour in accordance with his best judgment on such matter.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company website, [www.macarthurminerals.com](http://www.macarthurminerals.com). Shareholders may contact the Company to request copies of the Company's financial statements and Management Discussion & Analysis ("MD&A") via telephone on (07) 3221 1796 or international telephone +61 7 3221 1796 during Australian business hours, by facsimile to the Company on (07) 3221 6152 or +617 3221 6152 (if from overseas), email: [communications@macarthurminerals.com](mailto:communications@macarthurminerals.com) or at Level 20, 10 Eagle Street, Brisbane, Queensland 4000, Australia.

Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year, both of which are filed on SEDAR.

DATED this 29<sup>th</sup> day of July, 2016.

### **BY ORDER OF THE BOARD OF DIRECTORS OF MACARTHUR MINERALS LIMITED**

*"Nicola Ingram"*

Nicola Ingram

Company Secretary

## **QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITOR**



**North America Toll Free  
1-877-452-7184**

**Collect Calls Outside North America  
416-304-0211**

**Email: [assistance@laurelhill.com](mailto:assistance@laurelhill.com)**



**Schedule "A" – Independent Experts Report**



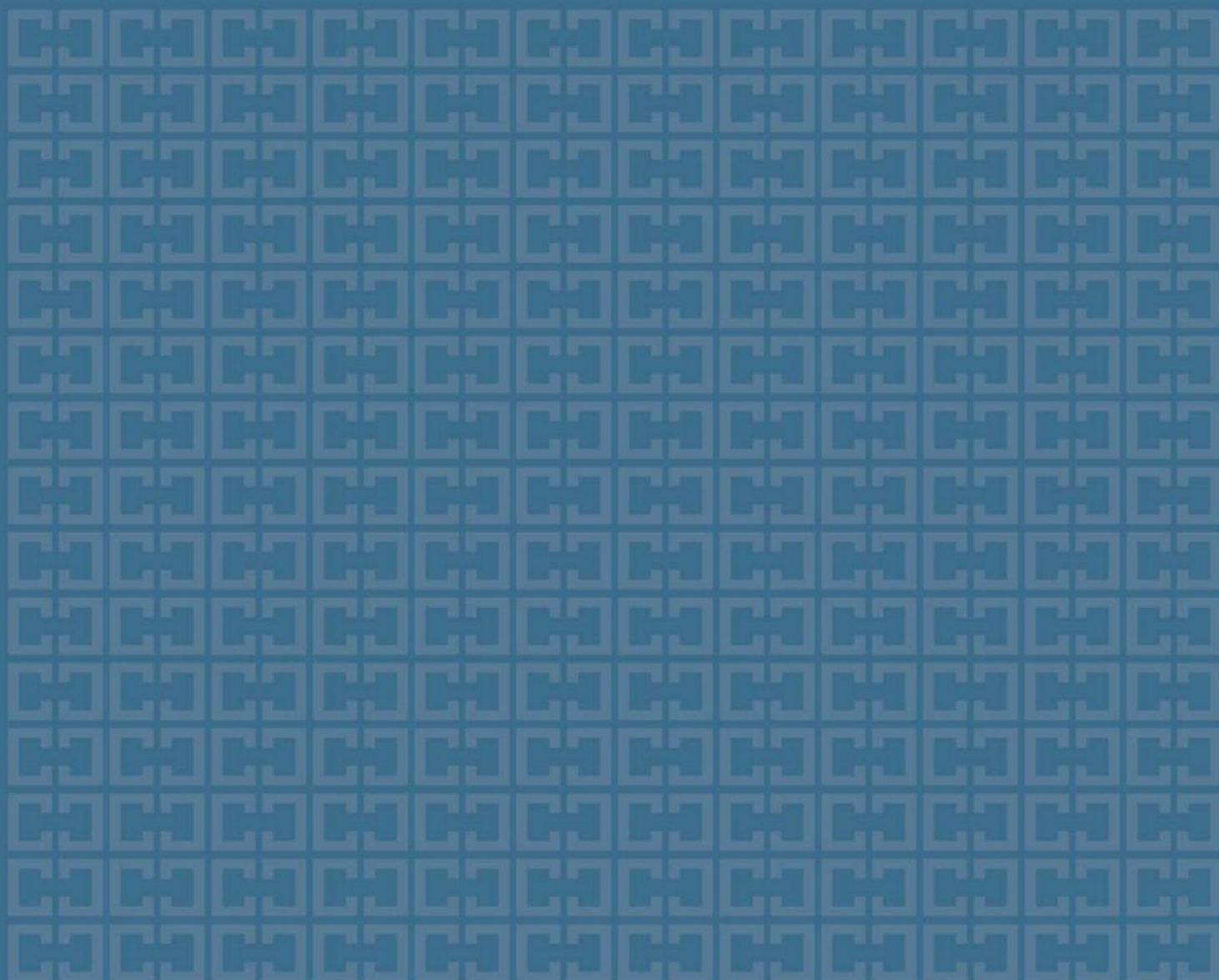
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Independent Expert's Report and  
Financial Services Guide

Macarthur Minerals Limited  
29 July 2016



## PART 1 – INDEPENDENT EXPERT’S REPORT

29 July 2016

The Shareholders  
Macarthur Minerals Limited  
Level 20, 10 Creek Street  
BRISBANE QLD 4000

Dear Shareholders,

Independent Expert’s Report

### Introduction

This Independent Expert’s Report (the report or IER) has been prepared to accompany the notice of general meeting dated 29 July 2016 for a meeting of members to be held on 31 August 2016 at which shareholder approval is being sought for Rare Earth Minerals Plc to acquire up to 15,000,000 common shares in the company in accordance with the issue of the warrants.

If the resolution is approved Rare Earth Minerals who as at the date of this report hold 13.07% of the company’s issued common shares (on an un-diluted basis) if exercised in full will then hold 23.12% (on an un-diluted basis) or 20.28% (on a fully diluted basis).

The directors of Macarthur have requested Hanrick Curran Corporate Finance Pty Ltd (HCCF), being independent and qualified for the purpose, to express an opinion as to whether the Proposed Warrant Transaction is fair and reasonable to shareholders not associated with the Proposed Warrant Transaction (Non-Associated Shareholders).

The request for approval of the Proposed Warrant Transaction is included as Resolution 6 in the Notice. Detailed below is an extract from the management information circular accompanying the Notice in respect of Resolution 6.

### APPROVAL OF THE CREATION OF A NEW CONTROL PERSON (Resolution 6)

#### Background

On February 4, 2016 and March 7, 2016, the Company announced a non-brokered private placement (the “2016 Offering”) of 15,000,000 Units at a price of CAD\$0.02 per Unit (“Unit”) for aggregate gross proceeds of CAD\$300,000 to Rare Earth Minerals Plc (“REM”). Each Unit comprised one common share and one share purchase warrant at an exercise price of CAD\$0.05 per share for a period of twelve months from the date of issuance.

As at July 28, 2016, REM holds 15,000,000 Common Shares representing 13.07% of the Company’s issued and outstanding Common Shares on an un-diluted basis.

REM also hold 15,000,000 share purchase warrants at an exercise price of CAD\$0.05 per Common Share which expire on May 8, 2017 (“Warrants”), which are subject to a 4 month hold and will be available to exercise from September 9, 2016.

#### TSX-V Requirements

The rules of the TSX-V applicable to a private placement of TSX-V listed shares or other securities convertible or exercisable into TSX-V listed shares require that an issuance of such securities to an investor that results or could result in the creation of a new “Control Person” is subject to shareholder approval.

A Control Person is defined by the policies of the TSX-V as “any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of the Issuer, or that holds more than 20% of the outstanding Voting Shares of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer”.

The Company obtained approval from the TSX-V in relation to the 2016 Offering. In providing that approval, the TSX-V required a signed undertaking from REM to not exercise all or any of the Warrants in circumstances where such exercise would cause REM to beneficially own 20% or more of the then issued and outstanding common shares of the Company, unless REM has received specific disinterested shareholder’s approval of the creation of the new Control Person.

Assuming the full exercise of the Warrants, REM would hold 30,000,000 Common Shares representing approximately 23.12% of the enlarged share capital of the Company. Accordingly, pursuant to the rules of the TSX-V, REM would be considered a new Control Person.

Until such time as the Control Person Resolution is passed, REM’s rights under the Warrants will be limited so as to restrict it from holding in excess of 19.99% of the outstanding Common Shares at any one time. In other words, such limitation provisions imposed by the TSX-V have the effect of restricting REM from becoming a new Control Person until such time as shareholder approval is obtained in accordance with the rules of the TSX-V.

Non-Associated Shareholders will be asked at the Meeting to consider and, if thought fit, to pass an ordinary resolution, with or without amendment, to approve the creation of REM as a new Control Person.

#### Australian Corporations Act - Exceptions to prohibited acquisitions

Section 606 of the Corporations Act prohibits a person from acquiring an interest in a company if the acquisition would result in that person’s or another person’s voting power (as defined in the Corporations Act) in the company increasing from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

The future issue of the shares arising from the exercise of the Warrants to REM is prohibited by section 606 of the Corporations Act unless a relevant exception applies.

Item 7 of section 611 of the Corporations Act exempts an acquisition agreed to by a resolution passed at a general meeting on which no votes were cast in favor of the resolution by the person proposing to make the acquisition or their associates.

The Company therefore also seeks shareholder approval for the future issue of the shares arising from the exercise of the Warrants to REM for the purpose of Item 7 of section 611 of the Corporations Act.

If shareholders pass Resolution 6, this may have the effect of REM, gaining a relevant interest in the Company in excess of 20%.

### Summary and Conclusion

In our opinion and for the reasons set out in Sections 5 to 7 of this Report, the Proposed Warrant Transaction is not fair but reasonable to the non-associated Shareholders of Macarthur.

## Approach

In preparing our Report, we have considered ASIC Regulatory Guides the Corporations Act and common market practice.

Having considered these various sources, we consider it appropriate to assess whether the Proposed Warrant Transaction is fair and reasonable to Non-Associated Shareholders having regard to the advantages and disadvantages, so far as Non-Associated Shareholders are concerned, of the Transaction.

## Fairness

In considering these matters, we have, amongst other things, compared the consideration being paid for the Warrants and exercise price with our estimate of the fair market value of the shares to be issued in respect of those Warrants.

This assessment of value has been undertaken on the basis that the Proposed Warrant Transaction is approved by the Shareholders. This will allow existing Shareholders to assess the impact on the value of their shares. In order to assist Non-Associated Shareholders in their assessment, we have assessed other factors that Non-Associated Shareholders should consider in determining whether to approve the Proposed Warrant Transaction.

The exercise of the Warrants by REM represents a transaction in respect of minority interests. That is, the full exercise of the Warrants will mean that, in our opinion, REM is not in a position to control the Company post-transaction. Furthermore, whilst it could be argued that REM as the largest Shareholder will be in a position to influence the company, ASIC Regulatory Guide RG 111: Content of expert reports, requires that we analyse the transaction as if it was a takeover bid.

As a result, we have considered whether the Proposed Warrant Transaction is fair to the Non-Associated Shareholders by assessing and comparing:

- ) The fair value of the warrants which, if exercised, would increase REM's interest to 20% or above; and
- ) The fair value of a share in Macarthur on a control basis pre the Proposed Warrant Transaction, with:
- ) The fair value of a share in Macarthur on a non-control basis immediately post completion of the Proposed Warrant Transaction.

## Reasonableness

In considering whether the Proposed Warrant Transaction is reasonable to the Non-Associated Shareholders, we have undertaken an analysis of the other factors relating to the Proposed Warrant Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision whether to approve the Proposed Warrant Transaction.

## Approach Summary

In light of the above, and consistent with RG 111 and within our Report, we provide:

- ) a valuation of an Ordinary Share in the Company on the basis that the Proposed Warrant Transaction is a control transaction;
- ) a valuation of the warrants which, if exercised, would increase REM's interest to 20% or above;
- ) an analysis of the advantages and disadvantages to Non-Associated Shareholders; and
- ) an assessment of whether the Proposed Warrant Transaction is fair and reasonable to Non-Associated Shareholders.

## Fairness

Our assessed values of a Macarthur share prior to and immediately post the Proposed Warrant Transaction are summarised in Table 1:

The current capital structure of the Company includes common ordinary shares, warrants issued to parties other than REM and options also issued to parties other than REM. Accordingly, in assessing fairness pre and immediately post the Proposed Warrant Transaction we also considered the post Proposed Warrant Transaction fairness value on the basis of various scenarios, including the scenario where all options are converted and warrants exercised (fully-diluted basis).

In order to test the primary valuation methodology we have also undertaken a valuation cross-check. As noted in RG111, cross-check methodology is to be used to reduce the risk that our opinion as an independent expert may be distorted by the choice of methodology. That cross-check methodology was a comparison to the net asset backing per share.

Table 1

### Impact of Exercise of Proposed Warrant Transaction

	Un Diluted Basis		Fully Diluted Basis	
	Low	High	Low	High
Pre Impact Value per Share (Control Basis, in CAD)	\$0.0903	\$0.0921	\$0.0839	\$0.0854
Pre Impact Value per Share (Control Basis, in AUD)	\$0.0915	\$0.0933	\$0.0851	\$0.0865
Post Impact Value per Share (Minority Basis, in CAD)	\$0.0710	\$0.0709	\$0.0671	\$0.0669
Post Impact Value per Share (Minority Basis, in AUD)	\$0.0720	\$0.0719	\$0.0679	\$0.0678
Net Impact per Share (AUD)	\$0.0196	\$0.0214	\$0.0171	\$0.0188
Net Impact Percentage	21.39%	22.97%	20.11%	21.68%

In accordance with the guide set out in RG111 and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Warrant Transaction to be not fair to the Non-Associated Shareholders of Macarthur as the value of a Macarthur share post the Proposed Warrant Transaction is less than the value of a Macarthur share pre the Proposed Warrant Transaction. This loss will range between \$0.0171 to \$0.0214 depending on the extent of dilution.

### Reasonableness

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such we have also considered the following factors in relation to the reasonableness aspects of the Proposed Warrant Transaction:

- ) The future prospects of the company if the Proposed Warrant Transaction does not proceed;
- ) Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Warrant Transaction proceeding.

### Proposed Warrant Transaction does not proceed

If the Proposed Warrant Transaction does not proceed, it is likely that the Company will seek alternative sources of working capital through an equity injection or similar.

The key advantages and disadvantages of the Proposed Warrant Transaction are:

### Advantages

- ) Injection of cash into Macarthur  
The exercise of the warrants at CAD \$0.05 if exercised in full will inject approximately AUD \$765,000 (for the entire transaction) into Macarthur to be used as working capital. However, of this total amount, the Proposed Warrant Transaction amounts to approximately \$256,000. As at 20 July 2016 Macarthur's bank balance was \$324,988. Whilst it is acknowledged that not all warrants the subject of the Proposed Warrant Transaction, require shareholder approval it is considered essential to the future operations of the Company that it receive an injection of working capital.
- ) REM's future assistance  
London based REM has considerable expertise in Lithium (it's principal focus) and other rare earth minerals. At 31 December, 2015, REM had net equity of £ 16.939m (equivalent to AUD \$29.7m if converted at report date). Accordingly REM has the ability to potentially assist the Company with expertise and other resources.
- ) Possible increase in liquidity of Macarthur shares with potential increase in free float number of shares.

The key disadvantages of the Proposed Warrant Transaction are:

### Disadvantages

- ) The non-associated shareholders' interest in Macarthur will be diluted.
- ) The objectives of REM who will have influence over the direction and perhaps other operating issues may not be consistent with the objectives of the non-associated shareholders.
- ) The % free float shares may proportionately reduce if REM continues to hold the shares they acquire.

We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Macarthur at this time.



In our opinion, the position of the Non-Associated Shareholders of Macarthur if the Proposed Warrant Transaction is approved is more advantageous than if the Proposed Warrant Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Warrant Transaction is reasonable for the Non-Associated Shareholders of Macarthur.

In conclusion, we have assessed the Proposed Warrant Transaction to be not fair but reasonable to the Non-Associated Shareholders. In forming this view, we have concluded that the value to the Non-Associated Shareholders is less than the fair value of a Macarthur share on a control basis, but reasonable on the basis that the advantages of the Proposed Warrant Transaction to Non-Associated Shareholders outweigh the disadvantages.

Yours faithfully,

Hanrick Curran Corporate Finance Pty Ltd



Alex Fraser  
Director and Representative

29 July 2016

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## 1 INTRODUCTION

### 1.1 Summary of the Proposed Warrant Transaction

The terms of the Proposed Warrant Transaction are described in full in the management information circular dated 29 July 2016 attached to the Notice. The following summary outlines the key points associated with the proposal:

- J On 4 February 2016 and 7 March 2016 the company announced a non-brokered private placement of 15,000,000 units at a price of CAD \$0.02 per unit for aggregate gross proceeds of CAD \$300,000 to REM. Each unit comprised one common share and one share purchase warrant at an exercise price of CAD \$0.05 per share ("Transaction");
- J As at the report date, REM holds 15,000,000 common shares representing 13.07% of the company's issued common shares on an un-diluted basis;
- J REM also holds a total of 15,000,000 share purchase warrants at an exercise price of CAD \$0.05 per common share which will expire on 8 May 2017.
- J Shareholders are being asked to approve a resolution in relation to the event that should REM decide to exercise a certain number of these warrants, would result in its shareholding increasing from 19.99% to potentially 23.12%. Accordingly, only these warrants are subject to this report.

The proposed warrants are subject to shareholders' approval.

The Resolution to accomplish the above is to be put to a General Meeting of Shareholders on 31 August 2016 and the Notice is to be accompanied by an Independent Expert's Report.

### 1.2 Intentions of the Directors and Major Shareholders

#### 1.2.1 Intentions of the Directors

We are advised that each of the directors intend to vote in favor of the resolution.

#### 1.2.2 Intention of Major Shareholders

REM is the major shareholder; however, in accordance with the Act is unable to vote in favor of the resolution. Accordingly, REM may choose to either:

- (a) Abstain from voting; or perhaps
- (b) Vote against the resolution (which appears unlikely)

In respect of the other shareholders in the top 10 shareholders:

- J Their shareholdings range between approximately 1.6% to approximately 7.1% (on an un-diluted basis); and
- J With the exception of the directors (or entities associated with them), the voting intentions of other shareholders are unknown.

## 2 SCOPE OF THIS REPORT

### 2.1 Purpose of this Report

Hanrick Curran Corporate Finance Pty Ltd (“HCCF”) has been appointed by the independent Directors of Macarthur to prepare an Independent Expert’s Report in relation to the Proposed Warrant Transaction expressing our opinion as to whether the issuance of shares upon conversion of the Warrants is fair and reasonable to those Shareholders of Macarthur not associated with the Proposed Warrant Transaction (Non-Associated Shareholders). The purpose of our Report is to assist Non-Associated Shareholders in their deliberations on whether to approve the resolution.

### 2.2 Requirements for the Independent Expert’s Report

This Report has been prepared to meet the following (ASIC) regulatory requirements:

#### Australian Securities and Investment Commission

ASIC Regulatory Guide 74: Acquisitions approved by members (RG74) requires information to be disclosed to Shareholders under item 7 of s 611 of the Corporations Act 2001 (Item 7). Item 7 requires certain material information to be disclosed to members, to ensure members are able to make an informed decision about whether to approve a Transaction/acquisition. RG74.29 states that ASIC considers the directors of the Company should provide members with an independent expert’s report (which complies with ASIC Regulatory Guide 111: Content of experts reports) or detailed director’s report on the proposed Transaction.

ASIC Regulatory Guide 111: Content of expert reports (RG111) provides guidance regarding the preparation of independent expert’s reports and the information which should be provided to Shareholders. RG111 provides specific guidance as to control Transactions. REM currently holds 13.07% of the Ordinary Shares. After the exercise of the Warrants REM may hold a maximum of 23.12% of the Ordinary Shares.

As noted above, there is no compulsory requirement for an independent expert’s report in relation to the Proposed Warrant Transaction. Notwithstanding this, the Directors of Macarthur have requested HCCF to prepare an independent expert’s report expressing our opinion as to whether the Proposed Warrant Transaction is fair and reasonable to those Shareholders of the Company not associated with REM.

## 2.3 Basis for Valuation

Consistent with RG111, the Independent Directors of Macarthur have requested us to prepare an IER in relation to the Proposed Warrant Transaction, the purpose of which is to provide:

- ) a valuation of the Company's Ordinary Shares before the Proposed Warrant Transaction on a control basis;
- ) a valuation of the Company's ordinary shares immediately after the Proposed Warrant Transaction on a non-control basis; and
- ) an analysis of the advantages and disadvantages of the Transaction in order to assess whether the offer is reasonable for the Non-Associated Shareholders.

Our valuation has been prepared on a control basis to provide Non-Associated Shareholders with an estimate of the fair market value of a Macarthur's Ordinary Share assuming 100% ownership of the Company. Our valuation takes into account the Company's current operations and capital structure, and does not reflect the impact of the Proposed Warrant Transaction. However, in our assessment of the advantages and disadvantages, we have simulated the impact of various scenarios in order to provide Non-Associated Shareholders with an indication of the range of overall consideration that may be expected.

The appropriate basis of valuation for IER purposes is 'fair value' which is generally defined in Australia as:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length."

Our assessment of the fair value of a Macarthur Ordinary Share has been undertaken on a basis consistent with this definition.

### 2.3.1 Professional Standards

This Report has been prepared in accordance with APES 225: Valuation Services ("APES 225") issued by the Accounting Professional & Ethical Standards Board Limited in respect of valuation engagements. In accordance with APES 225, we have performed a Valuation Engagement, which is defined as "an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results in a conclusion of value".

We provide our valuation of the Company's Ordinary Shares in Section 5 of this Report. In Section 7 we consider the advantages and disadvantages of the Proposed Warrant Transaction.

## 2.4 Macarthur Shareholder Decisions

This Report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Company's Shareholders. The decision as to whether to approve the resolution is a matter for consideration by individual Shareholders.

Shareholders should consider the advice in the context of their own circumstances and preferences and if in doubt as to what action to take, they should consult their own financial adviser.

It should be noted that our Report is to be provided to Shareholders to assist them in their assessment of whether to approve Resolution 6. The Report has not been prepared for, and does not contain any opinion or advice to, Macarthur Shareholders as to whether they should vote in favor or against the proposed resolution. It is not possible or practicable for us to consider the impact on individual Shareholders as many factors may impact on each Shareholder and ultimately the decision of each, including their own financial circumstances, risk profiles, liquidity circumstances, investment strategies and tax positions.

Accordingly, we have prepared a Financial Services Guide in accordance with the Corporations Act 2001 which is included as Part 2 to this Report.

## 2.5 Independence

Prior to accepting this engagement, we considered our independence with respect to Macarthur with reference to ASIC Regulatory Guide 112: Independence of experts. In our opinion, we are independent of Macarthur.

HCCF, and global affiliations, have not provided any services to Macarthur in relation to this Proposed Warrant Transaction except for the preparation of this Report. HCCF has no involvement with, or interest in, the outcome of the Proposed Warrant Transaction other than that of Independent Expert. HCCF is entitled to receive a fee based on commercial rates for the preparation of this Report. Except for those fees, HCCF will receive no other benefit in connection with the issue of this Report. In particular, payment of our fees is not contingent in any way on the success or failure of the Proposed Warrant Transaction.

## 2.6 Limitations and reliance on information

In the preparation of this Report, HCCF was provided with information in respect of Macarthur which is set out in Appendix B.

Our opinion is based on economic, market and other external conditions prevailing at the date of this Report. These conditions can change over relatively short periods of time and these changes can be material.

Our Report is also based upon financial and other information provided by Macarthur in relation to the Proposed Warrant Transaction. HCCF has considered and relied upon this information. Macarthur has represented to HCCF that to its knowledge the information provided is correct and that there are no material facts which have been omitted.

The information provided to HCCF has been evaluated through analysis, enquiry and review for the purposes of assisting Shareholders in their deliberation of whether to approve the Proposed Warrant Transaction. However, HCCF does not warrant that its enquiries have identified all of the matters that an audit and extensive examination might disclose.

Preparation of this Report does not imply that we have, in any way, audited or conducted an audit review of the financial statements of Macarthur. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and Australian equivalents to International Financial Reporting Standards as applicable.

In forming our opinion we have also assumed that:

- ) Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ) The information set out in the Notice to be sent by the Company to its Shareholders is complete, accurate and fairly presented in all material aspects;
- ) The publicly available information relied upon by HCCF in its analysis was accurate and not misleading; and
- ) The Proposed Warrant Transaction will be implemented in accordance with its terms.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinion given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. This Report should be read in the context of the full qualifications, limitations and consents set out in Appendix C of this Report.

We provided a draft copy of this Report to the Directors and management of Macarthur for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Amendments made as a result of the review by the Directors and management of Macarthur have not changed the methodology or conclusions reached by HCCF.



## 3 OVERVIEW OF MACARTHUR

### 3.1 Company Background

In summary:

- ) Macarthur was founded by the late Ken Talbot, billionaire mining entrepreneur.
- ) Macarthur is an Australian public company listed on the Toronto Venture Stock Exchange where it has been listed for over 10 years..
- ) Macarthur has been a single project Company, now with the iron-ore projects on hold, the company is concentrating on lithium in Australia.
- ) Macarthur is one of the few TSX listed companies with lithium exploration acreage in Australia and is currently focused on acquiring and developing high grade "hard rock" lithium exploration targets.
- ) Macarthur holds 20 exploration licenses and prospective interests in rights to lithium on Sulphur Springs and Whim Creek covering a total area of 1,678 km<sup>2</sup> (414,642 acres) across the Pilbara, Ravensthorpe and mid-west regions of Western Australia.
- ) On 27 May 2016 Macarthur entered into a memorandum of understanding (MOU) with Venturex Resources Ltd to enter into a farm-in and joint venture agreement for rights to lithium on their Sulphur Springs project and Whim Creek project in the Pilbara Region which is contiguous with some of the company's exploration license applications.
- ) On 12 July 2016 Macarthur also entered into a MOU with Zadar Ventures Ltd in respect of a farm-in agreement for lithium exploration on the company's Ravensthorpe acreage for a minimum expenditure of AUD\$2m for Zadar Ventures Ltd to earn a 51% interest.

## 3.2 Executive Team

### 3.2.1 Directors

The directors and key management of Macarthur are summarised in the table below.

Name	Experience, expertise and qualifications
Mr Cameron McCall	<p>Mr McCall was appointed as Independent Director on 28 April 2015 and Non-Executive Independent Chariman on 3 December 2015.</p> <p>Mr McCall has a wealth of experience across the financial services and commercial property industries within Australian and internationally. He has been providing investment, equity capital raising and share trading advice for over 17 years to corporate entities and private clients at Hartleys Limited and Macquarie Bank Limited. Mr McCall has during his 40 year career built an extensive network of international and Australian based high net worth individuals and corporate entities. Mr McCall is currently running a corporate advisory business providing advice on asset acquisition and capital raising to international and Australian based organisations.</p>
Mr David Lenigas	<p>Mr Lenigas was appointed as Independent Director on 11 July 2016.</p> <p>Mr Lenigas is a Mining Engineer, with extensive experience in the lithium business having recently retired as the Executive Chairman of Rare Earth Minerals plc (AIM: REM, OTC: REMMY) ("REM"). REM is a London and New York listed Investment Company, which has a number of strategic investments in lithium projects around the world. Mr Lenigas is Executive Chairman of London listed Leni Gas Cuba Limited (ISDX: CUBA) ("LGC"). LGC is currently subject to a reverse take over with TSX-V listed Knowlton Capital Inc (TSX-V: KWC.H) and on completion Mr Lenigas will be the Co-Chairman and Chief Executive of the renamed entity; LGC Capital Ltd listed on the TSX-V. In addition, he is the Executive Chairman of a bespoke agri-logistics company; London listed AfriAg plc (ISDX: AFRI) and Executive Chairman of UK oil company, Doriemus plc (ISDX: DOR).</p>

<p>Mr Alan Phillips</p>	<p>Mr Alan Phillips was appointed to the board on 19 October 2005. Mr Phillips was President and CEO of the Company from 31 August 2009 until his resignation from those positions on 28 April 2015. Mr Phillips continues as Executive Director.</p> <p>Mr Phillips has been a senior executive, director and chairman of ASX, TSX-V, TSX and AIM listed companies over a period of 40 years. Mr Phillips specialises in start-up and turnaround companies across a broad range of industries, but predominately in the mining and exploration of copper, gold, ethanol and iron ore and technology sectors.</p>
<p>Mr David Taplin</p>	<p>Mr Taplin was appointed as an Executive Director on 28 April 2015 and appointed President &amp; CEO on 3 December 2015. Prior to his appointment as President &amp; CEO from 31 August 2009 Mr Taplin was the Company's CFO, General Counsel and Company Secretary. Mr Taplin resigned as Company Secretary on 31 March 2016.</p> <p>Mr Taplin has 25 years experience as an executive in mining, gas and electricity. In addition to Managing Director, he has held positions as chief financial officer, company secretary, general counsel and in corporate development for several ASX, TSX and TSX-V companies and government-owned corporations. Mr Taplin has worked extensively in corporate finance, corporate law and corporate governance both in Australian and internationally. Mr Taplin holds Bachelor of Laws, Master of Business Administration (AGSM), Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Business Management, and is a solicitor, CPA, Chartered Secretary (ACIS and FGIA) and member of the Australian Institute of Company Directors.</p>

(All information on the company background and executive was sourced from Company's 2016 Australian Annual Report and Company Management)

### 3.3 Financial Information

The financial position of Macarthur as at 31 March 2015 and 2016 is summarised below. The audited financial statements are available on the TSX website.

#### Consolidated Statement of Financial Position

	Consolidated	
	2016	2015
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	267,841	2,807,129
Other receivables	34,701	39,647
Other assets	105,534	156,969
<b>Total Current Assets</b>	<b>408,076</b>	<b>3,003,745</b>
Non-current Assets		
Property, plant and equipment	108,682	468,517
Exploration and evaluation assets	6,000,000	60,800,223
<b>Total Non-current Assets</b>	<b>6,108,682</b>	<b>61,268,740</b>
<b>TOTAL ASSETS</b>	<b>6,516,758</b>	<b>64,272,485</b>
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	342,876	396,795
Provisions	37,747	80,608
Borrowings	-	11,801
Warrants liability	211,103	-
<b>Total Current Liabilities</b>	<b>591,726</b>	<b>489,204</b>
Non-current Liabilities		
Trade and other payables	160,746	-
Employee benefits	9,289	939
<b>Total Non-current Liabilities</b>	<b>170,035</b>	<b>939</b>
<b>TOTAL LIABILITIES</b>	<b>761,761</b>	<b>490,143</b>
<b>NET ASSETS</b>	<b>5,754,997</b>	<b>63,782,342</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent		
Contributed equity	90,353,947	89,840,179
Accumulated losses	(94,879,634)	(36,271,564)
Reserves	10,280,684	10,213,727
<b>TOTAL EQUITY</b>	<b>5,754,997</b>	<b>63,782,342</b>

Source: Macarthur audited financial statements

### 3.4 Capital Structure and Shareholders

#### 3.4.1 Ordinary Shares, Warrants and Options

The following compares the capital structure of the Company as at 29 July 2016 (Pre – Proposed Warrant Transaction) and notionally the Post - Proposed Warrant Transaction:

	Pre - Proposed Warrant Transaction		Post - Proposed Warrant Transaction			
	No.	%	Un-Diluted		Fully Diluted	
	No.	%	No.	%	No.	%
Shares on Issue						
REM	15,000,000	13.07	30,000,000	23.12	30,000,000	20.28
Non-Associated Shareholders	<u>99,765,390</u>	<u>86.93</u>	<u>99,765,390</u>	<u>76.88</u>	<u>117,926,968</u>	<u>79.72</u>
	<u>114,765,390</u>	<u>100.00</u>	<u>129,765,390</u>	<u>100.00</u>	<u>147,926,968</u>	<u>100.00</u>
Warrants on Issue						
REM	15,000,000	65.90	-	-	-	-
Non-Associated Shareholders	<u>7,761,578</u>	<u>34.10</u>	<u>7,761,578</u>	<u>100.00</u>	<u>-</u>	<u>-</u>
	<u>22,761,578</u>	<u>100.00</u>	<u>7,761,578</u>	<u>100.00</u>	<u>-</u>	<u>-</u>
Options on Issue						
Non- Associated Shareholders	<u>10,400,000</u>	<u>100.00</u>	<u>10,400,000</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

### 3.5 Share Price Performance

The below charts of prices and volumes over the past 3 years for Macarthur is extracted from the TSX:



Source: TSX

### 3.6 Dividend History

The Company has not declared any dividends since listing

## 4 VALUATION METHODOLOGY AND APPROACH

### 4.1 Valuation Methodologies

To estimate the fair market value of the shares in Macarthur we have considered common market practice and the valuation methodologies recommended by RG 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

#### Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings;
- analysis of a company's recent share trading history; and
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

#### Discounted cash flow methods

Discounted cash flow methods (DCF) estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

#### Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to security holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate.

The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

## 4.2 Assessment of Fair Market Value

For the purposes of Non Associated Shareholders' consideration to vote for or against the approval of Resolution 6, we have assessed the current fair market value of a share in Macarthur on a control basis initially being within the range of AUD\$0.0951 to AUD\$0.0970 (CAD\$0.0938 to CAD\$0.0957). However, this range needs to be adjusted by the warrants being exercised by REM enabling it to get to 19.99% of interest (e.g. 9,940,000 on a un-diluted basis – refer Section 5.4). To enable Non Associated Shareholders to make an informed assessment, we have also valued the Ordinary Shares following the scenario assuming warrants issued to REM being fully exercised. We have assessed the valuation range for this purpose on a minority basis to be between AUD\$0.0678 and AUD\$0.0720 (CAD\$0.0669 and CAD\$0.0710) per share, depending on:

1. the number of warrants exercised by REM;
2. the number of warrants exercised by other existing warrants holders; and
3. the number of stock options exercised by existing options holders.

We have assessed the value of a Macarthur ordinary share on a 'fair value' basis, with fair value generally being defined as:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length."

## 4.3 Valuation Approach

In considering the fair value of Macarthur ordinary shares and for the purposes of this report, we have adopted the market based method as our primary approach.

In adopting this methodology, we have considered the following in relation to Macarthur:

- ) Nature of the business;
- ) Current mining projects;
- ) Stage of current mining projects;
- ) Income, expected future income and predictability of future income;
- ) Share structure of the Company;
- ) Liquidity of Macarthur Ordinary Shares (transferability and tradability);
- ) Transferability and tradability of the business or the projects;
- ) Trading volume of the Ordinary Shares from 4 February 2016 to 27 July 2016; and
- ) An appropriate control premium.

Note that we have undertaken the calculations in Canadian Dollar (CAD) during the valuation process. The final value is then converted to Australian Dollar (AUD) at current exchange rate.



#### 4.4 Analysis of Valuation Methodologies

The value of Macarthur ordinary shares on a control basis has been assessed to be between AUD\$0.0951 and AUD\$0.0970 (CAD\$0.0938 and CAD\$0.0957). This is in our opinion, the fair market value being the amount at which the Macarthur shares will change hands between a knowledgeable willing buyer and a knowledgeable willing seller and assumes a hypothetical change of control transaction.

In order to test the primary valuation methodology we have undertaken a valuation cross check utilising a secondary valuation methodology. As noted in Regulatory Guide 111 cross-check methodology is to be used to reduce the risk that our opinion as Independent Expert may be distorted by the choice of methodology.

The secondary method utilised by us is the asset based method.

The valuation by the asset based method is materially less than our assessment of fair value. Whilst utilising this as a reasonableness check valuation, we have not relied on this as a determinant of fair market value due to reasons which are outlined in Section 5.2 of the Report.

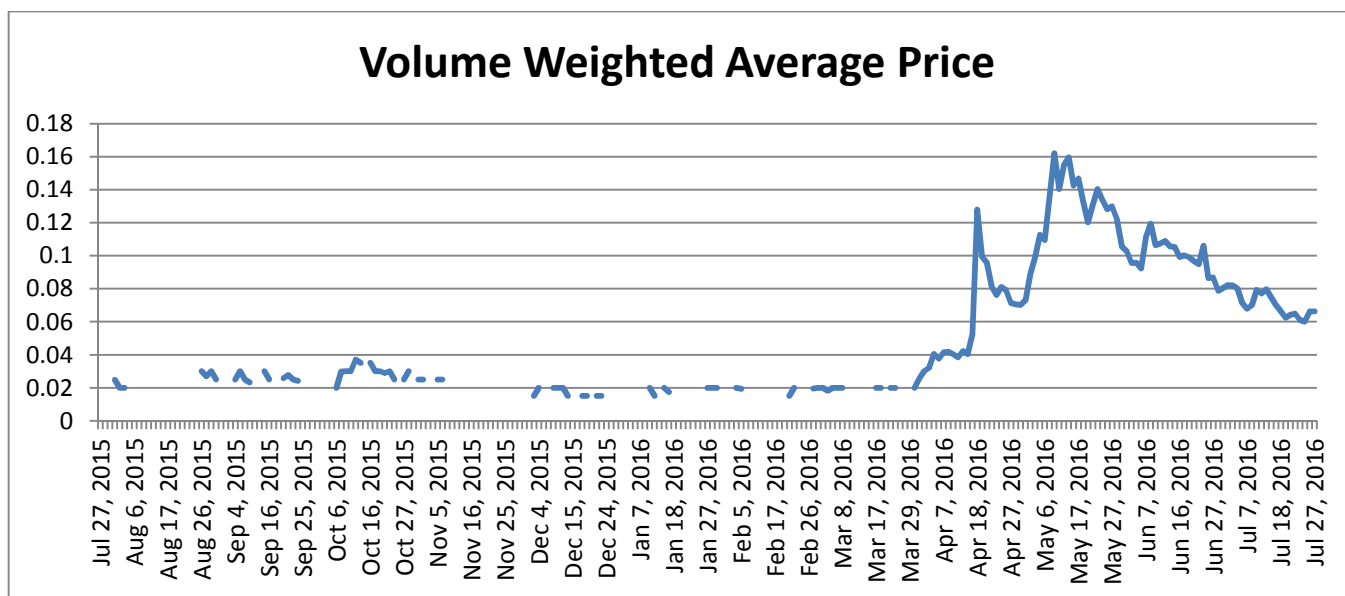
## 5 VALUATION OF MACARTHUR ORDINARY SHARES

### 5.1 Primary Method – Asset Based Method – Trading Price of Listed Shares

Macarthur Ordinary Shares are listed and traded on the TSX-V under the code of TSX-V:MMS. We are of the opinion that the recent share price information provides evidence of the fair market value of Macarthur's Ordinary Shares where they are publicly traded in an informed and liquid market.

#### 5.1.1 Share Prices

The following graph shows the daily Volume Weighted Average Price (VWAP) of Macarthur shares over the past year:



Source: Hanrick Curran Corporate Finance

During the above period, there were a number of major changes to the business and share structure of Macarthur:

#### Sale of Western Australian Iron Ore Projects

The sale transaction was first announced in October 2015. The transaction was due for settlement on 31 December 2015 and was further extended to 31 January 2016. On 1 February 2016, the Company announced that the counter-party was unable to complete the purchase by the extended due date.

#### Change of Focus to Lithium Acquisition Opportunities

The Company announced on 4 February 2016 that the business' focus will be shifted from iron ore projects to prospective Lithium projects. Since then, a number of applications for Lithium exploration licenses were submitted to relevant authorities.

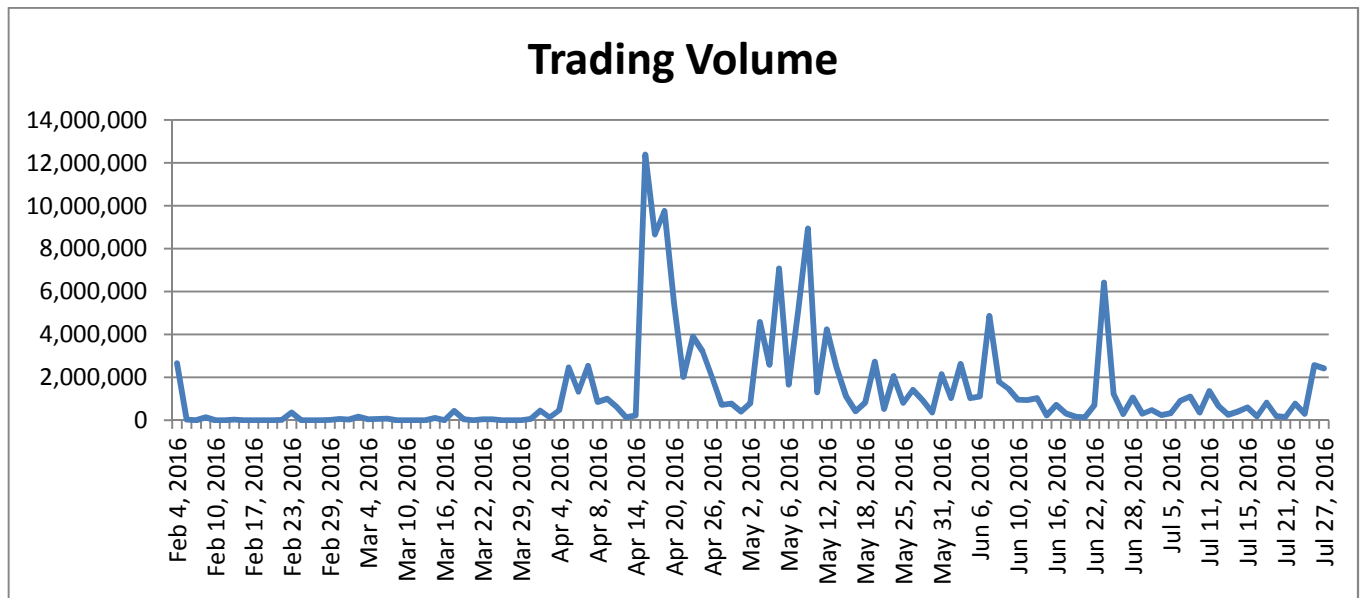
Private Placement to Strategic Investor: REM

The Company announced on 4 February 2016 a private placement of 15m units, which consisted of 15m ordinary shares and 15m warrants, issued to REM. The transaction was closed on 12 April 2016 pending approval by FIRB. The transaction was completed on 9 May 2016 following FIRB approval.

Taking the above into consideration, we have determined that there was a major change of business of the Company which the market was informed on 4 February 2016. For this reason, it is in our opinion that share price information from 4 February 2016 and onwards more accurately represents the current fair value for Macarthur shares.

5.1.2 Trading Volumes – Macarthur Shares

In the graph below, we show the daily volume of Macarthur shares traded since 4 February 2016:



During the 6 months since 4 February 2016, a total of about 159m shares were traded. This represents approximately 26.5m shares, or 23% of total outstanding shares, per month. This includes a period with low trading volume pre April 2016. We believe the increase in volume since then was related to the close of the private placement transaction to REM, which might indicate to shareholders that the Company was committed to the change of focus to Lithium projects, with REM as a strategic partner in the area of expertise.

Based on the above, we are satisfied that the market for Macarthur shares is liquid and the shares are not thinly traded stock. As a result, the share price reflects the fair market value on a minority, per share basis.

We have selected the average daily VWAP for the period 4 February 2016 to 27 July 2016 to be the assessed current fair market value per share on a minority or non-control basis. The average was CAD\$0.0751.

### 5.1.3 Control Premium

The value derived above is indicative of the value of a marketable parcel of shares of Macarthur assuming the shareholder does not have control of Macarthur.

RG 111.11 states that:

"...comparison should be made:.....assuming 100% ownership of the 'target'..., and it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares."

Depending on various other factors including the actions of currently existing stock options and warrant holders, REM can hold an interest of up to 23.12% if non associated shareholders approve Resolution 6 and should REM decide to exercise all warrants issued to them. For this reason and in compliance with RG 111.11, our assessment of the fair value of a Macarthur share includes a premium of control on the minority basis share price.

When an entity is fully owned by a single shareholder, that shareholder clearly exercises control over the entity. Control generally occurs where a shareholder has in excess of 50% of the voting rights, but can occur at shareholdings of less than 50%.

Various studies (refer to appendix K for recent studies) indicate that:

- Value premiums for control tend to range between 25% and 40% of price with the median for all GICS sectors (2001 to 2014) being 30%.
- Control premiums for mining entities are generally between 25% - 35%. However, in consideration of:
  - The current management of Macarthur; and
  - That the exploration licenses for Lithium are yet to be granted,

we consider any control premium will be at the low end of this range. Accordingly, we have set the control premium at 25%-27.5%.

### 5.1.4 Valuation of Macarthur Shares – Control Basis

Based on the above, our assessed fair value per Macarthur share on a control basis is calculated as follows:

	Ref	Low	High
Current Stock Price	5.1.2	CAD\$0.0751	CAD\$0.0751
Control Premium	5.1.3	25%	27.5%
Assessed Value per Share		CAD\$0.0938	CAD\$0.0957
At Exchange Rate: 1.0133		AUD\$0.0951	AUD\$0.0970

## 5.2 Secondary Method – Net Assets on a Going Concern

To assess the reasonableness of the valuation of Macarthur Shares, we have examined the balance sheet of Macarthur as at 31 March 2016:

### Consolidated Statement of Financial Position

	Consolidated	
	2016	2015
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	267,841	2,807,129
Other receivables	34,701	39,647
Other assets	105,534	156,969
<b>Total Current Assets</b>	<u>408,076</u>	<u>3,003,745</u>
Non-current Assets		
Property, plant and equipment	108,682	468,517
Exploration and evaluation assets	6,000,000	60,800,223
<b>Total Non-current Assets</b>	<u>6,108,682</u>	<u>61,268,740</u>
<b>TOTAL ASSETS</b>	<u>6,516,758</u>	<u>64,272,485</u>
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	342,876	396,795
Provisions	37,747	80,608
Borrowings	-	11,801
Warrants liability	211,103	-
<b>Total Current Liabilities</b>	<u>591,726</u>	<u>489,204</u>
Non-current Liabilities		
Trade and other payables	160,746	-
Employee benefits	9,289	939
<b>Total Non-current Liabilities</b>	<u>170,035</u>	<u>939</u>
<b>TOTAL LIABILITIES</b>	<u>761,761</u>	<u>490,143</u>
<b>NET ASSETS</b>	<u>5,754,997</u>	<u>63,782,342</u>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent		
Contributed equity	90,353,947	89,840,179
Accumulated losses	(94,879,634)	(36,271,564)
Reserves	10,280,684	10,213,727
<b>TOTAL EQUITY</b>	<u>5,754,997</u>	<u>63,782,342</u>

The balance sheet showed a total equity of AUD\$5,754,997 on a control basis. This represented AUD\$0.0505 on a per share, control basis. Applying the current exchange rate at 1.0133, this equals CAD\$0.0499 per share and compares to our assessed value range of CAD\$0.0938 to CAD\$0.0957.

The secondary valuation method has been excluded in our final assessment as it does not, in our opinion, represent the fair market value of Macarthur shares due to the following reasons:

1. The share structure has changed significantly since 31 March 2016 which included exercised warrants, options as well as issued shares under the Proposed Warrant Transaction.
2. The majority of the assets in the balance sheet at 31 March were related to iron ore projects. According to the announcements and Management, these are no longer the focus of Macarthur. The Company aims to earn future revenue through Lithium exploration projects.
3. Due to accounting standard requirements, costs which were associated with Lithium projects to date, had been expensed in the profit and loss statement instead of capitalised on the balance sheet (as the Lithium exploration licenses had been applied for, but not yet granted).

We have therefore determined that the valuation generated by the secondary method is less relevant and does not reflect the true market value of Macarthur Shares.

### 5.3 Definition of Assessed Warrants

As part of the Transaction as detailed in Section 1 of this report, 15m warrants were issued to REM on 9 May 2016. Due to TSX-V and ASIC requirements, REM can only exercise these warrants to the extent that they hold less than a 20% interest of Macarthur unless approval from the non associated shareholders is obtained.

The purpose of this report is to assist non associated shareholders in making an informed decision in voting for or against Resolution 6. Approval under Resolution 6 would enable the Proposed Warrant Transaction and REM could potentially exercise all issued warrants under the Transaction.

"Assessed Warrants", for the purposes of this report, refers to the number of warrants issued to REM under the Transaction, which if exercised, would bring REM's interest of Macarthur to 20% or more. In this circumstance, the shareholders' decision under Resolution 6 is relevant only to the Assessed Warrants instead of the entirety of the 15m warrants issued under the Transaction.

We note the number of Assessed Warrants is not a constant. It depends on the share structure at the time REM may exercise the warrants. The share structure can be affected by the following factors:

- a) Exercise of existing warrants by other warrants holders;
- b) Exercise of stock options by options holders;
- c) Exercise of warrants by REM up to 19.99% interest; and
- d) Issuance of further shares by Macarthur for various reasons other than the above.

Resolution 6 is relevant only after item c) occurs. We also note that items a), b) and d) above will affect the number of warrants which can be exercised under item c) and in turn, will affect the number of Assessed Warrants.

For the purposes of this report, we will examine two scenarios under the following assumptions:

Scenario 1 – Un-Diluted

Current share structure is taken as at 29 July 2016. There is no further issuance of shares under item a), b) or d). Warrants under item c) are then exercised.

Scenario 2 – Fully Diluted

Current share structure is taken as at 29 July 2016. All warrants and options under item a) and b) are exercised. Then warrants under item c) are exercised. Item d) does not occur.

(Note: Although the occurrence of item d) is possible, it is difficult to speculate whether it will occur, the reasons or purposes, or the quantity of which should it occur. Therefore, under both scenarios, we have made the assumption that item d) does not occur within the exercisable period of the Assessed Warrants.)

#### 5.4 Quantifying Number of Assessed Warrants

Based on the share structure as at 29 July 2016, we have calculated the number of Assessed Warrants as follows:

	Scenario 1	Scenario 2
Outstanding Shares as at 29 July 2016	114,765,390	114,765,390
Warrants as at 29 July 2016 (excl. REM)	-	7,761,578
Options as at 29 July 2016	-	10,400,000
	114,765,390	132,926,968
Less: REM Existing Holdings	- 15,000,000	- 15,000,000
Max Interest of REM up to 19.99%	24,940,000	29,480,000
Total Outstanding Shares (Pre Proposed Warrant Transaction)	124,705,390	147,406,968
REM's interest	19.999%	19.999%
No. of Warrants to be exercised without approval	9,940,000	14,480,000
No. of Assessed Warrants (requiring approval)	5,060,000	520,000
	15,000,000	15,000,000

As shown above, the number of Assessed Warrants is 5,060,000 and 520,000 for the respective scenarios.

## 5.5 Adjusted Share Value – Pre Proposed Warrant Transaction

The following adjustments are applied to the total equity value and share price under the respective scenarios:

### Scenario 1

- ) Exercise of 9,940,000 warrants by REM at CAD \$0.05 per share.

### Scenario 2

- ) Exercise of 7,761,578 warrants by existing warrants holders at various prices (details provided by Management).
- ) Exercise of 10,400,000 stock options by existing options holders at various prices (details provided by Management).
- ) Exercise of 14,480,000 warrants by REM at CAD\$0.05 per share

The adjusted total equity value of Macarthur, and the respective share value is summarised below:

	Scenario 1		Scenario 2	
	Low CAD\$	High CAD\$	Low CAD\$	High CAD\$
<u>Pre Proposed Warrant Transaction Adjustments</u>				
Adjusted Total Equity Value pre Assessed REM Warrants	11,265,497	11,480,867	12,373,306	12,588,676
Adjusted Price per Share	0.0903	0.0921	0.0839	0.0854

## 5.6 Valuation Methodology

The warrants issued under the Transaction have features very similar to a typical American call option. There are a number of valuation methodologies available with which to value options over shares in a company. The two most widely used of these are the Black-Scholes option valuation model and the Binomial option pricing model. These models value an option based on a normal distribution of return of the underlying shares (i.e. a log normal distribution of price of underlying shares.). The concept, assumptions and underlying mechanism of the two models are, in fact, very similar and that the Black-Scholes model is often referred to as a close approximation of the Binomial model at an infinite number of steps.

We have adopted the Black-Scholes model in pricing the call option feature of the Assessed Warrants. Further adjustment is then made to account for the dilution factor due to issuance of shares upon the warrants being exercised. The Binomial model is in our opinion less practical to apply as there are no expected steps or timing of events that might affect the value of the underlying shares or the exercising of the warrants.



Under the Black-Scholes option valuation model, the value of an option is calculated as an output of the following determinants of option value for a non dividend paying stock option:

- ) The current market value of the underlying share (S)
- ) The exercise price of the option (K)
- ) The time to expiry of option (T-t)
- ) The risk free interest rate (r)
- ) The volatility of the underlying share price (s)

The Black-Scholes formula is as follow:

$$C O V = N(d_1)S - N(d_2)Ke^{-r(T-t)}$$

$$d_1 = \frac{1}{s\sqrt{T-t}} \left[ \ln\left(\frac{S}{K}\right) + \left(r + \frac{s^2}{2}\right)(T-t) \right]$$

$$d_2 = d_1 - s\sqrt{T-t}$$

Where:

N(.) denotes the cumulative distribution function of the standard normal distribution.

We understand that the Warrants are not exercisable until 9 September 2016 due to regulatory requirements. Generally, the valuation calculated should then be discounted to present value from 9 September 2016 to the date of Meeting. However, in this circumstance, we have decided to ignore this as the effect is expected to be immaterial and negligible.

Note that we have undertaken the calculations in Canadian Dollars (CAD) during the valuation process. The final value is then converted to Australian Dollar (AUD) at current exchange rate.

### 5.6.1 Current Share Value (S)

The adjusted share prices were calculated earlier in Section 5.5. We have repeated below:

	Scenario 1		Scenario 2	
	Low CAD\$	High CAD\$	Low CAD\$	High CAD\$
<u>Pre Proposed Warrant</u>				
<u>Transaction Adjustments</u>				
Adjusted Total Equity Value pre Assessed REM Warrants	11,265,497	11,480,867	12,373,306	12,588,676
Adjusted Price per Share	0.0903	0.0921	0.0839	0.0854

#### 5.6.2 Exercise Price of Option (K)

Under the terms of the Warrants, the exercise price is CAD\$0.05 per share.

#### 5.6.3 Time to Expiry (T-t)

Due to the holding period requirement, the Warrants are not exercisable until 9 September 2016. The date of expiry is 9 May 2017 under the terms of the Warrants. Therefore from the date of Meeting:

- ) Time to Expiry (T) = 250 days
- ) Time to Exercisable Date (t) = 9 days
  
- ) Time to Expiry (T-t) = 241 days

#### 5.6.4 Risk Free Rate (r)

The risk free rate used to value an option is generally defined to be the interest rate on government bonds of a maturity equivalent to the term of the option. This rate is used to take into account the fact that a call option holder will not have to pay the exercise price until the call option is exercised. The call option holder can invest the cash at the risk free rate until exercise or expiry of the option.

We have considered that the Warrants are traded and denoted in Canadian dollars, and that the underlying share, Macarthur shares are also traded in TSX-V and denoted in Canadian dollars. We have therefore determined that the Canadian risk free rate is appropriate in valuing the Warrants.

For the purposes of our valuation, we have adopted the 1 year Canadian Treasury Bill as a proxy for the risk free rate. The term of 1 year is also a close approximation to the expiry date of the Warrants.

The average interest rate for the 1 year Canadian Treasury Bill during the year ended 27 July 2016 was 0.4980%. (Source: Bank of Canada)

#### 5.6.5 Volatility of Share Price (s)

The Black-Scholes model requires estimation of the future volatility of the underlying share price. Volatility is a measure of the level of fluctuation in the value of the underlying asset. The volatility is measured as the standard deviation of the underlying asset's returns.

In order to estimate the future volatility, historical volatility is often used as a guide as it is usually not possible to measure future volatility.

For reasons as detailed in Section 5.1.1, we have selected share price information since 4 February 2016.

The daily volatility from 4 February 2016 to 27 July 2016 was 18.02%. This represents an annualised volatility of 286.10%.

### 5.6.6 Dilution Factor

The dilution factor is calculated using the following formula:

$$D_i \quad F \quad = \frac{N}{N + M}$$

Where:

- ) N is the number of outstanding shares immediately before the Proposed Warrant Transaction
- ) M is the number of Assessed Warrants exercised

The dilution factors for Scenario 1 and Scenario 2 are calculated as 0.9610 and 0.9965 respectively. (Refer Section 5.4 for details of outstanding shares and number of Assessed Warrants)

## 5.7 Calculation - Value of Assessed Warrants

Applying the above determinants to the Black-Scholes formula, the calculation of value of each of the Assessed Warrants is summarised below:

		Scenario 1		Scenario 2	
		Low	High	Low	High
<u>Proposed Warrant Transaction</u>					
Number of Warrants		5,060,000	5,060,000	520,000	520,000
Dilution Factor	$N/(N+M)$	0.9610	0.9610	0.9965	0.9965
Adjusted per Share Value	S	\$0.0903	\$0.0921	\$0.0839	\$0.0854
Time to Expiration (days)	T	250	250	250	250
Time to Exercisable Date (days)	t	9	9	9	9
Exercise Price	K	\$0.05	\$0.05	\$0.05	\$0.05
Risk Free Rate	r	0.4980%	0.4980%	0.4980%	0.4980%
Volatility	s	286.10%	286.10%	286.10%	286.10%
Time to Maturity	(T-t)	241	241	241	241
	d1	1.4182	1.4264	1.3867	1.3941
	d2	-0.9065	-0.8984	-0.9381	-0.9307
	N(d1)	0.9219	0.9231	0.9172	0.9184
	N(d2)	0.1823	0.1845	0.1741	0.1760
Value per Warrant	W	\$0.0713	\$0.0728	\$0.0681	\$0.0694
Total Value of Assessed Warrants		\$360,806	\$368,553	\$35,399	\$36,094

Based on the above, the value of each of the Assessed Warrants is valued at between CAD\$0.0681 and CAD\$0.0728 (AUD\$0.0690 to AUD\$0.0738). The total value of Assessed Warrants is assessed at a value within the range of CAD\$35,399 to CAD\$368,553 (AUD\$35,870 to AUD\$373,455).

It is in our opinion that the approval of Resolution 6 has the effect of enabling the exercise of the Assessed Warrants which would otherwise have no value due to the restriction under regulatory requirements. The effect is equivalent to issuing the Assessed Warrants to REM and therefore the above assessed value range represents the fair value loss for Macarthur in the event that Resolution 6 is approved. Alternatively, the loss by Macarthur may be considered to be the loss of value in shares to the non-associated shareholders in order for the Company to secure further working capital of between \$26,000 and \$256,000 approximately (as per the scenarios above).

## 6 IMPACT – EXERCISE OF ASSESSED WARRANTS

The possible impact of the approval of Resolution 6 depends on various factors which include:

- ) whether REM decides to exercise any of the Assessed Warrants;
- ) the timing when the Assessed Warrants are exercised (if any);
- ) the share price when the Assessed Warrants are exercised (if any); and
- ) the share structure of Macarthur when the Assessed Warrants are exercised (if any).

It is not appropriate for us to speculate on future share price movement nor the timing of REM exercising the Assessed Warrants. Our analysis is undertaken under the following assumptions:

- ) Fair market price per share, when the Assessed Warrants are exercised, is within our assessed current price range;
- ) REM exercises all Assessed Warrants;
- ) For Scenario 1, all other existing warrants and options are not exercised prior to the Assessed Warrants;
- ) For Scenario 2, all other existing warrants and options are exercised prior to the Assessed Warrants; and
- ) Present value discounting on timing of any of the above is ignored for the purposes of this analysis.

Our analysis on the impact is summarised as follow:

	Scenario 1		Scenario 2	
	Low	High	Low	High
<u>Impact of Exercising Assessed Warrants</u>				
Outstanding Shares pre Warrants Exercise	124,705,390	124,705,390	147,406,968	147,406,968
Assessed Warrants Exercised	5,060,000	5,060,000	520,000	520,000
Outstanding Shares post impact	129,765,390	129,765,390	147,926,968	147,926,968
Total Equity Value pre Warrants Exercise	\$11,265,497	\$11,480,867	\$12,373,306	\$12,588,676
Exercise price of Warrants	\$253,000	\$253,000	\$26,000	\$26,000
	\$11,518,497	\$11,733,867	\$12,399,306	\$12,614,676
Post Impact Value per Share	\$0.0888	\$0.0904	\$0.0838	\$0.0853
Post Impact Value per Share (Minority Basis) - CAD	\$0.0710	\$0.0709	\$0.0671	\$0.0669
Post Impact Value per Share (Minority Basis) - AUD	\$0.0720	\$0.0719	\$0.0679	\$0.0678
Net Impact per Share - AUD	\$0.0196	\$0.0214	\$0.0171	\$0.0188
Net Impact Percentage	21.39%	22.97%	20.11%	21.68%

## 7 ADVANTAGES & DISADVANTAGES OF THE PLACEMENT

The likely advantages and disadvantages to Non Associated Shareholders if the Proposed Warrant Transaction is approved are set out below:

### 7.1 Advantages

The key advantages of the Proposed Warrant Transaction are:

- ) Injection of cash into Macarthur  
The exercise of the warrants at CAD \$0.05 if exercised in full will inject approximately AUD \$765,000 (for the entire transaction) into Macarthur to be used as working capital. However, of this total amount, the Proposed Warrant Transaction amounts to approximately \$256,000. As at 20 July 2016 Macarthur's bank balance was \$324,988. Whilst it is acknowledged that not all warrants the subject of the Proposed Warrant Transaction, require shareholder approval it is considered essential to the future operations of the Company that it receive an injection of working capital.
- ) REM's future assistance  
London based REM has considerable expertise in Lithium (it's principal focus) and other rare earth minerals. At 31 December, 2015, REM had net equity of £ 16.939m (equivalent to AUD \$29.7m if converted at report date). Accordingly REM has the ability to potentially assist the Company with expertise and other resources.
- ) Possible increase in liquidity of Macarthur shares with potential increase in free float number of shares.

### 7.2 Disadvantages

The key disadvantages of the Proposed Warrant Transaction are:

- ) The non-associated shareholders' interest in Macarthur will be diluted.
- ) The objectives of REM who will have influence over the direction and perhaps other operating issues may not be consistent with the objectives of the non-associated shareholders.
- ) The % free float shares may proportionately reduce if REM continues to hold the shares they acquire.

We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Macarthur at this time.

## APPENDIX A - GLOSSARY

Term	Definition
\$	All amounts are in Australian dollars (AUD) unless otherwise stated
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investments Commission
Associated Shareholders	REM
ASX	ASX Limited A.C.N 008 824 691 or the financial market operated by it as the context requires
CAANZ	Chartered Accountants Australia and New Zealand
Common Shares/Ordinary Shares	An ordinary share in the capital of the Company
Corporations Act or Act	The Corporations Act 2001 (Cth)
DCF	Discounted cash flow methodology
Directors	The directors at the date of this report, namely: Messrs McCall, Lenigas, Phillips; and Taplin
General Meeting	The meeting of Shareholders scheduled for 31 August 2016 as convened by the Notice of General Meeting
GICS	Global Industry Classification Study
Hanrick Curran Corporate Finance or HCCF	Hanrick Curran Corporate Finance Pty Ltd (ACN 165 488 620), holder of AFSL No. 467461.
IER or Report	Independent Expert's Report
Listing Rules	The listing rules of the ASX / Corporate Finance Manual of TSX-V
Macarthur or the Company	Macarthur Minerals Limited ABN 19 001 566 310
Notice	The notice of general meeting dated 29 July 2016 giving notice to Shareholders of the General Meeting
NRA	Net realisable value of assets methodology
Proposed Warrant Transaction	The proposed transaction detailed in Resolution 6 of the Notes and described in Section 1 of this report

Register	The register of members of MACARTHUR maintained in accordance with the Corporations Act.
REM	Rare Earth Minerals Plc – a London listed investment company focused on creating a diverse portfolio of direct and indirect interests in Lithium and Rare Earth Element deposits
Report Date	29 July 2016
Resolutions	The resolutions set out in the Notice of General Meeting
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Shareholder	A registered holder of an Ordinary Share in Macarthur
TSX	Toronto Stock Exchange
TSX – V	TSX Venture Exchange
Valuation Date	29 July 2016
Financial Year / FY	Each financial year ended 31 March



## APPENDIX B - SOURCE OF INFORMATION

### Source of Information Documents

1. Audited Financial Statements for FY14, FY15 and FY16.
2. Macarthur's rights of shares and terms of issue for Warrants and Options
3. Market presentation titled "Pilbara Lithium" dated June 2016.
4. Company Announcements from November 2015 to 28 July 2016.
5. Company information retrieved from Capital IQ.
6. Share price and volume information from TSX-V.
7. Interest rate information retrieved from Bank of Canada.
8. Dividend history.
9. Share trading volumes and price history for the past 3 years.
10. Share register details including an analysis of Shareholder numbers by ranges of shareholding.
11. Details of Warrant Holders.
12. Details of Stock Option Holders.
13. Other details of the Company provided by Management.

## APPENDIX C - STATEMENT OF QUALIFICATION AND DECLARATIONS

### STATEMENT OF QUALIFICATION AND DECLARATIONS

Hanrick Curran Corporate Finance Pty Ltd (HCCF), a wholly owned subsidiary of Hanrick Curran (HC), holds an Australian Financial Services License (No. 467461) under the Act and its representatives are qualified to provide this Report. The director of HCCF responsible for this Report has not provided financial advice to Macarthur.

Prior to accepting this engagement, HCCF considered its independence with respect to Macarthur with reference to Regulatory Guide 112: Independence of experts

This Report has been prepared specifically for the Shareholders of Macarthur in relation to the potential exercise of the Warrants (the subject of this report). Neither HCCF, HC nor any employee therefore undertakes responsibility to any person, other than Macarthur Shareholders, in respect of this Report, including any errors or omissions howsoever caused.

The statements and opinions given in this Report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this Report HCCF has relied upon information believed after due inquiry to be reliable and accurate. HCCF has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. HCCF has evaluated the information provided to it by Macarthur, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate that information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. HCCF does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this Report is set out in Appendix B to this Report. Macarthur has provided an indemnity to HCCF for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

HCCF provided a draft copy of this Report to Macarthur for comments as to factual accuracy, as opposed to opinions, which are the responsibility of HCCF alone. Changes made to this Report as a result of this review by the Directors and Management have not changed the methodology or conclusions reached by HCCF.

HCCF will receive a professional fee based on time spent in the preparation of this Report estimated at approximately \$8,000 (exclusive of GST). HCCF will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this Report.

Mr Alex Fraser, a director and representative of HCCF assumed overall responsibility for this Report. He has the necessary experience and professional qualifications appropriate to the advice being offered. Other HCCF staff have been consulted in the preparation of this Report where appropriate.

## APPENDIX D - VALUATION APPROACHES

### VALUATION APPROACHES

There are a number of methodologies available with which to value an asset, a business, business unit or the securities in an entity. The principal methodologies used are:

- market based assessments
- capitalisation of earnings
- discounted cash flow
- net realisable value of assets

Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to utilise generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

Market based assessments relate to the valuation of entities, the units/shares which are often traded on a recognised exchange. In respect of shares traded on the ASX/TSX, the share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or entity at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where an entity or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

Discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and other entities which are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as mining projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of reliability.

The net realisable value of assets methodology involves the determination of the net realisable value of the assets of a business or entity, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. This methodology assumes a reasonable time frame for sale and does not presume the sale is a forced sale.

## APPENDIX E - CONTROL PREMIUM

### CONTROL PREMIUM

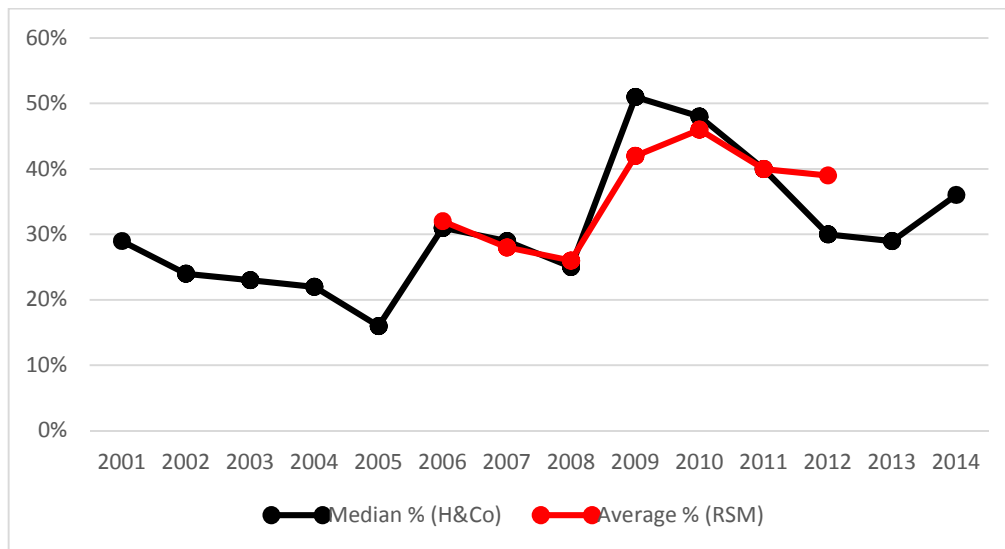
The generally accepted way of quantifying control premiums has been to compare the pre-bid or pre-offer price of the company being acquired with the offer or transaction price. The difference, calculated as a percentage of the publically traded share price (the minority interest price) is the control premium. The control premium reflects:

- (a) the value of benefits that can be derived through obtaining control of the business; and may also reflect
- (b) special benefits attributable to synergies based on the 20 day pre-bid price.

Recent studies of the 20 day pre-bid price by RSM Bird Cameron (RSM) and Halligan & Co (H&Co) (extracted from data sourced from Connect4) show the following:

STUDY	PERIOD OF STUDY	NO OF TRANSACTIONS	MEDIAN TAKEOVER PREMIUM
(1)RSM	2006 – 2012	345	35.3%
(2)Halligan & Co	2000 – 2014	605	30%

(1)Control Premium Study 2013  
(2)Control Premium Research 2014



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Median % (H&Co)	29%	24%	23%	22%	16%	31%	29%	25%	51%	48%	40%	30%	29%	36%
Average % (RSM)						32%	28%	26%	42%	46%	40%	39%		

## Appendix E – Cont'd

Typical control premiums are in the order of 25% - 40%. Within this range premiums vary year on year and for different industries but the long term median has generally been around 30%. In addition the RSM study noted the average of 22 Transactions in the real estate industry for the period 2006-2012 was 20.7%.

Minority Interest Discount Formula:

$$1 - \left[ \frac{1}{1 + C \cdot P_1} \right]$$

## PART 2 – FINANCIAL SERVICES GUIDE

### 14. Hanrick Curran Corporate Finance Pty Ltd

Hanrick Curran Corporate Finance Pty Ltd (“HCCF”) carries on a business, and has a registered office, at Level 11, 307 Queen Street, Brisbane QLD 4001. HCCF holds Australian Financial Services License No 467461 authorising it to provide financial product advice in relation to securities to wholesale and retail clients.

HCCF has been engaged by Macarthur Minerals Limited (Macarthur or the Company) to provide general financial product advice in the form of an independent expert's report to the shareholders. This Report is to accompany the Company's Notice of Meeting .

### 15. Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with Corporations Act, 2001 and provides important information to help retail clients make decision as to their use of the general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### 16. General financial product advice

In our Report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

HCCF does not accept instruction from retail clients. HCCF provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCCF does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### 17. Remuneration

When providing the Report, HCCF's client is the Company. HCCF receives its remuneration from the Company. In respect of the Report, HCCF will receive from Macarthur a fixed fee of \$8,000 plus GST, for the preparation of the Report. Our directors and employees providing financial services receive an annual salary, a performance based bonus or profit share depending on their level of seniority. Except for the fees referred to above, no related body corporate of HCCF or any directors, employees or any associated entities receives any other remuneration or other benefit directly or indirectly for or in connection with the provision of this Report.

### 18. Independence

HCCF is required to be independent of Macarthur in order to provide this Report. The guidelines for independence in the preparation of independence expert's report are set out in Regulatory Guide 112 Independence of experts issued by the Australian Securities and Investments Commission (“ASIC”). The following information in relation to the independence of HCCF is stated below.

“HCCF and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Macarthur (and associated entities)

that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Transaction/ Proposed Warrant Transaction (Transaction for the purposes of this FSG).

HCCF has no involvement with, or interest in the outcome of the Transaction, other than the preparation of this Report.

HCCF will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of this Transaction. HCCF will receive no other benefit for the preparation of this Report.

HCCF considers itself to be independent in terms of Regulatory Guide 112 Independence of experts issued by the ASIC.

## 19. Complaints process

HCCF has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 34891). All complaints must be in writing and addressed to the Managing Director at HCCF. We will endeavor to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West  
Melbourne, VIC 8007  
Telephone: 1800 335 405

HCCF is only responsible for this Report and FSG. Complaints or questions about the General Meeting should not be directed to HCCF. HCCF will not be responsible in any way that might involve any provision of financial product advice to any retail investor.

## 20. Compensation

HCCF has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

## Schedule “B” – Audit Committee Charter

# MACARTHUR MINERALS LIMITED

ACN 103 011 436

## AUDIT COMMITTEE CHARTER

(Adopted by the Board of Directors on 14 May 2015)

### **ARTICLE 1 - PURPOSE**

The overall purpose of the Audit Committee (the “Committee”) is to:

- (a) ensure that the management of Macarthur Minerals Limited (the “Company”) has designed and implemented an effective system of internal financial controls for reviewing and reporting on the Company’s financial statements;
- (b) oversee, review and report on the integrity of the Company’s financial disclosure and reporting;
- (c) review the Company’s compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts; and
- (d) be directly responsible for:
  - (i) the recommendation to the Board of Directors (“Board”) of a firm of external auditors to be proposed for election as the external auditors of the Company,
  - (ii) the oversight of the work of the Company’s external auditors, and
  - (iii) subject to the grant by the shareholders of the authority to do so, if required, recommend to the Board the compensation of the external auditors of the Company.

### **ARTICLE 2 - COMPOSITION, PROCEDURES AND ORGANIZATION**

#### **2.1 Number of Members**

The Committee shall be comprised of a minimum of three non-executive members of the Board.

#### **2.2 Member Qualifications**

- (a) The Committee member must be a director of the Company
- (b) The majority of Committee members must be “independent<sup>1</sup>” within the meaning of all applicable legal and regulatory requirements (except in the circumstances, and only to the extent, permitted by all applicable legal and regulatory requirements).
- (c) All of the members of the Committee will be “financially literate<sup>2</sup>”, at least one member of the Committee will have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).

#### **2.3 Member Appointment and Removal**

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<sup>1</sup> Whether a director is “independent” will be determined in accordance with all applicable laws and regulations, including the applicable securities laws of Canada and the United States and the regulations and policies of any stock exchange or quotation system on which the Company’s securities are listed or quoted.

<sup>2</sup> An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally compatible to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.



- (a) The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, or by way of circulating resolution thereafter, will appoint the members of the Committee for the ensuing year.
- (b) The Board may at any time remove or replace any member of the Committee.
- (c) To fill any vacancy in the Committee following the death, disability or resignation of a member, the new appointee may be exempt from the requirement of section 2.2(b), independence, or section 2.2(c), being financially literate, for a period of up to six months or until the next Annual General Meeting whatever is the shorter. Such an appointment is subject to the board determining that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of NI52-110.

## 2.4 **Committee Structure and Operations**

### (a) *Chair*

Each year, the Board shall appoint one member of the Committee to be the Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board. If in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

Unless the Board has appointed a chair of the Committee, the members of the Committee will elect a chair from among their number.

### (b) *Meetings*

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings. However, the Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties.

The Chair or any two members of the Committee may call a meeting.

### (c) *Notice*

Notice of the time and place of every meeting shall be given in writing to each Committee member, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company at least one week prior to the time fixed for such meeting.

The external auditor of the Company shall be given notice of every meeting of the Committee and, at the expense of the Company, shall be entitled to attend and be heard thereat.

If requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor.

### (d) *Quorum*

The quorum for meetings will be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other. Decisions by the Committee will be by the affirmative vote of a majority of the members of the Committee, or by consent resolutions in writing signed by each member of the Committee.

### (e) *Secretary*

The Committee may select an individual to act as secretary for the Committee, who will be either:

- (i) A member of the Committee other than the chair;
- (ii) the Corporate Secretary; or
- (iii) Another individual who is not a member of the management of the Company. or

The Secretary, in conjunction with the Chair shall draft an agenda, which will be circulated at least one week prior to each meeting.

(f) *Records*

Minutes of meetings of the committee shall be recorded and maintained by the Secretary to the Committee and shall be subsequently presented to the committee for review and approval. The minutes of each Committee meeting shall be submitted to the Board for information.

(g) *Attendees*

The Committee will have access to such officers and employees of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The internal accounting staff, any external accounting consultant(s) and the external auditors will have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in, or consultant of, the Company as it deems necessary, and any employee of, or consultant to, the Company may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

The Committee may, in its sole discretion, retain, at the expense of the Company, such legal, financial or other advisors or consultants as it may deem necessary or advisable in order to properly and fully perform its duties and responsibilities hereunder.

(h) *Liaison*

The Company's Chief Financial Officer shall act as management liaison with the Committee.

### **ARTICLE 3 - DUTIES AND RESPONSIBILITIES**

3.1 The overall duties and responsibilities of the Committee will be as follows:

- (a) be directly responsible for:
  - (i) the recommendation to the Board of a firm of external auditors to be proposed for election as the external auditors of the Company,
  - (ii) the oversight of the work of the Company's external auditors, and
  - (iii) subject to the grant by the shareholders of the authority to do so, if required, recommendation to the Board the compensation of the external auditors of the Company;
- (b) to review with the management of the Company (and, in the case of the annual audited statements, with the external auditors) the annual audited consolidated and unaudited consolidated quarterly financial statements, including the notes thereto, to ensure that such statements present fairly the financial position of the Company and the results of its operations and, if appropriate, to recommend to the Board as to the approval of any such financial statements;

- (c) to assist the Board in the discharge of its responsibilities relating to the Company's accounting principles, reporting practices and internal controls and its approval of the Company's annual and quarterly consolidated financial statements;
- (d) to establish and maintain a direct line of communication with the Company's internal accounting staff and any external accounting consultant(s) and assess their performance;
- (e) to undertake the following in relation to risk management:
  - (i) review and evaluate the internal processes for determining and managing key risk areas;
  - (ii) monitor and assess the Company's risk management system and require Management to report major risks at least annually to the Board;
  - (iii) require periodic reports from nominated senior managers:
    - A. confirming the operation of the risk management system including advice that accountable management have confirmed the proper operation of agreed risk mitigation strategies and controls; and
    - B. detailing material risks.
- (f) to ensure that the management of the Company has designed, implemented and is maintaining an effective and appropriate system of internal financial controls; and
- (g) to report regularly to the Board on the fulfilment of its duties and responsibilities including:
  - (i) assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
  - (ii) assessment of the management processes supporting external reporting;
  - (iii) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
  - (iv) recommendations for the appointment or, if necessary, the removal of the external auditor;
  - (v) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that provision of those services has not compromised the auditor's independence;
  - (vi) assessment of the performance and objectivity of the internal audit function; and
  - (vii) the results of the committee's review of risk management and internal control systems.

3.2 The duties and responsibilities of the Committee as they relate to the external auditors will be as follows:

- (a) to recommend to the Board a firm of external auditors to be proposed by management of the Company to the shareholders for election by the shareholders as the external auditors for the Company, and to verify the independence of such proposed external auditors;

- (b) to review and recommend to the Board the fee, scope and timing of the annual and any other audit performed by the external auditors;
- (c) to review and evaluate the qualifications, performance and independence of the lead partner of the external auditors of the Company;
- (d) to discuss with management of the Company the timing and process for implementing the rotation of the lead audit partner and the reviewing partners of the external auditors of the Company;
- (e) to obtain confirmation from the external auditors of the Company that they will report directly to the Committee;
- (f) to obtain confirmation from the external auditors of the company that they will report in a timely matter to the Committee all critical accounting policies and practices to be used, all alternative accounting policies and practices, the ramifications of each of such accounting policies and practices and the accounting policy and practice preferred by the external auditors of the Company, for the financial information of the Company within applicable accounting principles which have been discussed with management of the Company and will provide a copy of all material written communications between the external auditors of the Company and management of the Company including, without limitation, any management letter or schedule of unadjusted differences;
- (g) to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Company;
- (h) to review and pre-approve all non-audit services to be provided to the Company (or any of its subsidiaries) by the external auditors;
- (i) review the audit plan of the external auditors prior to the commencement of the audit;
- (j) to review with the external auditors, upon completion of their annual audit:
  - (i) the contents of their report,
  - (ii) the scope and quality of the audit work performed,
  - (iii) the adequacy of the Company's financial and accounting personnel,
  - (iv) the co-operation received from the Company's personnel and any external consultants during the audit,
  - (v) the scope and nature of the internal resources used,
  - (vi) any significant transactions outside of the normal business of the Company,
  - (vii) any significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems, and
  - (viii) the non-audit services provided by the external auditors during the year under audit;
- (k) to discuss with the external auditors not just the acceptability, but also the quality, of the Company's accounting principles; and
- (l) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3.3 The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company are to:

- (a) review the appropriateness and effectiveness of the Company's policies and business practices which impact on the financial integrity of the Company, including those relating to internal accounting, the use of and services provided by any external accounting consultant(s), insurance, information services and systems and financial controls, management reporting and risk management, and to ensure that the Company maintains:
  - (i) the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Company's financial transactions,
  - (ii) effective internal control systems, and
  - (iii) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud;
- (b) establish procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
  - (ii) the confidential, anonymous submission by employees or any external consultants of the Company of concerns regarding questionable accounting or auditing matters;
- (c) to periodically review this policy and recommend to the Board any changes which the Committee may deem appropriate;
- (d) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company;
- (e) periodically review the Company's financial and auditing procedures and the extent to which recommendations made by the internal accounting staff, by any external accounting consultant(s) or by the external auditors have been implemented;
- (f) assist in the preparation of any internal control report by management, which provides that management of the Company is responsible for establishing and maintaining an adequate control structure and procedures for financial reporting by the Company, assessing the effectiveness of such control structure and procedures, and ensuring that the external auditors of the Company attest to, and report on, the assessment of such control structure and procedures by management of the Company;
- (g) assist the Chief Executive Officer and the Chief Financial Officer of the Company in their assessment of the effectiveness of the Company's internal control over financial reporting and in determining whether there has been any material change in the Company's internal control over financial reporting which has materially affected or could materially affect such internal control subsequent to the date of the evaluation; and
- (h) assist the Chief Executive Officer and the Chief Financial Officer of the Company in identifying and addressing any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial information and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

3.4 The Committee is also charged with the responsibility to:

- (a) review the Company's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;
- (b) review and approve the financial sections of:
  - (i) the annual report to shareholders;
  - (ii) the annual information form (if any);
  - (iii) any quarterly or annual management discussion and analysis;
  - (iv) prospectuses; and
  - (v) other public reports requiring approval by the Board,and report to the Board with respect thereto including, without limitation, as to the approval (or otherwise) thereof by the Board;
- (c) prior to public disclosure review regulatory filings and decisions as they relate to the Company's consolidated annual and interim financial statements, including any press releases with respect thereto;
- (d) ensure that all non-audit services approved by or on behalf of the Committee are disclosed in the periodic reports of the Company;
- (e) ensure that each annual report and, to the extent required by any applicable legal or regulatory requirement, any quarterly report of the Company includes disclosure with respect to all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities which may have a current or future effect on the Company in accordance with all applicable legal and regulatory requirements;
- (f) ensure that all financial statements and other financial information, including pro forma financial information, included in any report filed by the Company with any regulatory authority or contained in any public disclosure or press release of the Company is presented in a manner which does not contain a material misstatement or omission;
- (g) review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
- (h) review and report on the integrity of the Company's consolidated financial statements;
- (i) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;
- (j) review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and
- (k) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board within a reasonable time following each annual general meeting of shareholders.

3.5 The Committee shall have the authority to determine:

- (a) subject to the grant by the shareholders of the authority to do so, if required, the compensation to be received by the external auditors of the Company in connection with all audit services, and non-audit services, to be performed by the auditors;
- (b) the compensation to be received by any legal, financial or other advisors or consultants engaged by the Committee to assist it in performing its duties and responsibilities hereunder; and
- (c) the appropriate funding for the ordinary administrative expenses of the Committee.

The Committee discharges its responsibilities by making recommendations to the Board. The Committee does not have any executive powers to commit the Board or Management to their implementation. The Committee is not responsible for supervising the performance of executives and does not become involved in day-to-day operations, management functions or decision making.

#### **ARTICLE 4 – GENERAL**

##### 4.1 The Committee will:

- (a) prepare any report or other disclosure, including any recommendation of the Committee, required by any applicable legal or regulatory requirement to be included in the annual proxy or information circular of the Company;
- (b) review this Charter at least annually and recommend any changes herein to the Board;
- (c) report the activities of the Committee to the Board on a regular basis and make such recommendations thereto as the Committee may deem necessary or appropriate;
- (d) review and recommend to the Board an annual performance evaluation of the Committee, which performance evaluation must compare the performance of the Committee with the requirements of this Charter and be conducted in such manner as the Committee deems appropriate. Such report to the Board may be in such form as the Committee determines, which may include being in the form of an oral report by the chair of the Committee or by another member of the Committee designated by the Committee to make such report; and
- (e) adopt, as it sees fit, any policies and procedures for pre-approval of non-audit services in accordance with all applicable legal and regulatory requirements.

4.2 No member of the Committee will receive any compensation from the Company, other than fees for being a director of the Company, or a member of a committee of the Board.

4.3 In addition to the foregoing, the Committee will perform such other duties as may be assigned to it by the Board from time to time or as may be required by any applicable stock exchanges, regulatory authorities or legislation.