



Notice of Annual General Meeting and Explanatory Memorandum

Orion Metals Limited ACN 096 142 737

Date of Meeting: Thursday, 29 July 2010

Time of Meeting: 11 am (Brisbane time)

Place of Meeting: Level 7, Waterfront Place, 1 Eagle Street, Brisbane,
Queensland

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of **Orion Metals Limited ACN 096 142 737 (Company)** will be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland, on Thursday, 29 July 2010 at 11 am (Brisbane time).

Agenda

Ordinary business

Financial Report

To receive and consider the Company's Financial Report comprising the Directors' Report and Independent Audit Report, Directors' Declaration, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the Company for the financial year ended 28 February 2010.

1. **Re-election of Andrew Langham Gillies as a director**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Andrew Langham Gillies, who retires by rotation in accordance with Rule 39.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

2. **Remuneration report**

To consider and, if thought fit, pass the following Advisory Resolution:

"That the Remuneration Report for the year ended 28 February 2010 (as set out in the Directors' Report) is adopted."

The vote on this Resolution 2 is advisory only and does not bind the Directors of the Company.
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3. **Appointment of Auditor**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That for the purposes of section 327B(1)(b) of the Corporations Act 2001 (Cth) and for all other purposes, the Company appoint BDO Audit (QLD) Pty Ltd as the auditor to the Company."

4. **Issue of Director Options to Mr David Barwick**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*"That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 500,000 Director Options to David Keith Barwick, being a non-executive Director of the Company, or his nominee (**Mr Barwick**) and otherwise on terms set out in the Explanatory Memorandum"*

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Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Mr David Keith Barwick; and
- any associate of Mr David Keith Barwick .

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 the direction on the proxy form to vote as the proxy decides.

5. Issue of Director Options to Mr Andrew Gillies

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, and subject to the approval of Resolution 1, the Company be authorised to issue 500,000 Director Options to Andrew Langham Gillies, being a non-executive Director of the Company, or his nominee (**Mr Gillies**) and otherwise on terms set out in the Explanatory Memorandum”.*

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Mr Andrew Langham Gillies; and
- any associate of Mr Andrew Langham Gillies.

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 the direction on the proxy form to vote as the proxy decides.

6. Issue of Director Options to Mr Adrian Day

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 500,000 Director Options to Adrian Day, being a non-executive Director of the Company, or his nominee (**Mr Day**) and otherwise on terms set out in the Explanatory Memorandum”.*

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Mr Adrian Day; and
- any associate of Mr Adrian Day.

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 the direction on the proxy form to vote as the proxy decides.

7. Issue of Director Options to Mr Robert James Canning-Ure

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 1,000,000 Director Options to Robert James Canning-Ure, being the Managing Director of the Company, or his nominee (**Mr Canning-Ure**) and otherwise on terms set out in the Explanatory Memorandum”.*

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Mr Robert James Canning-Ure; and
- any associate of Mr Robert James Canning-Ure.

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 the direction on the proxy form to vote as the proxy decides.

8. Issue of Options to Mr Theo Psaros

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 7.1 and for all other purposes, the Company be authorised to issue 500,000 Options to Theo Psaros, being a former company secretary and chief financial officer of the Company, or his nominee (**Mr Psaros**) and otherwise on terms set out in the Explanatory Memorandum”.*

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Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Mr Theo Psaros; and
- any associate of Mr Theo Psaros.

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 the direction on the proxy form to vote as the proxy decides.

9. **Issue of Shares and Attaching Options to Chivas Group Pty Ltd**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 2,500,000 New Shares and 1,250,000 Attaching Options to Chivas Group Pty Ltd, or any nominee of David Keith Barwick, on the terms set out in the Explanatory Memorandum”.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Chivas Group Pty Ltd or Mr David Keith Barwick; and
- any associate of Chivas Group Pty Ltd or Mr David Keith Barwick.

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 the direction on the proxy form to vote as the proxy decides.

10. **Issue of Shares and Attaching Options to Golden Breed Pty Ltd**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes the Company be authorised to issue 1,150,000 New Shares and 575,000 Attaching Options to Golden Breed Pty Ltd, or any nominee of Andrew Langham Gillies, on the terms set out in the Explanatory Memorandum”.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Golden Breed Pty Ltd or Mr Andrew Langham Gillies; and
- any associate of Golden Breed Pty Ltd or Mr Andrew Langham Gillies.

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 the direction on the proxy form to vote as the proxy decides.

11. Issue of Shares and Attaching Options to Australian Asiatic Gems Pty Ltd

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 150,000 New Shares and 75,000 Attaching Options to Australian Asiatic Gems Pty Ltd, or any nominee of Adrian Day, on the terms set out in the Explanatory Memorandum”.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Australian Asiatic Gems Pty Ltd or Mr Adrian Day; and
- any associate of Australian Asiatic Gems Pty Ltd or Mr Adrian Day.

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 the direction on the proxy form to vote as the proxy decides.

12. Issue of Shares and Attaching Options to Mr Robert James Canning-Ure as trustee of the James Canning-Ure Family Trust

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 2,500,000 New Shares and 1,250,000 Attaching Options to Robert James Canning-Ure as trustee of the James Canning-Ure Family Trust, or any nominee of James Canning-Ure, on the terms set out in the Explanatory Memorandum”.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- Mr Robert James Canning-Ure; and
- any associate of Mr Robert James Canning-Ure.

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 the direction on the proxy form to vote as the proxy decides.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board



Bill Lyne
Company Secretary
25 June 2010

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of **Orion Metals Limited ACN 096 142 737 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland on Thursday, 29 July 2010 commencing at 11 am (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 10.

2. Consider the Company's Financial Report

The Company's Financial Report comprising the Directors' Report and Independent Audit Report, Directors' Declaration, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the Company for the financial year ended 28 February 2010 were released to the ASX on 26 May 2010 and have since been despatched to Shareholders as part of the Company's Annual Report.

The Company's Annual Report for the year ended 28 February 2010 is also available on the Company's website at www.orionmetals.com.au.

The Company's Financial Report is now placed before the shareholders for discussion. No voting is required for this item.

3. Resolution 1- Election of Andrew Langham Gillies as a Director

Andrew Langham Gillies retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Non-Executive Director.

Under Article 39.1 of the Constitution, one-third of Directors are required to retire at each general meeting (excluding directors appointed to fill casual vacancies), with Directors required to retire based upon length of tenure. Where two directors have been in office an equal amount of time, the person to retire is to be determined by lot. Adrian Day retired and was re-elected under Article 39.1 at last year's annual general meeting. David Barwick and Andrew Gillies were both appointed on 20 November 2008 to fill casual vacancies.

Mr Gillies has been Managing Director of ASX-listed Metallica Minerals Limited and its subsidiaries since 1997. He has been instrumental in the selection and acquisition of all the mineral assets now held by the Metallica Group.

Mr Gillies' key strength is resource management and strategic planning, specialising in project generation, selection and acquisition. He has acquired a considerable database and significant knowledge of mineral deposits in Queensland. Since 1985 he has worked continuously as a geologist in the mining and exploration industry, accruing over 24 years experience across a range of commodities. He has been a company geologist with BHP Gold Mines Ltd, Perseverance Corporation Ltd and Cracow Mining Venture and as a consulting geologist for various exploration companies until his full time role with Metallica in 1997. Over the last 24 years he gained valuable experience in the exploration, feasibility, development, open pit and underground mining of mineral deposits.

Mr Gillies is currently a Director of ASX listed Metallica Minerals Ltd, Cape Alumina Ltd, MetroCoal Ltd and Planet Metals Ltd. He is also a Director of the Queensland Resources Council.

Mr Gillies graduated from the University of Queensland in 1985 with a BSc (Geology) and is a member of the Aus.I.M.M.

Explanatory Memorandum

The Directors (with Mr Gillies abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. **Resolution 2 – Remuneration Report**

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors of the Company.

5. **Resolution 3 – Appointment of Auditor**

Pursuant to section 329(9) of the Corporations Act, BDO Kendalls (QLD) has given written notice to the ASIC of its intention to resign as auditor of the Company, and the ASIC has approved that resignation effective from the date of the Annual General Meeting.

As there will be a vacancy in the office of auditor as at the date of the Company's Annual General Meeting, the Company will seek to appoint BDO Audit (QLD) Pty Ltd as auditor to fill the vacancy as permitted under section 327(1)(b) of the Corporations Act.

BDO Audit (QLD) Pty Ltd has provided its written consent to being appointed as auditor to the Company and in accordance with Section 328B(3) of the Corporations Act a copy of the notice of nomination of auditor accompanies the Notice of Meeting.

The Board unanimously recommends that Shareholders vote in favour of appointing BDO Audit (QLD) Pty Ltd as auditor of the Company.

6. **Resolutions 4, 5, 6 and 7 – Issue of Director Options to Mr David Keith Barwick, Mr Andrew Langham Gillies, Mr Adrian Day and Mr Robert James Canning-Ure**

Introduction

The Directors have resolved to refer to Shareholders for approval the proposed grant of 500,000 options to each of Mr Barwick, Mr Gillies and Mr Day and 1,000,000 options to Mr James Canning-Ure (or their respective nominees) each a Director of the Company, (each a **Recipient**) (**the Director Options**). The terms of the Director Options are set out in more detail below.

Approval for the issue of the Director Options is sought in accordance with the Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

Explanatory Memorandum

In order for the Director Options to be granted to a Director, the requirements of Chapter 2E of the Corporations Act need to be observed.

Options Terms

A summary of the terms of the Director Options are as follows:

- (a) the Director Options to be issued to Mr Barwick, Mr Gillies and Mr Day will be exercisable at \$0.12 per Option on or before three (3) years from the Issue Date by delivering a duly completed form of notice of exercise together with a cheque for the exercise price to the Company at any time prior to the expiry date;
- (b) the Director Options to be issued to Mr Canning-Ure, will be exercisable in two (2) tranches of 500,000 Options each with the first tranche exercisable at \$0.10 per Option and the second tranche exercisable at \$0.15 per Option on or before three (3) years from the Issue Date by delivering a duly completed form of notice of exercise together with a cheque for the exercise price to the Company at any time prior to the expiry date
- (c) the Director Options may not be transferred at any time;
- (d) the Director Options will not be listed on the ASX;
- (e) the Director Options will expire on the earlier of:
 - (1) the date being three (3) years from the Issue Date unless earlier exercised;
 - (2) the Business Day after the expiration of three (3) months, or any longer period which the Board may determine, after the Option Holder ceases to be a Director, contractor or employee of the Company or an associated body corporate of the Company; or
 - (3) the date on which the Company terminates any executive or service agreement with the Director.
- (f) prior to any new issue of shares or other securities in the Company to shareholders, the holders of the Director Options will be notified by the Company and will be afforded ten (10) Business Days before the books closing date (to determine entitlements to the issue) to exercise the Director Options;
- (g) holding statements will be issued for the Director Options. In addition, accompanying the new option holding statement, there will be endorsed a notice that is to be completed when exercising the Director Options. Both the option holding statement and the Notice of Exercise of Option Form are required to be duly completed and sent to the Company or the Company's Share Registry when exercising the Director Options. If there is more than one Option on a holding statement and prior to the expiry date those Director Options are exercised in part the Company will issue another holding statement for the balance of the options held and not yet exercised; and
- (h) on a reorganisation of capital, the rights of the option holder will be changed to comply with the Listing Rules then applying to a reorganisation of capital.

Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolutions 4, 5, 6 and 7, if passed, will confer financial benefits on the Recipients (being related parties of the Company) and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

Explanatory Memorandum

(i) **The related parties to whom Resolutions 4, 5, 6 and 7 would permit the financial benefit to be given**

Each of Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure (or their respective nominees), being Directors of the Company.

(j) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- (1) the grant of 500,000 Director Options to Mr Barwick (or nominee) as referred to in Resolution 4;
- (2) the grant of 500,000 Director Options to Mr Gillies (or nominee) as referred to in Resolution 5;
- (3) the grant of 500,000 Director Options to Mr Day (or nominee) as referred to in Resolution 6;
- (4) the grant of 1,000,000 Director Options to Mr Canning-Ure (or nominee) as referred to in Resolution 7;
- (5) the Director Options shall be granted for nil consideration;
- (6) the Director Options shall be exercisable into fully paid ordinary Shares on or before the date that is 3 years from the Issue Date, provided that the respective Director has not ceased to be a Director on the basis provided for in the Director Options terms;
- (7) the exercise price for the Director Options shall be:
 - (A) \$0.12 for each Director Option for Mr Barwick, Mr Gillies and Mr Day; and
 - (B) \$0.10 for the first tranche of Mr Canning-Ure's Director Options and \$0.15 for the second tranche of Mr Canning-Ure's Director Options;

(k) **Directors' Recommendation**

With respect to Resolution 4, Mr Gillies, Mr Day and Mr Canning-Ure recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the Director Options as proposed to Mr Barwick will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Statement, Mr Gillies, Mr Day and Mr Canning-Ure considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options to a third party.

As Mr Barwick is interested in the outcome of Resolution 4, he accordingly makes no recommendation to Shareholders in respect of this resolution.

Explanatory Memorandum

With respect to Resolution 5, Mr Barwick, Mr Day and Mr Canning-Ure recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the Director Options as proposed to Mr Gillies will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Statement, Mr Barwick, Mr Day and Mr Canning-Ure considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options to a third party.

As Mr Gillies is interested in the outcome of Resolution 5, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 6, Mr Barwick, Mr Gillies and Mr Canning-Ure recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the Director Options as proposed to Mr Day will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Statement, Mr Barwick, Mr Gillies and Mr Canning-Ure considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options to a third party.

As Mr Day is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 7, Mr Barwick, Mr Gillies and Mr Day recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the Director Options as proposed to Mr Canning-Ure will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Statement, Mr Barwick, Mr Gillies and Mr Day considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options to a third party.

As Mr Canning-Ure is interested in the outcome of Resolution 7, he accordingly makes no recommendation to Shareholders in respect of this resolution.

(l) **Directors' Interest and other remuneration**

Mr Barwick

Mr Barwick has a material personal interest in the outcome of Resolution 4, as it is proposed that Director Options be granted to him (or his nominee).

Excluding the Director Options, Mr Barwick (and entities associated with him) holds 100,000 Shares and 237,500 options in the Company. Please refer to the table below which indicates the holdings of Mr Barwick (and entities associated with him).

Other than the Director Options to be issued to Mr Barwick pursuant to Resolution 4, Mr Barwick shall receive director's remuneration of \$36,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive Director and Chairman of the Board.

Mr Gillies

Mr Gillies has a material personal interest in the outcome of Resolution 5, as it is proposed that Director Options be granted to him (or his nominee).

Excluding the Director Options, Mr Gillies (and entities associated with him) holds no Shares or options in the Company. Please refer to the table below which indicates the holdings of Mr Gillies (and entities associated with him).

Other than the Director Options to be issued to Mr Gillies pursuant to Resolution 5, Mr Gillies shall receive director's remuneration of \$36,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive Director.

Mr Day

Mr Day has a material personal interest in the outcome of Resolution 6, as it is proposed that Director Options be granted to him (or his nominee).

Excluding the Director Options, Mr Day (and entities associated with him) holds 474,250 Shares and no options in the Company. Please refer to the table below which indicates the holdings of Mr Day (and entities associated with him).

Other than the Director Options to be issued to Mr Day pursuant to Resolution 6, Mr Day shall receive director's remuneration of \$36,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive Director plus payment for geological services provided on an as required basis at \$600 per day.

Mr Canning-Ure

Mr Canning-Ure has a material personal interest in the outcome of Resolution 7, as it is proposed that Director Options be granted to him (or his nominee).

Excluding the Director Options, Mr Canning-Ure (and entities associated with him) holds 60,000 Shares and 15,000 options in the Company. Please refer to the table below which indicates the holdings of Mr Canning-Ure (and entities associated with him).

Other than the Director Options to be issued to Mr Canning-Ure pursuant to Resolution 7, Mr Canning-Ure shall receive director's remuneration of \$60,000* (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as the managing director of the Company.

(*Based on a twelve month period for comparative purposes. James Canning-Ure has initially been engaged for 6 month period.)

(m) **Valuation**

The Director Options are not currently quoted on the ASX and as such have no market value. The Director Options each grant the holder a right of grant of one ordinary Share in the Company upon exercise of the Director Options and payment of the exercise price of the Director Options described above. Accordingly, the Director Options may have a present value at the date of their grant.

Explanatory Memorandum

The Director Options may acquire future value dependent upon the extent to which the Shares exceed the exercise price of the Director Options during the term of the Director Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have a value. Various factors impact upon the value of options including:

- (1) the period outstanding before the expiry date of the options;
- (2) the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- (3) the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- (4) the value of the shares into which the options may be converted; and
- (5) whether the options are listed (ie readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has commissioned an independent valuation of the options, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass Resolutions 4, 5, 6 and 7 and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- (1) the exercise price of the Director Options being:
 - (A) in relation to Mr Barwick, Mr Gillies and Mr Day - \$0.12; and
 - (B) in relation to Mr Canning-Ure - \$0.10 for the first tranche and \$0.15 for the second tranche;
- (2) a market price of Shares of \$0.06;
- (3) expiry date of 3 years from the Issue Date for the Director Options proposed to be issued to the Directors.
- (4) a volatility measure of 120.098%;
- (5) a risk-free interest rate of 4.82% on the options proposed to be issued to the Directors; and
- (6) a dividend yield of nil.

Some relatively minor variables were included in the calculation to estimate the value of Director Options as "American style" options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices "European style" options (being exercisable only on the exercise date).

Explanatory Memorandum

Based on the independent valuation of the Director Options, the Company agrees that the respective value of the Director Options to be issued pursuant to Resolutions 4, 5, 6 and 7 are as follows:

- Mr Barwick – \$18,454;
- Mr Gillies – \$18,454;
- Mr Day – \$18,454; and
- Mr Canning-Ure – \$19,350 for the first tranche and \$17,324 for the second tranche;

(n) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements:

The option valuation noted above is based on a market price per Share of \$0.06.

There is a possibility that the market price of the Shares will change up to the date of the Meeting.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Director Options to the Directors is the potentially diluted impact on the issued Share capital of the Company (in the event that the options are exercised). Until exercised, the issue of the Director Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of the Shares may be detrimental to the Company, if at all, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms.

It is also considered that the potential increase of value in the Director Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Director Options. No GST will be payable by the Company in respect of the grant of the Director Options (or if it is then it will be recoverable as an input credit).

AASB 2 “Share Based Payments” requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of comprehensive income. Where the grant date and the vesting date are different, the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Dilutionary Effect

If all of the Director Options granted are exercised by Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure (or their nominees as the case may be), then the effect on their holdings in the Company will be as outlined in the table in Section 9 of this Explanatory Memorandum.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Each of Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure, being Directors of the Company, are related parties. Accordingly, because the issue of the Director Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

Explanatory Memorandum

- The maximum number of Director Options to be issued are 500,000 Director Options each to Mr Barwick, Mr Gillies and Mr Day and 1,000,000 Director Options to Mr Canning-Ure;
- The Director Options are intended to be granted as soon as possible following the Meeting, but in any event, within one (1) month of the date of the Meeting;
- The Director Options are being issued for nil consideration; and
- No funds are being raised by the grant of the Director Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this Explanatory Statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 4, 5, 6 and 7.

7. **Resolution 8 – Issue of Options to Mr Theo Psaros**

Introduction

Mr Theo Psaros has been the company secretary and chief financial officer of the Company from 28 November 2008 until 19 January 2010. In consideration of Mr Psaros past service and contribution to the Company, the Company has resolved to issue 500,000 options to Mr Psaros (**Options**). The terms of the Options are set out in more detail below.

Options Terms

A summary of the terms of the Options are as follows:

- (a) the Options to be issued to Mr Psaros will be exercisable at \$0.12 per Option on or before three (3) years from the Issue Date by delivering a duly completed form of notice of exercise together with a cheque for the exercise price to the Company at any time prior to the expiry date;
- (b) the Options may not be transferred at any time;
- (c) the Options will not be listed on the ASX;
- (d) the Options will expire on the date being three (3) years from the Issue Date unless earlier exercised;
- (e) prior to any new issue of shares or other securities in the Company to shareholders, the holder of the Options will be notified by the Company and will be afforded ten (10) Business Days before the books closing date (to determine entitlements to the issue) to exercise the Options;
- (f) holding statements will be issued for the Options. In addition, accompanying the new option holding statement, there will be endorsed a notice that is to be completed when exercising the Options. Both the option holding statement and the Notice of Exercise of Option Form are required to be duly completed and sent to the Company or the Company's Share Registry when exercising the Options. If there is more than one Option on a holding statement and prior to the expiry date those Options are exercised in part the Company will issue another holding statement for the balance of the options held and not yet exercised; and
- (g) on a reorganisation of capital, the rights of the option holder will be changed to comply with the Listing Rules then applying to a reorganisation of capital.

Regulatory Requirements

Explanatory Memorandum

Under Listing Rule 7.1, the Company cannot issue new securities which exceed 15% of the issued capital of the Company during any 12 month period without shareholder approval (**15% Rule**). Shareholder approval is being sought to the issue of the Options to Mr Psaros in order to maintain the Company's capacity under the 15% Rule.

The effect of the shareholders approving this resolution will be to remove those Options issued to Mr Psaros from the operation of the 15% Rule and enable the Company to issue additional options or Shares to the maximum allowance of 15% of the issued share capital of the Company for any subsequent requirements that may arise.

For the purposes of Listing Rule 7.3, the Company advises as follows:

- The maximum number of Options to be issued is 500,000;
- The Options are intended to be granted as soon as possible following the Meeting, but in any event, within three (3) months of the date of the Meeting;
- The Options are being issued for nil consideration; and
- No funds are being raised by the grant of the Options.

8. **Resolutions 9, 10, 11 and 12 – Issue of New Shares and Attaching Options to Chivas Group Pty Ltd, Golden Breed Pty Ltd, Australian Asiatic Gems Pty Ltd and Mr Robert James Canning-Ure as trustee of the James Canning-Ure Family Trust**

Introduction

The Directors have resolved to refer to Shareholders for approval the proposed grant of 6,300,000 New Shares and 3,150,000 Attaching Options (on the basis of 1 Attaching Option for every 2 New Shares) between Chivas Group Pty Ltd, Golden Breed Pty Ltd, Australian Asiatic Gems Pty Ltd and Robert James Canning-Ure as trustee of the James Canning –Ure Family Trust (each a **Recipient**). Each Recipient is associated with a director of the Company as follows:

- Chivas Group Pty Ltd – David Barwick;
- Golden Breed Pty Ltd – Andrew Gillies;
- Australian Asiatic Gems Pty Ltd – Adrian Day; and
- Robert James Canning-Ure as trustee of the James Canning-Ure Family Trust – James Canning-Ure.

The Company recently completed a rights issue (**Rights Issue**) under the Prospectus.

As outlined in Section 6.6 of the Prospectus the Company had entered into underwriting agreements with each Recipient under which each Recipient agreed to underwrite a portion of the Rights Issue.

Due to the level of take up of the Rights Issue by some shareholders in addition to their pro rata entitlement and to maximise capital raising opportunities before the Company at the time, it was resolved that the residual shortfall from the Rights Issue be allocated only to those underwriters who were not related parties to the Company. The Recipients each agreed to forego their entitlement to the residual shortfall of Shares under the Rights Issue.

In consideration of each Recipient agreeing to forego their entitlement to the residual shortfall of Shares under the Rights Issue, the Directors resolved to offer a separate placement of Shares to each Recipient (or a nominee appointed by them) on the same terms as the Shares offered under the Rights Issue, including the allocation of the Attaching Options. This placement will raise a further \$315,000 for the Company for use in expediting the current exploration program and to satisfy working capital requirements.

Approval for the issue of the New Shares and Attaching Options is sought in accordance with Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

Explanatory Memorandum

Approval under Part 2E of the Corporations Act is sought because each Recipient is an entity associated with a director of the Company. Whilst the Recipients are required to accept the placement on the same terms as the acceptance of Shares issued under the Rights Issue, including being required to acquire the New Shares for the same price as for the Shares under the Rights Issue, the Directors are, arguably, receiving a financial benefit by the fact that this placement is taking place separately to the Rights Issue and is only made available to them. The Directors have determined that out of an abundance of caution and for the purposes of good corporate governance, the requirements of Chapter 2E of the Corporations Act should also be observed and shareholder approval obtained for this placement of New Shares to the Recipients.

Rights and liabilities attaching to New Shares

The rights attaching to ownership of the New Shares are the same as for the Shares issued under the Prospectus.

Rights attaching to Attaching Options

The terms of the Attaching Options are the same as for the Attaching Options issued under the Prospectus. In summary, these terms are as follows:

- (a) the Attaching Options are exercisable on or before 25 February 2011;
- (b) the Attaching Options may be exercised by notice in writing to the Company on or before 25 February 2011 by delivering a duly completed form of notice of exercise together with a cheque for the exercise price of 12 cents per option to the Company at any time prior to the expiry date;
- (c) the exercise price for each Attaching Option will be 12 cents;
- (d) the Attaching Options may be transferred at any time;
- (e) the Company intends to seek listing of the Attaching Options on ASX;
- (f) prior to any new issue of shares or other securities in the Company to shareholders, the holders of Attaching Options will be notified by the Company and will be afforded ten (10) Business Days before the books closing date (to determine entitlements to the issue) to exercise the Attaching Options;
- (g) holding statements will be issued for the Attaching Options. In addition, accompanying the new option holding statement, there will be endorsed a notice that is to be completed when exercising the Attaching Options. Both the option holding statement and the Notice of Exercise of Option Form are required to be duly completed and sent to the Company or the Company's Share Registry when exercising the Attaching Options. If there is more than one Option on a holding statement and prior to the expiry date those Attaching Options are exercised in part the Company will issue another holding statement for the balance of the options held and not yet exercised; and
- (h) on a reorganisation of capital, the rights of the option holder will be changed to comply with the Listing Rules then applying to a reorganisation of capital.

Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolutions 9, 10, 11 and 12, if passed, may confer financial benefits on the Recipients (being entities associated with related parties of the Company) and the Company seeks to obtain member

Explanatory Memorandum

approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

(i) **The related parties to whom Resolutions 9, 10, 11 and 12 would permit the financial benefit to be given**

Each of Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure, being Directors of the Company.

(j) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- (1) the grant of 2,500,000 New Shares and 1,250,000 Attaching Options to Chivas Group Pty Ltd, an associated entity of Mr Barwick, as referred to in Resolution 9;
- (2) the grant of 1,150,000 New Shares and 575,000 Attaching Options to Golden Breed Pty Ltd, an associated entity of Mr Gillies, as referred to in Resolution 10;
- (3) the grant of 150,000 New Shares and 75,000 Attaching Options to Australian Asiatic Gems Pty Ltd, an associated entity of Mr Day, as referred to in Resolution 11;
- (4) the grant of 2,500,000 New Shares and 1,250,000 Attaching Options to Mr Canning-Ure as trustee of the James Canning-Ure Family Trust, an associated entity of Mr Canning-Ure, as referred to in Resolution 12;

(k) **Directors' Recommendation**

With respect to Resolution 9, Mr Gillies, Mr Day and Mr Canning-Ure recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the New Shares and Attaching Options as proposed to Mr Barwick are on the same terms as the Shares issued for the Rights Issue under the Prospectus;
- (2) the consideration for the New Shares is the same as for the Shares offered to all shareholders under the Rights Issue; and
- (3) the grant of the New Shares and Attaching Options are in consideration for Chivas Group Pty Ltd agreeing to forego its entitlement to the residual shortfall of Shares under the Rights Issue.

As Mr Barwick is interested in the outcome of Resolution 9, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 10, Mr Barwick, Mr Day and Mr Canning-Ure recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the New Shares and Attaching Options as proposed to Mr Gillies are on the same terms as the Shares issued for the Rights Issue under the Prospectus;
- (2) the consideration for the New Shares is the same as for the Shares offered to all shareholders under the Rights Issue; and
- (3) the grant of the New Shares and Attaching Options are in consideration for Golden Breed Pty Ltd agreeing to forego its entitlement to the residual shortfall of Shares under the Rights Issue.

As Mr Gillies is interested in the outcome of Resolution 10, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 11, Mr Barwick, Mr Gillies and Mr Canning-Ure recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

Explanatory Memorandum

- (1) the grant of the New Shares and Attaching Options as proposed to Mr Day are on the same terms as the Shares issued for the Rights Issue under the Prospectus;
- (2) the consideration for the New Shares is the same as for the Shares offered to all shareholders under the Rights Issue; and
- (3) the grant of the New Shares and Attaching Options are in consideration for Australian Asiatic Gems Pty Ltd agreeing to forego its entitlement to the residual shortfall of Shares under the Rights Issue.

As Mr Day is interested in the outcome of Resolution 11, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 12, Mr Barwick, Mr Gillies and Mr Day recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- (1) the grant of the New Shares and Attaching Options as proposed to Mr Canning-Ure are on the same terms as the Shares issued for the Rights Issue under the Prospectus;
- (2) the consideration for the New Shares is the same as for the Shares offered to all shareholders under the Rights Issue; and
- (3) the grant of the New Shares and Attaching Options are in consideration for Mr Canning-Ure as trustee of the James Canning-Ure Family Trust agreeing to forego their entitlement to the residual shortfall of Shares under the Rights Issue.

As Mr Canning-Ure is interested in the outcome of Resolution 12, he accordingly makes no recommendation to Shareholders in respect of this resolution.

(l) **Directors' Interest and other remuneration**

Mr Barwick

Refer to the information provided under the same sub-heading under Section 6 above (with respect to Resolutions 4, 5, 6 and 7).

Mr Gillies

Refer to the information provided under the same sub-heading under Section 6 above (with respect to Resolutions 4, 5, 6 and 7).

Mr Day

Refer to the information provided under the same sub-heading under Section 6 above (with respect to Resolutions 4, 5, 6 and 7).

Mr Canning-Ure

Refer to the information provided under the same sub-heading under Section 6 above (with respect to Resolutions 4, 5, 6 and 7).

(m) **Valuation**

The Recipients must purchase the New Shares at a price of \$0.05 per Share, being the issue price of the Shares issued under the Rights Issue.

The consideration payable by each Recipient for the issue of their New Shares is as follows:

- Mr Barwick – \$125,000;
- Mr Gillies – \$57,500;
- Mr Day – \$7,500; and

Explanatory Memorandum

- Mr Canning-Ure – \$125,000;

The Attaching Options are received by the Recipients for nil consideration but are issued in conjunction with the issue of the New Shares on the basis of 1 Attaching Option for every 2 New Shares issued to the Recipient.

The existence of a financial benefit obtained by the Recipients is difficult to identify and the approval under Chapter 2E of the Corporations Act is sought by the Company out of an abundance of caution and for the purposes of good corporate governance. It is therefore difficult to place a value upon a financial benefit received by the Recipients.

(n) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements:

There is a possibility that the market price of the New Shares or the Attaching Options will change up to the date of the Meeting.

Opportunity Costs

There are no opportunity costs arising from the issue of the New Shares and Attaching Options.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the New Shares and Attaching Options. No GST will be payable by the Company in respect of the grant of the New Shares and Attaching Options (or if it is then it will be recoverable as an input credit).

Dilutionary Effect

By the grant of the New Shares and the Attaching Options (if all of the Attaching Options granted are exercised) to the associated entities of Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure, the effect on their holdings in the Company will be as outlined in the table in Section 9 of this Explanatory Memorandum.

The Company will receive and have the benefit of a subscription of \$315,000 from the issue of the New Shares.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Each of Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure, being Directors of the Company, are related parties. Accordingly, because the issue of the New Shares and Attaching Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of New Shares and Attaching Options to be issued are 6,300,000 New Shares and 3,150,000 Attaching Options;
- The New Shares (and Attaching Options) are intended to be granted as soon as possible following the Meeting, but in any event, within one (1) month of the date of the Meeting;
- The New Shares (and Attaching Options) are being issued for \$0.05 and on the same terms and conditions as for Shares and Attaching Options issued under the Prospectus; and
- This placement will raise funds for use in expediting the current exploration program and to satisfy working capital requirements.

Explanatory Memorandum

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 9, 10, 11 and 12.

9. Additional Information

The effect on the holdings in the Company of Mr Barwick, Mr Gillies, Mr Day and Mr Canning-Ure (or their nominees as the case may be) if:

- (a) all of the Director Options granted are exercised;
- (b) all of the New Shares are issued; and
- (c) all of the Attaching Options are exercised,

and assuming that:

- (d) no attaching options issued under the Prospectus are or have been exercised;
- (e) no other options currently on issue in the Company are or have been exercised; and
- (f) no further securities are issued or acquired.

will be as follows:

Director	Current Share Holding	% of Total Share Capital	Share Capital Upon Exercise of Director Options	% of Total Share Capital
Mr Barwick	100,000	0.20%	600,000	1.16%
Mr Gillies	0	0%	500,000	0.96%
Mr Day	474,250	0.96%	974,250	1.88%
Mr Canning-Ure	60,000	0.12%	1,060,000	2.04%
Total	634,250	1.28%	3,134,250	6.04%

Explanatory Memorandum

Director	Current Share Holding	% of Total Share Capital	Share Capital Upon Issue of New Shares	% of Total Share Capital	Share Capital Upon Exercise of Attaching Options	% of Total Share Capital
Mr Barwick	100,000	0.20%	2,600,000	4.67%	3,850,000	6.54%
Mr Gillies	Nil	0%	1,150,000	2.06%	1,725,000	2.93%
Mr Day	474,250	0.96%	624,250	1.12%	699,250	1.19%
Mr Canning-Ure	60,000	0.12%	2,560,000	4.60%	3,810,000	6.48%
Total	634,250	1.28%	6,934,250	12.45%	10,084,250	17.14%

Director	Current Share Holding	% of Total Share Capital	Share Capital Upon Exercise of Director Options, Issue of New Shares and Exercise of Attaching Options	% of Total Share Capital
Mr Barwick	100,000	0.20%	4,350,000	7.09%
Mr Gillies	0	0%	2,225,000	3.63%
Mr Day	474,250	0.96%	1,199,250	1.96%
Mr Canning-Ure	60,000	0.12%	4,810,000	7.84%
Total	634,250	1.28%	12,584,250	20.52%

10. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

ASIC means the Australian Securities & Investments Commission;

ASX means the ASX Limited;

Attaching Options means an option to subscribe for an ordinary share in the Company exercisable at 12 cents each on or before 25 February 2011 to be issued on the basis of one (1) Attaching Option for every two (2) New Shares allotted under Resolutions 9, 10, 11 and 12;

Business Day means a day on which all banks are open for business generally in Brisbane;

Company means Orion Metals Limited ABN 89 096 142 737(ASX: ORM);

Constitution means the constitution of the Company from time to time;

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

Directors means the board of directors of the Company as at the date of the Notice of Meeting being David Barwick, Andrew Gillies, Adrian Day and James Canning-Ure;

Explanatory Memorandum

Director Options has the meaning given in Section 6 of the Explanatory Memorandum;

Explanatory Memorandum means the explanatory statement accompanying this Notice;

Issue Date means the date of the Meeting or within one (1) month thereafter;

Listing Rules means the official listing rules of the ASX as amended from time to time;

Meeting means the General Meeting to be held on Thursday 29 July 2010 as convened by the accompanying Notice of Meeting;

New Shares means the Shares in the Company to be issued pursuant to Resolutions 9, 10, 11 and 12;

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum;

Options has the meaning given in Section 7 of the Explanatory Memorandum;

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

Prospectus means the prospectus dated 24 March 2010 in relation to a rights issue of 24,695,843 Shares (and 12,347,922 attaching options) to raise up to approximately \$1,235,000;

Resolutions means the resolutions set out in the Notice of Meeting;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholder means a shareholder of the Company;

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Bill Lyne (Company Secretary):

Office: 71 Lytton Road, East Brisbane, Queensland 4169

Phone: +61 (0)7 3249 3060 or mobile +61 (0)4 1887 4175

CHIVAS GROUP PTY LTD

ACN 010 964 379

GPO BOX 966 BRISBANE QLD 4001

24 June 2010

The Directors
Orion Metals Limited
71 Lytton Road
East Brisbane Qld 4169

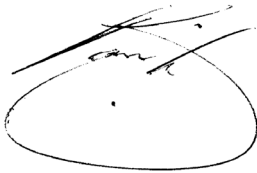
Sirs,

Notice of Nomination of Auditor

We, Chivas Group Pty Ltd, being a shareholder of Orion Metals Limited ACN 096 142 737 ("the Company"), hereby give written notice pursuant to Section 328B(1) of the *Corporations Act 2001* of the nomination of BDO Audit (QLD) Pty Ltd ACN 134 022 870 for appointment as Auditor of the Company at the forthcoming Annual General Meeting.

Would you please circulate a copy of this Notice as required under the Act.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'C. Smith', is written over a large, hand-drawn oval shape.

Director

 **By mail:**
Orion Metals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **By fax:** +61 2 9287 0309

 **All enquiries to: Telephone: 02 8280 7454**



X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Orion Metals Limited and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY

the Chairman
of the Meeting
(mark box)


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

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11:00am on Thursday, 29 July 2010, at Level 7, Waterfront Place, 1 Eagle Street Brisbane, Queensland and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2 VOTING DIRECTIONS

Resolutions	For	Against	Abstain*		For	Against	Abstain*
1 Re-election of Andrew Langham Gillies as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of Director Options to Mr Robert James Canning-Ure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Issue of Options to Mr Theo Psaros	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Issue of Shares and Attaching Options to Chivas Group Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Director Options to Mr David Barwick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Issue of Shares and Attaching Options to Golden Breed Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Director Options to Mr Andrew Gillies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Issue of Shares and Attaching Options to Australian Asiatic Gems Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Director Options to Mr Adrian Day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Issue of Shares and Attaching Options to Mr Robert James Canning-Ure as trustee of the James Canning-Ure Family Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Items 4 and 9 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those Items and that votes cast by him/her for those Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 4 and 9 and your votes will not be counted in calculating the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 4 and 9.

STEP 4 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ORM PRX002



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.


Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.


Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 11:00am on Tuesday, 27 July 2010, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **by mail:**
Orion Metals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

 **by fax:**
+61 2 9287 0309

 **by hand:**
delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.