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**CAZALY RESOURCES LIMITED**

**ACN 101 049 334**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 11.00am (WST)  
**DATE:** 20 November 2020  
**PLACE:** Level 3  
30 Richardson Street  
WEST PERTH WA 6005

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

***Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9322 6283.***

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that the Annual General Meeting of the Shareholders convened by this Notice of Meeting will be held at 11.00am (WST) on 20 November 2020 at:

Level 3  
30 Richardson Street  
WEST PERTH WA 6005

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**YOUR VOTE IS IMPORTANT**

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

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**IMPORTANT INFORMATION FOR SHAREHOLDERS**

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In accordance with subsection 5(1)(f) of the *Corporations (Coronavirus Economic Response) Determination No. 3) 2020*, the Company will not dispatch physical copies of the Notice of Annual General Meeting. Instead a copy of the Notice is available to be viewed and/or downloaded on the ASX market announcements platform at <https://www.asx.com.au/asx/statistics/announcements.do> or on the Company's website at [www.cazalyresources.com.au](http://www.cazalyresources.com.au).

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**ATTENDANCE AND VOTING ELIGIBILITY**

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For the purposes of regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Directors have determined that the Shares quoted on the ASX at 5.00pm WST on 18 November 2020 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time. Accordingly those persons are entitled to attend and vote (if not excluded) at the Meeting.

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**VOTING IN PERSON**

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

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**VOTING BY PROXY**

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To vote by proxy, please complete and sign the Proxy Form enclosed (and the power of attorney or other authority (if any) under which it is signed (or a certified copy)) and either:

- (a) deliver the Proxy Form to the Company's registered office at Level 3, 30 Richardson Street, West Perth, Western Australia 6005;
- (b) send the Proxy Form by post to Cazaly Resources Limited, PO Box 396, West Perth, Western Australia 6872; or
- (c) send the Proxy Form by facsimile to the Company on facsimile number (08) 9322 6398; or
- (d) email the Proxy Form to [mrobbins@cazalyresources.com.au](mailto:mrobbins@cazalyresources.com.au)

so that it is received not later than 11.00am (WST) on 18 November 2020.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders of Cazaly Resources Limited will be held at **Level 3, 30 Richardson Street, West Perth, Western Australia at 11.00am (WST) on Friday 20 November 2020.**

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum (including the Annexures) are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

### AGENDA

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#### FINANCIAL STATEMENTS AND REPORTS

To receive and consider the 2020 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

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#### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

*“That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the 2020 Remuneration Report.”*

**Note: the vote on this Resolution is advisory only and does not bind the Board or the Company.**

#### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above (the “voter”) may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy appointed by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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#### RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR CLIVE JONES

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

*“That Mr Clive Jones, a Joint Managing Director, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director.”*

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#### RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR TERRY GARDINER

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

*“That Mr Terry Gardiner, a Non-Executive Director, who retires by rotation in accordance with the Constitution, and being willing and eligible for re-election, is re-elected as a Director.”*

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#### RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

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

*“That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting Exclusion Statement:**

The Company will disregard any votes cast in favour of this Resolution by a person who is expected to participate in, or who may obtain a material benefit as result of, the proposed issue of Equity Securities under this Resolution (except a benefit solely by reason of being a holder of ordinary securities in Cazaly) or an associate of those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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**RESOLUTION 5 – REPLACEMENT OF CONSTITUTION**

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

*“That, for the purpose of section 136(2) of the Corporations Act and for all other purposes, Shareholder approval is given to repeal the Company’s existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”*

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**OTHER BUSINESS**

To deal with any business that may be lawfully brought forward.

## PROXIES

A Shareholder entitled to attend and vote at the Meeting has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy that body corporate will need to ensure that it:

- a) appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- b) provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

If such evidence is not received before the Meeting, then the body corporate (through its representative) will not be permitted to act as proxy.

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 no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. Fractions of votes will be disregarded.

In order to vote on behalf of a company that is a Shareholder, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be posted or lodged at the registered office of the Company, at Level 3, 30 Richardson Street, West Perth WA 6005, or PO Box 396 West Perth WA 6872, or by facsimile to (61 8) 9322 6398, or by email to [mrobbins@cazalyresources.com.au](mailto:mrobbins@cazalyresources.com.au) not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

An instrument appointing a proxy:

- a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
- b) may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Resolution except as specified in the instrument;
- c) shall be deemed to confer authority to demand or join in demanding a poll;
- d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act; and
- e) which appoints the Chair as proxy but does not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolutions (subject to the other provisions of these notes on proxies and any required voting exclusions including those in the Notice) as this is the Chair's voting intention.

## Corporations

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company before the commencement of the Meeting. Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## Undirected and Directed Proxies

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on each Resolution.

The Company will not disregard any votes cast on a Resolution by a person if the person is the Chair voting an undirected proxy and their appointment expressly authorises the Chair to exercise the proxy.

If you intend to appoint the Chair as your proxy, you can direct him how to vote by marking the boxes for each resolution (for example, if you wish to vote "For", "Against" or "Abstain"), or you cannot mark any of the boxes and give the Chair your express authority to vote your undirected proxy (in which case the Chair will vote in favour of all Resolutions).

If you intend to appoint a Director (other than the Chair) or another member of the Key Management Personnel, or their Closely Related Parties as your proxy, you must specify how they should vote on Resolution 1 by marking the appropriate

box. If you don't, your proxy will not be able to exercise your vote for Resolution 1. If the Chair is your proxy (or if they are appointed by default) but you do not direct them how to vote on a resolution (that is, you do not mark any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may then vote as they see fit on that resolution.

If you mark more than one box on an item your vote will be invalid on that item.

In accordance with the Corporations Act, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chair, who is required to vote proxies as directed.

**It is the Chair's intention to vote all undirected proxies in favour of all Resolutions.**

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**DATED: 23 OCTOBER 2020**

**BY ORDER OF THE BOARD**

**MIKE ROBBINS**

**COMPANY SECRETARY**

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## EXPLANATORY MEMORANDUM

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This Explanatory Memorandum has been prepared for the information of shareholders of Cazaly Resources Limited in connection with the business specified to be conducted in the Notice of Annual General Meeting at the annual general meeting of Shareholders to be held at **Level 3, 30 Richardson Street, West Perth, Western Australia 6005 at 11.00am (WST) on Friday 20 November 2020.**

The purpose of this Explanatory Memorandum is to provide information that the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

The Notice of Meeting, Explanatory Memorandum and Proxy Form are all important documents. The Directors recommend that Shareholders read them carefully in their entirety before making a decision on how to vote at the Annual General Meeting.

A Glossary of terms frequently used in this Notice of Meeting and Explanatory Memorandum can be found at the end of this Explanatory Memorandum.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the 2020 Financial Report together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report thereon.

The Company will not provide a hard copy of the 2020 Financial Report to Shareholders unless specifically requested to do so. The 2020 Financial Report is available on its website at [www.cazalyresources.com.au](http://www.cazalyresources.com.au).

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### 2. ADOPTION OF REMUNERATION REPORT (RESOLUTION 1)

#### 2.1 *General*

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Board or the Company.

#### 2.2 *Voting Consequences*

Under changes to the Corporations Act which came into effect on 1 July 2011 (known as the 'two strikes' rule), if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report at the two consecutive annual general meetings, the company will be required to put to shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the company's AGM where the second consecutive strike is received. All of the directors, other than a Managing Director, who were in office when the board approved the last directors' report and who remain in office at the time of the Spill Meeting, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as directors is approved will be the directors of the company.

The Audited Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Audited Remuneration Report is part of the Directors' Report contained in the 2020 Financial Report.

At the Company's previous annual general meeting, held on 20 November 2019, less than 25% of votes were cast against the remuneration report at that meeting. Accordingly the Spill Resolution is not relevant for this Annual General Meeting.

#### **Directors' Recommendation**

The Directors, at their discretion, recommend that Shareholders vote in favour of adopting the Remuneration Report.

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### **3. RE-ELECTION OF DIRECTOR – MR CLIVE JONES (RESOLUTION 2)**

#### **3.1 Background**

Clause 11.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has three (3) Directors and accordingly at least one (1) must retire by rotation.

Mr Clive Jones retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election. The profile of Mr Jones is set out in the 2020 Financial Report.

#### **Directors' Recommendation**

The Directors (other than Mr Clive Jones) recommend that Shareholders vote in favour of Resolution 2.

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### **4. RE-ELECTION OF DIRECTOR – MR TERRY GARDINER (RESOLUTION 3)**

#### **4.1 Background**

Clause 11.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three (3) years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has three (3) Directors and accordingly at least one (1) must retire by rotation.

Mr Terry Gardiner retires by rotation in accordance with the Constitution and, being willing and eligible for re-election, seeks re-election. The profile of Mr Gardiner is set out in the 2020 Financial Report.

#### **Directors' Recommendation**

The Directors (other than Mr Terry Gardiner) recommend that Shareholders vote in favour of Resolution 3.

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### **5. APPROVAL OF 10% PLACEMENT CAPACITY (RESOLUTION 4)**

#### **5.1 Purpose of resolution**

Listing Rule 7.1A came into effect on 1 August 2012 and enables "eligible entities" to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting if the Equity Securities are in an existing quoted class of the Company's securities ("**10% Placement Facility**").

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approvals of its Shareholders over any 12 month period, to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. Cazaly Resources Limited is an eligible entity for these purposes (current market capitalisation of \$16.5 million based on number of Shares on issue and the closing price of Shares on the ASX on 22 October 2020).

Resolution 4 seeks Shareholder approval by way of a Special Resolution for Cazaly Resources Limited to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval. As Resolution 4 is a special resolution 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

If Shareholders approve Resolution 4 the exact number of Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

If Shareholders do not approve Resolution 4, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issued equity securities without Shareholder approval set out in Listing Rule 7.1.

## **5.2 Required Information**

### **(a) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, only has Shares (ASX:CAZ) that are quoted.

### **(b) Information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, the below information is provided in relation to the approval of the 10% Placement Facility:

#### **Minimum Price**

The minimum price at which Equity Securities may be issued under the 10% Placement Facility is 75% of the VWAP of securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if they are not issued within 10 Trading Days of the date above, the ASX trading day on which the Equity Securities are issued.

#### **Date of Issue**

If shareholder approval of Resolution 4 is obtained, shares may be issued under the 10% Placement Capacity during the period commencing on the date of the Annual General Meeting and ending on the first to occur of the following:

- i) 12 months after the date of the Annual General Meeting;
- ii) the time and date of the entity's next annual general meeting; and
- iii) the date of Shareholder approval for any transaction under Listing Rules 11.1.2 (significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

#### **Purpose of Issue Under 10% Placement Capacity**

The Company may seek to issue the Equity Securities for cash consideration, in which case the Company intends to use the funds raised towards continued exploration and development of the Company's existing projects, the evaluation and acquisition of new opportunities and for general working capital purposes.

#### **Risk of economic and voting dilution**

If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below.

Shareholders should note that there is a risk that:

- the market price for the Equity Securities to be issued may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

- the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.
- a) Any issue of Equity Securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Facility, the economic and voting dilution of existing Shares would be as shown in the table below.
- b) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable “A” calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice, assuming the full 10% dilution.
- c) The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Facility.

Variable “A” in Listing Rule 7.1A.2		Dilution		
		\$0.025 50% decrease in Issue Price	\$0.05 Issue Price	\$0.075 50% increase in Issue Price
Current Variable A 351,943,267 Shares	Shares issued	35,194,327 Shares	35,194,327 Shares	35,194,327 Shares
	Funds raised	\$879,858	\$1,759,716	\$2,639,575
50% increase* in current Variable A 527,914,901 Shares	Shares issued	52,791,490 Shares	52,791,490 Shares	52,791,490 Shares
	Funds raised	\$1,319,787	\$2,639,575	\$3,959,362
100% increase* in current Variable A 703,886,534 Shares	Shares issued	70,388,653 Shares	70,388,653 Shares	70,388,653 Shares
	Funds raised	\$1,759,716	\$3,519,433	\$5,279,149

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued under Listing Rule 7.1.

The table has been prepared on the following assumptions:

- The current Shares on issue are the Shares on issue at 22 October 2020.
- The issue price set out above is the closing price of the Shares on the ASX on 22 October 2020.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility hence the voting dilution is shown in each example as 10%.
- The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances, and if necessary seek advice from their professional advisers.
- No unquoted Options are exercised into Shares before the date of issue of the Equity Securities.
- The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and not dilution under the 15% placement capacity under ASX Listing Rule 7.1, under ASX Listing Rule 7.2, or Shareholder approvals under ASX Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.

#### Allocation under the 10% Placement Facility

The Company’s allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the purpose of the issue;
- the alternative methods of raising funds that are available to the Company, including but not limited to, an entitlement issue or other issue in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the circumstances of the Company, including but not limited to the financial situation and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders, who are not related parties of the Company or their associates.

#### **Previous Approval under ASX Listing Rule 7.1A**

The Company last obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 20 November 2019.

#### **Other**

The Company will comply with all its disclosure obligations under the Listing Rules in relation to any issue of Equity Securities under the 10% Placement Capacity, in particular:

- a list of the recipients of the Equity Securities and the number of Equity Securities issued to each in accordance with Listing Rule 7.1A.4 (not for release to the market); and
- the information required by Listing Rule 3.10.5A for release to the market.

#### **Voting Exclusion**

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not invited any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

#### **5.3 Listing Rule 7.3A.6 Details of Equity Securities issued during last 12 months**

The Company has not issued or agreed to issue any Equity Securities under Listing Rule 7.1A.2 in the 12 months preceding the date of the meeting.

#### **Directors' Recommendation**

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under ASX Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should it be required and which will be in addition to, and without using, the Company's 15% annual placement capacity. At the date of the notice, the Company has no plans to use the 10% Placement Facility should it be approved. Accordingly the Directors recommend that Shareholders vote in favour of resolution 4.

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## **6. REPLACEMENT OF CONSTITUTION (RESOLUTION 5)**

### **6.1 Background**

A company may modify or repeal its constitution or a provision of its constitution by Special Resolution of shareholders.

Resolution 5 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in June 2002 and last amended in 2011.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature, including but not limited to:

- a) Updating the name of the Company to Cazaly Resources Limited as adopted in August 2003.
- b) updating provisions to comply with recent changes to the Listing Rules and the Corporations Act;
- c) updating references to bodies or legislation which have been renamed; and
- d) expressly providing for statutory rights by mirroring these rights in the provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders.

It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

Prior to the Meeting, a copy of the Proposed Constitution will be available for review by Shareholders on the Company's website ([www.cazalyresources.com.au](http://www.cazalyresources.com.au)) and at the registered office during normal business hours. A copy of the Proposed Constitution can also be sent to Shareholders of the Company upon a request being made to the Company Secretary on (08) 9322 6283 or by email to [mrobbins@cazalyresources.com.au](mailto:mrobbins@cazalyresources.com.au).

The resolution is a Special Resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour. If shareholders vote in favour of this resolution, the Proposed Constitution will operate from the date on which the special resolution is passed and will not affect the validity of acts or appointments under the existing Constitution.

## **6.2 Summary of Material Proposed Changes**

### Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

### Restricted Securities (clause 2.12)

With effect from 1 December 2019, ASX applied a two-tier escrow regime where ASX can require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will instead permit the Company to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

### Direct Voting (clause 13, specifically clauses 13.35 – 13.40)

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

### Remuneration of Non-Executive Directors (clauses 14.7 and 14.8)

The Proposed Constitution amends the provision relating to the amounts that may be paid to Non-Executive Directors to clarify what may be paid to Non-Executive Directors and what may be included in those amounts. As set out above, the amendment also sets a new initial limit in the Constitution of \$250,000 as a total amount payable to Non-Executive Directors. While the Board has no present intention to pay its Non-Executive Directors this amount, the Board believes it provides the Company with adequate coverage under the Constitution should Company circumstances change eg. other Non-Executive Directors are appointed or their roles change whereby additional fees are deemed appropriate.

### Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

#### Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause is consistent with the equivalent provisions of the existing Constitution. This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause. Adopting the Proposed Constitution will have the effect of "refreshing" the relevant provisions, which would otherwise have required re-approval by Shareholders within 3 years of the Company's listing.

#### **Information required by section 648G of the Corporations Act**

##### *Effect of proposed proportional takeover provisions*

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

##### *Reasons for proportional takeover provisions*

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

##### *Knowledge of any acquisition proposals*

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

##### *Potential advantages and disadvantages of proportional takeover provisions*

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- b) assisting in preventing Shareholders from being locked in as a minority;
- c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- a) proportional takeover bids may be discouraged;
- b) lost opportunity to sell a portion of their Shares at a premium; and
- c) the likelihood of a proportional takeover bid succeeding may be reduced.

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders.

***Directors' Recommendation***

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

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## GLOSSARY

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In the Notice of Meeting (including the Annexures thereto) and the Proxy Form, the following terms have the following meanings unless they are otherwise defined or the context otherwise requires:

**\$** means Australian dollars.

**2020 Financial Report** means the Company's financial report for the financial year ended 30 June 2020, which can be downloaded from the Company's website at [www.cazalyresources.com.au](http://www.cazalyresources.com.au).

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

**Annexure** means an annexure to this Explanatory Memorandum.

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

**ASX** means ASX Limited ACN 008 624 691 or the market operated by it, as the context requires.

**ASX Listing Rules or Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

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

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

**Chair** means the Chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) that may be made for this purpose.

**Company or Cazaly** means Cazaly Resources Limited ACN 101 049 334.

**Constitution** means the Company's constitution.

**Corporations Act or Act** means the *Corporations Act 2001* (Cth) and the regulations promulgated under it, each as amended from time to time.

**Director** means a director of the Company.

**Equity Securities** has the same meaning as in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum accompanying and forming part of the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those 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.

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

**Option** means a n option to acquire a Share.

**Proposed Constitution** has the meaning set out in the Explanatory Memorandum as defined in Section 6.1.

**Proxy Form** means the proxy form accompanying and forming part of the Notice.

**Remuneration Report** means the remuneration report set out in the Directors' Report section of the 2020 Financial Report.

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

**Securities** means Shares and Options.

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

**Shareholder** means a holder of a Share.

**Special Resolution** has the meaning under the Corporations Act. A special resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

**Trading Day** means a day determined by ASX to be a trading day and notified to market participants being:

- (a) a day other than:
  - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
  - (ii) any other day which ASX declares and publishes is not a trading day; and
- (b) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

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

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.