



24 October 2005

The Manager
Company Announcement Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir,

Re: Notice of Annual General Meeting

Please find attached the Notice of Annual General Meeting, Explanatory Memorandum and Proxy form which are being mailed to shareholders today.

Yours faithfully
Sylvania Resources Limited

A handwritten signature in blue ink that reads "G. Button". The signature is fluid and cursive, with a large initial "G" and a trailing flourish.

Grant Button
Executive Director

SYLVANIA RESOURCES LIMITED

ACN 091 415 968

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY MEMORANDUM

Date of Meeting: Wednesday, 30 November 2005

Time of Meeting: 9 am (WST)

Place of Meeting: Sandalwood Room
Ground Floor
Holiday Inn City Centre
788 Hay Street
Perth, Western Australia

This Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

SYLVANIA RESOURCES LIMITED
ACN 091 415 968

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an annual general meeting of shareholders of Sylvania Resources Limited ACN 091 415 968 ("**Company**") will be held at Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9 am (WST) on Wednesday, 30 November 2005.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered and contains a glossary of defined terms for terms that are not defined in full in this Notice of Meeting.

AGENDA

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial statements, the Director's report and auditor's report for the Company and its controlled entities for the year ended 30 June 2005.

RESOLUTIONS

1. Adoption of Remuneration Report

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

"That the remuneration report for the Company and its controlled entities for the year ended 30 June 2005 be adopted."

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| The vote on this resolution is advisory only and does not bind the directors or the Company. |
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2. Re-election of Mr Edward Nealon as a Director

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

"That Mr Edward Nealon, who was appointed as a director of the Company to fill a casual vacancy on 7 December 2004, retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

3. Re-election of Ms Melissa Sturgess as a Director

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

"That Ms Melissa Sturgess, who was appointed as a director of the Company to fill a casual vacancy on 7 December 2004, retires in accordance with the Company's constitution and being eligible, offers herself for re-election, be re-elected as a Director."

4. Re-election of Mr Terrence McConnachie as a Director

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

"That Mr Terrence McConnachie, who was appointed as a director of the Company to fill a casual vacancy on 22 June 2005, retires in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

5. Re-election of Mr Grant Button as a Director

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

"That Mr Grant Button, who retires by rotation in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director."

6. Increase in directors' fees

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

"That the maximum aggregate fees payable out of the funds of the Company to directors of the Company for their services as directors including their service on a committee of directors be increased to \$300,000 per annum."

| |
|---|
| The Company will disregard any votes cast on this resolution by a director of the Company and an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. |
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7. Ratification of placement to clients of Williams de Broë Plc

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders of the Company hereby approve and ratify the issue of 7,780,000 Shares at an issue price of \$0.45 per Share to clients of Williams de Broë Plc, on the terms and conditions contained in the Explanatory Memorandum."

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| The Company will disregard any votes cast on this resolution by a person who participated in the issue and an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. |
|--|

8. Issue of up to 20 million Shares

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

"That, for the purposes of Listing Rule 7.1 and for all other purposes, shareholders of the Company hereby approve and authorise the issue of up to 20 million Shares at an issue price of at least 80% of the average market price of the Shares calculated over the last five days on

which sales in Shares were recorded on ASX before the issue or, if there is a prospectus, admission document, or other disclosure document relating to the issue, over the last five days on which sales in the Shares were recorded on ASX before the date the prospectus, admission document or disclosure document is signed."

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9. Adoption of New Constitution

To consider, and if thought fit, to pass the following resolution as a **special resolution**:

"That, with effect from the date the Australian Securities & Investments Commission alters the details of the Company's registration and in accordance with section 136 of the Corporations Act, the existing constitution of the Company be repealed in its entirety and the replacement constitution, in the form tabled at this meeting and signed by the Chairman of the meeting by way of identification, be approved and adopted as the constitution of the Company."

10. Establishment of Directors and Employees Incentive Share Plan

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

"That, for the purposes of Listing Rule 7.2, exception 9(b) and for all other purposes, the directors of the Company are authorised to implement and maintain a share plan to be called the "Sylvania Resources Share Plan" and to issue shares under that plan from time to time upon the terms and conditions specified in the Rules of the Sylvania Resources Share Plan (the terms of which are summarised in the Explanatory Memorandum), as an exception to Listing Rule 7.1."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

11. Establishment of Directors and Employees Incentive Option Plan

"That, for the purpose of Listing Rule 7.2, exception 9(b) and for all other purposes, the directors of the Company are authorised to implement and maintain an option plan to be called the "Sylvania Resources Option Plan" and to grant options and issue shares upon exercise of those options under that plan from time to time upon the terms and conditions specified in the Rules of the Sylvania Resources Option Plan (the terms of which are summarised in the Explanatory Memorandum), as an exception to Listing Rule 7.1."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12. Issue of Shares to Edward Nealon under the Sylvania Resources Share Plan

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

"That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 750,000 Shares at an issue price of \$0.50 per Share to Edward Nealon in accordance with the Sylvania Resources Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

13. Issue of Shares to Grant Button under the Sylvania Resources Share Plan

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

"That for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 750,000 Shares at an issue price of \$0.50 per Share to Grant Button in accordance with the Sylvania Resources Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

14. Issue of Shares to Melissa Sturgess under the Sylvania Resources Share Plan

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

"That for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 750,000 Shares at an issue price of \$0.50 per Share to Melissa Sturgess in accordance with the Sylvania Resources Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

15. Issue of Shares to Evan Kirby under the Sylvania Resources Share Plan

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

"That for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 750,000 Shares at an issue price of \$0.50 per Share to Evan Kirby in accordance with the Sylvania Resources Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

16. Issue of Shares to Adrian Paul under the Sylvania Resources Share Plan

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

"That for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the issue of up to 500,000 Shares at an issue price of \$0.50 per Share to Adrian Paul in accordance with the Sylvania Resources Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

17. Grant of Options to K. Scott Huntly under the Sylvania Resources Option Plan

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

"That for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 250,000 options (each to subscribe for one fully paid ordinary share in the capital of the Company and each exercisable at \$0.50 on or before 30 June 2009) to K. Scott Huntly (or his nominee) in accordance with the Sylvania Resources Option Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum and to allot and issue up to 250,000 shares in the capital of the Company on the valid exercise of those options."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

18. Grant of Options to Terrence McConnachie under the Sylvania Resources Option Plan

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

"That for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 500,000 options (each to subscribe for one fully paid ordinary share in the capital of the Company and each exercisable at \$0.50 on or before 30 June 2009) to Terrence McConnachie (or his nominee) in accordance with the Sylvania Resources Option Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum and to allot and issue up to 500,000 shares in the capital of the Company on the valid exercise of those options."

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to Sylvania) and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD



Grant Button
Director

DATED: 17 October 2005

PROXY AND VOTING ENTITLEMENT INSTRUCTIONS

PROXY INSTRUCTIONS

Shareholders are entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the Company's office, Level 4, HPPL House, 28-42 Ventnor Avenue, West Perth WA 6005, +61 8 9324 2977, not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual or body corporate named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy may, but need not, be a shareholder of the Company.

In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 9 am on Monday 28 November 2005. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

SYLVANIA RESOURCES LIMITED
ACN 091 415 968

PROXY FORM

Sylvania Resources Limited, Level 4, HPPL House, 28-42 Ventnor Avenue, West Perth WA 6005,
Facsimile +61 8 9324 2977

I/We _____

of _____

being a shareholder/(s) of Sylvania Resources Limited ("**Company**") and entitled to

_____ shares in the Company

hereby appoint _____

of _____

or failing him/her/it _____

of _____

or failing him/her/it the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at the Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9 am (WST) on Wednesday 30 November 2005 and at any adjournment thereof in respect of _____ of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%.
(An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his/her/its discretion.

In relation to undirected proxies, the Chairman intends to vote in favour of all of the Resolutions.

If you do not wish to direct your proxy how to vote, please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of a resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

I/we direct my/our proxy to vote as indicated overleaf:

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

SYLVANIA RESOURCES LIMITED
ACN 091 415 968

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the annual general meeting of Shareholders to be held at the Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9 am (WST) on Wednesday 30 November 2005.

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. For the assistance of Shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

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

1. Resolution 1 - Adoption of remuneration report

The remuneration report of the Company for the financial year ended 30 June 2005 is set out on pages 8 and 9 of the Company's 2005 annual report.

Pursuant to the Corporations Act, a resolution that the remuneration report be adopted must be put to vote at the Company's annual general meeting. The vote on this resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

2. Resolutions 2 to 5 - Re-election of directors

It is a requirement under the Company's constitution that Mr Edward Nealon and Ms Melissa Sturgess, who were appointed to fill casual vacancies on 7 December 2004, and Mr Terrence McConnachie, who was appointed to fill a casual vacancy on 22 June 2005, retire at the Annual General Meeting. Mr Nealon, Ms Sturgess and Mr McConnachie, all being eligible for re-election pursuant to the Company's constitution, offer themselves for re-election.

The remaining directors recommend to shareholders that Mr Nealon, Ms Sturgess and Mr McConnachie be re-elected.

It is a requirement under the Company's constitution that Mr Grant Button retire by rotation at the Annual General Meeting. Mr Button, being eligible for re-election pursuant to the Company's constitution, offers himself for re-election.

The remaining directors recommend to shareholders that Mr Button be re-elected.

3. Resolution 6 - Increase in directors fees

The Company seeks shareholder approval to increase the maximum fees payable to the Directors each year from \$100,000 to \$300,000 per annum.

The Directors have no immediate plans to change the current Director's Fee arrangements. However, with the increasing level of activity within the Company, the Directors consider it prudent to increase the maximum level of fees payable to ensure that the Company can attract and retain appropriately qualified and experienced candidates as Directors.

The proposed maximum fee level is considered comparable to directors' fees paid by other companies of a similar size.

Given their interest in the subject matter of this resolution, the directors make no recommendation to shareholders on resolution 6.

4. Resolution 7 - Ratification of placement to clients of Williams de Broë Plc

4.1 Listing Rule 7.4

The Company seeks shareholder approval and ratification for the offer and issue on 26 May 2005 of 7,780,000 Shares at an issue price of \$0.45 per Share for the purposes of Listing Rule 7.4.

The purpose of seeking shareholder approval and ratification of the issue of Shares is to effectively reinstate the maximum limit under the Listing Rules on the number of securities that the Company may issue in any 12 month period without shareholder approval.

4.2 Disclosure Requirements

Set out below is the information required to be disclosed in compliance with Listing Rule 7.5:

- (a) The number of Shares allotted was 7,780,000.
- (b) The issue price of the Shares was \$0.45.
- (c) The 7,780,000 Shares issued rank equally with all existing Shares.
- (d) The allottees were clients of Williams de Broë Plc.
- (e) The funds raised, some of which have already been applied, will be used to make the first payment under the agreement between the Company and Aquarius Platinum (South Africa) (Pty) Ltd in relation to the exploration and/or mining of the Everest North project in South Africa, to fund exploration activities on the Everest North project and for working capital to assess other opportunities.

5. Resolution 8 - Issue of up to 20 million Shares

Sylvania is considering applying for admission to trading on AIM. The Board has not yet resolved to proceed with the application for admission to trading on AIM. However, if it does, it is likely to conduct a capital raising in the United Kingdom in conjunction with the application for admission to trading on AIM. The Board currently proposes that, if it proceeds with the application for admission to trading on AIM, it will raise in the order of 3 million pounds in conjunction with the listing.

As set out above, Listing Rule 7.1 limits the number of securities which a listed company may issue in any 12 month period without shareholder approval (subject to certain exceptions such as a pro rata issue to shareholders) to no more than 15% of the total number of fully paid ordinary shares on issue at the beginning of the 12 month period plus the number of fully paid ordinary shares issued with the approval of the shareholders or under one of the exceptions during the previous 12 months.

As the number of Shares that the Company may issue, if it proceeds with the proposed application for admission to trading on AIM, may exceed the 15% limit, Sylvania is seeking

shareholder approval to issue up to 20 million Shares in conjunction with the application for admission to trading on AIM. The Company will only issue Shares in accordance with this resolution if the Company makes an application for admission of the Company's securities to trading on AIM. Set out below is the information required to be disclosed in compliance with Listing Rule 7.3:

- (a) The maximum number of Shares that the Company proposes to issue in accordance with resolution 8 is 20 million Shares.
- (b) If the Company issues any Shares in accordance with this resolution, the issue of those shares will occur no later than 3 months after the meeting or such later time as may be approved by ASX.
- (c) The Shares will be allotted at a fixed price that is at least 80% of the average market price of the Shares calculated over the last 5 trading days on which sales in Shares were recorded on ASX before the issue or, if there is a prospectus, admission document, or other disclosure document relating to the issue, over the last five days on which sales in the Shares were recorded on ASX before the date the prospectus, admission document or disclosure document is signed.
- (d) The names of the allottees are not yet known. The Company will announce details of the allottees once that information is available.
- (e) The Shares will, from the date of issue, rank equally with all other Shares on issue.
- (f) The Company will use the funds to finance the development of its existing platinum projects and for the assessment and acquisition of additional opportunities in the platinum industry. As set out above, if the Board proceeds with the application for admission to trading on AIM, it proposes to raise in the order of 3 million pounds. The Company proposes that the funds raised would be used as follows:

| PROPOSED USE OF FUNDS | AMOUNT (\$) |
|---|--------------------|
| <u>Chromite Tailings Retreatment Plant ("CTRP") (formerly RK1)</u> | |
| Capital expenditure on current CTRP upgrade and treatment of Samancor dumps | \$2,500,000 |
| Working capital for chrome washing | \$250,000 |
| <u>Everest North</u> | |
| Drilling/metallurgy | \$700,000 |
| Grant of Mining Lease | \$200,000 |
| Final payment to Aquarius Platinum (R6 million) | \$1,250,000 |
| <u>Working capital, administration and AIM costs</u> | \$2,600,000 |
| TOTAL | \$7,500,000 |

- (g) The Directors of the Company presently intend to issue the Shares on one date. However, they reserve the right to issue the Shares progressively.

6. Resolution 9 - Adoption of New Constitution

Shareholders are asked to adopt a new constitution (with effect from the from the date the ASIC alters the details of the Company's registration) which is appropriate for a company listed on ASX and on the AIM market of the LSE.

The Company's constitution has not been amended since it was adopted by the Company upon its incorporation and there have been significant changes to the Corporations Act since that time. Therefore, the Directors consider that it is preferable to replace the Company's Constitution in its entirety rather than put before shareholders the significant number of amendments required.

The proposed new Constitution accords with the requirements of the Corporations Act and the ASX Listing Rules and contains provisions that would be appropriate if the Company were to apply for admission of the Company's securities to trading on AIM.

The main differences between the existing Constitution and the proposed new Constitution are that:

- the new Constitution has been updated to reflect changes in the Corporations Act 2001 (*Cth*) since the date the existing Constitution was adopted; and
- the new Constitution contains provisions that are consistent with the AIM Rules and it is believed will permit the Company to proceed with an application for admission of the Company's securities to trading on AIM (if the Board resolves to do so) without having to make any further amendments to the Constitution. The provisions in the new Constitution that relate to the AIM Rules will only apply if and when the Company's securities are admitted to trading on AIM.

You can obtain a copy of both the existing Constitution and the proposed new Constitution by contacting Grant Button on +618 9324 2955. You may collect a copy from the offices of the Company, or request a copy to be sent to you at no cost to you. Alternatively, copies are available for inspection during normal business hours prior to the Annual General Meeting at the Company's registered office at Level 4, HPPL House, 28-42 Ventnor Avenue, WEST PERTH, 6000.

7. Resolutions 10 and 11 - Establishment of Directors and Employees Incentive Plans

7.1 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 Company has established share and option plans.

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

- (a) reward Directors, consultants 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 consultants; and
- (d) assist to retain the services of valuable employees and consultants.

Further, the Directors consider that the Plans will provide the Company with the ability to attract and retain employees of a high calibre. The Plans will be used as part of the remuneration planning for executive Directors and employees. The Corporate Governance Council Guidelines 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 Plans 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 Guidelines, the Company considers that it is appropriate for non-executive Directors to participate in the Plans given the size of the Company.

Although the Company is not required to obtain shareholder approval for the introduction of the Plans, if the Plans are approved by shareholders within 3 years of the date of issue of securities under the Plans, then those securities will be considered as an exception to Listing Rule 7.1.

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the nominal value of the company's issued capital at the beginning of any 12 month period without obtaining shareholder approval. If Shareholders approve this resolution, then the securities issued under the Plans would not be included in the 15% limit imposed by Listing Rule 7.1.

The Company will offer no more than 6,000,000 securities (being a combination of shares under the Share Plan and options under the Option Plan) under the Plans. No Shares have been issued under the Share Plan and no options have been granted under the Option Plan. However, the Company has issued conditional invitations, subject to the passing of Resolutions 10 to 18 as applicable, to directors, employees and consultants to participate in the Share and Option Plans. The Company has offered a total of 4,250,000 Shares and Options offered to Directors, as set out in Resolutions 12 to 18, and proposes to offer up to a total of 1,750,000 Shares or Options to employees or consultants, on the terms set out in the Plans.

A summary of the terms of the Share Plan is set out in section 7.2 of this Explanatory Memorandum. A summary of the terms of the Option Plan is set out in section 7.3 of this Explanatory Memorandum. A copy of the full rules of the Plans will be sent to any member of the Company upon request.

7.2 Summary of the terms and conditions of the Share Plan

Set out below is a summary of the terms and conditions of the Share Plan.

- **Participants** - Participants in the Share Plan may be directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries ("**Participants**").
- **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Share Plan.
- **Eligibility** - The Board determines the eligibility of Participants, having regard to:
 - (a) the seniority of the Participant and the position the Participant occupies with the Company or any subsidiary;
 - (b) the length of service of the Participant with the Company and its subsidiaries;
 - (c) the record of employment of the Participant with the Company and its subsidiaries;

- (d) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries; and
 - (e) any other matters which the Board considers relevant.
- **Invitations** - The Board may issue invitations to Participants for the number of Plan Shares specified in the invitation. Shares offered under the Share Plan must be in the name of the Participant.
 - **Number of Shares** - The number of Shares that may be offered to a Participant is entirely within the discretion of the Board.
 - **Issue Price** - The issue price for each Plan Share will be not less than:
 - (a) (if there was at least one transaction in the Shares on ASX during the 5 day trading period immediately before the date on which an offer was made) the weighted average trading price of the Shares on ASX during that period; or
 - (b) (if there were no transactions in the Shares on ASX during that 5 day trading period immediately before the date on which an offer was made) the last price at which an offer was made on ASX to purchase a Share.
 - **Loan** - A Participant who is invited to subscribe for Shares under the Share Plan may also be invited to apply for a loan ("**Loan**") up to the amount payable in respect of the Shares accepted by the Participant, on the following terms:
 - (a) Loans must be made solely to the Participant and in the name of that Participant.
 - (b) Loans will be interest free.
 - (c) Any Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares to be acquired under the Share Plan.
 - (d) The term of the Loan, the time in which repayment of the Loan must be made by the Participant and the manner for making such payments shall be determined by the Board and set out in the invitation.
 - (e) The amount repayable on the Loan by the Participant will be the lesser of:
 - (i) the issue price of the Shares, less any cash dividends paid in respect of the Shares and applied by the Company in accordance with paragraph (g) below and any amount of the Loan repaid by the Participant; and
 - (ii) the last sale price of the Shares on ASX on the date of repayment of the Loan or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
 - (f) A Participant must repay the Loan in full prior to expiry of the term of the Loan but may elect to repay the Loan amount in respect of any or all of the Shares (in multiples representing not less than 1,000 Shares) at any time prior to expiry of the term of the Loan.

- (g) Cash dividends which are paid in respect of Shares the subject of a Loan will be applied by the Company on behalf of the Participant to repayment of the amount outstanding under the Loan and any surplus of the cash dividend will be paid to the Participant.
- (h) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Participant.
- (i) The Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Share Plan.
- (j) A Share issued under the Share Plan will not be tradeable by a Participant until the Loan amount in respect of that Share has been repaid and the Company will retain the Share Certificate in respect of the Loan Shares until the Loan amount has been repaid.

- **Termination of the Loan prior to the Repayment Date** - If, prior to repayment of a Loan by a Participant:

- (a) the Participant dies, becomes bankrupt or is no longer a director or employee of, or consultant to, the Company or its subsidiaries as a result of retirement or retrenchment, then the Participant is required to either repay the loan within 12 months or allow the Company to place shares with excluded offerees for the purposes of s708 of the Corporations Act or to sell the Shares and apply the proceeds of sale in repayment of the Loan; or
- (b) the Participant is no longer a director or employee of, or consultant to, the Company or its subsidiaries other than as a result of one of the matters referred to in paragraph (a) above, then the Participant is required to either repay the loan within one month or allow the Company to place shares with excluded offerees for the purposes of s708 of the Corporations Act or to sell the Shares and apply the proceeds of the sale in repayment of the loan.

If the proceeds of sale of the Shares are less than the amount outstanding in relation to the Loan, the Company will forgive the amount of the shortfall.

- **Restriction on Transfer** - Subject to the requirements of the Listing Rules, Shares issued under the Share Plan will not be quoted on ASX and may not be sold or otherwise dealt with until the loan in respect of those Shares has been repaid in full and any other qualifying period that may be imposed by the Board has expired. If a Participant wishes to sell any Shares prior to the expiry of the qualifying period, the Participant may give written notice to the Company requesting the Company to place shares with excluded offerees for the purposes of s708 of the Corporations Act or to sell the relevant Shares on ASX. The Directors have absolute discretion to arrange the sale of the Shares, in the case of hardship or otherwise, provided that the proceeds of sale are reasonably likely to exceed the outstanding Loan amount.
- **Rights attaching to Shares issued under the Share Plan** - Shares which are issued under the Share Plan will rank equally in all respects (other than with respect to any restriction on transfer imposed until the Loan has been repaid or otherwise imposed by the Board and set out in the relevant invitation) with all Shares on issue and, subject to the requirements of the Listing Rules, the Company will apply for quotation of those shares on ASX once the loan in respect of those Shares has been

repaid in full and any other restrictions on transfer imposed by the Board have been satisfied.

7.3 Summary of the terms and conditions of the Option Plan

Set out below is a summary of the terms and conditions of the Option Plan.

- **Participants** - Participants in the Option Plan may be directors, full time or part-time employees of, and consultants to, the Company or any of its subsidiaries ("**Participants**").
- **Board** - The Board, or a duly appointed committee of the Board, is responsible for the operation of the Option Plan.
- **Eligibility** - The Board determines the eligibility of Participants, having regard to:
 - (a) the seniority of the Participant and the position the Participant occupies with the Company or any subsidiary;
 - (b) the length of service of the Participant with the Company and its subsidiaries;
 - (c) the record of employment of the Participant with the Company and its subsidiaries;
 - (d) the potential contribution of the Participant to the growth and profitability of the Company and its subsidiaries;
 - (e) the extent (if any) of the existing participation of the Participant in the Option Plan; and
 - (f) any other matters which the Board considers relevant.
- **Invitations** - The Board may, in its absolute discretion, issue invitations to Participants for the number of options specified in the invitation. Options may be renounced in favour of the spouse of the invitee, a body corporate in which the invitee holds and beneficially owns not less than 50% of the issued voting share capital, the trustee of a trust in which the invitee is a beneficiary or object or the trustee of a superannuation fund of which the invitee is a member.
- **Number of Options** - The number of options that may be offered to a Participant is entirely within the discretion of the Board. Each option will entitle the holder to one Share, upon payment of the exercise price in full upon application, prior to the expiry date.
- **Issue Price** - Options granted under the Option Plan will be granted free of charge.
- **Exercise Price** - The exercise price of Options granted under the Option Plan will be determined by the Board, but must not be less than:
 - (a) (if there was at least one transaction in Shares on ASX during the 5 trading day period immediately before the date of the offer) the weighted average of the prices at which the Shares were traded on ASX during that period; or
 - (b) (if there were no transactions in the Shares on ASX during the 5 trading day period immediately before the date on which the offer is made, the last price at which an offer was made on ASX to purchase a Share.

- **Expiry Date** - The expiry date of the options will be determined by the Board, but will not be more than 10 years. Options granted under the Option Plan will lapse if not exercised prior to the expiry date, or on the first to occur of the following:
 - (a) if the Participant (or the person by virtue of whom a Participant holds options) ceases to be a Director, employee or consultant for any reason other than set out in paragraph (b) below, one month thereafter; and
 - (b) if the Participant (or the person by virtue of whom a Participant holds options) dies, retires, is retrenched, becomes bankrupt, wound up or deregistered, 12 months thereafter.
- **Restriction on Transfer** - Options may not be transferred without the prior written approval of the Board.
- **Adjustment of Options** - If, prior to the expiry of an option granted under the Option Plan, there is a reorganisation of the issued share capital of the Company (including a consolidation, subdivision or reduction of capital or return of capital to shareholders), the number of Shares subject to the option and/or the exercise price will be adjusted in the manner required by the Listing Rules.
- **Bonus issue and rights issues** - A participant is required to exercise an Option in order to participate in a bonus or entitlement issue made by the Company. Participants will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the Listing Rules to exercise their Options if they wish to participate in the bonus or entitlement issue.
- **Shares issued on Exercise of Options** - Shares which are issued as a result of the exercise of options granted under the Option Plan will rank equally in all respects with all Shares on issue and the Company will apply for quotation of those Shares on ASX.
- **Deferred delivery** - Subject to the consent of the Board, South African Participants are entitled to immediately exercise or partially exercise an option. However, delivery and passing of ownership of the shares in respect of which the option is exercised will be postponed until any qualification period set out in the invitation has expired and the exercise price has been paid in full. The purchased Shares shall only be released to the South African Participant once the exercise price has been paid in full.
- **Rights on exercise of option** - Dividends will not accrue on the shares in respect of which the option was exercised until the exercise price has been paid in full in cash. No Participant may exercise any votes attaching to the shares in respect of which the option was exercised until the exercise price has been paid in full in cash.

8. Resolutions 12 to 18 - Issue of Securities to Directors

8.1 Details of proposed issues of securities to the Directors

The Company proposes to issue Shares to four directors of the Company, Edward Nealon, Grant Button, Melissa Sturgess and Evan Kirby, and a former director of the Company, Adrian Paul, in accordance with the terms of the Share Plan and to grant Options to K. Scott Huntly and Terrence McConnachie in accordance with the terms of the Option Plan.

The proposed issue of Shares and grant of Options to the current Recipient Directors is intended to:

- (a) provide an appropriate and adequate incentive for the Recipient Directors;
- (b) ensure that the Company may retain the services of the Recipient Directors; and
- (c) reinforce the commitment of the Recipient Directors to the Company.

The proposed issue of Shares to Adrian Paul, a former Director of the Company, is intended to:

- (a) reward Mr Paul for services provided to the Company during his term as a Director;
- (b) provide an appropriate and adequate incentive for Mr Paul to provide further services to the Company in the future; and
- (c) to reinforce the commitment of Mr Paul to the Company in the future in a capacity other than Director.

The Recipient Directors will only benefit from an issue of Shares under the Share Plan or the grant of Options under the Option Plan when there is an improvement in the Company's share price since the date on which they are offered the Shares and Options.

Resolutions 12 to 18 seek shareholder approval for the issue of Shares and grant of Options to the Recipient Directors as follows:

| Name of Director | Number of Shares to be issued | Number of Options to be issued |
|-------------------------|--------------------------------------|---------------------------------------|
| Edward Nealon | 750,000 | nil |
| Grant Button | 750,000 | nil |
| Melissa Sturgess | 750,000 | nil |
| Evan Kirby | 750,000 | nil |
| Adrian Paul | 500,000 | nil |
| K. Scott Huntly | nil | 250,000 |
| Terrence McConnachie | nil | 500,000 |

The number of Shares and Options proposed to be issued or granted to the current Recipient Directors reflects the level of commitment provided or to be provided by each Director to the Company, taking into account the responsibilities of each Director and the time commitments required from each Director. The number of Shares and Options proposed to be issued or granted to the current Recipient Directors also reflects the value the Board feels that each Director brings to the enhancement of the Company and the level of commitment required by the Company from each Director.

The number of Shares proposed to be issued to Adrian Paul, a former Director of the Company, reflects the level of commitment provided by Mr Paul during his term as a Director, taking into account his level of responsibility and the time he contributed to the Company during this period. The number of Shares proposed to be issued to Mr Paul also reflects the value that the Board felt that Mr Paul has brought to the enhancement of the Company and to motivate Mr Paul to continue to add value to the Company in a capacity other than Director.

The issue price of the Shares offered to Directors under the Share Plan and the exercise price of the Options to be granted to K. Scott Huntly under the Option Plan is \$0.50, being greater than the weighted average price of shares on ASX during the 5 day trading period immediately before 6 April 2005, the date of the offer, which was \$0.487.

The exercise price of the Options to be granted to Terrence McConnachie under the Option Plan is \$0.50, being greater than the weighted average price of shares on ASX during the 5 day trading period immediately before 6 October 2005, the date of the offer, which was \$0.472.

The Shares to be issued pursuant to Resolutions 12 to 16 may not be transferred or otherwise dealt with and will not be quoted until the later to occur of the following:

- (a) the loan amount in respect of the relevant share has been repaid; and
- (b) in respect of:
 - (i) one half of the Shares issued, 12 months after the date of issue of the Shares;
 - (ii) the remaining one half of the Shares issued, 24 months after the date of issue of the Shares.

The Shares to be issued pursuant to Resolutions 12 to 16 and the Options to be granted pursuant to Resolutions 17 to 18 are in addition to the fee and remuneration packages payable by the Company to the Recipient Directors. In calculating the fee and remuneration packages provided to the Recipient Directors (including the fee and remuneration package provided to Adrian Paul for his services as a Director and subsequently as an advisor to the Company) as set out in section 8.2(o) of the Explanatory Memorandum, the Board has taken into consideration the issues of securities proposed in Resolutions 12 to 18. The Board considers that the appropriate remuneration package for each of the Recipient Directors comprises both the remuneration set out in section 8.2(o) of the Explanatory Memorandum and the securities to be issued if Resolutions 12 to 18 are passed by shareholders. Given the size of the Company, the Board considers it appropriate for part of the remuneration package to comprise non-cash, incentive-based remuneration.

8.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each Recipient Director is a related party and the issue of Shares and grant of Options to the Recipient Directors and provision of loans by the Company to five of the Directors to fund payment of the subscription price for the Shares constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

In accordance with the requirements of Chapter 2E, and in particular with section 219, of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issues of Shares and grant of Options to the Recipient Directors and the provision of loans by the Company to five of the Directors to fund payment of the subscription price for the Shares:

- (a) the Recipient Directors are each related parties of the Company to whom proposed Resolutions 12 to 18 would permit the financial benefits to be given;

- (b) the nature of the financial benefit to be given to Edward Nealon is the issue of 750,000 Shares and a loan in respect of those Shares, being \$375,000 as at the date of the Notice of Meeting;
- (c) the nature of the financial benefit to be given to Grant Button is the issue of 750,000 Shares and a loan in respect of those Shares, being \$375,000 as at the date of the Notice of Meeting;
- (d) the nature of the financial benefit to be given to Melissa Sturgess is the issue of 750,000 Shares and a loan in respect of those Shares, being \$375,000 as at the date of the Notice of Meeting;
- (e) the nature of the financial benefit to be given to Evan Kirby is the issue of 750,000 Shares and a loan in respect of those Shares, being \$375,000 as at the date of the Notice of Meeting;
- (f) the nature of the financial benefit to be given to Adrian Paul is the issue of 500,000 Shares and a loan in respect of those Shares, being \$250,000 as at the date of the Notice of Meeting;
- (g) the nature of the financial benefit to be given to K. Scott Huntly is the grant of 250,000 Options exercisable at \$0.50 on or before 30 June 2009;
- (h) the nature of the financial benefit to be given to Terrence McConnachie is the grant of 500,000 Options exercisable at \$0.50 on or before 30 June 2009;
- (i) it is proposed that the Shares and Options will be issued on one date within 12 months from the date of the Annual General Meeting, but the Company reserves its right to issue the shares and options progressively;
- (j) the Shares will be issued under the Share Plan, the terms of which are summarised in Section 7.2 and the Options will be granted under the Option Plan, the terms of which are summarised in Section 7.3. The Options will be granted on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum;
- (k) the Options will be granted for no cash consideration and accordingly, no funds will be raised by the grant of the Options to K. Scott Huntly and Terrence McConnachie. If all the Options proposed to be granted to K. Scott Huntly and Terrence McConnachie are exercised, delivered and paid for, the Company will receive \$375,000. The funds raised from time to time due to the purchase of Shares issued as a result of the exercise of Options will be used for working capital purposes, as the Board thinks fit;
- (l) initially no funds will be raised by the issue of shares to the Directors due to the provision of the Loans to five of the Directors. However, when the Loans have been repaid, the funds raised by the issue of the shares will be used for working capital purposes, as the Board thinks fit;
- (m) as at the date of this Notice, the capital structure of the Company is as follows:

| Capital | Number |
|-----------------|---------------|
| Ordinary Shares | 91,679,273 |

If Shareholders approve all Resolutions contained in this Notice and all Options are granted and all Shares are issued as contemplated by this Notice, the issued capital of the Company would be as follows:

| Capital | Number |
|---|---------------|
| Ordinary shares | 115,179,273 |
| Options (\$0.50 exercisable on or before 30 June 2009) | 750,000 |
| Total ordinary shares if all options on issue are exercised | 115,929,273 |

If Shareholders approve the issue of 3,500,000 Shares to Directors, the effect will be to dilute the shareholding of existing members by approximately 3.82%, based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the grant of 750,000 Options to K. Scott Huntly and Terrence McConnachie and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by approximately 0.82% based on the existing number of Shares as at the date of this Notice.

If Shareholders approve the issue of 3,500,000 Shares to the Recipient Directors and the issue of 750,000 Options to K. Scott Huntly and Terrence McConnachie and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by approximately 4.64% based on the existing number of Shares as at the date of this Notice.

- (n) as at the date of this Notice, the Recipient Directors hold the following securities in the Company representing 13.45% of the issued capital of the Company on a fully diluted basis:

| Recipient Director | Number of Shares held Directly | Number of Shares held Indirectly | Number of Options held Directly | Number of Options held Indirectly |
|---------------------------|---------------------------------------|---|--|--|
| Edward Nealon | nil | nil | nil | nil |
| Grant Button | 500,000 | nil | nil | nil |
| Melissa Sturgess | nil | 65,000 | nil | nil |
| Evan Kirby | 14,300 | nil | nil | nil |
| Adrian Paul | nil | 11,750,000 | nil | nil |
| K. Scott Huntly | nil | nil | nil | nil |
| Terrence McConnachie | nil | nil | nil | nil |

If Shareholders approve all Resolutions contained in this Notice, all Shares and Options are issued as contemplated by this Notice, the Recipient Directors will hold the following securities in the Company (representing 14.30% of the issued capital of the Company if the options are exercised and 13.74% of the issued capital of the Company if the options are not exercised):

| Recipient Director | Number of Shares held Directly | Number of Shares held Indirectly | Number of Options held Directly | Number of Options held Indirectly |
|---------------------------|---------------------------------------|---|--|--|
| Edward Nealon | 750,000 | nil | nil | nil |
| Grant Button | 1,250,000 | nil | nil | nil |
| Melissa Sturgess | 750,000 | 65,000 | nil | nil |
| Evan Kirby | 764,300 | nil | nil | nil |
| Adrian Paul | 500,000 | 11,750,000 | nil | nil |
| K. Scott Huntly | nil | nil | nil | 250,000 |
| Terrence McConnachie | nil | nil | 500,000 | nil |

- (o) details of the Recipient Directors' remuneration for the year ended 30 June 2005 (based on information extracted from the Company's 2005 Annual Report) are as follows:

| Recipient Director | Directors' Fees (\$) | Consultancy Fees (\$) | Base Salary (\$) | Super-Annuation (\$) | Total (\$) |
|---------------------------|-----------------------------|------------------------------|-------------------------|-----------------------------|-------------------|
| Edward Nealon | 11,370 | 99,600 | nil | 1,023 | 111,993 |
| Grant Button | 20,000 | 110,000 | nil | 1,800 | 131,800 |
| Melissa Sturgess | 11,370 | 99,600 | nil | 1,023 | 111,993 |
| Evan Kirby | 20,000 | 40,000 | nil | 1,800 | 61,800 |
| Adrian Paul | 19,506 | nil | nil | 1,756 | 21,262 |
| K. Scott Huntly | 20,000 | 17,020 | nil | nil | 37,020 |
| Terrence McConnachie | 493 | nil | nil | nil | 493 |

Details of the estimated remuneration payable to the Recipient Directors for the year beginning 1 July 2005 are as follows:

| Recipient Director | Directors' Fees (\$) | Consultancy Fees (\$) | Base Salary (\$) | Super-Annuation (\$) | Non-Monetary Benefit (\$) | Total (\$) |
|---------------------------|-----------------------------|------------------------------|-------------------------|-----------------------------|----------------------------------|-------------------|
| Edward Nealon | 20,000 | 145,800 | nil | 1,800 | 14,062* | 181,662 |
| Grant Button | 20,000 | 120,000 | nil | 1,800 | 14,062* | 155,862 |
| Melissa Sturgess | 20,000 | 99,600 | nil | 1,800 | 14,062* | 135,462 |
| Evan Kirby | 20,000 | 40,000 | nil | 1,800 | 14,062* | 75,862 |
| Adrian Paul | nil | nil | nil | nil | nil | nil |
| K. Scott Huntly | 20,000 | 20,000 | nil | nil | nil | 40,000 |
| Terrence McConnachie | 20,000 | 120,000 | nil | nil | nil | 140,000 |

*Subject to shareholder approval of Resolutions 12 to 15. This represents the benefit to the individual of interest not payable on the loans during the financial year.

- (p) the subscription price at which 3,500,000 Shares may be issued to the Directors will be \$0.50 per Share (being greater than the weighted average price of Shares on ASX over the 5 trading days immediately before the date on which the Directors were offered the Shares, which was \$0.487), with the subscription price being loaned to the Directors on the terms set out in Section 7.2, in accordance with the terms of the Share Plan;
- (q) the options are being granted for no consideration. The exercise price of the Options is \$0.50 (being greater than the weighted average price of Shares on ASX over the 5 trading days immediately before the date on which Mr Huntly and Mr McConnachie were offered the Options, which was \$0.487 and \$0.472, respectively)
- (r) the market price for the underlying shares during the term of the Options would normally determine whether or not K. Scott Huntly and Terrence McConnachie would exercise the Options. If, at the time any of the Options are exercised, the price of the underlying shares is higher than the exercise price of the Options, there may be a perceived cost to the Company;
- (s) during the last 12 months before the date of lodgement of this Notice with the ASIC, the highest trading price of the Shares was \$0.57 on 14 October 2005 and the lowest trading price of the Shares was \$0.28 on 12 November 2004. The market price of the Company's Shares over the 5 days of trading on ASX up to and including 14 October 2005 has been between a minimum of \$0.485 per Share to a maximum of \$0.57 per Share. On 14 October 2005, the last trading day before this Notice of Meeting was lodged with the ASIC, the Shares closed at a price of \$0.565 per Share;
- (t) assuming a market price on the date of repayment of the loans of \$0.565, being the market price on the last trading day before this Notice of Meeting was lodged with the ASIC, the Company will receive \$1,750,000 from the issue of the shares to the Recipient Directors;

- (u) if Mr Huntly exercises the 250,000 Options granted to him and Mr McConnachie exercises the 500,000 Options granted to him, the Company will receive \$375,000;
- (v) the primary purpose of the issue of the Shares and grant of Options to the Recipient Directors under the Plans is to provide an incentive to the Recipient Directors. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in issuing the Shares proposed by Resolutions 12 to 16 or granting the Options proposed by Resolution 17 to 18;
- (w) the issue of securities to the Recipient Directions is a more cost effective incentive for the Company as opposed to the payment of cash compensation;
- (x) Edward Nealon has a material personal interest in the outcome of Resolution 12, Grant Button has a material personal interest in the outcome of Resolution 13, Melissa Sturgess has a material personal interest in the outcome of Resolution 14, Evan Kirby has a material personal interest in the outcome of Resolution 15, Adrian Paul has a material personal interest in the outcome of Resolution 16, K. Scott Huntly has a material personal interest in the outcome of Resolution 17, and Terrence McConnachie has a material personal interest in the outcome of Resolution 18 as the recipients of the Shares proposed to be issued and Options proposed to be granted;
- (y) none of the Recipient Directors wish to make a recommendation to Shareholders about Resolutions 12 to 18 because each has an interest in the outcome of those Resolutions;
- (z) a valuation of the Options proposed to be issued to K. Scott Huntly and Terrence McConnachie has been calculated by HLB Mann Judd using the Black and Scholes option pricing model and based upon the following assumptions:
 - the underlying value of each share in the Company is based on the closing share price of 56.0 cents as at 13 October 2005;
 - Risk free rate or return - 5.31% (based on the 3 year bond indicator rate as at 13 October 2005);
 - share price volatility of 53.46%, determined utilising the daily closing share prices of the Company for the preceding 12 months;
 - options are exercisable on or before 30 June 2009;
 - exercise price of \$0.50; and
 - options are not transferable without the permission of the directors and no application will be made to ASX for quotation of the options.

Based on the above, the Black and Scholes Option Pricing Model attributes a theoretical value to each Option of 27.35 cents. The Black and Scholes Option Pricing Model assumes that the options the subject of the valuation can be sold on a secondary market. The terms and conditions of the options state that the options shall not be listed for official quotation on ASX. In addition, the options are not transferable. Accordingly a discount for lack of marketability is required to determine an indicative fair value of the options.

HLB Mann Judd have calculated an indicative fair value of the options, based on a discount factor of 30% applied to the theoretical valuation of the options, of 19.14 cents. In arriving at a discount factor of 30%, HLB Mann Judd has considered that

discounts have traditionally been applied in the range of 10% to 30% to reflect the non-negotiability of unlisted equities and the fact that the options will be unlisted.

The table below summarises the values attributed to the options:

| Allottee | Theoretical Value per option (cents) | Discount (%) | Indicative value per option (cents) | Number of options issued to each Allottee | Total value (\$) |
|--|---|---------------------|--|--|-------------------------|
| K Scott Huntly Terrence McConnachie | 27.53 | 30 | 19.14 | 250,000 | 47,850 |
| | 27.53 | 30 | 19.14 | 500,000 | 95,700 |

(aa) a valuation of the Shares proposed to be issued to Edward Nealon, Grant Button, Melissa Sturgess, Evan Kirby and Adrian Paul has been calculated by HLB Mann Judd using the Black and Scholes option pricing model and based upon the following assumptions:

- the underlying valuation of each share in the Company is based on the closing price of \$0.56 as at 13 October 2005;
- Risk free rate or return - 5.31% (based on the 3 year bond indicator rate as at 13 October 2005);
- share price volatility of 53.46%, determined utilising the daily closing share prices of the Company for the preceding 12 months;
- shares may not be transferred or otherwise dealt with, and will not be quoted on ASX, until the later of the following occurs;
 - A. any loan in respect of the shares is repaid;
 - B. in respect of:
 - 1) one half of the shares issued under the offer, the expiry of 12 months from the date of issue of the shares; and
 - 2) the remaining one half of the shares issued under the offer, the expiry of 24 months after the date of issue of the shares;
- issue price of \$0.50.

Based on the assumptions outlined above, the Black and Scholes Option Pricing Model attributes a theoretical value to each share of 15.70 cents for the shares described in 8.2(aa)B1) and 20.98 cents for the shares described in 8.2(aa)B2).

The Black and Scholes Option Pricing Model assumes that the equity instruments the subject of the valuation can be sold on a secondary market. The terms and conditions of the share plan state that no application will be made for the shares to be listed for official quotation on ASX, until certain milestones are met. Accordingly a discount for lack of marketability is required to determine an indicative fair value of the shares.

HLB Mann Judd have calculated an indicative fair value of the shares, based on a discount factor of 30% applied to the theoretical valuation of the shares, of 10.99 cents for the shares described in 8.2(aa)B1) and 14.68 cents per share for the shares described in 8.2(aa)B2). For the purposes of arriving at an appropriate discount rate HLB Mann Judd have considered:

- that discounts have traditionally been applied in the range of 10% to 30% to reflect the non-negotiability of unlisted equities; and
- the fact that the shares will be unlisted.

The tables below summarise the values attributed by HLB Mann Judd to the share issues:

First Tranche (shares described in 8.2(aa)B1)

| Allottee | Theoretical Value per Share (cents) | Discount (%) | Indicative value per Share (cents) | Number of Shares issued to each Allottee | Total value (\$) |
|-----------------|--|---------------------|---|---|-------------------------|
| E Nealon | 15.70 | 30 | 10.99 | 375,000 | 41,212 |
| G Button | 15.70 | 30 | 10.99 | 375,000 | 41,212 |
| M Sturgess | 15.70 | 30 | 10.99 | 375,000 | 41,212 |
| E Kirby | 15.70 | 30 | 10.99 | 375,000 | 41,212 |
| A Paul | 15.70 | 30 | 10.99 | 250,000 | 27,475 |
| | | | | | 192,323 |

Second Tranche (shares described in 8.2(aa)B2)

| Allottee | Theoretical Value per Share (cents) | Discount (%) | Indicative value per Share (cents) | Number of Shares issued to each Allottee | Total value (\$) |
|-----------------|--|---------------------|---|---|-------------------------|
| E Nealon | 20.98 | 30 | 14.68 | 375,000 | 55,050 |
| G Button | 20.98 | 30 | 14.68 | 375,000 | 55,050 |
| M Sturgess | 20.98 | 30 | 14.68 | 375,000 | 55,050 |
| E Kirby | 20.98 | 30 | 14.68 | 375,000 | 55,050 |
| A Paul | 20.98 | 30 | 14.68 | 250,000 | 36,700 |
| | | | | | 256,900 |

TOTAL

| Allottee | Theoretical Value per Share (cents) (Average) | Discount (%) | Indicative value per Share (cents) (Average) | Number of Shares issued to each Allottee | Total value (\$) |
|-----------------|--|---------------------|---|---|-------------------------|
| E Nealon | 18.34 | 30 | 12.84 | 750,000 | 96,262 |
| G Button | 18.34 | 30 | 12.84 | 750,000 | 96,262 |
| M Sturgess | 18.34 | 30 | 12.84 | 750,000 | 96,262 |
| E Kirby | 18.34 | 30 | 12.84 | 750,000 | 96,262 |
| A Paul | 18.34 | 30 | 12.84 | 500,000 | 64,175 |
| | | | | | \$449,223 |

- (bb) additional information in relation to Resolutions 12 to 18 is set out throughout this Explanatory Memorandum. Shareholders should therefore read the Explanatory Memorandum in its entirety before making a decision on how to vote on Resolutions 12 to 18;
- (cc) the Company will incur no liabilities or costs in respect of the proposed issue of the Shares and Options to the Recipient Directors other than:
- (i) the fees payable to ASX for quotation of the shares. At the rates applying at the date of this notice, these fees would be approximately \$3,881. However, these fees will not be payable until after the loans in respect of the Shares have been repaid;
 - (ii) in relation to the options, a value, equal to the market value of the underlying shares that could be acquired by exercising the options, as at the day on which the options are granted, minus the lowest amount that must be paid to exercise the options to acquire those shares, will be included as wages for the purposes of *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003(WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
 - (iii) in relation to the shares, a value equal to the weighted average trading price of shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of the *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003(WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and

- (dd) neither the Board nor the Company is aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 12 to 18, other than as stated in this Explanatory Memorandum.

8.3 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolution is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) director;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Each of the Recipient Directors is a Director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for the Recipient Directors to acquire Shares and Options under the Plans, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

8.4 Listing Rule disclosure requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 12 to 18:

- (a) Edward Nealon, Grant Button, Melissa Sturgess, Evan Kirby K. Scott Huntly and Terrence McConnachie are Directors, and Adrian Paul is a former director;
- (b) the maximum number of Shares that may be issued to Edward Nealon under Resolution 12 is 750,000 Shares, to Grant Button under Resolution 13 is 750,000 Shares, to Melissa Sturgess under Resolution 14 is 750,000 Shares, to Evan Kirby under Resolution 15 is 750,000 Shares and to Adrian Paul under Resolution 16 is 500,000 Shares;
- (c) the maximum number of Options that may be granted to K. Scott Huntly (or his nominee) under Resolution 17 is 250,000 Options and the maximum number of Options that may be granted to Terrence McConnachie (or his nominee) under Resolution 18 is 500,000 Options;
- (d) no Shares have been issued under the Share Plan and no Options have been granted under the Option Plan;
- (e) directors, full-time and part-time employees of, and consultants to, the Company or any of its subsidiaries, may participate in the Plans;
- (f) it is proposed that the Shares and Options will be issued on one date within 12 months from the date of the Meeting, but the Company reserves its right to issue the Shares and Options progressively;
- (g) the issue price of the shares is \$0.50, being greater than the weighted average price of Shares on ASX over the 5 trading days prior to 6 April 2005, which was \$0.487;
- (h) the exercise price of the Options will be \$0.50;
- (i) subject to compliance with the Listing Rules, the Shares to be issued to Edward Nealon, Grant Button, Melissa Sturgess, Evan Kirby and Adrian Paul pursuant to

Resolutions 12 to 16 will not be quoted on ASX and may not be transferred or otherwise dealt with until the later to occur of the following:

- (i) the loan in respect of those Shares has been repaid; and
- (ii) in respect of:
 - A. one half of the Shares issued, 12 months after the date of issue of the Shares; and
 - B. the remaining one half of the Shares issued, 24 months after the date of issue of the Shares;
- (j) other than the restriction on trading referred to above, the Shares issued pursuant to Resolutions 12 to 16 will rank equally with all other Shares on issue and shares issued as a result of the exercise of Options granted pursuant to Resolutions 17 to 18 will rank equally with all other Shares on issue;
- (k) the Company will provide loans to Edward Nealon, Grant Button, Melissa Sturgess, Evan Kirby, and Adrian Paul in relation to the acquisition of the Shares under the Share Plan. The loans are repayable within 4 years from the date of issue of the Shares. The other terms of the loans are set out in Section 7.2 of this Explanatory Memorandum;
- (l) a summary of the terms of the Share Plan is set out in Section 7.2 of this Explanatory Memorandum and a summary of the terms of the Option Plan is set out in Section 7.3 of this Explanatory Memorandum. The Options will be granted on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum;
- (m) initially no funds will be raised by the issue of shares due to the provision of the Loans to Recipient Directors. However, when the Loans have been repaid, the funds raised by the issue of the Shares will be used for working capital purposes of the Company as the Board thinks fit; and
- (n) the Options will be granted for no cash consideration and accordingly, no funds will be raised by the grant of the Options to K. Scott Huntly and Terrence McConnachie. If all the Options proposed to be granted to K. Scott Huntly and Terrence McConnachie are exercised, delivered and paid for, the Company will receive \$375,000. The funds raised from time to time due to the delivery and purchase of any Shares issued as a result of the exercise of any of the Options will be used for working capital purposes of the Company as the Board thinks fit.

9. Glossary of Terms

The following terms and abbreviations used in the Notice of Meeting and this Explanatory Memorandum have the following meanings:

"**AIM**" means the AIM Market of the LSE.

"**Annual General Meeting**" or "**Meeting**" means the annual general meeting of Shareholders to be held at the Sandalwood Room, Ground Floor, Holiday Inn City Centre, 788 Hay Street Perth, Western Australia at 9 am (WST) on Wednesday 30 November 2005 or any adjournment thereof.

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

"**ASX**" means Australian Stock Exchange Limited.

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

"**Company**" and "**Sylvania**" means Sylvania Resources Limited, ACN 091 415 968.

"**Corporations Act**" means the *Corporations Act 2001* (Commonwealth).

"**Directors**" means the directors of the Company, from time to time.

"**Explanatory Memorandum**" means this explanatory memorandum.

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

"**LSE**" means London Stock Exchange Plc.

"**Notice of Meeting**" means the notice of the Meeting which accompanies the Explanatory Memorandum.

"**Option**" means options to acquire Shares, each exercisable at \$0.50 on or before 30 June 2009, proposed to be granted pursuant to Resolutions 17 and 18, the terms of which are set out in the Schedule to this Explanatory Memorandum.

"**Option Plan**" means a the Sylvania Resources Option Plan proposed to be established in accordance with Resolution 11.

"**Plan Share**" means a Share issued pursuant to the Share Plan.

"**Plans**" means the Share Plan and the Option Plan.

"**Recipient Directors**" means Edward Nealon, Grant Button, Melissa Sturgess, Evan Kirby Adrian Paul, K. Scott Huntly and Terrence McConnachie.

"**Resolution**" means a resolution in the Notice of Meeting.

"**Section**" means a section of this Explanatory Memorandum.

"**Shareholders**" means registered holders of Shares.

"**Share Plan**" means the Sylvania Resources Share Plan proposed to be established in accordance with Resolution 10.

"**Shares**" means fully paid ordinary shares in the capital of the Company.

Schedule 1 - Terms and conditions of the Options

The terms and conditions of the Options proposed to be granted to K Scott Huntly and Terrence McConnachie pursuant to Resolutions 17 to 18 are as follows:

1. The exercise of each Option will entitle the holder to one fully paid ordinary share in the capital of the Company.
2. The exercise price of each Option is \$0.50
3. The Options will expire on 30 June 2009.
4. The shares issued pursuant to the exercise of Options can only be delivered and paid for after the expiry of the following periods ("**Qualification Period**") and in the following proportions:
 - after 12 months have lapsed from the acceptance date, in respect of not more than one half of the total number of shares; and
 - after 24 months have lapsed from the acceptance date, in respect of the balance of those shares,except that a Participant may take delivery of and be liable to pay for shares in the event of the announcement by the Company of a takeover bid for Shares in the Company in accordance with Chapter 6 of the Corporations Act 2001 (Cth) ("**Act**") or a merger by scheme of arrangement in accordance with Part 5.1 of the Act.
5. Exercise of the Options is effected by completing the "Election Form to Exercise Options" attached to the invitation to apply for the grant of Options, in each case following expiry of the Qualification Period, and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
6. An Option holder is required to exercise the Option in order to participate in a bonus or entitlement issue of shares made by the Company. Option holders will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the Listing Rules to exercise their Options if they wish to participate in the bonus or entitlement issue.
7. If, prior to the expiry of an Option, there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Shares subject to the Option and/or the exercise price will be adjusted in the manner required by the Listing Rules.
8. All shares issued upon exercise of the Options will, from the date they are issued, rank equally in all respects with the Company's then issued Shares.
9. Shares allotted and issued pursuant to the exercise of an Option will be allotted within the time prescribed by the Listing Rules. The Company will apply for official quotation of shares issued pursuant to the exercise of Options in accordance with the Listing Rules.
10. A certificate will be issued for Options, which certificate must take effect as a deed.
11. Application will not be made for official quotation of the Options on ASX.
12. Options are not transferable except with the prior written approval of the board of Directors.

13. The Company is not obliged to give an Option holder copies of any notices, circulars and other documents sent by the Company to its shareholders until the Option holder becomes a shareholder by exercising any or all of its Options.