

**ROBE AUSTRALIA LIMITED**  
**ABN 50 007 870 760**

**NOTICE OF ANNUAL GENERAL MEETING**

**incorporating**

**EXPLANATORY STATEMENT**

**and**

**PROXY FORM**

**Date of meeting:** 10 December 2012

**Time of meeting:** 11.00 am (Melbourne time)

**Place of meeting:** Norton Rose Australia, Level 15, RACV Tower, 485  
Bourke St, Melbourne 3000

## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Shareholders of Robe Australia Limited will be held at the offices of Norton Rose Australia, Level 15, RACV Tower, 485 Bourke St, Melbourne 3000 at 11.00 am (Melbourne time) on 10 December 2012.

The Explanatory Statement accompanying this Notice of Annual General Meeting forms part of this Notice of Annual General Meeting.

### **ORDINARY BUSINESS**

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#### **1. Annual Financial Report**

To table and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2012, which includes the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2012.

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#### **2. Resolution 1 – Adoption of Remuneration Report**

As required by section 250R(2) of the Corporations Act, it is put to Shareholders to consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

**Please note:** The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

##### **Voting Exclusion Statement**

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### 3. Resolution 2 – Purchase of Kumai Energy Limited

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

*“That, subject to the passing of Resolutions 3-8, 10, 11 and 13-16, Shareholders approve:*

- (a) *the completion of the acquisition by the Company of all of the issued share capital of Kumai Energy Limited; and*
- (b) *the issue of 24,667,670 Shares to the Vendors (and/or their nominees) in accordance with Listing Rule 7.1 and for all other purposes,*

*on the terms and conditions in the Explanatory Statement.”*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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### 4. Resolution 3 – Change to nature and scale of activities

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

*“That subject to the passing of Resolutions 2, 4-8, 10, 11 and 13-16, in accordance with Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement.”*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## 5. Resolution 4 – 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 the passing of Resolutions 2, 3, 5-8, 10, 11 and 13-16, in accordance with Section 254H of the Corporations Act, Listing Rule 7.20 and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every forty (40) Shares be consolidated into one (1) Share; and*
- (b) every forty (40) ASX listed 1 cent Options be consolidated into one (1) listed Option.*

*and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Option holder (as the case may be), the Directors be authorised to round that fraction up to the nearest whole Share or Option, with the Consolidation taking effect as described in the Explanatory Statement.”*

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## 6. Resolution 5 – Capital Raising

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

*“That subject to the passing of Resolutions 2-4, 6-8, 10, 11 and 13-16, in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue (on a post-Consolidation basis) up to 17,500,000 Shares at \$0.20 per Share, each with a free attaching Option exercisable at 20 cents on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis), on the terms and conditions in the Explanatory Statement.”*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the proposed issue and person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## 7. Resolution 6 – Issue of Shares and Options to CPS Securities

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

*"That subject to the passing of Resolutions 2-5, 7, 8, 10, 11 and 13-16, in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue (on a post-Consolidation basis) 10,198,551 Shares and 10,198,551 unlisted Options exercisable at 20 cents on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis) to CPS Securities (and/or its nominee) on the terms and conditions in the Explanatory Statement."*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the proposed issue and person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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### **8. Resolution 7 – Change of Company name**

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

*"That subject to the passing of Resolutions 3-6, 8, 10, 11 and 13-16, in accordance with Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to 'Mongolian Resources Limited'".*

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### **9. Resolution 8 – Adoption of Employee Share Option Plan**

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

*"That subject to the passing of Resolutions 2-7, 10, 11 and 13-16, in accordance with Listing Rule 7.2 (Exception 9), and for all other purposes, approval is given for the Company to:*

- (a) *establish and maintain the Mongolian Resources Limited Employee Share Option Plan (Plan), as per the terms and conditions detailed in the Explanatory Statement; and*
- (b) *issue Plan Options from time to time under the Plan,*  
*on the terms and conditions in the Explanatory Statement."*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the entity) and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 10. Resolution 9 – Re-Election of Mr P Reilly

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

*“That Mr P Reilly, who retires by rotation in accordance with Rule 58 of the Company’s Constitution, being eligible for election, be re-elected as a Director of the Company on the terms and conditions in the Explanatory Statement.”*

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## 11. Resolution 10 – Election of new Director - Mr P Youd

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

*“That subject to the passing of Resolutions 2-8, 11 and 13-16, in accordance with Rule 58 of the Company’s Constitution, Mr P Youd, being eligible for election, be elected as a Director of the Company on the terms and conditions in the Explanatory Statement.”*

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## 12. Resolution 11 – Election of new Director - Mr C McGuckin

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

*“That subject to the passing of Resolutions 2-8, 10 and 13-16, in accordance with Rule 58 of the Company’s Constitution, Mr C McGuckin, being eligible for election, be elected as a Director of the Company on the terms and conditions in the Explanatory Statement.”*

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### 13. Resolution 12 – Issue of Options to Mr P Reilly

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

*“That, in accordance with Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 500,000 unlisted Options exercisable at 20 cents each to Mr Peter Reilly (and/or his nominee), expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis) and otherwise on the terms and conditions in the Explanatory Statement.”*

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr Reilly and any of his associates.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### 14. Resolution 13 – Issue of Options to Mr P Youd

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

*“That subject to the passing of Resolutions 2-8, 10, 11 and 14-16, in accordance with Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue up to 5,000,000 unlisted Options exercisable at 20 cents each to Mr Peter Youd (and/or his nominee), expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis) and otherwise on the terms and conditions in the Explanatory Statement.”*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr Youd and any of his associates.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## **15. Resolution 14 – Issue of Options to Mr C McGuckin**

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

*“That subject to the passing of Resolutions 2-8, 10, 11, 13, 15 and 16, in accordance with Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue up to 5,000,000 unlisted Options exercisable at 20 cents each to Mr Craig McGuckin (and/or his nominee), expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis) and otherwise on the terms and conditions in the Explanatory Statement.”*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr McGuckin and any of his associates.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## **16. Resolution 15 – Issue of Options to Ms N Schmidt**

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

*“That subject to the passing of Resolutions 2-8, 10, 11, 13, 14 and 16, in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 500,000 unlisted Options exercisable at 20 cents each to Ms Nerida Schmidt (or her nominee), expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis) and otherwise on the terms and conditions in the Explanatory Statement.”*



### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Ms Schmidt and any of her associates.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## **17. Resolution 16 – Issue of Options to past directors and key management personnel of Kumai**

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

*“That subject to the passing of Resolutions 2-8, 10, 11 and 13-15, in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 2,000,000 unlisted Options exercisable at 20 cents each to Mr Christian West and Mr James Hyndes expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis) and otherwise on the terms and conditions in the Explanatory Statement.”*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr C West and Mr J Hyndes and any of their associates.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## **18. Resolution 17 – Participation by Mr P Reilly in Capital Raising**

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

*“That, in accordance with Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue (on a post-Consolidation basis) up to 1,000,000 Shares to Mr Reilly (or his nominee) on the terms and conditions in the Explanatory Statement.”*

## **Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by Mr Reilly and any of his associates.

The Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairman 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.

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## **19. Other Business**

To consider any other business that may lawfully be brought forward.

### **QUESTIONS AND COMMENTS BY SHAREHOLDERS AT ANNUAL GENERAL MEETING**

A reasonable opportunity will be given to Shareholders as a whole at the Annual General Meeting to ask questions about or make comments on the remuneration report or the management of the Company and to ask the Auditors or their representative questions relevant to the conduct of the audit, the preparation and content of their report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and their independence in relation to the conduct of the audit.

### **BY ORDER OF THE BOARD**



**Peter Bolitho**

Company Secretary

Dated: 9 November 2012

## PROXIES

Shareholders entitled to attend and vote at the Annual General Meeting are entitled to appoint a proxy. The proxy may be an individual or a body corporate.

A Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two (2) proxies and the appointment does not specify the proportion or number of the Shareholder's votes such proxy may exercise, each proxy may exercise half of the votes disregarding fractions.

For an appointment of proxy to be valid, the form appointing the proxy and, if the form is signed under a power of attorney or other authority, the authority under which the form is signed (or a certified copy of the authority) must be received at or sent by facsimile transmission to the registered office of the Company at Level 2, 409 St Kilda Road, Melbourne, Victoria 3004 or facsimile number (+61 3) 9820 2158, at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the proxy named in the proxy form proposes to vote.

A proxy must be signed by the Shareholder or the Shareholder's attorney duly authorised in writing or, if the Shareholder is a company, in a manner permitted by the Corporations Act. The proxy may, but need not, be a Shareholder of the Company.

## BODIES CORPORATE

A body corporate may appoint an individual as a representative to exercise all or any of the powers the body corporate may exercise at meetings of the Company's Shareholders or in the capacity of a Shareholder's proxy. The appointment may be a standing one. Unless otherwise specified in the appointment, the representative may exercise, on that body corporate's behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution.

## VOTING ENTITLEMENT

For the purposes of determining entitlement to vote at the meeting, the Company's shares will be taken to be held by the people registered as holders at 11.00 am (Melbourne time) on 6 December 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

## VOTING INTENTIONS

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

In relation to Resolutions 1, 8 and 12, if you have not marked "For", "Against" or "Abstain" boxes you will have directed the Chairman to vote in favour of this resolution, even though this item is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. If you do not wish to give the Chairman such a directed proxy, you should ensure that a box other than the "For" box is clearly marked.

**Please note:** The passing of Resolutions 2-16 (inclusive) are interdependent.

## **EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared for the information of Shareholders in Robe Australia Limited in connection with the business to be considered at the Annual General Meeting of Shareholders to be held at Level 15, RACV Tower, 485 Bourke St, Melbourne 3000 on 10 December 2012 at 11.00 am (Melbourne time).

This Explanatory Statement forms part of the accompanying Notice of Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with information which may be relevant to the resolutions to be put to Shareholders at the Meeting.

Details of the business to be considered at this Annual General Meeting are set out below.

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### **1. Background**

In December 2011, the Board of Robe resolved to exercise an option that it held in respect to an Exploration Licence (EL 10643) over an area located in the South Gobi Province of Mongolia, which has substantial coal reserves. The option exercise was subject to a number of conditions precedent, which were not met and the option lapsed unexercised.

It was decided to leverage off the substantial work done in analysing the Mongolian coal market to identify and take an interest in attractive exploration opportunities that are available.

The Company aims to establish itself as a premium coal and resource company focused on the exploration of tenements in coking and thermal coal in Mongolia. Following the expiration of the option over EL 10463, the Company sought alternative coking and thermal coal projects based in Mongolia.

On 24 October 2012, the Company announced to the ASX the proposed acquisition of 100% of the issued shares of Kumai Energy Limited, subject to the terms of the Share Sale Deed and recompliance with Chapters 1 and 2 of the Listing Rules (**Transaction**).

Pursuant to the Share Sale Deed it is proposed to offer 24,666,670 fully paid ordinary shares in Robe (post Consolidation) in consideration of the Transaction. Subject to the passing of the proposed Resolutions, Mr Craig McGuckin and Mr Peter Youd will join the Board of Robe at the completion of the Meeting and Mr Shaun Stone and Mr Rob Hodby will stand down. In addition Mr Peter Bolitho will also retire as Company Secretary and Ms Nerida Schmidt will be appointed to this role.

Further details of the Transaction are set out in Annexure 1. Annexure 2 contains further information on Mongolia more generally and the benefits and risks of operating there.

The proposed Transaction constitutes a change in the nature of the Company's activities and as such it is required, pursuant to Listing Rule 11, that approval is obtained from shareholders at a general meeting and the Company re-comply with Chapters 1 and 2 of the Listing Rules. If the Transaction is approved by shareholders, the Company's securities will be suspended from trading following the general meeting until the requirements of Chapters 1 and 2 of the Listing Rules have been satisfied.

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## 2. Ordinary Business

### 2.1 Annual Financial Report

The first item of the Notice of Annual General Meeting deals with the presentation of the Company's Annual Report for the year ended 30 June 2012. The Shareholders should consider this document and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item of business.

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## 3. Resolution 1 – Adoption of Remuneration Report

During this item of business, Shareholders at the meeting may comment on and ask questions about the Remuneration Report which appears in the Annual Report.

Section 300A of the Corporations Act requires the Directors' Report to contain a Remuneration Report containing information about the Board's policy for determining the nature and amount of the remuneration of Directors and senior management. The report must also explain the relationship between the remuneration policy and the Company's performance.

Sections 250R(2) and 250R(3) of the Corporations Act provide that the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2011 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2013 annual general meeting, this may result in the re-election of the Board.

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## 4. Resolution 2 – Purchase of Kumai Energy Limited

### 4.1 Background

The Company proposes to execute the Share Sale Deed to acquire 100% of the issued shares in Kumai Energy Limited (**Kumai**) for consideration of 24,667,670 fully paid Shares in Robe (post consolidation) (**Consideration Shares**). These shares are expected to be the subject of ASX imposed and voluntary escrow arrangements. Robe has also provided a loan on arm's length commercial terms of \$200,000 to meet existing commercial obligations of Kumai pertaining to its existing Licenses (**Loan Agreement**), further details of which are provided in Annexure 1.

The issue of Consideration Shares will have no impact on the control of the Company as it will not result in any person increasing their voting power in the Company:

- (a) from 20% or below to more than 20% of issued capital of the Company; or
- (b) from a starting point that is above 20% and below 90% of issued capital of the Company.

### 4.2 Listing Rule 7.1

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

The effect of Resolution 2 will be to allow the issue of the Consideration Shares 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 under Listing Rule 7.1.

### 4.3 Technical information required by Listing Rule 7.3

Listing Rule 7.3 requires information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1 as follows:

- (a) The maximum number of Shares to be issued is 24,667,670.
- (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 Listing Rules).
- (c) The Shares will be issued for nil consideration, as they are consideration under the Transaction.
- (d) The Shares will be issued to the current shareholders of Kumai (**Vendors**). None of the Vendors are related parties of the Company other than by reason of the Transaction. Accordingly, approval is not required under the related party provisions of the Listing Rules in accordance with exception 6 of Listing Rule 10.12.
- (e) The Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on

issue. The Shares are expected to be the subject of ASX imposed and voluntary escrow arrangements.

- (f) No funds are being raised from the issue of the Shares.
- (g) Allotment is subject to the ASX approving the listing of the Company following the satisfaction of Chapters 1 and 2 of the ASX Listing Rules and the meeting of the conditions precedent in the Share Sale Deed, which are set out in Annexure 1. Allotment is then expected to occur on a single date to be determined by the Directors.
- (h) A voting exclusion statement is included in the Notice.

#### **4.4 Major Kumai Shareholdings**

The major shareholders of Kumai (> 5%, including holdings of associates) and their Robe Consideration Shares and Options, the subject of Resolutions pursuant to this Notice, together with the dilution effects thereof, are provided below.

	Shares	%	Options	Diluted %
Peter Youd	2,480,440	3.89%	5,000,000	9.74%
Craig McGuckin	2,480,437	3.89%	5,000,000	9.74%
Christian West	6,153,994	9.65%	1,000,000	9.32%
James Hyndes	3,242,056	5.08%	1,000,000	5.53%

#### **4.5 Recommendation of Directors**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

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### **5. Resolution 3 – Change to Nature and Scale of Activities**

#### **5.1 Background**

Robe Australia Limited is a public company listed on the official list of the ASX (ASX code: ROB).

During the 2009 financial year, the Company sold its operating businesses and resolution of all legacy matters and the eventual sale of various corporate structures were completed in October 2010. Since that date the Company has remained listed as a shell, seeking resource opportunities.

After much consideration, the Board determined that the best course of action for Shareholders was to support a recapitalization of the Robe structure put forward by CPS Securities. This strategy involved the placement of 100 million shares at 0.5 cents with a free attaching option exercisable at 1 cent on or before 31 December 2014, which was subsequently ratified by Shareholders at a General Meeting held on 28 June 2011. The Board also undertook a fully underwritten Rights Issue on the basis of two (2) Shares and free attaching options exercisable at 1 cent on or before 31 December 2014, for every three (3) shares held. This Issue closed substantially oversubscribed.

On 24 October 2012, the Company announced that it had agreed to undertake the Transaction, subject to Shareholder approval and recompliance with Chapters 1 and 2 of the Listing Rules. Further details of the Transaction are contained in Annexure 1.

Resolution 3 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to become a coal exploration and development company.

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that, given the change in the nature and scale of the Company's activities upon completion of the Transaction, ASX requires the Company to:

- (a) obtain Shareholder approval; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2.

See Annexure 1 for further information on the Transaction and the likely effect that the Transaction will have on the Company.

## **5.2 Recommendation of Directors**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

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# **6. Resolution 4 – Consolidation of Capital**

## **6.1 Background**

The Directors are seeking Shareholder approval to consolidate the number of Shares and Options on issue on a one (1) for forty (40) basis (**Consolidation**). The Consolidation of the capital structure of the Company is required to ensure that the Company can comply with Chapters 1 and 2 of the Listing Rules and obtain re-quotation of its Shares on the official list of ASX.

Section 254H of the Corporations Act provides that a company may, by a resolution passed in a general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares. Listing Rule 7.22 also requires that the number



of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

If Resolution 4 is passed:

- (a) the number of Shares on issue will reduce from 456,278,415 to 11,406,961; and
- (b) the number of ASX listed 1 cent Options (exercisable on or before 31 December 2014) on issue will reduce from 282,188,557 to 7,054,713 and the exercise price of the Options will be increased by a multiple of forty, to be exercisable at \$0.40 per Option.

## 6.2 Revised Structure post Consolidation (and Transaction)

The effect the Transaction, the Consolidation and the other Resolutions contained within the Notice will have on the capital structure of the Company post consolidation and subject to Listing Rules is set out below:

Securities	Shares	Options
<b>LISTED</b> Shares on issue as at the date of this General Meeting (post consolidation)	11,406,960	
<b>LISTED</b> Shares to be issued in consideration for the purchase of Kumai Energy Limited (Resolution 2)	24,666,670	
<b>LISTED</b> Shares to be issued pursuant to Capital Raising (Resolution 5)	17,500,000	
<b>LISTED</b> Shares to be issued to CPS Securities (Resolution 6)	10,198,551	
<b>LISTED</b> Options (each exercisable at 40 cents on or before 5:00 pm (Melbourne time) on 31 December 2014)		7,054,713
<b>LISTED</b> Options (each exercisable at 20 cents on or before 5:00 pm (WST) on 17 October 2016) to be issued pursuant to the prospectus under the Capital Raising		17,500,000
<b>UNLISTED</b> Options (each exercisable at 20 cents on or before 5:00 pm (WST) on 17 October 2016) to be issued to Directors and other Key Management Personnel (Resolutions 12 to 16)		13,000,000
<b>UNLISTED</b> Options (each exercisable at 20 cents on or before 5:00 pm (WST) on 17 October 2016) to be issued to CPS Securities (Resolution 6)		10,198,551
<b>TOTALS</b>	<b>63,772,181</b>	<b>47,753,264</b>

## 6.3 Fractional entitlements and taxation

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly divided by forty. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or Option.

It is not considered that any taxation consequences will exist for Shareholders or Option holders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation, and neither the Company, nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the Consolidation.

## 6.4 Timetable for Consolidation

As from the effective date of the Resolution (being the date of the General Meeting), all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post consolidation Shares and Options. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Share holders and Option holders.

If the Resolution is passed, the Consolidation will take effect in accordance with the following timetable (in accordance with the Listing Rules):

Event	Anticipated Date
Last day for ASX trading of Shares on a pre-consolidation basis	Tuesday, 11 December 2012*
Consolidation Effective Date	Wednesday, 12 December 2012
Last day for the Company to register Share transfers on a pre-consolidated basis	Tuesday, 18 December 2012
First day for the Company to issue holding statement for Shares on a consolidated basis	Wednesday, 19 December 2012
Company announces to ASX that despatch of the new holding statements has occurred	Monday, 24 December 2012

\*If Resolutions 2 and 3 are also passed, trading in the Company's Shares will be suspended on 10 December 2012 following shareholder approval.

## 6.5 Recommendation of Directors

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

# 7. Resolution 5 – Capital Raising

## 7.1 Background

Resolution 5 seeks Shareholder approval to enable the Company to issue and allot up to 17,500,000 Shares each at an issue price of \$0.20 together with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 which will raise up to \$3,500,000 (before costs) (**Capital Raising**).

Subject to Shareholder approval of the Transaction, the Capital Raising will be undertaken pursuant to a prospectus to be lodged with ASIC. The funds raised from the Capital Raising will be used to fund further exploration and development of the Licences. Robe has mandated CPS Securities in respect to this and expects a prospectus will be issued subsequent to the acceptance by Shareholders of the Transaction. It is the intention of CPS Securities to raise \$2.5 million (on a best endeavours basis) through an offer of 12,500,000 Shares each at an issue price of

\$0.20 with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 (**General Offer**) with a further up to 5,000,000 Shares at an offer price of \$0.20 with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 to raise up to \$1.0 million being offered as a priority offer to existing Shareholders (**Priority Offer**).

The Company will not be reinstated to official quotation until satisfaction of the conditions to the Offer and ASX approving the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

Application for official quotation by ASX of the Shares and Options offered pursuant to the proposed Capital Raising will be made within 7 days after the date of the prospectus. If approval is not obtained from ASX before the expiration of three (3) months after the date of issue of the prospectus (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to the Capital Raising.

The Capital Raising will have no impact on the control of the Company as it will not result in any person increasing their voting power in the Company:

- (a) from 20% or below to more than 20% of issued capital of the Company; or
- (b) from a starting point that is above 20% and below 90% of issued capital of the Company.

## 7.2 Details of Priority Offer

The Company will offer up to 5,000,000 Shares with a free attaching option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 (of the 17,500,000 Shares being offered under the prospectus) in priority to Shareholders of the Company registered as at the Priority Offer record Date with registered addresses in Australia (**Eligible Shareholders**).

Eligible Shareholders will be entitled to apply for Shares under the Priority Offer, provided they meet the minimum subscription requirement of 10,000 Shares. To the extent that subscriptions from Eligible Shareholders under the Priority Offer exceed 5,000,000 Shares, the Directors intend to scale back the subscriptions on a pro-rata basis. Furthermore, the Company may treat such applications for excess Shares under the Priority Offer, as applications for Shares under the General Offer.

The Directors retain absolute discretion when deciding whether or not to accept any particular application in part or in full and will not be liable to any Eligible Shareholder who is not allocated Shares. If any of the Shares available for Eligible Shareholders are not applied for by 5:00pm (AEST) on the Priority Offer closing date, those Shares will form part of the General Offer detailed in Section 7.3.

The Priority Offer is at least 10% of the Capital Raising. The Company will limit the number of securities it issues to a holder of ordinary securities to the higher of 5% of all the securities being offered under the Priority Offer and the number the holder would be entitled to under a pro rata issue of all those securities. In accordance with Listing Rule 7.3.8, a voting exclusion is therefore not required for this Resolution.

### 7.3 Details of General Offer

The pool for the general offer will be 12,500,000 Shares each with a free attaching option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 (of the 17,500,000 Shares being offered under the prospectus) (**General Offer**). Applicants should note that the Directors retain an overriding right to do any of the following at their discretion in relation to the General Offer:

- (a) accept the application in full;
- (b) accept the application in respect of a lesser number of Shares than applied for; or
- (c) decline the application.

The Shares offered under the prospectus will rank equally with the existing Shares on issue. Rights and liabilities attaching to the Shares are summarised below.

All Shares to be issued under the Capital Raising will be issued pursuant to a prospectus to satisfy the admission requirement in condition 3 of Listing Rule 1.1.

The issue price of 20 cents per Share pursuant to the Capital Raising **represents the equivalent** to 0.5 cents per Share (\$0.005) pre consolidation.

Subject to the issue of up to 1,000,000 Shares with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 to Mr Reilly in accordance with the terms and conditions of the Priority Offer to be made to Shareholders under the Capital Raising (approval for which is being sought pursuant to Resolution 17), none of the subscribers for Shares under the Capital Raising will be related parties of the Company for the purpose of Listing Rule 10.11.

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

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Capital Raising 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.

### 7.4 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Capital Raising.

- (a) The maximum number of Shares to be issued is 17,500,000. The maximum number of Options to be issued is 17,500,000.
- (b) The Shares (and attaching Options) will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date.
- (c) The Shares will be issued each at \$0.20 (post Consolidation), each with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016.

- (d) 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. The terms of the Constitution governing Shares are summarised in Section 7.5 below.
- (e) The Options will be issued on the terms and conditions contained in Annexure 3.
- (f) The Directors will determine to whom the Shares will be issued (including Shares being offered to clients of CPS Securities) but these persons will not be related parties of the Company, other than Mr Reilly for whom approval is being sought pursuant to Resolution 17.
- (g) The Company intends to use the funds raised from the Capital Raising towards:
- (i) the cost of the Transaction as detailed in Resolution 2 of this Explanatory Statement;
  - (ii) a drilling program for the purpose of defining a JORC compliant resource;
  - (iii) additional Licence evaluation and future Transactions;
  - (iv) the costs of the Capital Raising; and
  - (v) working capital.
- (h) Subject to the maximum number of Shares and Options being issued pursuant to this Resolution, this will result in a 31.38% dilution of the existing fully diluted post-consolidation capital base.

## 7.5 Rights and liabilities attaching to Shares

The Shares issued to successful applicants pursuant to the Capital Raising will be issued as fully paid and will rank equally with, and have the same rights and liabilities as, existing Shares in all respects.

The rights and liabilities attaching to Robe Shares are set out in the Constitution of Robe and are affected by the Corporations Act, the Listing Rules and statute and general law. The Constitution may be inspected during normal business hours at the Company's registered office.

The following is a summary of key rules in the Constitution:

- (a) General Meetings
- Each Shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules.
- (b) Voting at a General Meeting
- Subject to any restriction on voting imposed by the Listing Rules or any restriction agreement entered into between Robe and a Shareholder, every Shareholder present in person at a general meeting of the Company or by proxy, representative or attorney has one vote on a show of hands and one vote on a poll for each Share held.

A poll may be demanded by the Chairman of the meeting, five (5) Shareholders entitled to vote on the resolution or Shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll.

(c) Dividends

The Directors may from time to time determine dividends to be distributed to shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Dividends are payable on all Shares in proportion to the amount of the total issue price paid (but not credited) for the Shares. This is subject to any special or preferential rights attached to any class of shares created after the allotment of the Shares.

(d) Transfer of Shares

Shares may be transferred by a proper transfer effected in accordance with the ASTC Settlement Rules, by any other method of transferring or dealing in Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is otherwise permitted by the Corporations Act. The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASTC Settlement Rules) where permitted to do so under the Constitution, the Corporations Act, the Listing Rules or where the Shares are restricted securities during an escrow period, unless otherwise permitted by the Listing Rules.

If the Directors decline to register a transfer, the Company must, within five (5) Business Days after the transfer is lodged with the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Shares when required by law, the Listing Rules or ASTC Settlement Rules.

(e) Issue of Further Shares

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further Shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules and Corporations Act.

(f) Winding Up

If the Company is wound up, then subject to any special or preferential rights attaching to any class of shares, Shareholders will be entitled to participate in any surplus assets of the Company in proportion to the amount of capital paid up on their shares when the winding up begins.

(g) Share Buy Backs

Subject to the provisions of the Corporations Act and Listing Rules, the Company may buy back shares in itself on terms and at times determined by the Directors.

(h) Variation of Class Rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (i) with the consent in writing of the holders of issued shares included in that class who are entitled to at least 75% of the votes that may be cast in respect of those shares; or
- (ii) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

(i) Dividend Reinvestment Plan and Bonus Share Plan

The Constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by the Company be reinvested by way of subscription for Shares in the Company) and bonus share plans.

(j) Alteration of Constitution

The Constitution can only be amended by special resolution passed by at least 75% of Shareholders present and voting at a general meeting of the Company. The Company must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

(k) Listing Rules

Because Robe is listed on the Official List of ASX, notwithstanding anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. If the Listing Rules require an act to be or not to be done, authority is given for that act to be done or not to be done, and if a provision is required in the Constitution by the Listing Rules, the Constitution will be treated as containing that provision. If any provision of the Constitution becomes inconsistent with the Listing Rules, the Constitution will be treated as not containing that provision to the extent of the inconsistency.

## 7.6 Recommendation of Directors

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

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## 8. Resolution 6 – Issue of Shares and Options to CPS Securities

### 8.1 Background

Resolution 6 seeks Shareholder approval for the allotment and issue (on a post-Consolidation basis) of 10,198,551 Shares and 10,198,551 unlisted Options exercisable at 20 cents on or before 5:00pm (AEST) on 17 October 2016 (on a post-consolidation basis) to the adviser of the Capital Raising, CPS Securities or their nominee.

The purpose of this Resolution is to pay fees to CPS Securities in relation to the sourcing of the Transaction and associated advisory fees, facilitating the minimum spread of shareholders with marketable parcels and to reward CPS Securities with a success fee in relation to the Transaction. The allocation is as follows:

Service	Shares	Options
Success fee in relation to Transaction	3,000,000	3,000,000
Advisory fees	2,000,000	2,000,000
On-sold to client base	5,198,551	5,198,551
<b>Total</b>	<b>10,198,551</b>	<b>10,198,551</b>

Each unlisted Option will be granted on the same terms and conditions as set out in Annexure 3 pertaining to Options issued pursuant to Resolution 5, except that the Company will not apply for quotation of each unlisted Option on ASX.

The purpose of this issue to CPS Securities (or nominee) is to ensure that the Company is able to comply with Chapters 1 and 2 of the Listing Rules, specifically in relation to meeting the minimum spread of Shareholders (at least 400) with marketable parcels (at least \$2,000 on the date of recompliance with Chapters 1 and 2 of the Listing Rules). Whilst this issue is NOT underwritten, CPS Securities has provided comfort to the Board that there is a reasonably high degree of certainty that both the quantum of the capital raising and the requirements to meet spread and marketable parcel thresholds will be met through their existing client base and that the Shares, the subject of this Resolution will assist to facilitate the requirements of Chapters 1 and 2 of the Listing Rules.

The on-sale to CPS Securities' client base will have no impact on the control of the Company as it will not result in any person increasing their voting power in the Company:

- (a) from 20% or below to more than 20% of issued capital of the Company; or
- (b) from a starting point that is above 20% and below 90% of issued capital of the Company.

## 8.2 Listing Rule 7.1

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

The effect of Resolution 6 will be to allow the Directors to issue the Shares 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.

## 8.3 Technical information required by Listing Rule 7.3

Listing Rule 7.3 requires information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1 as follows:



- For personal use only
- (a) The maximum number of securities to be issued is 10,198,551 Shares and 10,198,551 Options.
  - (b) The Shares (and attaching Options) 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 Listing Rules).
  - (c) The Shares will be issued each at \$0.20 (post consolidation), each with a free attaching option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016, and otherwise on the terms and conditions of the Options contained in Resolution 5.
  - (d) The Shares will be issued to CPS Securities (and/or its nominee).
  - (e) The Shares will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
  - (f) Allotment is subject to the ASX approving the listing of the Company following the satisfaction of Chapters 1 and 2 of the ASX Listing Rules and the meeting of the Conditions Precedent in the Share Sale Deed. Allotment will occur progressively.
  - (g) The allotment will satisfy Company obligations in relation to advisory fees, success fees and facilitation of minimum spread of Shareholders (at least 400) with marketable parcels (at least \$2,000 on the date of recompliance with Chapters 1 and 2 of the Listing Rules).
  - (h) No funds will be raised by the Company from the issue.
  - (i) A voting exclusion statement is included in the Notice.

#### **8.4 Recommendation of Directors**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

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### **9. Resolution 7 – Change of Company Name [Special Business]**

The Company seeks to change its name from Robe Australia Limited to 'Mongolian Resources Limited'.

Pursuant to section 157 of the Corporations Act, any change to the Company's name must be done by special resolution. Further, the Company must lodge a copy of the special resolution with ASIC within 14 days after the special resolution is passed.

For the purposes of this special resolution, it will be passed if at least 75% of the votes cast by members entitled to vote on the resolution vote in favour of the resolution.

The Directors believe that this new name more accurately reflects the proposed future operations of the Company.

## 9.1 Recommendation of Directors

The Directors unanimously recommend that Shareholders vote in favour of Resolution 7.

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## 10. Resolution 8 – Adoption of Employee Share Option Plan

### 10.1 Background

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and employees of a high calibre, the Board has established the “Mongolian Resources Limited Employee Share Option Plan” (**Plan**).

Resolution 8 seeks Shareholder approval under exception 9(b) of Listing Rule 7.2 to allow the issue of options under the Plan (**Plan Options**), and the issue of Shares on exercise of the Plan Options, as an exception to Listing Rule 7.1.

The issue of Plan Options will only fall within exception 9(b) of Listing Rule 7.2 if the Plan Options are issued under an employee incentive plan approved by shareholders within three years before the date of issue.

If Resolution 8 is passed, the Company will have the ability to issue Plan Options to eligible participants under the Plan over a period of three years without impacting on the Company’s 15% placement capacity under Listing Rule 7.1. Any issues of Plan Options to Directors will require separate Shareholder approval.

The Directors and employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Plan is an appropriate method to:

- (a) reward Directors and employees for their past performance;
- (b) provide long term incentives for participation in the Company’s future growth;
- (c) motivate Directors and generate loyalty from senior employees; and
- (d) assist to retain the services of valuable Directors and employees.

The Plan will be used as part of the remuneration planning for executive Directors and employees. The Corporate Governance Council Principles and Recommendations recommend that executive remuneration packages involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the Company’s circumstances and goals.

The Plan will also be used as part of the remuneration planning for non-executive Directors. Although this is not in accordance with the recommendations contained in the Corporate Governance Council Principles and Recommendations, the Company considers that it is appropriate for non-executive Directors to participate in the Plan given the size of the Company. No Plan Options have yet been issued under the Plan.

## 10.2 Terms and Conditions of Plan

The key terms of the Plan are set out below. A full copy of the Plan is available for inspection at the Company's registered office.

### Entitlement to Participate

The Board (or a committee to which the Board has delegated its powers and discretions under the Plan and responsibility for the management and administration of the Plan) may grant Plan Options to any employee of the Company or an Associated Company (including Directors who hold a salaried office with the Company), and issue an invitation and application form to that person. The Board will consider factors such as the seniority and position of the potential participant, length of service, record of employment and potential contribution to growth and profitability of the Company.

### Exercise Price

The Board will determine in its discretion the exercise price of the Plan Options, provided that the exercise price must not be less than the closing price of Shares sold on ASX on the last trading day on which the Shares were traded as at the date the Board decides to invite the Participant to apply for the Plan Options.

### Option Period (expiry date)

The expiry date of a Plan Option issued under the Plan is three (3) years after the date of the issue of the Plan Option, or such other date as the Board determines in its discretion at the time of making an invitation to a participant to subscribe for one or more Plan Options under the Plan.

### Exercise Conditions

The Board may, in respect of a Plan Option, determine any conditions that must be met before that Plan Option can be exercised.

### Lapsing of Plan Options

The Plan Options of a participant in the Plan will lapse where:

- (a) The participant ceases to be an employee or Director of, or to render services to, a member of the Group (other than because of a Qualifying Reason) and the Exercise Conditions have not been met;
- (b) The Exercise Conditions are unable to be met;
- (c) The Option Period has expired;
- (d) The Board (in its absolute discretion) determines that the Plan Options lapse on the basis that the participant has engaged in dishonest, fraudulent, negligent or criminal misconduct; or
- (e) The Company commences to be wound up.

### Exercise of Plan Options

Plan Options issued under the Plan are exercised by the Holder delivering to the Company (at a time when the Plan Options may be exercised):

- (a) a notice addressed to the Company and signed by the Holder stating that the Holder exercises the Plan Options and specifying the number of Plan Options being exercised; and
- (b) payment of an amount equal to the Exercise Price multiplied by the number of Plan Options which are being exercised, by cheque, bank draft or postal order made out in favour of the Company, or by electronic payment in accordance with the directions on the Invitation and Application Form or such other directions given by the Company.

#### **Quotation**

The Company will make an application for the Shares issued as a result of the Plan Options being exercised to be quoted in accordance with the Listing Rules.

#### **New Issues**

Holders may only participate in new issues of securities to holders of Shares in respect of a Plan Option if that Plan Option has been exercised, and in determining entitlements to the new issue, only Shares issued or transferred in respect of that Plan Option before the record date will be taken into account.

#### **Limit on Plan Options**

The Board must not invite a Participant to apply for a Plan Option where to do so would exceed the limit set out in ASIC Class Order 03/184.

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## **11. Resolution 9 – Re-election of Non-Executive Director Mr P Reilly**

It is a requirement under Rule 58.1 of the Constitution that one third of the Directors must retire from office. Accordingly, Mr Reilly, as the only existing Director of the Company intending to remain as a Director following the conclusion of this meeting, stands down and subsequently offers himself for re-election.

Details of Mr Reilly's qualifications and experience are contained in the Annual Report.

### **11.1 Recommendation of Directors**

The Directors (excluding Mr Reilly) recommend to Shareholders that Mr Reilly be re-elected as a Director of the Company.

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## **12. Resolution 10 – Election of New Director Mr P Youd**

It is a requirement under Rule 58 of the Constitution that a director who is nominated by the Board for election to office at the Annual General Meeting be elected at that meeting. Accordingly, Mr Peter Youd offers himself for election.

It is proposed that Peter Youd (*B Bus (Accounting), AICA*) be appointed as an executive Director and Chief Financial Officer of Robe upon his appointment.

Peter Youd is a Chartered Accountant and has extensive experience within the resources, oil and gas services, financial services and e-business industries. For the last 25 years Mr Youd has held a number of senior management positions and

directorships for publicly listed and private companies in Australia and overseas. Mr Youd is a non-executive director of Lochard Energy Group Plc.

For the past 2 years, Mr Youd has spent considerable time in Mongolia both in establishing the commercial transaction and relationships by which Kumai eventually acquired the Licences and managing the initial USD2.0 million raised by Kumai.

Mr Youd has resided in Indonesia, Singapore and Malaysia as well as having operated in Morocco, sub-Saharan Africa and Central and South America.

#### **12.1 Recommendation of Directors**

The Directors unanimously recommend to Shareholders that Mr Youd be elected.

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### **13. Resolution 11 – Election of New Director Mr C McGuckin**

It is a requirement under Rule 58 of the Constitution that a director who is nominated by the Board for election to office at the Annual General Meeting be elected at that meeting. Accordingly, Mr Craig McGuckin offers himself for election.

It is proposed that Craig McGuckin (*Dip. Minsurv Class 1, Dip Surfmin*) be appointed Managing Director of Robe upon his appointment.

Craig McGuckin is a qualified mining professional with 26 years experience in the mining, drilling and petroleum industries. He has held senior positions including Senior Planning Engineer, Mine Manager and Managing Director of private and publicly listed companies. Mr McGuckin was a founding Executive Director of Rheochem Plc (now Lochard Energy Group Plc), which is quoted on the Alternative Investment Market of the London Stock Exchange and listed on the ASX. As Executive Group General Manager, he was responsible for the company's expansion into the Indian, Indonesian and New Zealand drilling fluids market.

For the past 2 years, Mr McGuckin has spent considerable time in Mongolia both in establishing the commercial transaction and relationships by which Kumai eventually acquired the Licences, but also in subsequent management of the initial exploration activity on the Licences in 2011.

#### **13.1 Recommendation of Directors**

The Directors unanimously recommend to Shareholders that Mr McGuckin be elected.

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### **14. Resolution 12– Issue of Options to Mr P Reilly**

The Directors propose to allot and issue unlisted Options to Mr Reilly, exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis).

#### **14.1 Listing Rule 10.11 and Section 208 of Corporations Act**

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because Mr Reilly is a related party of the Company as he is a

Director. Listing Rule 10.11 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party.

Shareholder approval of the issue of Options means that the grant will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

#### 14.2 Technical information required by Listing Rule 10.13 and Section 219 of the Corporations Act

- (a) Up to 500,000 Options will be issued to Mr Reilly (and/or his nominee).
- (b) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Options will be exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis), and will be granted on the terms and conditions set out in Annexure 4.
- (d) If the Options are exercised, the proceeds will be used for working capital purposes of the Company.
- (e) A voting exclusion statement is included in the Notice.
- (f) On the basis of the assumptions set out below, the value of the financial benefit to be provided is as follows:

Director	Number of Options	Value Per Option \$	Total Value \$
Mr Reilly	500,000	\$0.041	\$20,602.67

As shown, this valuation imputes a total value of **\$20,602.67** to the Options to be issued to Mr Reilly. The value may go up or down after the date of valuation as it will depend on the future price of a Share. The Black Scholes Pricing Model has been used to value the Options, with the following assumptions:

- the risk free rate of 2.86% is 2012 (to date) average of the Reserve Bank of Australia's 3-year bond rate;
- the underlying security spot price of \$0.20 used for the purposes of this valuation is based on the estimated share price of the Company on the day of the report;
- the estimated volatility used in the option valuation is 20% based on the historical variability in Robe's share price;
- for the purposes of the valuation, no future dividend payments have been forecast; and
- for the purposes of the valuation it is assumed that the Options will be issued on date of the valuation, 3 December 2012, and the Options will have a life of 3.87 years from the commencement date.

Under the accounting standard AASB 2 Share based Payments, the Company will recognise an expense in the income statement based on the fair value of the Options over the period from the date of issue to the vesting date. The total of the fair value of

the Options to be issued (comprising those to be issued pursuant to Resolutions 12 to 16 inclusive) is **\$535,669** at the date of the Notice.

The market price of shares would normally determine whether or not Mr Reilly will exercise the Options. If the Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.

Historical quoted price information for the Company's listed securities for the last twelve months (on a post consolidation basis) is as follows:

Shares	Price	Date
Highest	\$1.36	30 November 2011
Lowest	\$0.16	31 October 2012
Last	\$0.16	31 October 2012

The exercise of all Options issued to Directors (comprising those to be issued pursuant to Resolutions 12 to 16 inclusive) would result in a dilution of all other Shareholders' holdings in the Company of 16.9% based on issued Shares as at the date of the Notice and 11.7% on a fully diluted basis.

The expected and actual remuneration from the Company to Mr Reilly and for the current financial year and previous financial year are set out below:

	Current Financial Year		Previous Financial Year	
<i>Director</i>	<i>Remuneration</i> \$	<i>Superannuation</i> \$	<i>Remuneration</i> \$	<i>Superannuation</i> \$
Peter Reilly	68,103*	0	47,500	0

\*Inclusive of share based remuneration subject to the passing of Resolution 12.

Further details of remuneration and emoluments for the financial year ending 30 June 2012 are available in the Remuneration Report.

The relevant interests of Mr Reilly in securities of the Company as at the date of this Notice (post consolidation) are set out below:

Related Party	Shares	Options
Peter Reilly*	899,178	351,793

\*Pursuant to this Notice and Resolution 17, the Company has announced its intention to conduct a Capital Raising which will entitle Mr Reilly to acquire an additional up to 1,000,000 shares each at an issue price of \$0.20 with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016.

### 14.3 Recommendation of Directors

Mr Reilly declines to make a recommendation to Shareholders in relation to Resolution 12 due to his material personal interest in the outcome of the Resolution.

The other Directors, who do not have a material interest in the outcome of Resolution 12, recommend that Shareholders vote in favour of Resolution 12 for the following reasons:

- The primary purpose of the grant of Options to Mr Reilly is to provide cost effective consideration as part of his remuneration package for his ongoing commitment and contribution to the Company in his role as Non Executive Chairman, and the Directors (excluding Mr Reilly) consider that the issue of Options under this Resolution meets those objectives.
- The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed.

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 the Resolution.

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

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## **15. Resolution 13– Issue of Options to Mr P Youd**

The Directors propose to allot and issue unlisted Options to Mr Youd, exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis).

### **15.1 Listing Rule 10.11 and Section 208 of Corporations Act**

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because Mr Youd is a related party of the Company as he may become a Director. Listing Rule 10.11 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party.

Shareholder approval of the issue of Options means that the grant will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

### **15.2 Technical information required by Listing Rule 10.13 and Section 219 of the Corporations Act**

- (a) 5,000,000 Options will be issued to Mr Youd (and/or his nominee).
- (b) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Options will be exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis), and will be granted on the terms and conditions set out in Annexure 4.
- (d) If the Options are exercised, the proceeds will be used for working capital purposes of the Company.
- (e) A voting exclusion statement is included in the Notice.



- (f) On the basis of the assumptions set out below, the value of the Financial Benefit to be provided is as follows:

Director	Number of Options	Value Per Option \$	Total Value \$
Mr Youd	5,000,000	\$0.041	\$206,026.68

As shown, this valuation imputes a total value of **\$206,026.68** to the Options to be issued to Mr Youd. The value may go up or down after the date of valuation as it will depend on the future price of a Share. The Black Scholes Pricing Model has been used to value the Options, with the following assumptions:

- the risk free rate of 2.86% is 2012 (to date) average of the Reserve Bank of Australia's 3-year bond rate;
- the underlying security spot price of \$0.20 used for the purposes of this valuation is based on the estimated share price of the Company on the day of the report;
- the estimated volatility used in the option valuation is 20% based on the historical variability in Robe's share price;
- for the purposes of the valuation, no future dividend payments have been forecast; and
- for the purposes of the valuation it is assumed that the Options will be issued on date of the valuation, 3 December 2012, and the Options will have a life of 3.87 years from the commencement date.

Under the accounting standard AASB 2 Share based Payments; the Company will recognise an expense in the income statement based on the fair value of the Options over the period from the date of issue to the vesting date. The total of the fair value of the Options to be issued (comprising those to be issued pursuant to Resolutions 12 to 16 inclusive) is **\$535,669** at the date of the Notice.

The market price of shares would normally determine whether or not Mr Youd will exercise the Options. If the Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.

Historical quoted price information for the Company's listed securities for the last twelve months (on a post consolidation basis) is as follows:

Shares	Price	Date
Highest	\$1.36	30 November 2011
Lowest	\$0.16	31 October 2012
Last	\$0.16	31 October 2012

The exercise of all Options issued to Directors (comprising those to be issued pursuant to Resolutions 12 to 16 inclusive) would result in a dilution of all other

Shareholders' holdings in the Company of 16.9% based on issued Shares as at the date of the Notice and 11.7% on a fully diluted basis.

The expected and actual remuneration from the Company to Mr Youd and for the current financial year and previous financial year are set out below:

	Current Financial Year		Previous Financial Year	
<i>Director</i>	<i>Remuneration</i> \$	<i>Superannuation</i> \$	<i>Remuneration</i> \$	<i>Superannuation</i> \$
Peter Youd	302,357*	8,670*	0	0

\*Being prorated remuneration for 7 months predicated on an annual remuneration package of \$180,000 inclusive of superannuation and share based remuneration subject to the passing of Resolution 13.

Further details of remuneration and emoluments for the financial year ending 30 June 2012 are available in the Remuneration Report.

The relevant interests of Mr Youd in securities of the Company as at the date of this Notice (post consolidation) are set out below:

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Peter Youd*	2,480,441	5,000,000

\*Pursuant to this Notice and subject to the passing of Resolution 2 and this Resolution 13 and subsequent compliance with ASX Listing Rules and other regulatory requirements.

### 15.3 Recommendation of Directors

The Directors, who do not have a material interest in the outcome of Resolution 13, recommend that Shareholders vote in favour of Resolution 13 for the following reasons:

- The primary purpose of the grant of Options to Mr Youd is to provide cost effective consideration as part of his remuneration package for his ongoing commitment and contribution to the Company in his role as Executive Director, and the Directors consider that the issue of Options under this Resolution meets those objectives; and.
- The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed.

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 the Resolution.

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

## 16. Resolution 14 – Issue of Options to Mr C McGuckin

The Directors propose to allot and issue unlisted Options to Mr McGuckin, exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis).

### 16.1 Listing Rule 10.11 and Section 208 of Corporations Act

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because Mr McGuckin is a related party of the Company as he may become a Director. Listing Rule 10.11 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party.

Shareholder approval of the issue of Options means that the grant will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

### 16.2 Technical information required by Listing Rule 10.13 and Section 219 of the Corporations Act

- (a) 5,000,000 Options will be issued to Mr McGuckin (and/or his nominee).
- (b) The Options will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Options will be exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis), and will be granted on the terms and conditions set out in Annexure 4.
- (d) If the Options are exercised, the proceeds will be used for working capital purposes of the Company.
- (e) A voting exclusion statement is included in the Notice.
- (f) On the basis of the assumptions set out below, the value of the Financial Benefit to be provided is as follows:

Director	Number of Options	Value Per Option \$	Total Value \$
Mr McGuckin	5,000,000	\$0.041	\$206,026.68

As shown, this valuation imputes a total value of **\$206,026.68** to the Options to be issued to Mr McGuckin. The value may go up or down after the date of valuation as it will depend on the future price of a Share. The Black Scholes Pricing Model has been used to value the Options, with the following assumptions:

- the risk free rate of 2.86% is 2012 (to date) average of the Reserve Bank of Australia's 3-year bond rate;
- the underlying security spot price of \$0.20 used for the purposes of this valuation is based on the estimated share price of the Company on the day of the report;
- the estimated volatility used in the option valuation is 20% based on the historical variability in Robe's share price;

- for the purposes of the valuation, no future dividend payments have been forecast; and
- for the purposes of the valuation it is assumed that the Options will be issued on date of the valuation, 3 December 2012, and the Options will have a life of 3.87 years from the commencement date.

Under the accounting standard AASB 2 Share Based Payments, the Company will recognise an expense in the income statement based on the fair value of the Options over the period from the date of issue to the vesting date. The total of the fair value of the Options to be issued (comprising those to be issued pursuant to Resolutions 12 to 16 inclusive) is **\$535,669** at the date of the Notice.

The market price of shares would normally determine whether or not Mr McGuckin will exercise the Options. If the Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.

Historical quoted price information for the Company's listed securities for the last twelve months (on a post consolidation basis) is as follows:

Shares	Price	Date
Highest	\$1.36	30 November 2011
Lowest	\$0.16	31 October 2012
Last	\$0.16	31 October 2012

The exercise of all Options issued to Directors (comprising those to be issued pursuant to Resolutions 12 to 16 inclusive) would result in a dilution of all other Shareholders' holdings in the Company of 16.9% based on issued Shares as at the date of the Notice and 11.7% on a fully diluted basis.

The expected and actual remuneration from the Company to Mr McGuckin and for the current financial year and previous financial year are set out below:

	Current Financial Year		Previous Financial Year	
Director	Remuneration \$	Superannuation \$	Remuneration \$	Superannuation \$
Craig McGuckin	302,357*	8,670*	0	0

\* Being prorated remuneration for 7 months predicated on an annual remuneration package of \$180,000 inclusive of superannuation and share based remuneration subject to the passing of Resolution 14.

Further details of remuneration and emoluments for the financial year ending 30 June 2012 are available in the Remuneration Report.

The relevant interests of Mr McGuckin in securities of the Company as at the date of this Notice (post consolidation) are set out below:

**Related Party**  
Craig McGuckin\*

**Shares**  
2,480,438

**Options**  
5,000,000

\*Pursuant to this Notice and subject to the passing of Resolution 2 and this Resolution 14 and subsequent compliance with ASX Listing Rules and other regulatory requirements.

### 16.3 Recommendation of Directors

The Directors, who do not have a material interest in the outcome of Resolution 14, recommend that Shareholders vote in favour of Resolution 14 for the following reasons:

- The primary purpose of the grant of Options to Mr McGuckin is to provide cost effective consideration as part of his remuneration package for his ongoing commitment and contribution to the Company in his role as Executive Director, and the Directors consider that the issue of Options under this Resolution meets those objectives; and
- The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed.

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 the Resolution.

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

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## 17. Resolution 15 – Issue of Options to Ms N Schmidt

The Directors propose to allot and issue to Ms Nerida Schmidt (or her nominee) 500,000 unlisted Options exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis).

Ms Nerida Schmidt has assisted in the Transaction and is being issued Options in consideration of this. Ms Schmidt will be appointed company secretary of the Company if the Transaction is completed. She is not a related party of the Company.

### 17.1 Listing Rule 7.1

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

The effect of Resolution 15 will be to allow the issue of the Options to Ms Schmidt 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 under Listing Rule 7.1.

## **17.2 Technical information required by Listing Rule 7.3**

Listing Rule 7.3 requires information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1 as follows:

- (a) Up to 500,000 Options will be granted to Ms Schmidt (and/or her nominee),
- (b) The Options 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 Listing Rules).
- (c) The Options are exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis), and are issued on the terms and conditions in Annexure 4.
- (d) If the Options are exercised, the proceeds will be used for working capital purposes of the Company.
- (e) Allotment is subject to the ASX approving the listing of the Company following the satisfaction of Chapters 1 and 2 of the ASX Listing Rules and the meeting of the conditions precedent in the Share Sale Deed, which are set out in Annexure 1.
- (f) A voting exclusion statement is included in the Notice.

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## **18. Resolution 16 – Issue of Options to past directors and key management personnel of Kumai**

The Directors propose to allot and issue to Mr Christian West (a director of Kumai) and Mr James Hyndes (a key management personnel of Kumai), 2,000,000 unlisted Options exercisable at 20 cents each expiring on or before 5:00pm (AEST) on 17 October 2016 (on a post-Consolidation basis).

1,000,000 Options will be issued to each of Mr Christian West and Mr James Hyndes respectively.

This proposal is to reflect the substantive assistance provided by Messrs West and Hyndes in facilitating and supporting the Transaction.

### **18.1 Messrs West and Hyndes are not related parties of the Company Listing Rule 7.1**

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

The effect of Resolution 16 will be to allow the issue of the Options to Messrs West and Hyndes 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 under Listing Rule 7.1.

## 18.2 Listing Rule 7.1

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

The effect of Resolution 16 will be to allow the issue of the Options to Messrs Hyndes and West 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 under Listing Rule 7.1.

## 18.3 Technical information required by Listing Rule 7.3

Listing Rule 7.3 requires information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1 as follows:

- (a) 2,000,000 Options will be issued.
- (b) 1,000,000 Options will be issued to Mr James Hyndes, and 1,000,000 Options will be issued to Mr Christian West. Messrs Hyndes and West are previous directors/KMPs of Kumai after the Transaction, and are not related parties of the Company.
- (c) The Options 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 Listing Rules).
- (d) The Options will be issued on the terms and conditions in Annexure 4.
- (e) If the Options are exercised, the proceeds will be used for working capital purposes of the Company.
- (f) Allotment is subject to the ASX approving the listing of the Company following the satisfaction of Chapters 1 and 2 of the ASX Listing Rules and the meeting of the conditions precedent in the Share Sale Deed, which are set out in Annexure 1.
- (g) A voting exclusion statement is included in the Notice.

## 18.4 Recommendation of Directors

The Directors unanimously recommend that Shareholders vote in favour of Resolution 16.

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## 19. Resolution 17 – Participation by Mr P Reilly in Capital Raising

### 19.1 General

Resolution 17 seeks Shareholder approval to enable the Company to issue up to 1,000,000 of the Capital Raising Shares with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 (on a post-Consolidation basis) the subject of Resolution 5 to Mr Reilly (or nominee). The Capital Raising Shares will be issued to Mr Reilly in accordance with the terms and conditions of the Priority Offer to be made to Shareholders under the Capital Raising pursuant to Resolution 5.

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

Accordingly, the proposed issue of Shares to a Director pursuant to the Capital Raising requires the Company to obtain Shareholder approval because Mr Reilly is a related party of the Company by virtue of being a Director of the Company.

Whilst Shareholder approval to issue securities to a related party is being sought pursuant to ASX Listing Rule 10.11, Shareholder approval is not being sought for the purpose of Section 208 of the Corporations Act, since the issue would fall within the exception in Section 210 of the Corporations Act.

## **19.2 Technical information required by Listing Rule 10.13**

Pursuant to Listing Rule 10.13, the following information is provided in relation to the proposed participation by a Director or his associates in the Capital Raising:

- (a) the related party is Mr Reilly, who is a related party by virtue of being a Director of the Company;
- (b) the maximum number of securities to be issued and allotted to the Directors is 1,000,000 Shares with a free attaching Option exercisable at \$0.20 on or before 5:00pm (WST) on 17 October 2016 (on a post-Consolidation basis) to Mr Reilly;
- (c) the securities will be issued to Mr Reilly no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the securities will be issued on one date;
- (d) the issue price of the Shares will be at the same issue price as under the Capital Raising per Share, being the price at which Shares will be issued to other investors pursuant to the Capital Raising;
- (e) a voting exclusion statement is included in the Notice;
- (f) the Company intends to use the funds raised from the issue of the Shares towards:
  - (i) the cost of the Transaction as detailed in Resolution 2 of this Explanatory Statement;
  - (ii) a drilling program for the purpose of defining a JORC compliant resource;
  - (iii) additional Licence evaluation and future Transactions;
  - (iv) the costs of the Capital Raising;
  - (v) working capital; and
  - (vi) 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.



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

### **19.3 Recommendation of Directors**

The Directors (excluding Mr Reilly) recommend that Shareholders vote in favour of Resolution 17.

## Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**Annexure** means an annexure to the Notice.

**Annual Report** means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2012.

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2012.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Bond** has the meaning given in Annexure 2, part 1.8.

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

**Capital Raising** has the meaning given in Section 7.1.

**Chairman** means the person appointed to chair the Meeting convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** or **Robe** means Robe Australia Limited (ABN 50 007 870 760).

**Consolidation** has the meaning given in Section 6.1.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**DEIA** has the meaning given in Annexure 2, part 1.8.

**Director** means a director of the Company as at the commencement of the Meeting.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**EIA Law** has the meaning given in Annexure 2, part 1.8.

**Eligible Shareholder** has the meaning given in Section 7.2.

**Environmental Protection Law** has the meaning given in Annexure 2, part 1.8.

**Explanatory Statement** means the explanatory statement which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**General Offer** has the meaning given in Section 7.3.

**KEPTE** has the meaning given in Annexure 1, part 1.2.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Khangri Equity Interest** has the meaning given in Annexure 1, part 1.2.

**Khangri** has the meaning given in Annexure 1, part 1.2.

**KPL Share Purchase Agreements** has the meaning given in Annexure 1, part 1.2.

**KPL Shareholder Agreement** has the meaning given in Annexure 1, part 1.2.

**Kumai** means Kumai Energy Limited.

**Licenses** have the meaning given in Annexure 1, part 1.2.

**Listing Rules** means the listing rules of ASX.

**Loan Agreement** has the meaning given in Section 4.1.

**Minerals Law** has the meaning given in Annexure 2, part 1.3.

**MMRE** has the meaning given in Annexure 2, part 1.3.

**MRA** has the meaning given in Annexure 2, part 1.3.

**Notice** means this notice of meeting which comprises of the notice, agenda, Explanatory Statement, Annexures and Proxy Form.

**Option** means an option which entitles the holder to subscribe for a Share.

**Parliament** has the meaning given in Annexure 2, part 1.1.

**Plan** has the meaning given in Section 10.1.

**Plan Option** has the meaning given in Section 10.1.

**Priority Offer** has the meaning given in Section 7.1.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution contained in the Notice.

**Restricted Areas** has the meaning given in Annexure 2, part 1.9.

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Statement.

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

**Share Sale Deed** means the deed executed in counterpart by existing shareholders of Kumai as further outlined in Resolution 2.

**Shareholder** means a shareholder of the Company.

**Strategic Deposits List** has the meaning given in Annexure 2, part 1.7.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Transaction** has the meaning given in Section 1.

**Transaction** means the proposed acquisition of Kumai.

**Vendors** have the meaning given in Section 4.3.

## **ANNEXURE 1**

As announced on 24 October 2012, the Company has executed a terms sheet and subject to Shareholder approval, proposes to execute the Share Sale Deed to acquire 100% of the issued shares of Kumai.

### **1.1 Share Sale Deed – Conditions Precedent**

The Share Sale Deed provides that certain conditions precedent must be fulfilled by Robe prior to completion of the Transaction, including Robe obtaining Shareholder approval for:

- the Consolidation of Robe's issued capital on the basis of one (1) Share for every forty (40) Shares on issue);
- the issue of the Consideration Shares pursuant to Listing Rule 7.1;
- the change in Robe's activities pursuant to Listing Rule 11.1 as a result of the Transaction
- the issue of Shares under the Capital Raising pursuant to Listing Rule 7.1;
- the lodgement of the prospectus with ASIC and the ASX and the successful completion of the Capital Raising; and
- Robe re-complying with Chapters 1 and 2 of the Listing Rules and ASX providing a letter to Robe with a list of conditions which, when satisfied, will result in ASX reinstating the Shares to quotation on ASX upon satisfaction of Chapters 1 and 2 of the Listing Rules and such conditions being reasonably acceptable to Robe.

### **1.2 Overview of Kumai Energy Limited**

Kumai was incorporated in February 2011 to acquire and progress the development of three coal projects (encompassing four minerals exploration licenses) located in Mongolia. In addition to establishing itself as a coal explorer and developer in Mongolia, the Company may also review opportunities in other resource projects located in other parts of the world.

The Board of Kumai comprises mining industry professionals who bring considerable international experience, including Mongolian coal expertise, to Robe.

Soon after its incorporation, Kumai acquired Kumai Energy Pte Ltd, a company incorporated under the laws of Singapore (**KEPTE**) for the purpose of progressing the exploration and potential development of the Projects (defined below) in Mongolia.

On 30 September 2011, KEPTE entered into share purchase agreements and acquired 70% of the issued shares in Khangai Prospecting LLC (**Khangai**). Khangai is a limited liability company organized under the laws of Mongolia and is the registered holder of exploration licenses XV-014571X, XV-014572, XV-014573 and XV-014574 (collectively, **Licences**). On 17 October 2011, KEPTE entered into a shareholder agreement with the other shareholders, which governs the Khangai shareholders' relationship vis-a-vis one another.

#### **Khangai Prospecting LLC (Licences XV-014571, XV-014572, XV-014573 and XV-014574)**

KEPTE acquired 70% of all the common shares in Khangai (**Khangai Equity Interest**), under the agreements entitled "Share Purchase Agreement" between KEPTE and Bayarmaa

Dolgorsuren and KEPTE and Oldokhbayar Tsedendorj (respectively) dated 30 September 2011 (**KPL Share Purchase Agreements**) and holds the Khangai Equity Interest pursuant and subject to the terms of a shareholder agreement entered into by and between KEPTE, Bayarmaa Dolgorsuren and Oldokhbayar Tsedendorj dated 17 October 2011 (**KPL Shareholder Agreement**). Under the KPL Shareholder Agreement, the funding for Khangai's Phase I and Phase II work program will be provided by KEPTE. Accordingly, until Phase II of the work program is completed, or the licences are converted to mining licences, Bayarmaa Dolgorsuren and Oldokhbayar Tsedendorj hold a free carried interest.

Upon completion of Phase II of the work program or conversion to Mining Licences, the shareholders will be obligated to contribute to further expenditures in proportion to their respective shareholdings at that time. Further, KEPTE may have the opportunity to acquire up to 100% of the common shares in Khangai under the KPL Shareholder Agreement by payment of a royalty to Bayarmaa Dolgorsuren and Oldokhbayar Tsedendorj if either or both of Bayarmaa Dolgorsuren or Oldokhbayar Tsedendorj do not wish to contribute to the further exploration expenditure. Further details of the KPL Shareholder Agreement are set out in Annexure 2 attaching to this Explanatory Statement.

Khangai is the registered holder of the four Mongolian exploration licences listed below.

The Licenses are referred to by the following names:

- i. XV-014571 - **Khangai Saikhan Project**;
- ii. XV-014572 - **Khangai Altangobi Project**;
- iii. XV-014573 and XV-014574 - together **Khangai Tevshin Project**.



# Illustration of the railway infrastructure development of Mongolia

Source: Ministry of Road, Transportation, Construction and Urban Development of Mongolia, Railway Policy for Mongolia, April 2010



## Previous Work

Kumai completed a geophysical MAG survey over approximately 14% (sufficient sized program to meet annual work requirements) of the four (4) licences in November 2011 to identify initial drilling targets based on historical Geological resource maps. The MAG surveys provided initial information on potential coal basin shapes and initial hole locations were selected for licences 14571, 14573 & 14574. The MAG survey over the non-coal licence 14572 showed significant anomalies similar to the regional geological map.

## Planned Program

The following exploration program is proposed to ensure the annual work program expenditure is completed prior to 5 December 2012 and the proposed drill hole locations are located in best position.

### Budget for Proposed Exploration to meet Annual Commitments

License	Task	Units	USD Unit Cost	Total USD Cost (Inc VAT)
14571	Dipole – Dipole IP/Km	68	500	37,400
14571	Mapping/Soil Sampling	441	20	9,702
14572	Mapping/Soil Sampling	812	20	17,864
14573 & 14574	Dipole – Dipole IP/Km	38	500	20,900
14573 & 14574	Mapping/Soil Sampling	817	20	17,974
<b>Total</b>				<b>103,840</b>

## Annual Licence Fees

The annual licence fees are required to be paid on or prior to 5th December 2012. The schedule below provides a summary of the fees.

License	Area (Ha)	Annual Payment (USD)
14571	44,444.24	44,444
14572	17,975.41	17,975
14573	1,672.23	1,672
14574	7,314.25	7,314
<b>Total</b>		<b>71,405</b>

### Khangai Tevshin Project (Licences XV-014573 and XV-014574)

KEPTE completed an initial geophysical magnetic survey over a portion of the project area in late 2011. Results from this survey have been used to generate initial drill targets for the 2012 exploration season. Key details of the Khangai Tevshin Project are set out below.

- The Khangai Tevshin Project consists of two exploration licences.
- The combined project area is 8,986 hectares (89.9 km<sup>2</sup>).
- The project area is situated between two existing established coal mines.
- The area under investigation is located within the East Mongolian Coal Zone that covers approximately 450,000 km<sup>2</sup>.



### **Khangai Saikhan Project (Licence XV-014571)**

KEPTE completed an initial geophysical magnetic survey over a portion of the project area in late 2011. Results from this survey have been used to generate initial drill targets for the 2012 exploration season. Key details of the Khangai Saikhan Project are set out below.

- The Khangai Saikhan Project covers 44,444 hectares (444.4 km<sup>2</sup>) and is located in the Ongin gol and Ikh Bogd Coal Basin.
- The exploration potential appears to be very good for coal measures of similar age to the nearby Saikhan Ovoo coal mine should the regional interpretation be proven correct.

### **Khangai Altangobi Project (Licence XV-014572)**

KEPTE completed an initial geophysical magnetic survey over a portion of the project area in late 2011. Results confirmed historical geological mapping for copper-gold anomalies within granitoid bodies, should the regional interpretation be proven correct. Key details of the Khangai Altangobi Project are set out below.

- The Khangai Altangobi Project area is 17,975 hectares (179.75 km<sup>2</sup>).
- Kumai completed a geophysical magnetic survey on the Khangai Altangobi Project in 2011 for orientation purposes and to aid in “proofing” of the historical geological interpretation. The results have been used to formulate a regional geochemical soils sampling program in excess of 1,100 samples and multi-element analysis.

### **1.3 Key Financials of Kumai**

The unaudited Balance Sheet of Kumai Energy Limited as at 30 June 2012 is as follows:

<b>Kumai Energy Limited</b>	<b>Kumai Unaudited Balance Sheet</b>
	<b>Jun-12</b>
	<b>\$</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	35,311
Trade and other receivables	64,788
<b>Total Current Assets</b>	<b>100,099</b>
<b>Non-current Assets</b>	
Trade and other receivables	10,216
Property, plant & equipment	10,785
Exploration assets	239,866
<b>Total Non-current Assets</b>	<b>260,867</b>
<b>TOTAL ASSETS</b>	<b>360,966</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Trade and other payables	662,003
<b>Total Current Liabilities</b>	<b>662,003</b>
<b>Non-current Liabilities</b>	
Non-Controlling interest	
<b>Total Non-Current Liabilities</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>662,003</b>
<b>NET ASSETS</b>	<b>(301,037)</b>
<b>EQUITY</b>	
<b>Equity attributable to equity holders of the parent</b>	
Contributed equity	1,972,052
Accumulated losses	(2,274,659)
Other reserves	(25,992)
Non-Controlling interest	27,562
<b>TOTAL EQUITY</b>	<b>(301,037)</b>

#### **1.4 Effect of the issue of Shares and the Capital Raising on the Company**

Set out below are proforma unaudited consolidated balance sheets (**Balance Sheets**) of the Company reflecting the issue of Shares under the Share Sale Deed and the proposed Capital Raising as if it occurred on 30 June 2012.

The unaudited **Proforma A** consolidated statement of financial position illustrates the effect on the Company if the Capital Raising raises a minimum amount of \$2,500,000 less estimated expenses of the issue. The information is presented as if the issue of all of the Shares under the Share Sale Deed occurred on 30 June 2012.

The unaudited **Proforma B** consolidated statement of financial position illustrates the effect on the Company if the Capital Raising raises the maximum amount of \$3,500,000 less estimated expenses of the issue. The information is presented as if the issue of all of the Shares under the Share Sale Deed occurred on 30 June 2012.

The Balance Sheets have been included for the purposes of assisting Shareholders to consider the likely effect on the Company of the Capital Raising and completion of the Transaction. The proforma financial positions are indicative only, given that the actual financial position upon completion of the Capital Raising and the Transaction may have changed from the positions set out in this Section. Accordingly, the Directors cannot assure Shareholders that the actual outcome will not be materially different.

<b>Robe Australia Limited (consolidated)</b>	<b>Audited</b>	<b>Post Consolidation Unaudited Proforma A</b>	<b>Post Consolidation Unaudited Proforma B</b>
	<b>Jun-12</b>	<b>Jun-12</b>	<b>Jun-12</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	673,496	2,958,807	3,858,807
Trade and other receivables	5,759	70,547	70,547
Inventories	7,193	7,193	7,193
Other current assets	38,932	38,932	38,932
<b>Total Current Assets</b>	<b>725,380</b>	<b>3,075,479</b>	<b>3,975,479</b>
<b>Non-current Assets</b>			
Trade and other receivables	0	10,216	10,216
Property, plant & equipment	0	10,785	10,785
Goodwill	0	5,262,133	5,262,133
Exploration assets	0	239,866	239,866
<b>Total Non-current Assets</b>	<b>0</b>	<b>5,523,000</b>	<b>5,523,000</b>
<b>TOTAL ASSETS</b>	<b>725,380</b>	<b>8,598,479</b>	<b>9,498,479</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	54,432	716,435	716,435
<b>Total Current Liabilities</b>	<b>54,432</b>	<b>716,435</b>	<b>716,435</b>
<b>Non-current Liabilities</b>			
Non-Controlling interest	0	27,562	27,562
<b>Total Non-Current Liabilities</b>	<b>0</b>	<b>27,562</b>	<b>27,562</b>
<b>TOTAL LIABILITIES</b>	<b>54,432</b>	<b>743,997</b>	<b>743,997</b>
<b>NET ASSETS</b>	<b>670,948</b>	<b>7,854,482</b>	<b>8,754,482</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	52,234,717	59,418,251	60,318,251
Accumulated losses	(51,690,222)	(51,690,222)	(51,690,222)
Other reserves	126,453	126,453	126,453
<b>TOTAL EQUITY</b>	<b>670,948</b>	<b>7,854,482</b>	<b>8,754,482</b>
<b>No. of Shares</b>	<b>456,278,415</b>	<b>58,772,182</b>	<b>63,772,182</b>
<b>NTA per share (cents)</b>	<b>0.1470</b>	<b>4.4108</b>	<b>5.4763</b>

## **1.5 Capital Structure post Consolidation and Transaction**

For details of the effect of the Transaction on the capital structure of the Company, see Section 6.2 of the Notice.

## **1.6 Loan Agreement**

Robe has provided Kumai with an arm's length loan of \$200,000 secured over the assets of Kumai and supported by normal commercial warranties and Management Representation disclosures as to the status of the Licences and the financial position of Kumai. The key terms of the Loan are as follows.

1. **Purpose of the Loan:** The purpose of the Loan is to provide Kumai with funds for exploration and licence renewal through Khang Prospecting LLC and working capital.
2. **Principal Amount:** AUD200,000.
3. **Date of Advance:** 23 October 2012.
4. **Repayment Date:**

The Loan will be repayable in accordance with paragraph 11 on the date that is the earlier of:

  - (a) the date that is 5 Business Days after the Lender recommences trading on ASX post satisfaction of Chapters 1 and 2 of the Listing Rules ; and
  - (b) 31 January 2013.
5. **Interest Rate:** 8% per annum.
6. **Default Interest Rate:** 15% per annum which shall become immediately payable in the event of a default pursuant to this agreement.
7. **Calculation of Interest:** Interest shall be calculated on a daily basis on the last day of the month.
8. **Payment of Interest:** Interest shall be payable on the Repayment Date.
9. **Security:** The loan shall be secured by a registered fixed and floating charge over the Borrower.
10. **Notification period for repayment:**

The Borrower must give at least five (5) business days notice prior to any repayment of amounts drawn under the Offer. The repayment notice must state:

  - (a) the amount to be repaid;

- (b) the account details of the Lender where the repayment amount is to be deposited; and
- (c) the repayment date.

#### 11. **Repayment:**

The Borrower shall at the Repayment Date specified in paragraph 4 repay the Loan as has been advanced to the Borrower and all accrued interest or any portion thereof at that date in the absolute discretion of the Lender either by issuing Shares to the Lender or by repayment of the Loan in cash.

Should the Lender elect to receive Shares, the number of Shares to be issued at repayment shall be one Share for every amount equal to “Y” owing under the Loan (including all accrued interest).

“Y” shall be the lesser of:

- (a) \$0.10; and
- (b) an amount equal to the lowest price per Share at which the Borrower has issued Shares since the date of the advance.

#### **1.7 Key Risks of Transaction**

A summary of some of the key risks pertaining to the Transaction include:

##### **Limited History of Kumai and the Projects**

Broadly speaking, since the strategy of investing in Mongolian coal assets is a new direction for the Company, it is subject to risks commonly encountered by companies in the early stage of their development.

Shareholders should understand that the mineral exploration sector has a high level of inherent uncertainty and accordingly, investments in coal exploration and development are relatively high-risk undertakings.

The agreements entered into by Kumai relate to the early stage of exploration, and no project in which Kumai has an interest has a JORC Resource. Further exploration is required to determine whether Kumai’s Licences contain any economically viable mineral deposits.

There can be no assurance that this exploration activity will result in the discovery of an economic mineral deposit or JORC Code resource classification. Furthermore, even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

## **Sovereign, Political and Legal Risks Associated with Operating in Mongolia**

Kumai's interest in the Projects is located in Mongolia.

Holding projects in a developing democracy which is experiencing a transition to a market economy presents uncertainty and risk.

In recent years, the Mongolian Parliament has passed laws that might apply to restrict or limit Kumai's operations or make them uneconomic. In addition, there is a risk that the Mongolian Parliament may pass further laws that could negatively impact upon the Kumai's operations.

Kumai's Mongolian operations are subject to the jurisdiction of Mongolia's courts. The legal system operating in Mongolia is developing, which may result in risks such as:

- difficulties in obtaining effective legal redress in the courts in respect of a breach of law or regulation, or in a dispute;
- A higher degree of discretion in applying the laws and regulations;
- the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights; or
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

The commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business.

In the case where Kumai disputes the actions of the State with regards to the Projects, it is unlikely Kumai would be successful in raising a claim in Australian courts for the reasons of comity or the doctrine of sovereign immunity.

### **Title Risks Associated with the Licences**

There are a number of conditions that Kumai must satisfy with respect to the Mongolian Licences in which it has an interest, including minimum expenditure and annual reporting requirements that Kumai must comply with to keep Kumai's interest in the Mongolian Licences in good standing. There is a risk that Kumai may not be able to satisfy these requirements, in which case Kumai may forfeit title to those Licences.

### **Re-quotation of Robe Shares on the ASX**

There is a risk that Kumai may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX.

### **Other Risks**

Other risks that Kumai may be subject to include risks relating to:

- Co-existence rights;
- Environmental matters;
- Infrastructure;
- Joint Ventures and Contractors;
- Foreign exchange;
- Operations; and
- Exploration, Development, Mining and Processing.

Further details of risks and investing in Mongolia are set out in Annexure 2.

### **1.8 Proposed Exploration Program**

Upon completion of the Transaction, Robe plans to undertake an immediate exploration program consisting of geophysics and drilling, to demonstrate the economic potential of the coal seams, with the aim of defining an initial JORC compliant resource.

The Company intends to undertake a geophysical survey to identify the potential black coal extensions in the Licences that will support the key targets of the drilling program.

The drilling will be designed to define an initial JORC compliant resource. Should the drilling program define a JORC compliant resource which meets the Company's expectations, work to commence a scoping study will quickly follow.

The Directors consider the Licences prospective for the discovery of high quality coal.

### **1.9 Advantages of the Transaction**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

What are the significant benefits of the Transaction?	The Transaction is expected to provide investors with an investment in a company with a range of attributes including:
	<ul style="list-style-type: none"><li>• access to a company being capitalized to acquire the Kumai Licences;</li></ul>
	<ul style="list-style-type: none"><li>• access to a region that hosts a series of world class coal deposits;</li></ul>
	<ul style="list-style-type: none"><li>• access to a region that has vast areas still to be explored and which are currently undeveloped;</li></ul>
	<ul style="list-style-type: none"><li>• close proximity to known coal resources;</li></ul>
	<ul style="list-style-type: none"><li>• experienced Board comprising expertise in the exploration and mining industry in Mongolia;</li></ul>
	<ul style="list-style-type: none"><li>• a focus on the development of coking and thermal coal within the Licences; and</li></ul>
	<ul style="list-style-type: none"><li>• strong prospective opportunity to participate in an outstanding destination for investment - Mongolia.</li></ul>

### **1.10 Disadvantages of the Transaction**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

What are the potential disadvantages of the Transaction?	The key risks to Robe's business include (but are not limited to):
	<ul style="list-style-type: none"><li>• investors will be exposed to market conditions which may cause the market price of the Shares to fall as well as rise;</li></ul>
	<ul style="list-style-type: none"><li>• the underlying assets of Robe may not perform as expected, affecting the market price of the Shares, the profitability of Robe and Robe's ability to pay dividends;</li></ul>



	<ul style="list-style-type: none"> <li>the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX.</li> </ul>
	<ul style="list-style-type: none"> <li>the Company will be changing the nature of its activities to become a company focused on coal exploration activities, which may not be consistent with the objectives of all Shareholders;</li> </ul>
	<ul style="list-style-type: none"> <li>there are many risk factors associated with the change in nature of the Company's activities, including sovereign risk, and risks associated with the requirement to obtain environmental and other regulatory approvals;</li> </ul>
	<ul style="list-style-type: none"> <li>a significant future outlay of funds will be required which will increase funding pressure on the Company in order to continue exploration of the Licences;</li> </ul>
	<ul style="list-style-type: none"> <li>current Shareholders will have their interests in the Company diluted by the Capital Raising and any further equity funding undertaken by the Company; and</li> </ul>
	<ul style="list-style-type: none"> <li>the Licences is at a very early stage of exploration and there is no guarantee that exploration on the Licences by the Company will result in the discovery of a coal resource.</li> </ul>

## **ANNEXURE 2**

### **1. Licensing in Mongolia**

#### **1.1 Mongolia's Political Structure**

Some 100 years ago, Mongolia gained independence from Qing China, and more than 20 years ago it removed itself from the collapsing Soviet Bloc. Since then, the country has been undergoing momentous social, economic and political changes.

Beginning with the passage of its constitution on 12 February 1992, Mongolia became an independent and sovereign republic. In addition to a number of fundamental changes, the legislative branch was restructured, thereby creating a unicameral legislature named the State Great Hural (**Parliament**).

As the supreme government body, the Parliament is empowered to enact and amend laws, determine domestic and foreign policy, ratify international agreements, and declare a state of emergency. Parliament members elect a chairman and vice-chairman who each serve four-year terms. Parliament members are popularly elected by district for four-year terms.

The President is the head of state, commander-in-chief of the armed forces, and head of the National Security Council. He or she is popularly elected by a national majority for a four-year term and limited to two terms. The constitution empowers the President to propose a Prime Minister, call for the government's dissolution in consultation with the Parliament's chairman, initiate legislation, veto all or parts of legislation (the Parliament can override the veto with a two thirds majority), and issue decrees, which become effective with the Prime Minister's signature.

The government, headed by the Prime Minister, has a four-year term. The Prime Minister is nominated by the President and confirmed by the Parliament. Under constitutional changes made in 2001, the President is required to nominate the Prime Ministerial candidate proposed by a party or coalition with a majority of members of the Parliament. The Prime Minister chooses a cabinet, subject to Parliament's approval, and currently has two deputy Prime Ministers. Dissolution of the government occurs upon the Prime Minister's resignation, simultaneous resignation of half the cabinet, or after a Parliamentary vote for dissolution.

Local hurals (legislatures) and their governors are elected by the 18 aimags (provinces) plus the capital, Ulaanbaatar, and cities of Darhan and Erdenet. Administrative units are further broken down into soum (county) legislatures and their respective governors.

#### **1.2 Minerals Sector in Mongolia**

The mineral resource sector is Mongolia's largest industry with significant deposits of fluorspar, uranium, copper, gold, and coal. At present there are numerous foreign invested companies or joint venture operations producing copper concentrate (Erdenet Mine) and gold ore (Boroo Gold Company). In particular, deposits of coking coal are currently being exploited and sold internationally by Energy Resources (Mongolia) and South Gobi Sands (Canada).

In early 2011, the government of Mongolia (with the assistance of Morgan Stanley and Deutsche Bank) prepared a tender for the participation by private mineral resource companies in the development of the highly coveted Tavan Tolgoi coal deposit, which is located in the Umnigovi aimag in the south Gobi, about 550 km from Ulaanbaatar. It is estimated that the Tavan Tolgoi coal deposit has 6.4 billion metric tons of coal reserves, making it the world's second-largest coal deposit after the Shengli field in China. Reports

suggest that the quality of the Tavan Tolgoi coal resource is quite similar to the deposits found in Australia.

Recently there have been reports that the Mongolian government has chosen US miner Peabody Energy, China's Shenhua and a Russian-Mongolian consortium to jointly develop the Tavan Tolgoi coal deposit. However, this decision is subject to final confirmation, and many aspects of the transaction are yet to be negotiated.

### **1.3 Minerals Legislation**

The minerals sector in Mongolia is governed predominately by three bodies of law: the 2006 Minerals Law of Mongolia (**Minerals Law**), the Nuclear Energy Law and the Subsoil Law. In the case of coal mining, the Minerals Law governs the entire life cycle of a mineral deposit from licensing through exploration, development, mining and mine closure. While a much older law, the Subsoil Law regulates the construction of mining support and process facilities.

Administration of minerals legislation and mining activity in Mongolia is largely the responsibility of the Minerals Resource Authority (**MRA**), which together with the Petroleum Authority falls under the Ministry of Mineral Resources and Energy (**MMRE**).

### **1.4 Minerals Licensing**

All minerals exploration and exploitation, with the exception of common construction material, must be conducted under a licence issued by MRA (licences to conduct exploration and exploitation of uranium are issued separately by the Nuclear Energy Authority, in accordance with the Nuclear Energy Law). Under the Minerals Law, two separate licences are issued by MRA whereby the rights to conduct mineral exploration over a licensed area are separated from the rights to mine/exploit; exploration is denoted as an 'X Licence' and mining is denoted as an 'A Licence'. In each case, the licence-holder must (i) be a registered Mongolian legal entity (generally a private limited liability company), and (ii) pay annual fees with respect to each hectare of licensed land.

An exploration licence is granted through public tender for an initial period of three (3) years and is renewable for two (2) further three (3) year periods for a total period of nine years. At the end of nine years, an exploration licence must be converted into a mining licence or returned to the State.

An exploration licence holder must (i) satisfy annual expenditure requirements outlined in the Minerals Law so as to maintain its right to conduct exploration activities in the licensed area, (ii) prepare annual exploration activities reports, (iii) obtain approval of an environmental protection plan on each three year renewal period, which will monitor its exploration activities in accordance with its environmental protection plan and report yearly on its compliance with the same, and (iv) pay a yearly reclamation bond to the soum administration.

### **1.5 Conversion of Exploration Licences**

The Minerals Law provides the exploration licence holder an exclusive right to apply for a mining licence over the licensed area it previously explored under an exploration licence. The conversion from an exploration licence to a mining licence requires that the exploration licence submit, inter alia, a pro forma application to MRA together with certain fees, a summary of its qualification (personnel mostly) to conduct mining operations in the former exploration licensed area and approval of the minerals reserve estimate by the Minerals Professional Council (an *ad-hoc* council under the MMRE).

MRA reviews the application, and if all matters are in order, the exploration licence is converted to a mining licence. The initial term of a mining licence is thirty years (extendable for two additional twenty year periods where the mining licence-holder has no serious incidents of environmental violations and the mineral reserve supports the extension). Within sixty days of being issued the mining licence, the mining licence holder must submit a feasibility study for the mining licensed area to MRA.

In accordance with the 'Subsoil Law', the mining licence holder must commence use of the mining licence within three years. The holder is eligible in accordance with the terms of the Minerals Law to execute a pre mining agreement that allows it a three year period (while paying reduced licence fees) to prepare for commencement of commercial mining operations. During the pre mining period, the mining licence holder is required to obtain a wide variety of permits for construction, water use, settlement relocation, communications, and chemicals.

Prior to commencement of mining activities, the mining licence holder is required to obtain final approval of an ad hoc committee whose members are jointly appointed by MMRE, the Ministry of Road, Transportation, Construction and Urban Development and the Ministry of Nature and Tourism.

### **1.6 Investment Agreements**

A mining licence holder that invests a certain threshold amount over the first five years of a mining project may apply to the government to enter into an investment agreement. The purpose of the investment agreement is to stabilize the legal regime (primarily in regard to taxation), and to provide guarantees with regard to the selling of mineral products and the right to receive and dispose of income from such sales. The term of each Investment Agreement will depend on the amount of the five-year commitment as follows:

<b>Minimum Investment (US\$)</b>	<b>Term</b>
50 million	10 years
100 million	15 years
300 million	30 years

In 2009, Ivanhoe Mines Ltd and Rio Tinto Ltd, holders of the mining rights to the world class Oyu Tolgoi (**OT**) copper deposit, concluded negotiations of a thirty year investment agreement with the government. The **OT** investment agreement and the further ratification of this agreement in October 2011 are seen as positive signs that Mongolia is increasingly opening its substantial minerals wealth to foreign investment.

### **1.7 Minerals Deposits of Strategic Importance and State Participation**

The Minerals Law defines a certain category of minerals deposits (irrespective of mineral type) as being of strategic importance. Article 4.1.11 of the Minerals Law defines a strategically important minerals deposit as “a deposit whose scope may have a potential impact on national security, economic and social development of the country at the national and regional levels or that is producing or has a potential of producing more than five (5) percent of total gross domestic product in a given year”. Where the government determines that the minerals deposit is of strategic importance, the State is entitled to take a percentage of the shares of the mining licence-holding company. The shared participation in the mining licence-holding company that exploits a minerals deposit of strategic importance can be up to 34% of the shares where the State has not undertaken exploration with State funds in the minerals deposit area, or up to 50% of the shares where the state has used state funds on minerals exploration in mineral deposit area.

At present there are fifteen minerals deposits that have been defined as being of strategic importance (**Strategic Deposits List**) together with additional thirty-nine minerals deposits which have the potential of being added to the strategic importance mineral deposit list. Since 2007, no new minerals deposits have been added to the Strategic Deposits List.

## **1.8 Environmental Legislation**

The environmental legislation of Mongolia is largely comprised of the Law of Mongolia on Environmental Protection (**Environmental Protection Law**) and the Law of Mongolia on Environmental Impact Assessments (**EIA Law**). The Environmental Protection Law is the primary law regulating relations between the State, citizens, business entities and organizations in order to guarantee the human right to live in a healthy and safe environment, the ecological balance between social and economic development, the protection of the environment for present and future generations, the proper use of natural resources and the restoration of available resources. The EIA Law regulates relations that arise in connection with the protection of the environment, prevention of ecological misbalance, use of natural resources, assessment of environmental impact and decision making at the start of projects.

All exploration licence holders must prepare an environmental protection plan, and report yearly to the MRA about its compliance with that plan. Additionally the licence holder is required to pay 50% of its yearly environmental reclamation budget (**Bond**) to the soum administrative. The 'Minerals Law' allows the administration to use the Bond for reclamation in the event the licence holder does not undertake reclamation in the licensed area as required by the law and the licence holder's environmental protection plan.

All mining projects undertaken in Mongolia are required to conduct a detailed environmental impact assessment (**DEIA**) according to the standards set forth in the EIA Law. The DEIA must first be approved by the Ministry of Nature and Tourism, and then submitted to the mining commissioning committee prior to commencement of commercial production. Additionally, a mining licence holder is required to prepare an environmental protection plan and report yearly on its compliance with the terms of this plan. As with an exploration licence, a mining licence holder must pay a 50% Bond to the State central authority. In the event that the mining licence-holder does not properly conduct reclamation activities, the Minerals Law allows the State to undertake those activities from the yearly Bond.

## **1.9 Application of the Mongolian Water and Forests Law**

In July 2009, the Mongolian Parliament enacted what is commonly referred to as the 'Water and Forests Law'. This law authorises the government of Mongolia to revoke, at its discretion, any mineral exploration and mining licences located within the areas described in the law. These areas include within 200 metres of:

- (a) headwaters of rivers and lakes;
- (b) forest areas defined in the 'Forest Law' of Mongolia 31 March 1995; and
- (c) land areas adjacent to rivers and lakes as defined in the 'Water Law' of Mongolia dated 22 April 2004, each respectively **Restricted Areas**).

The 'Water and Forests Law' provides that:

- (a) new minerals exploration and mining licences covering Restricted Areas; and
- (b) previously granted licences that overlap Restricted Areas will be terminated.

To date, a definitive list of affected licences has not yet been published.

The future of the Water and Forest Law is unclear due to the lack of financial resources available to the Mongolian government to pay any compensation for any revoked licence as well as significant pressure from Mongolian citizens, Mongolian businesses and foreign persons.

As a result, there is a risk, if the 'Water and Forests Law' is enforced, that the Licence will be terminated and inadequate or no compensation paid to Kumai for the termination.

## **2. Taxes and Royalties**

### **2.1 Tax Laws**

Mongolia does not have a comprehensive tax code, but rather relies on a group of individual laws that regulate the taxation of company income, goods and services. With regard to minerals resource companies, the corporate Tax Law, the Value Added Tax Law and Law on the Tax of Some Commodities are the most relevant laws.

### **2.2 Corporate Tax Law**

The income tax rates applicable to a Mongolian company are 10% on the first three billion Mongolian National Tugrik (MNT) and 25% on amounts in excess of this amount. In September 2009, Parliament passed an amendment to the Corporate Tax Law that increases the loss carry-forward allowance period from four to eight years. The law also allows for a range of deductible expenses in calculating taxable income. Additionally, 10% of invested capital in certain priority sectors can be applied as a credit against other taxes payable.

### **2.3 Value Added Tax**

Mongolia imposes a value added tax (VAT) at a rate of 10% on (with some very limited exceptions) imported and exported goods (including some minerals products), services rendered to residents of Mongolia from outside Mongolia, and goods sold and services rendered within Mongolia. As a general rule, most exports are "zero-rated" (i.e. the VAT rate for exports is 0% and the exporter can credit value added tax paid to produce the exports against other taxes payable]. The list of exempted imported goods generally changes on an annual basis as approved by the government.

### **2.4 The Law on Tax of Some Commodities (Windfall Profits Tax)**

The 'Windfall Profits Tax' passed in May 2006 added a 68% tax on the sales value of copper concentrate and gold metal over a threshold market price. Parliament repealed the 'Windfall Profits Tax' for all purposes effective as of January 2011.

### **2.5 Minerals Royalties**

The 'Minerals Law' provides for a royalty at the rate of 5% on the sales value of minerals, with the exception of domestically sold coal and common construction minerals that are sold, shipped for sale, or otherwise used. The royalty rate for domestically sold coal and construction minerals is 2.5%.

## **2.6 Foreign Investment Law**

Foreign investors in Mongolia are protected by many of its laws, most notably the constitution of Mongolia and the 'Foreign Investment Law'. The latter statutorily provides that foreign investors (those natural or legal persons who have invested at least 25% in a Mongolian registered company) are entitled, amongst other things, to wholly or partially own a Mongolian company and to buy and sell shares of Mongolian entities in any sector or areas of production. In addition, a foreign investor has the right to participate in concession and product sharing agreements and exploitation of natural resources. The law also provides that foreign investors shall not receive less favourable conditions with regard to its investment than those accorded to domestic investors and that:

- (a) a foreign investment within the territory of Mongolia shall enjoy the legal protection guaranteed by the Constitution, this law and other legislation, consistent with those laws and international treaties to which Mongolia is a party;
- (b) a foreign investment within the territory of Mongolia shall not be unlawfully expropriated;
- (c) investments of foreign investors may be expropriated only for public purposes or interests and only in accordance with due process of law on a non-discriminatory basis and on payment of full compensation where compensation shall be determined by the value of the expropriated assets at the time of expropriation or public notice of expropriation. Such compensation shall be paid without delay (unless specified otherwise in an international treaty to which Mongolia is a party); and
- (d) losses suffered by foreign investors due to a state of emergency or war in Mongolia shall be treated equally with losses suffered by Mongolian investors.

Recent changes to the Foreign Investment laws announced in May 2012 provide that foreign investors are allowed to own a maximum of 49 percent of companies involved in the mining, finance, media and telecommunications sectors before being subject to scrutiny by a government panel. But it only applies to deals valued at above \$75 million, or ones involving state-owned companies like Chalco (China).

### **3. Risks associated with investment in Mongolia**

#### **3.1 Sovereign and Political Risks Associated with Operating in Mongolia**

Kumai has an interest in Licences in a young democratic country which is experiencing a transition to a market economy which presents a certain level of uncertainty and risk.

In recent years, the Mongolian Parliament has passed laws that might apply to restrict or limit Kumai's operations or make them uneconomic. These include laws that give the government the right to participate in the development of 'mineral deposits of strategic importance'. However, the circumstances under which this risk would arise are limited to quite rare and specific circumstances.

More general risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

At present, Mongolia has a large trade deficit with relatively little coal and iron exports, and most major projects are being built with foreign financing and foreign expertise. Most economic growth up to this point has been financed by foreign investment. The country

produces almost nothing other than unrefined raw resources with no value added. The Mongolian growth story from a foreigner investment perspective is the future. However ongoing disputes between Rio Tinto and the government in relation to the Oyu Tolgoi agreement (formerly with Ivanhoe Mines; now renamed Turquoise Hill Resources) seeking to renegotiate and increase the government's stake in the mine from 34% to closer to 50% continues to raise present doubts as to the commercial feasibility of large scale long term projects in Mongolia in an unstable political environment.

Finally, there is concern that anti-corruption government activities may have been misused for the purpose of corruption. Since April 2012, in the lead up to the June 2012 elections, there have been many political arrests of people in the former government majority party, the MPP, and the smaller challenging MPRP and the new ruling party, the DP, would appear to be the beneficiary. Such action may further flow over to elections for the President in 2013, continuing a political environment of uncertainty. Furthermore, recent detention of senior mining executives in Mongolia on alleged corruption charges adds fuel to uncertainty of political and hence investment stability.

### **3.2 Legal Risks Associated with Operating in Mongolia**

Kumai's Mongolian operations are subject to the jurisdiction of Mongolia's courts. The legal system operating in Mongolia is developing which may result in risks such as:

- (a) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- (b) a higher degree of discretion on the part of governmental agencies;
- (c) the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, local taxation and property rights; or
- (d) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

The commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to Licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that the licences and other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness of an enforcement of such arrangements cannot be assured.

In the case where Kumai disputes the actions of the State with regard to its Licences, it is unlikely that Kumai would be successful in raising a claim in Australian courts for reasons of comity or the doctrine of sovereign immunity.

### **3.3 Special Needs Land**

Any tenement is subject to the risk that the land covered by the Licence may be declared "special needs land".

Land may be declared as "special needs" land for various reasons including for purposes of converting the land into special protected areas, land allocated for defence and security and sites for conducting research.

Where land is declared as "special needs" land, any mineral licences existing over the land will be terminated. There is an obligation to pay compensation in relation to the terminated licence. However, it is not clear whether the compensation to be provided to the licence holder is intended to compensate the licence holder for:



- (a) the fair value of the minerals that would have been mined in the absence of the special needs designation; or
- (b) merely reimburse the licence holder for any expenditure to date; or
- (c) something in between.

### **3.4 Potential Enactment of a New Minerals Law**

Various factions within Mongolia have recently called for major changes to the current minerals law and other related laws and governmental policies.

However, there is uncertainty as to what effect, if any, a new minerals law may have on issues such as state participation in the minerals sector and the Water and Forests Law.

### **3.5 Title Risks Associated with the Mongolian Licences**

There are a number of conditions that Kumai must satisfy with respect to the Mongolian licences in which it has an interest, including minimum expenditure and annual reporting requirements that Kumai must comply with to keep Kumai's Mongolian Licences in good standing. There is a risk that Kumai may not be able to satisfy these requirements, in which case Kumai may forfeit title to those licences.

Specifically Kumai notes the following with respect to its Mongolian licences:

- (a) Delays in obtaining all necessary approvals and permits may jeopardise the economic viability of the Licences;
- (b) The Licences will need to be renewed annually on or before 5 December;
- (c) The Revised Minerals Law requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance of the licence. The failure to pay the licence fee within the specified period can be legal grounds for possible revocation of that licence;
- (d) If Kumai fails to fund the necessary environmental reclamation funds, this failure can be the legal ground for the suspension of exploration activities for up to two months and the possibility of revocation of its licences; and
- (e) The failure to develop and submit an Environment Protection Plan and Report can be legal grounds for the suspension of exploration activities for up to two months and the possibility of revocation of those licences.

### **3.6 Co existence Rights**

Some of the tenements that Kumai may in future hold a right to acquire an interest in may be limited to the right to explore and mine coal. This means that other entities may have the right to explore and mine other minerals on the tenements and such activities may adversely impact on Kumai's exploration on those tenements.

### **3.7 Environmental Risk**

Kumai's interest in the Licences is subject to Mongolian laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, the Licences would be expected to have a variety of environmental impacts should development proceed.

Kumai intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by Kumai's activities will be rehabilitated as required by applicable laws and regulations.

### **3.8 Foreign Exchange / Currency**

Any revenue generated by Kumai is expected to be in US\$ while its cost base would be expected to be in A\$, MNT and US\$. Consequently the cross exchange rates for these currencies will have an impact on Kumai's expected earnings in A\$.

The cross exchange rates are affected by numerous factors beyond the control of Kumai.

These factors include Australia's, Mongolia's and the USA's economic conditions and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on Kumai's exploration, the Licences development and production plans and activities, together with the ability to fund those plans and activities.

### **3.9 Infrastructure**

Kumai's Licences is located in a region that is poorly serviced by infrastructure and is an area which may prove difficult to mine. Prospectively, further Company projects may also be located in regions within Mongolia that are poorly serviced by infrastructure.

This basic infrastructure that is lacking may include roads, electricity, running water and health and emergency services. The lack of infrastructure may impact negatively on the economic viability of any deposits discovered by Kumai in other regions and may require Kumai to negotiate access to existing infrastructure and/or invest substantial amounts on the upgrade of existing infrastructure or development of new infrastructure.

### **3.10 Joint Venture Parties, Contractors and Contractual Disputes**

Kumai may in the future be a party to a joint venture in respect to some of its projects in Mongolia. Kumai will therefore be reliant upon its joint venture participants complying with their obligations.

In relation to this issue, the Directors are unable to predict the risk of:

- (a) financial failure or default by a participant in any joint venture to which Kumai may become a party; or
- (b) insolvency or other managerial failure by any of the operators and contractors used by Kumai in its exploration activities; or
- (c) insolvency or other managerial failure by any of the other service providers used by Kumai or its operators for any activity.

### **3.11 Operating Risks**

The current and future operations of Kumai, including exploration, appraisal and possible production activities, may be affected by a range of factors.

The projects will be subject to extreme climatic conditions which could restrict the period within which exploration; appraisal and possibly production activities may take place and may also place Company personnel at risk if exposed to these extreme conditions.

In addition, Mongolia has a foreign worker quota system that may make it difficult to hire qualified personnel even where local manpower is unavailable.

A summary of factors that may affect the operations of Kumai, include:

- (a) geological conditions;
- (b) alterations to joint venture programs and budgets;
- (c) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (d) mechanical failure of operating plant and equipment, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- (e) industrial action, disputation or disruptions;
- (f) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (g) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- (h) prevention or restriction of access by reason of political unrest, or outbreak of hostilities;
- (i) current exploration operations and future mine development of the Licences are subject to Kumai's ability to obtain a wide range of permits, licences, and approvals and there is no guarantee that such permits, licences and approvals will be granted or will be granted in a timely matter;
- (j) advancement of the exploration operations to mine development can be a lengthy process taking a number of years during which Kumai's projects may be subject to new laws, regulations, and taxes which may have a material impact on Kumai; and
- (k) restriction of access to infrastructure by Russian, Chinese or Mongolian authorities.

### **3.12 Exploration, Development, Mining and Processing Risks**

The business of mineral exploration, project development and mining by its nature contains elements of significant risk. Ultimate and continuing success of these activities is dependent on many factors such as:

- (a) the discovery and/or Transaction of economically recoverable ore reserves;
- (b) successful conclusions to bankable feasibility studies;
- (c) access to adequate capital for the development of the Projects;
- (d) design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (e) securing and maintaining title to tenements and compliance with the terms of those tenements;
- (f) obtaining consents and approvals necessary for the conduct of exploration and mining; and
- (g) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the Licences undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

Mining is an industry which has become subject to increasing legislative regulation including, but not limited to, environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of Kumai.

## **4. General Economic Risks and Business Climate**

### **4.1 Stockmarket Conditions**

The market price of the Shares if quoted on ASX will be influenced by international and domestic factors affecting conditions in equity and financial markets. These factors may affect the prices of listed securities and the prices for the securities of companies quoted on ASX, including Kumai.

### **4.2 Funding**

The funds raised under the offer will be sufficient for Kumai to meet its contractual obligations under its existing agreements. If Kumai elects to obtain the maximum interest in all of its projects and conduct further exploration envisaged under the prospectus, it will need to obtain additional fundraising on terms acceptable to Kumai. Any additional equity financing may be dilutive to Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit Kumai's operations and business strategy.

Unless, and until, Kumai develops or acquires income producing assets, it will be dependent upon the funds raised by the offer (and interest earned on those funds) and its ability to obtain future equity or debt funding to support exploration, evaluation and development of the properties in which it has an interest.

Kumai's ability to raise further equity, or debt, or to divest part of its interest in a project, and the terms of such transactions will vary according to a number of factors, including the success of exploration and the future development of the projects, stock market conditions and prices for coal.

### **4.3 Resource Estimates**

Resource estimates, including those contained in the proposed prospectus, are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from the estimates. Resource estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to Kumai resources could affect Kumai's development and mining plans.

### **4.4 Coal Marketing and Coal Prices**

In the event that Kumai's exploration is successful and Kumai proceeds to develop a coal mine, the marketability of the coal production depends upon the quality and tonnage demand from the international and domestic marketplace.

Customers may default on their contractual obligations with Kumai. Potential contractual defaults may include non payment for coal or failure to take delivery of contracted volumes. Should such a default occur, Kumai may find it difficult to access other customers.

Depressed coal prices would affect the business. Future revenues, operating results, profitability, future rate of growth and the carrying value of the assets of Kumai depend heavily on prevailing market prices for coal. Any substantial or extended decline in the price of coal would have a material adverse effect on the financial condition and results of operations.

Mongolia itself is impacted by the global economic situation, specifically neighbouring China's economic situation and particularly natural resource demand both in China and globally.

#### **4.5 Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of Kumai depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on Kumai if one or more of these employees ceases their employment.

#### **4.6 Insurance**

Insurance against all risks associated with mineral exploration production is not always available or affordable. Kumai will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the directors consider the required premiums to be excessive having regard to the benefits that would accrue.

#### **4.7 Competition**

Kumai will be competing with other companies in the resource sector, many of which will have access to greater resources than Kumai and may be in a better position to compete for future business opportunities. There can be no assurance that Kumai can compete effectively with these companies.

#### **4.8 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Kumai or by investors in Kumai. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Kumai and the value of the securities offered under the prospectus. Therefore, the securities to be issued pursuant to the prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in Kumai is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to the prospectus.

### **5. Material Contracts**

Set out below is a summary of the more important provisions of contracts to which Kumai (or one of its subsidiaries) is a party which may be material in terms of the Offer or the operation of Kumai's business, or otherwise may be relevant to a potential investor in Kumai.

## **5.1 KPL Shareholder Agreement**

KEPTE, Bayarmaa Dolgorsuren and Oldokhbayar Tsedendorj are parties to the KPL Shareholder Agreement dated 17 October 2011 which governs their relationship as shareholders in Khangji.

## **5.2 Board**

Under the terms of the KPL Shareholder Agreement, KEPTE is entitled to appoint two directors and Bayarmaa Dolgorsuren and Oldokhbayar Tsedendorj are, together, entitled to appoint one director to the board of Khangji.

With the exception of matters exclusively within the authority of the Shareholders, the management and policies of Khangji are within the power of the board of directors, who in turn may delegate this authority to the executive body (to the extent permitted by law). All decisions of the board of directors must be made by an affirmative vote of two-thirds of the members of the board of directors, except for certain decisions, including the sale, lease or disposal of all or substantially all of Khangji's assets or the issuance of shares, which require a unanimous decision.

## **5.3 Officers**

A Mongolian limited liability is required to have an executive director or a collegial management body in lieu of an Executive Director. Khangji has an executive director and such executive director is the chief executive officer of Kumai responsible for the management of Khangji's day-to-day business and the implementation of all orders and resolutions of the Shareholders and the board. The executive director may be removed at any time by an affirmative vote of the Khangji board of directors. G. Usukhbayar is the current executive director of Khangji.

## **5.4 Budgets, Work Programs and Calls**

The business of Khangji must be conducted in accordance with the budget and business plan prepared by the executive director and approved by the board of directors of Khangji, annually. Within 15 business days of the approval of a budget and business plan, Shareholders are entitled to be notified of the approval and provided with a copy of the budget and business plan.

Any significant variance (a 15% or greater difference to any individual line item or a 10% or greater difference overall) to the proposed budget and business plan must first be approved by the board of directors of Kumai.

The work program will:

- (a) initially be funded by KEPTE, and will include the minimum licence expenditures, licence fee payments, environmental payments and any other annual payments; and
- (b) be conducted by LUNDA LLC, a limited liability company organized under the laws of Mongolia (and controlled by Bayarmaa Dolgorsuren) which will be engaged on normal commercial terms to carry out the activities in two phases ("Phase I" and "Phase II"), unless otherwise agreed upon by the shareholders. Phase I will consist of the following:
  - geological mapping to locate all sedimentary rock outcrops in the area and to further map and measure the structural attitudes;
  - visits to all coal occurrences in the vicinity determining the strike and clip of the seams, thickness, and to sample and analyse the quality of the coal; and
  - drilling a minimum of ten (10) open holes on each property which are to be:
    - i. up to two hundred (200) metres deep to determine thickness of overburden gravels, to investigate stratigraphy, and to locate coal seams;
    - ii. geophysically logged; and
    - iii. in the event of the location of a coal seam, analysed to determine coal quality.

In the event that Phase I is successful in identifying coal in commercially viable quality and quantities, Phase II will commence consisting of the following:

- (a) twin holes which encountered coal seams in Phase I drilling with core with:
  - spot coring through identified coal seams;
  - sampling and analysis of all seams; and
  - geophysical logging of all holes;
- (b) offset holes for each Phase I hole which encountered coal;
- (c) follow-up core drilling through coal seams; and
- (d) completion of exploration work to define a JORC Code compliant indicated resource of not less than fifty (50) million metric tonnes or conversion to Mining Licence.

Once Phase II is complete or the exploration licences are converted to Mining Licences, each shareholder will be obliged to contribute to further exploration and development in proportion to their shareholdings in Khangai at the time of the expenditure. Shareholders are required to pay their proportion of anticipated expenditures upon receipt of a capital call notice which:

- (a) is prepared by the executive director;
- (b) coincides with the budget and business plan;
- (c) provides reasonable detail of all anticipated expenditures required; and
- (d) is provided at least 60 days prior to the due date for payment.

If a Shareholder elects to not contribute to further exploration and development, that shareholder will be entitled to a US\$1.00 per tonne royalty and their interest in Khangai will be distributed equally between the remaining shareholders. The KPL Shareholder Agreement provides that the rate of royalty will increase 10% for every US\$5.00 increase in the spot selling price for the coal mined and sold from licences XV-014574, XV-014573, XV-014571 and XV-014572.

## **5.5 Funding**

Shareholders may finance the business of Khangí by way of a shareholder loan with an interest rate of LIBOR + 2% (compounded monthly), which will be repaid out of the profits of Khangí.

Alternatively, where funding is sought externally, the shareholders undertake to co-operate to facilitate such external financing by executing documents and providing the assurances and warranties that are reasonably required by the external lender.

Where an external lender requires a guarantee and the Shareholders unanimously agree to provide the guarantee, the guarantee will be provided on a joint basis in proportion to each shareholders' holding in Khangí. If any money is required to be paid in relation to a guarantee, any shareholder who does not pay their proportionate share will be indebted to the other shareholder/s who have paid the difference and will be liable to interest at a rate of LIBOR + 2% (compounded monthly), with such amounts becoming payable on demand.

The signing officers for banking purposes are the Executive Director and Chief Financial Officer.

## **5.6 Distributions**

To the extent permitted by law and any Shareholder's decision, Shareholders are entitled to receive available cash in proportion to their shareholdings after deducting payments to cover Khangí's financial obligations, the repayment of shareholder loans with any interest and the retention of cash to cover operating costs and contingencies.

## **5.7 Area of Interest**

Shareholders (their nominees, subsidiaries or affiliates) who acquire any minerals licences within 150 km of the mineral exploration licences XV-014574, XV-014573, XV-014571 and XV-014572 must notify Khangí and KEPTE of the acquisition and offer Khangí and KEPTE the opportunity to participate in the development of the acquisition. If KEPTE either directly or indirectly (through Khangí) elects to participate, KEPTE must:

- (a) provide written notice of its election within 30 days of the offer;
- (b) pay the offeror US\$75,000 for each acquisition; and
- (c) conduct a work program on the minerals licences.

## **5.8 Termination**

The agreement may be terminated by a non-defaulting party where a breach occurs and is not rectified within 15 business days of written notice being served on the defaulting party. Where such termination occurs, the defaulting party is liable for all damages caused to the non-defaulting party and is required to indemnify the non-defaulting party.

## **5.9 Dispute Resolution**

Any disputes arising under the agreement may be submitted for arbitration to the Mongolian National Chamber of Commerce Arbitration Centre. The decision of the arbitrators is final and binding and judgement made be entered into in court for the recognition or enforcement of the award.



### **Annexure 3**

#### **Terms and Conditions of Options**

The Options offered under the Capital Raising will be granted on the terms set out below.

- Each Option entitles the holder to subscribe for one Share in the Company at an exercise price of 20 cents (**Exercise Price**).
- The Options will expire at 5.00 pm (WST) on 17 October 2016 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- The Company will apply for quotation of Options on ASX within 7 days after the date of the prospectus. If ASX does not grant official quotation of the Shares and Options within 3 months after the date of the Capital Raising prospectus, Robe will not issue any Options.
- There is no obligation to exercise the Options.
- The Options may be exercised in whole or in part, and if exercised in part, multiples of 500 Options must be exercised on each occasion. Where less than 500 Options are held, all Options must be exercised together.
- A holder of Options may exercise its Options by lodging with the Company Secretary at the Company's registered office, before the Expiry Date:
  - a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
  - a cheque or electronic funds transfer for the total Exercise Price for the number of Options being exercised.
- An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- Within 10 Business Days of receipt of the Exercise Notice accompanied by the appropriate Exercise Price, the Company will allot the number of Shares required under these terms in respect of the number of Options specified in the Exercise Notice.
- The Options are freely transferable.
- All Shares allotted upon the exercise of Options will be fully paid and will rank pari passu in all respects with other issued Shares. The rights and liabilities attaching to the Shares issued upon exercise of the Options are set out above.
- The Company will apply for Official Quotation by ASX of the Shares issued upon exercise of Options within 10 Business Days of allotment of the Shares.
- If the Company offers Shares by way of a pro rata issue (except a bonus issue) to the holders of Shares (whether renounceable or non renounceable), the exercise price of a Option will be reduced in accordance with the formula set out in Listing Rule 6.22.2.
- If there is a bonus issue to the holders of Shares in the Company then the number of Shares over which each Option is exercisable will be increased by the number of Shares which the holder would have received under the bonus issue if the Option had been exercised before the record date for the bonus issue.
- In the event of any reorganisation (including a consolidation, sub-division, reduction, cancellation or return) of the issued capital of the Company, the rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- Options do not entitle the holder to:

- participate in a new issue of Shares or other securities;
- receive dividends; or
- attend, or vote at, meetings of the Company,  
without first exercising the Option.

- Other than as set out above, an Option does not confer the right to a change in the Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

## **Annexure 4**

### **Terms and Conditions of Directors Options**

The Options granted under Resolutions 12-16 (inclusive) will be granted on the following terms:

- Each Option entitles the holder to subscribe for one Share in the Company at an exercise price of 20 cents (**Exercise Price**).
- The Options will expire at 5.00 pm (WST) on 17 October 2016 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- The Company will NOT apply for quotation of Options.
- There is no obligation to exercise the Options.
- The Options may be exercised in whole or in part, and if exercised in part, multiples of 500 Options must be exercised on each occasion. Where less than 500 Options are held, all Options must be exercised together.
- A holder of Options may exercise its Options by lodging with the Company Secretary at the Company's registered office, before the Expiry Date:
  - a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
  - a cheque or electronic funds transfer for the total Exercise Price for the number of Options being exercised.
- An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- Within 10 Business Days of receipt of the Exercise Notice accompanied by the appropriate Exercise Price, the Company will allot the number of Shares required under these terms in respect of the number of Options specified in the Exercise Notice.
- The Options are freely transferable.
- All Shares allotted upon the exercise of Options will be fully paid and will rank pari passu in all respects with other issued Shares. The rights and liabilities attaching to the Shares issued upon exercise of the Options are set out in details attaching to Resolution 5 of this Explanatory Statement.
- The Company will apply for Official Quotation by ASX of the Shares issued upon exercise of Options within 10 Business Days of allotment of the Shares.
- If the Company offers Shares by way of a pro rata issue (except a bonus issue) to the holders of Shares (whether renounceable or non renounceable), the exercise price of a Options will be reduced in accordance with the formula set out in Listing Rule 6.22.2.
- If there is a bonus issue to the holders of Shares in the Company then the number of Shares over which each Option is exercisable will be increased by the number of Shares which the holder would have received under the bonus issue if the Option had been exercised before the record date for the bonus issue.
- In the event of any reorganisation (including a consolidation, sub-division, reduction, cancellation or return) of the issued capital of the Company, the rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- Options do not entitle the holder to:
  - participate in a new issue of Shares or other securities;

- For personal use only
- receive dividends; or
    - attend, or vote at, meetings of the Company,without first exercising the Options.
  - Other than as set out above, an Option does not confer the right to a change in the Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

**Robe Australia Limited**  
ABN 50 007 870 760  
**PROXY FORM**

The Company Secretary  
Robe Australia Limited  
Level 2, 409 St Kilda Road  
MELBOURNE VIC 3004  
Facsimile: +61 3 9820 2158

Name of  
Shareholder:

Address of  
Shareholder:

Number of Shares  
entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided below.

I/we being Shareholder/s of the Company hereby appoint:

The Chairman  
of the Meeting  
(mark box)

☐

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

or failing the person so named or, if no person is named, the Chairman of the Meeting, or the  
Chairman's nominee, as my/our proxy to vote in accordance with the following directions, or, if  
no directions have been given, as the proxy sees fit, at the Annual General Meeting of the  
Company to be held at the offices of Norton Rose Australia, Level 15, RACV Tower, 485  
Bourke St, Melbourne 3000 on 10 December 2012 and at any adjournment of that Meeting.

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

The Chairman intends to vote undirected proxies in favour of all items of business. If the  
Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by  
ticking either the 'for', 'against' or 'abstain' box in relation to Resolutions 1, 8 or 12, you will be  
authorising the Chairman to vote in accordance with the Chairman's voting intentions on the  
respective Resolution even if the Resolution is connected directly or indirectly with the  
remuneration of a member of Key Management Personnel. For those Resolutions in which the  
Chairman has an interest, you will also need to tick the following box:

☐

**If the Chairman is appointed as your proxy, or may be appointed by default and  
you do not wish to direct your proxy how to vote as your proxy in respect of  
Resolutions 2-16 (inclusive), please place a mark in this box.** By marking this box,  
you acknowledge that the Chairman may exercise your proxy even though he has an  
interest in the outcome of that Resolution and that votes cast by him/her for that  
Resolution, other than as proxyholder, would be disregarded because of that interest.

**If you do not mark this box**, and you have not directed your proxy how to vote by  
ticking either the 'for', 'against' or 'abstain' box, **the Chairman will not cast your votes**  
on Resolutions 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 or 16 and your votes will not be  
counted in calculating the required majority if a poll is called on one of those Resolutions.

I/We direct my/our proxy to vote as indicated below:

		FOR	AGAINST	ABSTAIN
<b>ORDINARY BUSINESS</b>				
1.	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Purchase of Kumai Energy Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Change to nature and scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Issue of Shares and Options to CPS Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Change of Company Name [SPECIAL BUSINESS]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Adoption of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Re-Election of Mr P Reilly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Election of Mr P Youd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	Election of Mr C McGuckin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	Issue of Options to Mr P Reilly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Issue of Options to Mr P Youd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Issue of Options to Mr C McGuckin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	Issue of Options to Ms N Schmidt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	Issue to past directors and KMP of Kumai	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	Participation of Mr Reilly in Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/s this \_\_\_\_\_ day of 2012.

**If a natural person:**

SIGNED by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature (if joint holder)

**If a company:**

Executed by  
in accordance with section 127 of the  
*Corporations Act 2001:*

\_\_\_\_\_  
Signature of Director

\_\_\_\_\_  
Signature of Director/Secretary

\_\_\_\_\_  
Name of director  
(BLOCK LETTERS)

\_\_\_\_\_  
Name of director/secretary  
(BLOCK LETTERS)

**If by power of attorney:**

SIGNED for and on behalf of \_\_\_\_\_ )  
by \_\_\_\_\_ )  
under a Power of Attorney dated \_\_\_\_\_ )  
and who declares that he/she has not \_\_\_\_\_ )  
received any revocation of such Power of \_\_\_\_\_ )  
Attorney in the presence of : \_\_\_\_\_ )

\_\_\_\_\_  
Signature of Attorney

\_\_\_\_\_  
Signature of Witness

**Notes:**

Shareholders entitled to attend and vote at the Annual General Meeting are entitled to appoint a proxy. The proxy may be an individual or a body corporate.

A Shareholder 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 a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes such proxy may exercise, each proxy may exercise half of the votes disregarding fractions.

For an appointment of proxy to be valid, the form appointing the proxy and, if the form is signed under a power of attorney or other authority, the authority under which the form is signed (or a certified copy of the authority) must be received at or sent by facsimile transmission to the registered office of the Company at Level 2, 409 St Kilda Road, Melbourne, Victoria, 3004 or facsimile number (+61 3) 9820 2158, at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the proxy named in the proxy form proposes to vote.

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

A proxy must be signed by the Shareholder or the Shareholder's attorney duly authorised in writing or, if the Shareholder is a Company, in a manner permitted by the Corporations Act. The proxy may, but need not, be a Shareholder of the Company.