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BALAMARA RESOURCES LIMITED

ACN 061 219 985

NOTICE OF GENERAL MEETING

TIME: 11:00am (WST)

DATE: 15 June 2012

PLACE: BDO Chartered Accountants
Hay Room
38 Station Street
Subiaco Western Australia

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6365 4519

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the general meeting of the Shareholders to which this Notice of Meeting relates will be held at 11:00am (WST) on 15 June 2012 at:

BDO Chartered Accountants
Hay Room
38 Station Street
Subiaco Western Australia

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm (WST) on 13 June 2012.

VOTING IN PERSON

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

VOTING BY PROXY

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

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

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. [If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance

with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.]

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

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

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

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

"That, subject to Resolutions 3 and 5 in this Notice being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) every ten (10) Shares be consolidated into one (1) Share; and
- (b) every ten (10) Options be consolidated into one (1) Option,

and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

2. RESOLUTION 2 – ISSUE OF DIRECTOR INCENTIVE SHARES AND APPROVAL OF LOAN TO MICHAEL HALE

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

"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue up to 25,000,000 Shares as Director incentive remuneration to Michael Hale (or his nominee) on the terms and conditions set out in the Explanatory Statement."

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company), Michael Hale and any associates of Michael Hale and, if ASX has expressed an opinion under ASX Listing Rule 10.14.3 that approval is required for participation in an employee incentive scheme by anyone else, that person and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) *the proxy is either:*
 - (A) a member of the Key Management Personnel; or
 - (B) a Closely Related Party of such a member; and
- (b) *the appointment does not specify the way the proxy is to vote on this Resolution.*

However, the above prohibition does not apply if:

- (c) *the proxy is the Chair of the Meeting; and*

- (d) *the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.*

3. RESOLUTION 3 – VARIATION TO CONSTITUTION

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

“That, subject to Resolutions 1 and 5 in this Notice being passed, for the purposes of Section 136(2) of the Corporations Act and for all other purposes, the Company varies its existing Constitution by:

- (a) *including the clause contained in Schedule 1 of this Notice after clause 37 of the Constitution;*
- (b) *in clause 13.7 of the Constitution inserting after “Subject to clause 13.8 below, the total aggregate fixed sum per annum to be paid to the Directors” the phrase “(excluding salaries of executive Directors)”; and*
- (c) *in clause 13.8 of the Constitution inserting after “Directors” the phrase “(excluding salaries of executive Directors)”.*

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE – SHARES

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 100,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

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

5. RESOLUTION 5 – PLACEMENT – SHARES FOR AIM LISTING

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

*“That, subject to Resolutions 1 and 3 in this Notice being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to that number of Shares, when multiplied by the issue price, will raise **UP TO** \$20,000,000 on the terms and conditions set out in the Explanatory Statement.”*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 3 MAY 2012

BY ORDER OF THE BOARD



JERRY MONZU
COMPANY SECRETARY

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EXPLANATORY STATEMENT

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

1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

1.1 General

Resolution 1 seeks Shareholder approval to consolidate the number of Securities on issue on a one (1) for ten (10) basis (**Consolidation**).

If Resolution 1 is passed and excluding any Securities issued pursuant to the other Resolutions, the number of:

- (a) Shares on issue will be reduced from 1,851,510,869 to 185,151,087 (subject to rounding); and
- (b) Options on issue will be reduced from 24,000,000 to 2,400,000 (subject to rounding).

1.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

1.3 Option Exercise Price

If Resolution 1 is passed, the exercise price of all Options on issue will be multiplied by 10.

1.4 Fractional entitlements

Not all Securityholders will hold that number of Shares or Options (as the case may be) which can be evenly divided by 10. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

1.5 Taxation

It is not considered that any taxation implications will exist for Securityholders arising from the Consolidation. However, Securityholders are advised to seek their own tax advice on the effect of the Consolidation and the Company does not accept any responsibility for the individual taxation implications arising from the Consolidation.

1.6 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Securityholder to check the number of Securities held prior to disposal or exercise (as the case may be).

1.7 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below:

Capital Structure	Shares	Options
Pre-Consolidation Securities	1,851,510,869	24,000,000
Post 1:10 Consolidation Securities (Resolution 1)	185,151,087	2,400,000
To be issued to Mr Michael Hale pursuant to Resolution 2	2,500,000	Nil
To be issued to Mr Yaw Chee Siew under the Company's 15% annual placement capacity	5,000,000	2,500,000
To be issued as part of AIM Placement pursuant to Resolution 5	120,192,308 ¹	Nil
Completion of Placement and all Resolutions	312,843,395	4,900,000

Note:

1. Calculated using the worked example contained in Section 6.2 of the Explanatory Statement.

1.8 Indicative timetable

If Resolution 1 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 5) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and dispatches Notice of Meeting.	17 May 2012
Company tells ASX that Shareholders have approved the Consolidation.	15 June 2012
Last day for pre-Consolidation trading.	18 June 2012
Post-Consolidation trading starts on a deferred settlement basis.	19 June 2012
Last day for Company to register transfers on a pre-Consolidation basis.	25 June 2012
First day for Company to send notice to each holder of the change in their details of holdings.	26 June 2012
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	
Dispatch date. Deferred settlement market ends.	2 July 2012
Last day for Securities to be entered into holders' Security holdings.	
Last day for the Company to send notice to each holder of the change in their details of holdings.	

2. RESOLUTION 2 – ISSUE OF DIRECTOR INCENTIVE SHARES AND APPROVAL OF LOAN TO MICHAEL HALE

2.1 General

The Company has agreed, to the provision of a non-recourse, interest free loan (**Loan**) to Mr Michael Hale pursuant to the Directors Share Loan Plan for the purpose of Mr Hale subscribing for 25,000,000 Shares (or 2,500,000 Shares in the event that Resolution 1 is passed) on the terms and conditions set out below.

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

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

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

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The provision of the Loan and Shares to Mr Hale requires the Company to obtain Shareholder approval because:

- (a) the issue of Shares to Mr Hale constitutes giving a financial benefit;
- (b) the non-recourse, interest free loan to acquire the Shares constitutes giving a financial benefit; and
- (c) as a Director, Mr Hale is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Shares to Mr Hale.

2.2 Technical information required by Chapter 2E of the Corporations Act and ASX Listing Rule 10.14

Pursuant to and in accordance with the requirements of Sections 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of the Loan and issue of Shares to Mr Hale:

- (a) Mr Hale is a related party by virtue of being a Director;
- (b) the maximum amount of the Loan (being the nature of the financial benefit) to be provided to Mr Hale (or his nominee) can be calculated by multiplying the number of Shares to be issued (determined in accordance with paragraph (c)) by the issue price (determined in accordance with paragraph (d)). Based on the last trading price of Shares before the date of this Notice (i.e. \$0.022), the amount of the Loan would be \$550,000;

- (c) the maximum number of Shares to be issued to Mr Hale (or his nominee) is 25,000,000 Shares (or 2,500,000 Share in the event that Resolution 1 is passed);
- (d) the issue price of the Shares will be **not less than** either the weighted average trading price at which Shares were traded on the ASX over the five trading days up to and including the actual date of acceptance of the offer by Mr Hale **plus 20%**, or 2.2 cents (or 22 cents in the event that Resolution 1 is passed). As a result, the Shares will always be issued at a premium to the trading price of Shares at the time the Shares are issued;
- (e) no funds will be raised from the issue of the Shares as there will be no change to the Company's cash position (i.e. the Loan made by the Company will be used to subscribe for the Shares to be issued to Mr Hale). Amounts repaid to the Company by Mr Hale in the future in satisfaction of the Loan will be used by the Company for general working capital purposes;
- (f) the Share Loan Plan was approved by Shareholders at a general meeting held on 26 August 2011 and 275,000,000 Shares have previously been issued under the Plan (on a pre-Consolidation basis). A further 18,000,000 Shares (on a pre-Consolidation basis) have been issued to employees of the Company pursuant to an employee share plan which was also approved on 26 August 2011. The total value of loans made to date in respect of these plans is \$6,446,000;
- (g) all Directors are entitled to participate in the Plan, however, at the current time the Company does not intend to make an offer to any Director other than Mr Hale. Accordingly approval is being sought only for the offer to Mr Hale;
- (h) the Loan will be provided on the following key terms and otherwise subject to the terms and conditions of the Plan;
 - (i) **(non-recourse)**: the Loan is secured against the Shares but Mr Hale is not personally liable for the Loan. In other words, in the event the Shares are sold to repay the Loan but the sale proceeds are insufficient to cover the amount of the Loan which is outstanding the Company cannot recover the remaining amount from Mr Hale and the Company will be unlikely to recoup the full face value of the Loan. Conversely, where the sale proceeds are greater than the amount of the Loan the Company will not receive any additional repayment as Mr Hale is entitled to the surplus proceeds;
 - (ii) **(interest free)**: the Loan will be interest free unless otherwise agreed by Mr Hale; and
 - (iii) **(term)**: Four (4) years from the date of issue of the Shares subject to earlier repayment in accordance with the terms of the Plan (e.g. ceasing to be an employee of the Company, an event of insolvency);
- (i) the value of the Loan is \$438,355 using the Black & Scholes valuation methodology and based on the following assumptions:
 - (i) a valuation date of 3 May 2012;

- (ii) a deemed issue price of \$0.025 per Share and corresponding Loan principal of \$625,000;
- (iii) a current market price of \$0.021 per Share. Shareholders should also note that the market price of Shares during the term of the Loan will affect the value of the financial benefit provided to the Eligible Participants;
- (iv) a risk free interest rate of 3.36% per annum;
- (v) a Loan term of four (4) years. Shareholders should note that the actual term of the Loan may be shorter (e.g. where the Eligible Participant ceases to be an employee of the Company, an event of insolvency occurs in respect of the Eligible Participant, or, the Eligible Participant elects to repay the Loan early). The actual term of the Loan will affect the value of the financial benefit provided to the Eligible Participants; and
- (vi) a Share price volatility of 140%;
- (j) the Shares will be issued to Mr Hale no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;
- (k) the Shares issued to Mr Hale will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than being subject to a holding lock until such time as the respective Loan has been extinguished or repaid under the terms of the Plan Mr Hale does not currently have a relevant interest in securities of the Company as at the date of this Notice;
- (l) the amounts paid from the Company to Mr Hale and his associates for the previous two financial years is set out below:

Related Party	2010	2011
Mr Michael Hale	Nil	\$28,583

- (m) if the maximum number of Shares are issued to Mr Hale, a total of 25,000,000 Shares (or 2,500,000 Shares in the event that Resolution 1 is passed) will be allotted and issued. On the assumption that this will increase the number of Shares on issue from 310,343,395 to 312,843,395 (**assuming that votes on all other Resolutions contained in this Notice are passed and no Options are exercised**), as set out in Section 1.7, existing Shareholders would be diluted by an aggregate of 0.81%;
- (n) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price (cents)	Date
Highest	3.7	3 May 2011
Lowest	1.0	13 December 2011
		16 January 2012
		19 January 2012

		23 January 2012 24 January 2012 25 January 2012 31 January 2012 1 February 2012 2 February 2012 3 February 2012
Last	2.1	3 May 2012

- (o) the primary purpose of the provision of the Loan to Mr Hale is to enable Mr Hale to subscribe for Shares;
- (p) The Directors other than Mr Hale recommend that Shareholders vote in favour of Resolution 2 for the following reasons:
- (i) the use of the Loan by Mr Hale to subscribe for Shares will align the interests of Mr Hale with those of Shareholders by creating a stronger link between performance resulting in increased Shareholder value and reward to Mr Hale. Mr Hale will have a greater involvement with, and share in, any future growth and profitability of the Company; and
 - (ii) the provision of the Loan is a reasonable and appropriate method to provide benefits to Mr Hale as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash benefits were given to Mr Hale;
- (q) Mr Hale declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution;
- (r) the Directors consider that in providing the Loan to Mr Hale upon the terms proposed the following opportunity cost to the Company and benefits foregone by the Company may occur:
- (i) no interest is payable on the Loan; and
 - (i) the Loan is non-recourse which means the full amount of the Loan may not be recovered where the Shares are sold for less than the amount outstanding on the Loan. In addition, where the sale proceeds are greater than the amount of the Loan the Company will not receive any additional repayment as Mr Hale is entitled to the surplus proceeds;
- (s) in forming their recommendations, each Director considered the experience of Mr Hale, the existing and proposed contribution of Mr Hale to the Company and the current market practices when determining the provision of the Loan upon the terms proposed; and
- (t) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to Mr Hale as the Shares are being issued under an employee incentive

scheme and approval is being obtained under ASX Listing Rule 10.14 for the Shares to be issued to Mr Hale. Accordingly, the issue of Shares to Mr Hale will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

3. RESOLUTION 3 – VARIATION TO CONSTITUTION

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 3 is a special resolution which will enable the Company to vary its Constitution in accordance with the terms of Resolution 3. The proposed amendments to the Company's Constitution include:

- (a) inserting a new clause 38 (on the terms contained in Schedule 1) which AIM advises should be included in a company's constitution for the purpose of listing on AIM; and
- (b) clarifying that the limit on the total to be paid to Directors of the Company is specified in clause 13.7 and 13.8 of the Constitution does not include salaries paid to executive Directors.

The variation referred to in paragraph (a) above **will require Shareholders to notify the Company if their shareholding in the company increases above 3% or, in the event that it is already above 3%, it changes by 1%.** While not specifically required, AIM advises that this clause should be included in a company's constitution order for the Company to be admitted to the official list of AIM.

Under the Corporations Act, the threshold for notifying the Company is 5%. The effect of this variation is that the threshold for which Shareholders must notify the Company in respect of changes to their shareholding is decreased from 5% under the Corporations Act to 3%.

Shareholders are invited to contact the Company if they have any queries or concerns. For this purpose, a copy of the proposed new constitution is available for review by Shareholders at the General Meeting or at the office of the Company.

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE – SHARES

4.1 General

On or about 21 March 2012, the Company entered into an agreement with Mr Yaw Chee Siew, pursuant to which the Company would issue 150,000,000 Shares to Mr Yaw (or his nominee) at an issue price of \$0.02 per Share together with 25,000,000 free Options to raise \$3,000,000 (**Placement**).

On 18 April 2012, the Company issued 100,000,000 Shares per this agreement at an issue price of \$0.02 per Share pursuant to the Placement. The remainder of the Shares and Options to be issued pursuant to the Placement will be issued after the date of this Notice out of the Company's 15% annual placement capacity.

The Company issued the Shares without prior written approval out of its 15% annual placement capacity.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

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

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 100,000,000 Shares were allotted;
- (b) the issue price was \$0.02 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to Mr Yaw Chee Siew (or his nominee) who is not a related party of the Company; and
- (e) the funds raised from this issue were used and will continue to be used for working capital and business development, in particular to secure new projects as part of the Company's strategy of consolidating a portfolio of quality potential resource projects in central Europe.

5. RESOLUTION 5 – PLACEMENT – SHARES (AIM LISTING)

5.1 General

Resolution 5 seeks Shareholder approval for the allotment and issue of **UP TO** that number of Shares, when multiplied by the issue price, will raise \$20,000,000. The issue will be made in conjunction with the company applying to be admitted to the official list of AIM (**AIM Placement**).

The Company has engaged the services of Fox-Davies Capital Ltd in the United Kingdom (**Fox-Davies**), to manage the AIM Placement. The Company will pay Fox-Davies a fee of 5% (exclusive of goods and services tax) on the amount raised under the Placement.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 5 will be to allow the Directors to issue the Shares pursuant to the AIM Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued is **UP TO** that number of Shares which, when multiplied by the issue price, equals up to \$20,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the issue price will be not less than 80% of the average market price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made or, if there is a prospectus, over the last 5 days on which sales in the securities were recorded before the date the prospectus is signed;
- (d) the Shares will be allotted and issued to clients of Fox-Davies (who are professional and institutional investors for the purpose of the Corporations Act). None of these subscribers are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards working capital and business development, in particular to secure new projects as part of the Company's strategy of consolidating a portfolio of quality potential resource projects in central Europe.

The following is a worked example of the number of Shares that may be issued under Resolution 5:

The average market price for Shares calculated over the 5 days on which sales in the Shares are recorded up to and including the date of this Notice was \$0.0208.

The lowest issue price (i.e. maximum discount) of not less than 80% of this average market price would be \$0.0166 per Share.

At this issue price the Company could issue up to 120,192,308 Shares on a post-Consolidation basis).

Assuming all Resolutions contained in this Notice as passed, no Options are exercised and the maximum number of Shares as set out in the worked example above are issued, the number of Shares on issue would increase from 185,151,087 (being the number of Shares on issue as at the date of this Notice on a post-Consolidation basis) to 312,843,395 on a post-Consolidation basis, as set out in Section 1.7, and the shareholding of existing Shareholders would be diluted by 40.82%.

The Company notes that the above workings are AN EXAMPLE ONLY and the actual issue price may differ and the amount raised MAY BE LESS THAN \$20,000,000. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

GLOSSARY

\$ means Australian dollars.

AIM means the Alternative Investment Market of the London Stock Exchange.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

Company means Balamara Resources Limited (ACN 061 219 985).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement has the meaning set out in Section 4.1 of the Explanatory Statement

Plan means the director incentive scheme entitled "Balamara Director Share Scheme" approved by Shareholders at a general meeting held on 26 August 2011.

Proxy Form means the proxy form accompanying the Notice.

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

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

Shareholder means a holder of a Share.

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

SCHEDULE 1 – NEW CLAUSE 38 TO BE INCLUDED IN CONSTITUTION

38. DISCLOSURE OF INTERESTS IN SHARES

- 38.1 A person must notify the Company of the percentage of voting rights held if the percentage of voting rights which he holds directly or indirectly as Shareholder or through his direct or indirect holding of Qualifying Financial Instruments (or a combination of such holdings):
- (a) reaches, exceeds or falls below 3 per cent and each 1 per cent threshold thereafter up to 100 per cent (each a **Threshold**); or
 - (b) reaches, exceeds or falls below a Threshold as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with clause 38.3,
- such notification to be made to the Company without delay and in any event before the end of the second Business Day on which the obligation arises.
- 38.2 The Company shall, on receipt of a notice pursuant to clause 38.1, notify a Regulatory Information Service without delay.
- 38.3 At the end of each calendar month during which an increase or decrease has occurred, the Company must notify to a Regulatory Information Service for distribution to the public:
- (a) the total number of voting rights and capital in respect of each class of Share which it issues; and
 - (b) the total number of voting rights attaching to Shares of the Company which are held by it in treasury.
- 38.4 In the event that the total number of voting rights in respect of any class of Shares issued by the Company increases or decreases by 1 per cent or more following completion of a transaction by the Company, then, notwithstanding clause 38.3, the Company must notify a Regulatory Information Service without delay.
- 38.5 A notification given by (i) a person to the Company in accordance with clause 38.1, or (ii) the Company to a Regulatory Information Service in accordance with clauses 38.2 to 38.4 (inclusive), shall include the following information:
- (a) the resulting situation in terms of voting rights and the date on which the relevant Threshold was reached or crossed;
 - (b) if applicable, the chain of controlled undertakings through which voting rights are effectively held;
 - (c) so far as known, the identity of the Shareholder, even if that Shareholder is not entitled to exercise voting rights and of the person entitled to exercise voting rights on behalf of that Shareholder;
 - (d) the price, amount and class of Shares concerned;
 - (e) in the case of a holding of Qualifying Financial Instruments, the following information must also be disclosed:

- For personal use only
- (i) for the Qualifying Financial Instruments with an exercise period, an indication of the date or time period where Shares will or can be acquired, if applicable;
 - (ii) the date of maturity or expiration of the Qualifying Financial Instruments;
 - (iii) the identity of the holder;
 - (iv) the name of the underlying company;
 - (v) the detailed nature of the Qualifying Financial Instruments, including full details of the exposure to Shares; and
 - (f) any other information required by the Company.

38.6 If the Company determines that the person upon whom a notification obligation has occurred pursuant clause 38.1 has not notified the Company as required, the Company shall have the right, but not the obligation, to serve the person in default a Direction Notice in accordance with clause 38.13.

Register of Substantial Interests

38.7 The directors shall keep a register for the purposes of clauses 38.5 to 38.6 (inclusive) (hereafter referred to as the **Register of Substantial Interests**) and shall procure that, whenever the Company receives information from a person in consequence of the fulfilment of an obligation imposed on him by clause 38.1, that information is within three Business Days thereafter written up in the Register of Substantial Interests against that person's name, together with the date of the inscription.

38.8 The Register of Substantial Interests shall be kept at the registered office of the Company or at any other place determined by the Directors.

Interpretation of clauses 1.1 to 1.8

38.9 In clauses 38.1 to 38.8 (inclusive):

- (a) a person's percentage interest in voting rights is to be calculated on the basis of all the shares to which voting rights are attached even if the exercise of such rights is suspended. The number of voting rights to be considered when calculating whether a threshold has been reached, exceeded or fallen below is the number of voting rights in existence according to the Company's most recent disclosure made in accordance with clause 38.2 or 38.3;
- (b) **Qualifying Financial Instruments** means transferable securities and options, futures, swaps, forward rate agreements and any other derivative contracts provided that they result in an entitlement to acquire, on the holder's own initiative alone, under a formal agreement, Shares to which voting rights are attached, already issued by the Company; and
- (c) **Regulatory Information Service** means a service approved by the London Stock Exchange for the distribution to the public of announcements.

38.10 For the purposes of clauses 38.1 to 38.8 (inclusive), a person is an indirect holder of Shares to the extent that he is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

- (a) voting rights held by a third party with whom that person has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Company;
- (b) voting rights held by a third party under an agreement concluded with that person providing for the temporary transfer for consideration of the voting rights in question;
- (c) voting rights attaching to Shares which are lodged as collateral with that person provided that person controls the voting rights and declares its intention of exercising them;
- (d) voting rights attaching to Shares in which that person has the life interest;
- (e) voting rights which are held, or may be exercised within the meaning of clause 38.10 (a) to (d) or, in cases (f) and (h) by a person undertaking investment management, or by a management company, by an undertaking controlled by that person;
- (f) voting rights attaching to Shares deposited with that person which the person can exercise at its discretion in the absence of specific instructions from the Shareholders;
- (g) voting rights held by a third party in his own name on behalf of that person;
- (h) voting rights which that person may exercise as a proxy where that person can exercise the voting rights at his discretion in the absence of specific instructions from the Shareholders.

38.11 For the purposes of clauses 38.1 to 38.8 (inclusive), voting rights attaching to the following Shares are to be disregarded for the purposes of determining whether a person has a notification obligation:

- (a) Shares acquired for the sole purpose of clearing and settlement within a settlement cycle not exceeding the period beginning with the transaction and ending at the close of the third trading day following the day of the execution of the transaction (irrespective of whether the transaction is conducted on-exchange);
- (b) Shares held by a custodian (or nominee) in its custodian (or nominee) capacity (whether operating from an establishment in the UK or elsewhere) provided such a person can only exercise the voting rights attached to such Shares under instructions given in writing or by electronic means;
- (c) Shares held by a market maker acting in that capacity subject to the percentage of such shares not being equal to or in excess of 10%;
- (d) Shares held or Shares underlying financial instruments to the extent that such financial instruments are held by a credit institution or investment firm provided that:

- (i) the Shares, or financial instruments, are held within the trading book of the credit institution or investment firm;
 - (ii) the voting rights attached to such Shares do not exceed 5%; and
 - (iii) the credit institution, or investment firm, ensures that the voting rights attached to Shares in, or related to financial instruments in, the trading book are not exercised or otherwise used to intervene in the management of the Company;
- (e) Shares held by a collateral taker under a collateral transaction which involves the outright transfer of securities provided the collateral taker does not declare any intention of exercising (and does not exercise) the voting rights attaching to such Shares; and
- (f) Shares acquired by a borrower under a stock lending agreement provided that:
- (i) such Shares (or equivalent stock) are on-lent or otherwise disposed of by the borrower by not later than close of business on the next trading day; and
 - (ii) the borrower does not declare any intention of exercising (and does not exercise) the voting rights attaching to the Shares.

38.12 Clauses 38.12 to 38.18 apply where the Company gives to a Shareholder or to any person appearing to be interested in a Share a notice requiring any of the following information (a **Disclosure Notice**):

- (a) confirmation as to whether such person is or was, at any time during the three years immediately preceding the date on which the notice is issued (the **Three Year Period**), interested in Shares comprised in the Company's Share capital;
- (b) if he is or was so interested, particulars of his own past or present interest in Shares comprised in the Share capital of the Company held by him at any time during the Three Year Period;
- (c) if he is presently interested in Shares comprised in the Company's Share capital and any other interest in the Shares persists (or in any case where another interest in the Shares subsisted during the Three Year Period at any time when his own interest subsisted), such particulars (so far as lies within his knowledge) with respect to that other interest as may be required by the Disclosure Notice;
- (d) if he was interested in Shares comprised in the Company's Share capital during the Three Year Period but is no longer interested, particulars (so far as lies within his knowledge) of the identity of the person who had that interest immediately upon him ceasing to hold it.

If a Disclosure Notice is given by the Company to a person appearing to be interested in any Share, a copy shall at the same time be given to the holding Shareholder, but the accidental omission to do so or the non-receipt of the copy by the Shareholder shall not prejudice the operation of the provisions of clauses 38.1 to 38.12.

38.13 If at any time the Board is satisfied that any Shareholder, or any other person appearing to be interested in Shares held by such Shareholder, has been duly

served with a Disclosure Notice and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice (a **Direction Notice**) to such Shareholder direct that:

- (a) in respect of the Shares in relation to which the default occurred (the **Default Shares**) the Shareholder shall not be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company;
- (b) where the Default Shares represent at least 1/4 per cent. of the total number of Shares of the class concerned less any shares of that class held in escrow by the Company, then the Direction Notice may additionally direct that:
 - (i) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the Default Shares, whether in respect of capital or dividend or otherwise;
 - (ii) no other distribution shall be made on the Default Shares;
 - (iii) no transfer of any of the Shares held by such Shareholder shall be registered unless:
 - (A) the Shareholder is not himself in default as regards supplying the information requested and the transfer when presented for registration is accompanied by a certificate by the Shareholder in such form as the Board may in its absolute discretion require to the effect that after due and careful enquiry the Shareholder is satisfied that no person in default as regards supplying such information is interested in any of the Shares the subject of the transfer; or
 - (B) the transfer is an approved transfer.

The Company shall send to each other person appearing to be interested in the Shares the subject of any Direction Notice a copy of the notice, but the failure or omission by the Company to do so shall not invalidate such notice.

38.14 Any Direction Notice shall cease to have effect:-

- (a) in relation to any Shares which are transferred by such Shareholder by means of an approved transfer; or
- (b) when the Board is satisfied that such Shareholder and any other person appearing to be interested in Shares held by such Shareholder, has given to the Company the information required by the relevant notice.

38.15 The Board may at any time give notice cancelling a Direction Notice.

38.16 For the purposes of clauses 38.12 to 38.18:-

- (a) a person shall be treated as appearing to be interested in any Shares if the Shareholder holding such shares has given to the Company a notification which either (i) names such person as being so interested or

- (ii) fails to establish the identities of all those interested in the Shares and (after taking into account any such notification and any other relevant information) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the Shares;
 - (b) the prescribed period is 28 days from the date of service of the said notice unless the Default Shares represent at least 1/4 per cent. of the total number of Shares of the class concerned less any Shares of that class held in treasury by the Company, when the prescribed period is 14 days from that date;
 - (c) a transfer of Shares is an approved transfer if but only if:
 - (i) it is a transfer of Shares to an offer or by way or in pursuance of acceptance of a take-over offer, meaning an offer to acquire all the Shares, or all the Shares of any class or classes in the Company (other than Shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the Shares to which the offer relates or, where those Shares include Shares of different classes, in relation to all the Shares of each class; or
 - (ii) the Board is satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the Shares the subject of the transfer to a party unconnected with the Shareholder and with other persons appearing to be interested in such Shares; or
 - (iii) the transfer results from a sale made through a recognised investment exchange as defined under Australian law or any other investment exchange on which the Company's Shares are normally traded including the AIM Market of the London Stock Exchange.
- 38.17 If any dividend or other distribution is withheld under clause 38.13, the Shareholder shall be entitled to receive it as soon as practicable after the restrictions contained in clause 38.13 cease to apply.
- 38.18 If, while any of the restrictions referred to above apply to a Share, another Share is allotted as of right pursuant to the rights attached to such Share, the same restrictions shall apply to that other Share as if it were a Default Share. For this purpose, Shares which the Company allots, or procures to be offered, pro rata (disregarding fractional entitlements) to holders of Shares of the same class as the Default Share shall be treated as Shares allotted as of right of existing Shares from the date on which the allotment is unconditional or, in the case of Shares so offered, the date of the acceptance of the offer.

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Each Option will expire at 5.00pm (WST) the date which is 2 years from the date the Options are issued (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.025 (or \$0.25 in the event Resolution 1 is passed) (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable except with the prior written consent of the board of directors of the Company.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (m) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

PROXY FORM

**APPOINTMENT OF PROXY
BALAMARA RESOURCES LIMITED
ACN 061 219 985**

GENERAL MEETING

I/We

of

being a member of Balamara Resources Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 11:00am (WST), on 15 June 2012 at BDO Chartered Accountants, Hay Room, 38 Station Street, Subiaco Western Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

OR

Voting on Business of the General Meeting

- Resolution 1 – Consolidation of Capital
- Resolution 2 – Issue of Director Incentive Shares and Approval of Loan
- Resolution 3 – Variation to Constitution
- Resolution 4 – Ratification of Prior Issue – Shares
- Resolution 5 – Placement – Shares (AIM Listing)

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Signature of Member(s):

Date:

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

For personal use only

BALAMARA RESOURCES LIMITED
ACN 061 219 985

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

1. **(Appointing a Proxy):** A member entitled to attend and cast a vote at a General Meeting is entitled to appoint a proxy to attend and vote on their behalf at the meeting. If the member is entitled to cast 2 or more votes at the meeting, the member may appoint a second proxy to attend and vote on their behalf at the meeting. However, where both proxies attend the meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A member who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints 2 proxies and the appointments do not specify the proportion or number of the member's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
- **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
- (a) post to Balamara Resources Limited, Level 1, 350 Hay Street Subiaco WA 6008; or
 - (b) facsimile to the Company on facsimile number +61 8 9388 6040; or
 - (c) email to the Company at enquiries@balamara.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.