

# KAGERA NICKEL LIMITED

ACN 117 330 757

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**NOTICE OF GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**PROXY FORM**

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**Date of Meeting**

24 February 2011

**Time of Meeting**

11.00 am (SA time)

**Place of Meeting**

O'Loughlins Lawyers  
Level 2  
99 Frome Street  
ADELAIDE SA 5000

## NOTICE OF GENERAL MEETING

### KAGERA NICKEL LIMITED ACN 117 330 757

Notice is hereby given that a general meeting of shareholders of Kagera Nickel Limited (**Company**) will be held at 11.00 am (SA time) on 24 February 2011 at O'Loughlins Lawyers, Level 2, 99 Frome Street, Adelaide, South Australia.

#### **Resolution 1: Grant of 1,000,000 options to Mr David Argyle and/or his nominee**

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

*'That for the purpose of ASX Listing Rule 10.11, section 208(1) of the Corporations Act 2001 (Cth) and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,000,000 options to Mr David Argyle and/or his nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.'*

#### **Resolution 2: Grant of 1,500,000 options to Mr David Gower and/or his nominee**

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

*'That for the purpose of ASX Listing Rule 10.11, section 208(1) of the Corporations Act 2001 (Cth) and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,500,000 options to Mr David Gower and/or his nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.'*

#### **Resolution 3: Grant of 2,700,000 options to consultants**

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

*'That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 2,700,000 options on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice.'*

#### **Resolution 4: Approval of employee share option plan**

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

*'That for the purpose of ASX Listing Rule 7.2, Exception 9 and for all other purposes, the Company approve the issue of securities under the employee share option plan known as 'Kagera Nickel Limited Employee Share Option Plan', the terms of which are annexed as Annexure B to the Explanatory Memorandum which is attached to and forms part of this Notice, as an exception to ASX Listing Rule 7.1.'*

#### **Resolution 5: Change of name to Kibaran Nickel Limited**

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

*'That for the purpose of section 157(1) of the Corporations Act 2001 (Cth) and for all other purposes, the name of the Company be changed from Kagera Nickel Limited to Kibaran Nickel Limited.'*

**DATED: 17 January 2011**

**BY ORDER OF THE BOARD  
KAGERA NICKEL LIMITED**



**DONALD STEPHENS  
COMPANY SECRETARY**

## NOTES:

### 1. Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting and should be read in conjunction with this Notice of General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of General Meeting and the Explanatory Memorandum.

### 2. Voting Exclusion Statement

#### 2.1 Resolutions 1 and 2

The Company will disregard any votes in respect of each of these resolutions if they are cast by or on behalf of a person who is named in the relevant resolution or an associate of that named person.

#### 2.2 Resolution 3

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 associates of that person.

#### 2.3 Resolution 4

The Company will disregard any votes cast in respect of this resolution by a Director and any associate of a Director.

#### 2.4 All Resolutions

However the Company need not disregard a vote if:

- (a) 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
- (b) 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.

### 3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice of General Meeting.

### 4. 'Snap Shot' Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all shares of the Company that are quoted on ASX as at 7.00 pm (SA time) on 22 February 2011 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

### 5. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening a general meeting of shareholders of Kagera Nickel Limited to be held on 24 February 2011. This Explanatory Memorandum is to assist shareholders in understanding the background to, and the legal and other implications of, the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

### 1. RESOLUTION 1: GRANT OF 1,000,000 OPTIONS TO MR DAVID ARGYLE AND/OR HIS NOMINEE

#### 1.1 Grant of Options

- (a) On 15 December 2010 the Board resolved to grant 1,000,000 options to Mr David Argyle (and/or his nominee) each to acquire one ordinary share in the Company with an exercise price of \$0.25 and an exercise period expiry date of four years after the date of grant.
- (b) The proposed options grant to Mr Argyle (and/or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Argyle is a director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:
- (i) Subject to shareholder approval, it is proposed that Mr Argyle (and/or his nominee) will be granted 1,000,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Mr Argyle as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. There are no additional performance criteria on the options given the small management team responsible for running the Company. It is considered the performance of Mr Argyle and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr Argyle performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options. It is considered that any additional performance criteria are not warranted.
- (ii) The breakdown of the options that Mr Argyle (and/or his nominee) will receive in accordance with Resolution 1 is highlighted in the following table:

Director	No. of Options	Exercise Price	Expiry Date	Value per Option	Total Value
David Argyle	1,000,000	\$0.25	4 years after date of grant	\$0.116	\$116,000

- (iii) No funds will be raised by the grant of the options to Mr Argyle (and/or his nominee) as they are being granted for no consideration.
- (iv) Each option proposed to be granted to Mr Argyle (and/or his nominee) entitles Mr Argyle (and/or his nominee) to subscribe for one ordinary share in the Company at an exercise price of \$0.25 per share exercisable during the period between the date of grant and the fourth anniversary after the date of grant. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.
- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in Annexure A of this Explanatory Memorandum.
- (e) A valuation of the options has been conducted and this value is included in paragraph 1.1(c)(ii). The valuation imputes a total value of the options to be issued to Mr Argyle (and/or his nominee) at \$116,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The

valuation has applied the Black-Scholes valuation methodology together with the following assumptions:

- (i) a volatility index of 53.20% based on the historic volatility of the Company's shares;
  - (ii) an assumed market value of \$0.25, being the average closing price at which the Company's shares have traded on ASX over 20 trading days up to 1 December 2010;
  - (iii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiration date; and
  - (iv) a risk free rate of 5.12% has been used.
- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options granted under Resolution 1, assuming that it is passed:

Current shares issued	33,285,916
Shares issued assuming all existing options are exercised	4,600,000
Shares issued assuming exercise of all the options referred to in Resolution 1	1,000,000
Total shares*	38,885,916
Dilution effect	2.6%

\*Total shares on issue does not include Performance Shares

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options granted under Resolutions 1, 2 and 3, assuming that shareholders pass all of those Resolutions:

Current shares issued	33,285,916
Shares issued assuming all existing options are exercised	4,600,000
Shares issued assuming exercise of all the options referred to in Resolutions 1, 2 and 3	5,200,000
Total shares*	43,085,916
Dilution effect	12.1%

\*Total shares on issue does not include Performance Shares

- (h) The market price of shares in the Company would normally determine whether or not Mr Argyle (and/or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 29 October 2010 (the date of quotation of the Company's shares on ASX) to 21 December 2010, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.26 on 1 November 2010
Lowest	\$0.21 on 6 December 2010
Last	\$0.22 on 21 December 2010

## 1.2 General

- (a) In addition to the options proposed to be granted to Mr Argyle (and/or his nominee), for the financial year ending 30 June 2011 Mr Argyle will receive directors' fees and superannuation totalling \$30,000.
- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- (c) The current share and option holdings of Mr Argyle and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
David Argyle	Nil	Nil	Nil	Nil

- (d) The share and option holdings of Mr Argyle and his associates if Resolution 1 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
David Argyle	Nil	Nil	Nil	1,000,000

- (e) The estimated total value of the options proposed to be granted to Mr Argyle (and/or his nominee) is \$116,000.
- (f) Resolution 1 is an ordinary resolution.
- (g) The Directors (other than Mr Argyle) do not have an interest in the outcome of Resolution 1 and recommend that shareholders vote in favour of Resolution 1.
- (h) If Resolution 1 is passed, the options to be granted to Mr Argyle (and/or his nominee) will be issued and granted not later than one month after the date of the Meeting.

## 2. RESOLUTION 2: GRANT OF 1,500,000 OPTIONS TO MR DAVID GOWER AND/OR HIS NOMINEE

### 2.1 Grant of Options

- (a) On 15 December 2010 the Board resolved to grant 1,500,000 options to Mr David Gower (and/or his nominee) each to acquire one ordinary share in the Company with an exercise price of \$0.25 and an exercise period expiry date of four years after the date of grant.
- (b) The proposed options grant to Mr Gower (and/or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.  
  
Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Gower is a director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.
- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:
  - (i) Subject to shareholder approval, it is proposed that Mr Gower (and/or his nominee) will be granted 1,500,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Mr Gower as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. There are no additional performance criteria on the options given the small management team responsible for running the Company. It is considered the performance of Mr Gower and the performance and value of the Company will be closely related. As such, the options to be granted will only be of

benefit if Mr Gower performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options. It is considered that any additional performance criteria are not warranted.

- (ii) The breakdown of the options that Mr Gower (and/or his nominee) will receive in accordance with Resolution 2 is highlighted in the following table:

Director	No. of Options	Exercise Price	Expiry Date	Value per Option	Total Value
David Gower	1,500,000	\$0.25	4 years after date of grant	\$0.116	\$174,000

- (iii) No funds will be raised by the grant of the options to Mr Gower (and/or his nominee) as they are being granted for no consideration.
- (iv) Each option proposed to be granted to Mr Gower (and/or his nominee) entitles Mr Gower (and/or his nominee) to subscribe for one ordinary share in the Company at an exercise price of \$0.25 per share exercisable during the period between the date of grant and the fourth anniversary after the date of grant. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.
- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in Annexure A of this Explanatory Memorandum.
- (e) A valuation of the options has been conducted and this value is included in paragraph 2.1(c)(ii). The valuation imputes a total value of the options to be issued to Mr Gower (and/or his nominee) at \$174,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:

- (i) a volatility index of 53.20% based on the historic volatility of the Company's shares;
- (ii) an assumed market value of \$0.25, being the average closing price at which the Company's shares have traded on ASX over 20 trading days up to 1 December 2010;
- (iii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiration date; and
- (iv) a risk free rate of 5.12% has been used.

- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options granted under Resolution 2, assuming that it is passed:

Current shares issued	33,285,916
Shares issued assuming all existing options are exercised	4,600,000
Shares issued assuming exercise of all the options referred to in Resolution 2	1,500,000
Total shares*	39,385,916
Dilution effect	3.8%

\*Total shares on issue does not include Performance Shares

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options granted under Resolutions 1, 2 and 3, assuming that shareholders pass all of those Resolutions:

Current shares issued	33,285,916
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Shares issued assuming all existing options are exercised	4,600,000
Shares issued assuming exercise of all the options referred to in Resolutions 1, 2 and 3	5,200,000
Total shares*	43,085,916
Dilution effect	12.1%

\*Total shares on issue does not include Performance Shares

- (h) The market price of shares in the Company would normally determine whether or not Mr Gower (and/or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 29 October 2010 (the date of quotation of the Company's shares on ASX) to 21 December 2010, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.26 on 1 November 2010
Lowest	\$0.21 on 6 December 2010
Last	\$0.22 on 21 December 2010

## 2.2 General

- (a) In addition to the options proposed to be granted to Mr Gower (and/or his nominee), for the financial year ending 30 June 2011 Mr Gower will receive directors' fees and superannuation totalling \$30,000.
- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of Directors or any meetings of committees of Directors, in attending meetings of shareholders or in connection with the business of the Company.
- (c) The current share and option holdings of Mr Gower and his associates is as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
David Gower	125,000	Nil	Nil	Nil

- (d) The share and option holdings of Mr Gower and his associates if Resolution 2 is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
David Gower	125,000	Nil	Nil	1,500,000

- (e) The estimated total value of the options proposed to be granted to Mr Gower (and/or his nominee) is \$174,000.
- (f) Resolution 2 is an ordinary resolution.
- (g) The Directors (other than Mr Gower) do not have an interest in the outcome of Resolution 2 and recommend that shareholders vote in favour of Resolution 2.
- (h) If Resolution 2 is passed, the options to be granted to Mr Gower (and/or his nominee) will be issued and granted not later than one month after the date of the Meeting.

## 3. RESOLUTION 3: GRANT OF 2,700,000 OPTIONS TO CONSULTANTS

3.1 On 16 December 2010 the Board resolved to grant the following options:

- (a) 1,500,000 options to Mr Antonio Almeida (and/or his nominee), a consultant to the Company, as follows:



- (i) 500,000 options each to acquire one ordinary share in the Company with an exercise price of \$0.25 and an exercise period expiry date of four years after the date of grant;
    - (ii) 500,000 options vesting six months after the date of grant each to acquire one ordinary share in the Company with an exercise price of \$0.35 and an exercise period expiry date of four years after the date of vesting; and
    - (iii) 500,000 options vesting 12 months after the date of grant each to acquire one ordinary share in the Company with an exercise price of \$0.40 and an exercise period expiry date of four years after the date of vesting;
  - (b) 600,000 options to Ms Isabelle Dumas (and/or her nominee), a consultant to the Company, as follows:
    - (i) 200,000 options each to acquire one ordinary share in the Company with an exercise price of \$0.25 and an exercise period expiry date of four years after the date of grant;
    - (ii) 200,000 options vesting six months after the date of grant each to acquire one ordinary share in the Company with an exercise price of \$0.35 and an exercise period expiry date of four years after the date of vesting; and
    - (iii) 200,000 options vesting 12 months after the date of grant each to acquire one ordinary share in the Company with an exercise price of \$0.40 and an exercise period expiry date of four years after the date of vesting; and
  - (c) 600,000 options to Mr Simon Taylor (and/or his nominee), a consultant to the Company, each to acquire one ordinary share in the Company with an exercise price of \$0.30 and an exercise period expiry date of four years after the date of grant.
- 3.2 ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting, unless an exception in ASX Listing Rule 7.2 applies.
- 3.3 Although the grant of options under Resolution 3 will not result in the Company breaching the 15% limit in ASX Listing Rule 7.1, the Directors have decided to seek shareholder approval for the grant of the options to ensure that it does not impact upon the Company's ability to issue equity securities in the future up to the 15% threshold under ASX Listing Rule 7.1 without shareholder approval.
- 3.4 For the purpose of ASX Listing Rule 7.3 information regarding the options is provided as follows:
- (a) A maximum of 2,700,000 options will be issued.
  - (b) If Resolution 3 is passed, the options will be issued no later than three months after the date of the Meeting.
  - (c) The options will be issued for no consideration.
  - (d) The allottees of the options are Mr Antonio Almeida (and/or his nominee), Ms Isabelle Dumas (and/or her nominee) and Mr Simon Taylor (and/or his nominee).
  - (e) The terms and conditions of the options to be granted to Mr Antonio Almeida (and/or his nominee) are set out in Annexure B of this Explanatory Memorandum.
  - (f) The terms and conditions of the options to be granted to Ms Isabelle Dumas (and/or her nominee), are set out in Annexure C of this Explanatory Memorandum.
  - (g) The terms and conditions of the options to be granted to Mr Simon Taylor (and/or his nominee) are set out in Annexure D of this Explanatory Memorandum.
  - (h) No funds are being raised from the issue of the options as they are being issued for no consideration.
  - (i) All of the options will be allotted on one date.

- 3.5 Resolution 3 is an ordinary resolution.
- 3.6 The Directors do not have an interest in the outcome of Resolution 3 and recommend that shareholders vote in favour of Resolution 3.

4. **RESOLUTION 4: APPROVAL OF EMPLOYEE SHARE OPTION PLAN**

4.1 **General**

The Directors consider it desirable to establish an Employee Share Option Plan (**Plan**) under which employees may be offered the opportunity to receive options to subscribe for shares in the Company in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees.

The Plan is designed to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that options are a cost effective and efficient means of incentivising employees. To enable the Company to secure employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of options in the Company as the Board may decide and on terms set out in the terms of the Plan, a copy of which is contained in Annexure E of this Explanatory Memorandum. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

4.2 **ASX Listing Rule 7.2 Exception 9(b)**

ASX Listing Rule 7.1 restricts the number of equity securities a listed entity can issue without shareholder approval. ASX Listing Rule 7.2 contains a number of exceptions to ASX Listing Rule 7.1. In particular, Exception 9(b) relevantly provides that ASX Listing Rule 7.1 does not apply to an issue of equity securities under an employee incentive scheme if within three years before the date of issue holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1. The purpose of Resolution 4 is to seek approval of the issue of securities under the Plan for the purposes of ASX Listing Rule 7.2, Exception 9 and for all other purposes.

In accordance with the requirements of ASX Listing Rule 7.2, Exception 9(b) the following information is provided:

- (a) a copy of the terms of the Plan is contained in Annexure E of this Explanatory Memorandum;
- (b) as the Plan not been previously approved, no securities have been issued under the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 4.

Resolution 4 is an ordinary resolution.

As the Directors are excluded from voting on Resolution 4 they do not wish to make a recommendation as to how shareholders ought to vote in respect of Resolution 4.

5. **RESOLUTION 5: CHANGE OF NAME TO KIBARAN NICKEL LIMITED**

The Company seeks to change its name from Kagera Nickel Limited to Kibaran Nickel Limited. The name change is necessary to avoid confusion with ASX listed Kagera Limited, a low cost producer of base metals and nickel primarily in Western Australia and North Queensland.

Pursuant to section 157(1) of the Corporations Act, if a company wants to change its name it must (among other things) pass a special resolution adopting a new name.

Resolution 5 is a special resolution.

The Directors do not have an interest in the outcome of Resolution 5 and recommend that shareholders vote in favour of Resolution 5.

## **GLOSSARY**

In this Explanatory Memorandum and Notice of General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

**ASIC** means Australian Securities and Investments Commission;

**ASX** means ASX Limited ACN 008 624 691;

**ASX Listing Rules** means the official listing rules of ASX;

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

**Company** means Kagera Nickel Limited ACN 117 330 757;

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

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

**Meeting** means the meeting of shareholders convened by the Notice; and

**Notice** means the notice of meeting to which this Explanatory Memorandum is attached.

## ANNEXURE A

(Terms and Conditions of Options to be Granted to David Argyle and David Gower)

- The options held by the optionholder are exercisable in whole or in part at any time during the period of four years after the date of grant. Options not exercised before the expiry of the exercise period will lapse.
- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.25 each in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the option;
  - O = the old exercise price of the option;
  - E = the number of underlying ordinary shares into which one option is exercisable;
  - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
  - S = the subscription price for a security under the pro rata issue;
  - D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
  - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE B

(Terms and Conditions of Options to be Granted to Antonio Almeida)

- 500,000 of the options will vest on the date of grant and are exercisable in whole or in part at any time during the period of four years after the date of grant. Options not exercised before the expiry of the exercise period will lapse. These options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.25 each in cleared funds.
- 500,000 of the options will vest six months after the date of grant and are exercisable in whole or in part at any time during the period of four years after the date of vesting. Options not exercised before the expiry of the exercise period will lapse. These options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.35 each in cleared funds.
- 500,000 of the options will vest 12 months after the date of grant and are exercisable in whole or in part at any time during the period of four years after the date of vesting. Options not exercised before the expiry of the exercise period will lapse. These options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.40 each in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the option;
  - O = the old exercise price of the option;
  - E = the number of underlying ordinary shares into which one option is exercisable;
  - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
  - S = the subscription price for a security under the pro rata issue;
  - D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
  - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE C

(Terms and Conditions of Options to be Granted to Isabelle Dumas)

- 200,000 of the options will vest on the date of grant and are exercisable in whole or in part at any time during the period of four years after the date of grant. Options not exercised before the expiry of the exercise period will lapse. These options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.25 each in cleared funds.
- 200,000 of the options will vest six months after the date of grant and are exercisable in whole or in part at any time during the period of four years after the date of vesting. Options not exercised before the expiry of the exercise period will lapse. These options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.35 each in cleared funds.
- 200,000 of the options will vest 12 months after the date of grant and are exercisable in whole or in part at any time during the period of four years after the date of vesting. Options not exercised before the expiry of the exercise period will lapse. These options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.40 each in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the option;
  - O = the old exercise price of the option;
  - E = the number of underlying ordinary shares into which one option is exercisable;
  - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
  - S = the subscription price for a security under the pro rata issue;
  - D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
  - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE D

(Terms and Conditions of Options to be Granted to Simon Taylor)

- The options held by the optionholder are exercisable in whole or in part at any time during the period of four years after the date of grant. Options not exercised before the expiry of the exercise period will lapse.
- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.30 each in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the option;
  - O = the old exercise price of the option;
  - E = the number of underlying ordinary shares into which one option is exercisable;
  - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
  - S = the subscription price for a security under the pro rata issue;
  - D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
  - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE E

(Terms of Employee Share Option Plan)

### 1. DEFINITIONS AND INTERPRETATION

#### 1.1 Definitions

In these Terms, unless the contrary intention appears:

**Applicable Law** means any one or more or all, as the context requires of:

- (a) Corporations Act and the *Corporations Regulations 2001* (Cth);
- (b) Listing Rules;
- (c) the constitution of the Company;
- (d) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which either ASIC or ASX is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules.

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

**Associate** has the same meaning as is ascribed to that term in sections 12 to 16 (inclusive) of the Corporations Act.

**ASX** means the ASX Limited ACN 008 624 691.

**Auditor** means the registered auditor of the Company as appointed from time to time.

**Bid Period**, in relation to an off-market bid or a market bid in respect of Shares, means the period referred to in the definition of that expression in section 9 of the Corporations Act, provided that where a bid is publicly announced prior to the service of a bidder's statement on the Company, the bid period shall be deemed to have commenced at the time of that announcement.

**Business Day** means a day on which the stock market of ASX is open for trading in securities.

**Certificate** means the certificate for the Options issued by the Company to a Participant.

**Change of Control Event** means, if an entity does not have Control of the Company, the event pursuant to which that entity acquires Control of the Company.

**Company** means Kagera Nickel Limited ACN 117 330 757.

**Company Secretary** means the secretary of the Company (or his delegate) as appointed from time to time.

**Control** has the meaning ascribed to that term in section 50AA of the Corporations Act.

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

**Directors** means the directors for the time being of the Company.

**Eligible Employee, Eligible Associate, Eligible Person** have the meanings ascribed to those terms in clause 13.

**Exercise** means an exercise effected under clause 6.

**Exercise Date** means the date upon which an Option is Exercised in accordance with clause 6.1.

**Exercise Notice** means a notice given under clause 6.1.

**Exercise Period** means in relation to a particular grant of Options, the period beginning on the date determined in accordance with the provisions of clause 5.3 and ending on the date of the fifth anniversary of the Issue Date of those Options or as otherwise determined by the Directors



at the Relevant Date.

**Exercise Price** means the price at which an Option may be Exercised in accordance with clause 3.2(b), as varied in accordance with these Terms.

**Issue Date** means the date upon which Options are issued to an Eligible Person pursuant to this Plan.

**Listing Rules** means the official listing rules of ASX, as varied from time to time.

**Loan Period** means in respect of each loan the period determined under clause 14.

**Loan Share** means a Plan Share acquired with a Loan which has not been repaid in full in respect of that Plan Share.

**Loans** means loans made pursuant to clause 14 and includes any interest, fees or other charges accrued on that loan or any part thereof.

**Offer** means an Offer of Options by the Directors to an Eligible Person pursuant to this Plan.

**Option** means an option over Plan Shares granted pursuant to the Plan.

**Option Price** means the amount payable for an Option as referred to in clause 3.2(a).

**Participant** means an Eligible Employee, Eligible Associate or Eligible Person to whom Options have been issued pursuant to the Plan.

**Performance Conditions** means one or more conditions (if any), as determined by the Directors under clause 5.2 and notified to a Participant in the Offer, which must be satisfied or waived by the Directors before an Option may be Exercised.

**Permitted Nominee** has the meaning given to it by clause 4.3.

**Plan** means the Employee Share Option Plan for the Company established in accordance with these Terms.

**Plan Share** means a Share in the capital of the Company issued upon Exercise of an Option or in respect of which an Option has been granted.

**Related Body Corporate** has the same meaning as is ascribed to that term in section 50 of the Corporations Act.

**Relevant Date** means the date on which the Directors resolve to offer an Option or such other date as the Directors determine.

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

**Share Registry** means the share registry of the Company from time to time.

**Terms** means these general terms and conditions, as varied from time to time.

## 1.2 Interpretation

In these Terms, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;

- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) the terms 'included', 'including' and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a part, clause, party, annexure, exhibit or schedule is a reference to an item of that type in these Terms and includes a reference to the provisions or terms of that part, clause, annexure, exhibit or schedule;
- (j) a reference to these Terms includes each annexure, exhibit and a schedule to these Terms;
- (k) a reference to a party to this document includes the party's successors and permitted assigns and includes any person to whom these Terms are novated;
- (l) a reference to a statute or statutory provision includes but is not limited to:
  - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (m) a reference to a document is a reference to a document of any kind including but not limited to an agreement in writing, a certificate, a notice, or an instrument;
- (n) reference to '\$', 'A\$', 'Australian Dollars' or 'dollars' is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (o) a provision of these Terms is not to be construed against the Company solely on the ground that the Company is responsible for the preparation of these Terms or a particular provision;
- (p) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;
- (q) a reference to liquidation includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, assignment for the benefit of creditors, scheme composition or arrangement of creditors, insolvency, bankruptcy or any similar procedure or if applicable changes in the constitution of a partnership or the death of a person; and
- (r) a reference to a body which is not a party to these Terms which ceases to exist or whose power or function is transferred to another body, is a reference to the body which replaces or substantially succeeds to the power or function of the first body.

### 1.3 **Business Day and Day**

- (a) If these Terms require that the day on which a thing must be done is a day which is not a Business Day, then that thing must be done on or by the next Business Day.
- (b) If an event occurs on a day which is not a Business Day, or occurs later than 5.00 pm local time at the place that the event occurs, then the event is deemed to have occurred on the next Business Day in the place that the event occurs.
- (c) A reference to a day is a reference to a time period which begins at midnight and ends 24 hours later.
- (d) A reference to a period of time unless specifically written otherwise, includes the first day of that period.

## 2. **DIRECTORS' AUTHORITY**

- 2.1 The Directors will establish and administer the Plan in accordance with these Terms and, subject to any Applicable Law, will have the absolute discretion and power to:

- (a) determine appropriate procedures for administration of the Plan;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Terms;
- (c) delegate to any one or more persons for such period and subject to such conditions as they may determine, the exercise of their powers or discretions, or of any of them, under these Terms; and
- (d) alter, modify, add to or repeal any of these Terms, even where such alteration, modification, addition or repeal:
  - (i) will or may adversely affect, whether materially or otherwise, any existing right or entitlement of a Participant or otherwise disadvantage an existing Participant; and
  - (ii) occurs either during or after the expiry of the Exercise Period and irrespective of whether or not the Options, or the Plan Share or Plan Shares that have been issued to a Participant pursuant to the Exercise of an Option, have or would have otherwise fully vested in that Participant.

2.2 The Company undertakes to each Participant that the powers and rights available to the Directors under clause 2.1(d) will not be exercised in a capricious, malicious or unreasonable manner.

2.3 Subject to these Terms, the Directors may from time to time in their absolute discretion determine those Eligible Persons to whom an offer to participate in the Plan will be made and the terms of such an offer.

### 3. **OPTIONS, OPTION PRICE AND EXERCISE PRICE**

3.1 Subject to these Terms, the Directors may determine from time to time to grant Options upon such terms and to such Eligible Persons as they see fit.

3.2 Unless otherwise determined by the Directors:

- (a) the Option Price will be nil;
- (b) the Exercise Price will be the amount determined by the Directors on the Relevant Date and specified in an Offer; and
- (c) the Directors will notify the Participants in writing of the Exercise Price of an Option at the time of making an Offer.

### 4. **OFFER OF OPTIONS**

4.1 Subject to these Terms, the Company (acting through the Directors) may make an Offer at such times and on such terms as the Directors consider appropriate. Each Offer must state:

- (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The Offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (b) the period within which the Offer may be accepted and the Exercise Period;
- (c) the method of calculation of the Exercise Price; and
- (d) any other matters which the Directors may determine or is required under any Applicable Law.

4.2 Upon receipt of an Offer of Options, an Eligible Person may, within the period specified in the Offer:

- (a) accept the whole or any lesser number of Options offered by notice in writing to the Directors; or
- (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Directors. The Directors may, in their absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee without giving any reason for such decision.

- 4.3 Upon:
- (a) receipt of the acceptance referred to in paragraph 4.2(a); or
  - (b) the Directors resolving to allow a renunciation of an Offer in favour of a nominee (**Permitted Nominee**) and the Permitted Nominee accepting the whole or any lesser number of Options offered by notice in writing to the Directors,
- the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Terms and will be issued Options subject to these Terms.
- 4.4 Certificates for Options will be dispatched within 10 Business Days after their Issue Date.
- 4.5 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Terms, ensure that the Permitted Nominee complies with these Terms.

## 5. VESTING AND ENTITLEMENT

- 5.1 At the time of making an Offer of Options, the Directors may impose such vesting conditions (if any) as they consider appropriate.
- 5.2 At the time of making an Offer of Options, the Directors may impose such Performance Conditions (if any) as they consider appropriate.
- 5.3 No Option can be Exercised until:
- (a) it has vested under the vesting conditions (if any) applicable to the Option in accordance with clause 5.1 or the vesting conditions have been waived by the Directors; and
  - (b) the Performance Conditions (if any) applicable to the Option in accordance with clause 5.2 have been satisfied or waived by the Directors.
- 5.4 Once an Option is able to be exercised in accordance with clause 5.3, it:
- (a) may be Exercised during the Exercise Period; and
  - (b) entitles the Participant to subscribe for and be allotted one Plan Share at the Exercise Price.
- 5.5 Notwithstanding these Terms, while the Shares are listed on the ASX, the Company must allot and issue Plan Shares upon Exercise of an Option in accordance with the Applicable Laws.
- 5.6 Plan Shares issued upon the Exercise of Options will rank equally with all existing Shares in the capital of the Company from their respective issue date.

## 6. EXERCISE OF OPTIONS

- 6.1 An Option is Exercised by:
- (a) the Participant lodging with the Company an Exercise Notice;
  - (b) the receipt by the Company of a payment by or on behalf of a Participant and in immediately available funds, of the Exercise Price for each of the Options the subject of such Exercise Notice; and
  - (c) the Participant lodging with the Company the Certificate for those Options, for cancellation by the Company.
- 6.2 Subject to clause 6.1, within 15 Business Days after the later of the following:
- (a) receipt by the Company of an Exercise Notice given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised if the Company is not in possession of excluded information (as defined in section 708A(7) of the Corporations Act); and
  - (b) the date the Company ceases to be in possession of excluded information in respect to the Company (if any) following the receipt of the Exercise Notice and payment of the Exercise Price for each Option being exercised by the Company,

the Company will

- (c) allot and issue the Plan Shares pursuant to the exercise of the Options;
- (d) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Plan Shares for resale under section 708A(11) of the Corporations Act; and
- (e) apply for official quotation on ASX of the Plan Shares issued pursuant to the exercise of the Options.

6.3 Subject to the provisions of clause 6.4, Exercise of some only of the Options held by a Participant does not prevent Exercise of any remaining vested unExercised Options.

6.4 Options may not be Exercised in parcels of less than 1,000. Holders of less than 1,000 Options may Exercise those Options in full but not in part.

6.5 Notwithstanding any other provision of this clause 6 or clause 5 but subject to the written consent of the Directors, all Options may be Exercised:

- (a) during a Bid Period;
- (b) at any time after a Change of Control Event has occurred; or
- (c) if, on an application under section 411 of the Corporations Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

## 7. LAPSE OF OPTIONS

7.1 Subject to clause 5.3, if the Participant is a Director or the Permitted Nominee of a Director, an Option may be Exercised by that Participant at any time prior to the first to occur of:

- (a) the expiry of the Exercise Period;
- (b) the expiry of 30 days after the person ceases to be a Director; and
- (c) a determination by the other Directors that that Director has acted fraudulently, dishonestly or in breach of that Director's obligations to the Company and that the Option is to be forfeited.

If such a Participant fails, for any reason, to Exercise all the Options registered in his name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

7.2 If a resolution of a general meeting of the Company to remove a person as a Director is passed, that person or the Permitted Nominee of that person who is a Participant may only Exercise a proportion of the Options that are registered in that Participant's name as is equal to the proportion that the period from the Issue Date of those Options to the date of passage of the resolution bears to the Exercise Period and the balance of those Options will be wholly and unconditionally forfeited, lapse and be of no further force or effect upon and from the date of passage of the resolution.

7.3 Unless otherwise determined by the Directors and subject to clause 5.3, if a Participant is an employee or the Permitted Nominee of an employee, an Option may be Exercised by that Participant at any time prior to the first to occur of:

- (a) the expiry of the Exercise Period;
- (b) the expiry of 30 days after termination of the employee's employment where such termination has either been voluntary on the employee's part or otherwise has occurred without cause; and
- (c) termination of the employee's employment with cause.

If such a Participant fails, for any reason, to Exercise all the Options registered in his or her name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

## 8. TRANSFER

Except with the consent of Directors, Options may not be transferred and will not be quoted on or by the ASX. The Directors may in their discretion allow the transfer of Options to an Associate or Related Body Corporate of a Participant.

## 9. QUOTATION OF PLAN SHARES

The Company will apply to the ASX for official quotation of Plan Shares issued on the Exercise of Options, if the Company is, at the time of issue of those Plan Shares, admitted to the official list of the ASX.

## 10. PARTICIPATION IN FUTURE ISSUES

### 10.1 New Issues

Participants may only participate in new issues of securities to holders of Shares if an Option has been exercised and Plan Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Participants of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

### 10.2 Bonus Issues

If there is a bonus share issue (**Bonus Issue**) to the holder of Shares, the number of Plan Shares over which an Option is exercisable will be increased by the number of Shares which the Participant would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). Upon issue the bonus Shares will rank pari passu in all respects with the other shares of the Company on issue at the date of issue of the bonus Shares.

### 10.3 Pro Rata Issue

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the following formula:

$$A = O - \frac{E [P - (S+D)]}{N + 1}$$

A = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Plan Shares into which one Option is exercisable.

P = the value of a Share at the time the pro rata rights issue is made as determined by an accountant independent of the Company, but if the Shares are quoted on the ASX, the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day immediately before the ex rights date or ex entitlements date (excluding special crossings, overnight sales and exchange traded option exercises).

S = the subscription price for a Share under the pro rata issue.

D = the dividend due but not yet paid on existing Shares which will not be payable in respect of new Shares issued under the pro rata issue.

N = the number of Shares with rights or entitlements that must be held to receive a right to 1 new Share.

### 10.4 Reorganisation of Capital

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

### 10.5 Aggregation

If Options are Exercised simultaneously then the Participant may aggregate the number of Plan Shares or fractions of Plan Shares to which the Participant is entitled to subscribe for under

those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

10.6 **Advice**

In accordance with the Listing Rules, the Company must give notice to each Participant of any adjustment to the number of Shares for which the Participant is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 10.2, 10.3 or 10.4.

11. **MAXIMUM NUMBER**

The Company shall not offer or issue Options to any Eligible Person in accordance with this Plan if the total number of shares the subject of Options, when aggregated with:

11.1 the number of shares in the same class which would be issued were each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to this Plan or any other employee share scheme extended only to employees (including salaried executive directors) of the Company and its Related Bodies Corporate, to be accepted or exercised (as the case may be); and

11.2 the number of shares in the same class issued during the previous five years pursuant to the Plan or any other employee share scheme extended only to employees (including salaried executive directors) of the Company and its Related Bodies Corporate,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or any offer or invitation which, pursuant to Chapter 6D of the Corporations Act, does not need disclosure to investors), would exceed 5% of the total number of issued shares in that class of the Company as at the time of the proposed offer or issue.

12. **ELIGIBLE PERSONS**

12.1 **Eligible Employee** means:

- (a) a person who is engaged in the full time or part time employment of the Company or a Related Body Corporate of the Company and includes any Director holding a salaried employment or office in the Company or a Related Body Corporate of the Company; and
- (b) any person acquiring and holding any Plan Share or Options for the benefit of any such employee (other than any employee who is a Director), provided that the Plan Share and Options are acquired and held on such terms and conditions as have been previously approved by the Directors, including, without limitation, any trustee of a trust established by the Company to hold Plan Shares or Options for the benefit of such employees.

12.2 **Eligible Associate** means:

- (a) any Director, including non-executive Director or officer, of the Company; and
- (b) any person or entity acquiring and holding any Plan Share for the benefit of any Eligible Employee who is a Director or officer of the Company at the time of such acquisition or any person referred to in clause 12.2(a), and provided that the Plan Share is acquired and held on such terms and conditions as have been previously approved by the Directors.

12.3 An Eligible Employee may also be an Eligible Associate.

12.4 **Eligible Persons** means Eligible Employees and Eligible Associates.

13. **LOANS**

13.1 Subject to the terms of the Plan, the Directors may from time to time determine that the Company makes loans to Eligible Employees in connection with Plan Shares to be issued pursuant to the Exercise of Options under the Plan.

13.2 No Loans shall be made to persons other than Eligible Employees.

13.3 Loans may be made for the Exercise Price payable upon Exercise of Options issued under the Plan and on such terms and conditions as the Directors see fit.

- 13.4 A Participant who accepts a Loan in respect of some or all of the Plan Shares pursuant to clause 13.1, will upon and by such acceptance, irrevocably authorise the Company to apply the Loan on behalf of the Participant by way of payment of the Exercise Price of the Plan Shares in respect of which the Loan was accepted and the payment of any duties payable by the Participant in respect of the Loan.
- 13.5 The Loan Period is the period commencing when the Loan is made and ending on the first to occur of the following dates:
- (a) the Participant ceasing to be employed by the Company or a Related Body Corporate of the Company;
  - (b) the Company agreeing to sell the Loan Shares as requested by an Eligible Employee in accordance with clause 15.2; or
  - (c) the Loan being repaid in full.
- 13.6 A Participant may repay all or part of a Loan at any time before the expiration of the Loan Period.
- 13.7 Unless otherwise determined by the Directors and subject to clause 13.8, the Company will apply and each Participant will, by virtue of their acceptance of the Loan, be deemed to have irrevocably directed the Company to so apply all dividends paid in cash on the Plan Shares towards repayment of the Loan.
- 13.8 The amount of the dividend applied pursuant to clause 13.7 shall not exceed the after tax value of the dividends computed on the assumption that the Participant is assessable to tax at the highest personal marginal rate of income tax in Australia applicable to Australian residents (including for this purpose the Medicare Levy but not the Medicare Surcharge) on the whole of the dividend and after allowing for any franking rebate to which the Participant is entitled in relation to the dividend.
- 13.9 Without restricting the discretion of the Directors, Loans may be made on terms and conditions which provide that:
- (a) no interest or a less than commercial rate of interest be payable in respect of the Loan;
  - (b) the interest payable on the Loan may be variable and may vary in accordance with the length of employment of the Eligible Employee either before or during the term of the Loan;
  - (c) where the Exercise Price paid pursuant to the Exercise of Options has been financed in whole or in part by the provision of a Loan by the Company to a Participant, that Participant will encumber in favour of, and lodge with, the Company or its nominee as security for repayment of the Loans all its right title and interest in the Plan Shares that have been issued to the Participant as a result of such Exercise; or
  - (d) the total amount of principal and interest repayable under the Loan be limited to the proceeds of the sale of Plan Shares acquired with the Loan less any costs of sales.

#### **14. RIGHTS ATTACHING TO LOAN SHARES**

- 14.1 Subject to clauses 13.7 and 13.8, a Participant is entitled to all dividends declared or paid on the Loan Shares held by the Participant.
- 14.2 A Participant is entitled to any bonus Shares which accrue to Loan Shares held by the Participant in accordance with clause 10.2.
- 14.3 Upon allotment of the bonus Shares to the Participant, any bonus Shares which accrue to Loan Shares are deemed, for the purposes of the Plan, to be Loan Shares until such time as the Loans in respect of the Loan Shares to which the bonus Shares accrued had been repaid in full.

#### **15. RESTRICTION ON TRANSFER OF LOAN SHARES**

- 15.1 Other than as provided by these Terms:
- (a) a Participant must not sell, encumber or otherwise deal with a Loan Share prior to the repayment of the Loan used to acquire that Loan Share; and



- (b) the Company must not register or permit the Share Registry to register a transfer of a Loan Share until the Loan used to acquire that Loan Share has been repaid and for that purpose the Company may do such things and enter into such arrangements with the Share Registry or otherwise as it considers necessary to enforce such restrictions on the transfer of a Loan Share and Participants will be bound by such arrangements.

15.2 A Participant who holds a Loan Share may request the Company in writing to sell that Loan Share on behalf of the Participant and apply the proceeds in accordance with clause 15.5.

15.3 For the purpose of the sale of the Loan Shares pursuant to clause 15.2, the Participant will be deemed to have irrevocably appointed, as a result of that Participant's request pursuant to clause 15.2, the Company Secretary as that Participant's agent and attorney to sign all documents and do all acts necessary to sell the Loan Shares and account for the proceeds in accordance with clause 15.5 and shall indemnify the Company Secretary and the Company in respect of all costs, damages or losses arising from the sale of the Loan Shares.

15.4 The Company and the Company Secretary will have complete discretion in respect of the sale of the Loan Shares under this clause 15 and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.

15.5 Upon the Company selling the Loan Shares in accordance with a request made by a Participant in accordance with clause 15.2 the proceeds of the sale will be applied in the following order:

- (a) in payment of any costs and expenses of the sale incurred by the Company;
- (b) in reduction of the outstanding amount of the Loan;
- (c) the balance (if any) in payment to the Participant; and
- (d) subject to the terms of a Loan as determined in accordance with the provisions of clause 13.9(d) if applicable, the Participant shall be liable to the Company for any shortfall between the proceeds of such sale and the outstanding amount of the Loan.

## 16. **LOAN NOT REPAYED**

16.1 If the Participant has not repaid the outstanding amount of a Loan at the end of the Loan Period, the Company may, at its discretion, on behalf of the Participant, sell the Loan Shares and apply the proceeds in accordance with clause 16.4.

16.2 For the purpose of the sale of the Loan Shares pursuant to clause 16.1, the Participant will be deemed to have irrevocably appointed, as a result of that Participant's acceptance of the issue of the Loan Shares, the Company Secretary as that Participant's agent and attorney to sign all documents and do all acts necessary to sell the Loan Shares and account for the proceeds in accordance with clause 16.4 and shall indemnify the Company Secretary and the Company in respect of all costs, damages or losses arising from the sale of the Loan Shares.

16.3 The Company and the Company Secretary will have complete discretion in respect of the sale of the Loan Shares under clause 16.1 and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.

16.4 If the Company sells the Loan Shares in accordance with clause 16.1:

- (a) the proceeds of the sale will be applied in the following order:
- (b) in payment of any costs and expenses of the sale incurred by the Company; and
- (c) in reduction of the outstanding amount of the Loan; and
- (d) the balance (if any) in payment to the Participant; and
- (e) subject to the terms of a Loan as determined in accordance with the provisions of clause 13.9(d) if applicable, the Participant shall be liable to the Company for any shortfall between the proceeds of such sale and the outstanding amount of the Loan.

## 17. **ATTORNEY**

For the avoidance of doubt the Participant, in consideration of the grant of the Loan and by virtue of that Participant's acceptance of any or all Loan Shares, will be deemed to have irrevocably appointed the person who from time to time occupies the position of Company Secretary, that Participant's attorney to complete and execute any documents including share transfers and to do all acts or things in his or her

name on his or her behalf which may be convenient or necessary for the purpose of giving effect to the provisions of clauses 15 and 16 of this Plan and the Participant covenants that the Participant shall ratify and confirm any act or thing done pursuant to this power and shall indemnify the attorney (or their delegate) and the Company in respect thereof.

18. **NOTICES**

Notices must be given by the Company to the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modifications to notices to any Participant.

19. **RIGHT TO ACCOUNTS**

Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but, unless otherwise entitled, will not have any right to attend or vote at those meetings.

20. **OVERRIDING RESTRICTIONS ON GRANT AND EXERCISE**

20.1 Notwithstanding any other provision of these Terms, all rights and entitlements attaching to an Option or of a Participant under this Plan will be changed or amended to the extent necessary to comply with the Listing Rules that apply to a reorganisation of the capital of the Company, at the time that that re-organisation becomes effective.

20.2 No Option may be Exercised if to do so would contravene the Applicable Law.

20.3 Without limitation to the provisions of this clause 20:

(a) the Option terms and conditions must allow the rights of a Participant to comply with the Listing Rules applying to a reorganisation of capital of the Company at the time of the reorganisation; and

(b) subject to the provisions of clause 20.3(a), any reorganisation of capital of the Company must not be done in a manner or with the effect that will prejudice the rights or interests, or the value of the rights or interests, of Participants in the Options they hold, immediately prior to the time of any such reorganisation.

21. **RIGHT OF PARTICIPANTS**

Nothing in these Terms:

21.1 confers on a Participant the right to receive any Shares;

21.2 confers on a Participant who is a Director the right to continue as a Director;

21.3 confers on a Participant the right to continue as an employee of the Company or a Related Body Corporate of the Company;

21.4 affects any rights which the Company, or a Related Body Corporate of the Company, may have to terminate the appointment of a Participant who is a Director or terminate the employment of an employee; or

21.5 may be used to increase damages in any action brought against the Company or a Related Body Corporate in respect of any such termination.

22. **TERMINATION AND SUSPENSION OF THE PLAN**

The Directors may resolve at any time to terminate or suspend the operation of the Plan.

23. **GOVERNING LAW**

The Plan is governed by and shall be construed and take effect in accordance with the laws of South Australia.

24. **SHAREHOLDER APPROVAL**

Clauses 13 to 17 only come into effect on the passing of an appropriate shareholders' resolution to authorise the granting of financial assistance to a Participant.

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# Kagera Nickel Limited

ABN 15 117 330 757



000001 000 KNL  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

### For all enquiries call:

(within Australia) 1300 658 562  
(outside Australia) +61 3 9415 4232

## Proxy Form

For your vote to be effective it must be received by 11:00am (Adelaide time) Tuesday 22 February 2011

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** →



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**



Review your securityholding



Update your securityholding

**Your secure access information is:**

**SRN/HIN: I9999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kagera Nickel Limited hereby appoint

the Chairman of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Kagera Nickel Limited to be held at O'Loughlins Lawyers, Level 2, 99 Frome Street, Adelaide, South Australia on Thursday, 24 February 2011 at 11:00am (Adelaide time) and at any adjournment of that meeting.

**Important for Item 4:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 4 below, please mark the box in this section. 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 Item 4 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 4 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

### STEP 2 Items of Business



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

	For	Against	Abstain
1. Grant of 1,000,000 options to Mr David Argyle and/or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Grant of 1,500,000 options to Mr David Gower and/or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Grant of 2,700,000 options to consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of employee share option plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Change of name to Kibaran Nickel Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

KNL

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Computershare +