

**ARUNTA RESOURCES LIMITED**  
**[ACN 089 224 402]**

**NOTICE OF GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**PROXY FORM**

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**TIME:** 11:00am

**DATE:** Friday, 19 February 2016

**PLACE:** The offices of the Company, Level 14, 31 Queen Street, Melbourne, Victoria, 3000

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

*Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company on +61 (0)419 336 900.*

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**ARUNTA RESOURCES LIMITED**

**ACN 089 224 402**

**NOTICE OF GENERAL MEETING**

Notice is given that a General Meeting (the **Meeting**) of Arunta Resources Limited (the **Company** or **Arunta**) will be held at the offices of the Company, Level 14, 31 Queen Street, Melbourne, Victoria, 3000 at 11:00am (Melbourne, Victoria time) on Friday, 19 February 2016.

Further details in respect of each of the resolutions proposed in this Notice of General Meeting (this **Notice**) are set out in the Explanatory Memorandum (the **Memorandum**) accompanying this Notice. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice.

**BUSINESS**

**RESOLUTION 1: AMENDMENT OF THE CONSTITUTION**

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

**“That the constitution of the Company be amended with immediate effect by inserting the following rule immediately after Rule 129 as Rule 129A:**

**“129A Facilitation of distributions of assets**

**129A.1 If a difficulty arises or may arise in making a transfer or distribution of specific assets, the directors may:**

- (a) deal with the difficulty as they consider expedient;**
- (b) fix the value of all or any part of the specific assets for the purposes of the distribution;**
- (c) determine that cash will be paid to any members on the basis of the fixed value in order to adjust the rights of all the members; and**
- (d) vest any such specific assets in trustees as the directors consider expedient.**

**129A.2 If a transfer or distribution of specific assets to a particular member or members is or would be illegal or, in the directors’ opinion, impracticable, the directors may make a cash payment to the member or members on the basis of the cash amount of the dividend instead of the transfer or distribution of specific assets.**

**129A.3 If the Company distributes assets in specie to members each member is deemed to have appointed the Company (and/or any director or secretary for the time being) as his, her or its agent to give any consent, to enter any agreement, to execute any document or to do anything necessary or desirable to give effect to the distribution, including agreeing to become a member of another body corporate (which such consent, agreement, execution or other thing shall be effective and binding on all members concerned).**

**129A.4 The directors may authorise any person to make, on behalf of each member entitled to any asset as a result of a distribution an agreement with the company or another person which provides, as appropriate, for the distribution or issue to them of shares or other securities credited as fully paid up or for payment by the Company on their behalf of the amounts or**

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any part of the amounts remaining unpaid on their existing shares or other securities by applying their respective proportions of the amount resolved to be distributed.”

## RESOLUTION 2: APPROVAL FOR DISPOSAL OF MAIN UNDERTAKING

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

**“That for the purposes of ASX Listing Rule 11.2 approval is given for the Company to dispose of its main undertaking by distributing the shares of Davenport Resources Limited [ACN 153 414 852] *in specie* to the ordinary holders of shares of the Company as provided for (and subject to passing) Resolution 3, as described in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting.”**

*The Company will disregard any votes cast on this resolution by:*

- *a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and*
- *an associate of those persons.*

*However, the Company need not disregard a vote if:*

- *it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

## RESOLUTION 3: DEMERGER OF DAVENPORT RESOURCES LIMITED

Subject to Resolution 2 being passed, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“THAT for the purposes of sections 256B and 256C(1) of the Corporations Act 2001 (Cth) approval is given for the Company to reduce the share capital of the Company by way of *in specie* distribution to the ordinary holders of shares of the Company of six million (6,000,000) fully paid ordinary shares in Davenport Resources Limited [ACN 153 414 852] held by the Company on the basis of receiving 0.328415 (zero point three two eight four one five) Davenport Resources Limited shares for every 100 (one hundred) Arunta Resources Limited ordinary shares held at the Record Date (rounding up fractions of a share), as described in and on the terms set out in the Explanatory Memorandum which accompanied and formed part of the Notice of General Meeting.”**

By the order of the Board



Angus Edgar  
Director

Dated 13 January 2016

The accompanying Explanatory Memorandum and the Proxy Form and Voting Instructions form part of this Notice of General Meeting.

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## PROXY AND VOTING INSTRUCTIONS

### Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- (a) one proxy if the member is only entitled to one vote; and
- (b) one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the office of the Company's share registry shown on the proxy form or sent by facsimile transmission to the Company on +61 (03) 8692 9040 following the instructions on the proxy form not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001 (Cth). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

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

A proxy form is attached to this Notice.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy. The Chair intends to vote all proxies in favour of each of the resolutions.

### Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

### Voting Entitlement

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered shareholders of the Company at 7.00pm (Melbourne time) on 18 February 2016.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

### How the Chair Will Vote Undirected Proxies

The Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions on which the Chair is permitted to vote proxies.

### Special Resolution

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 1 is a special resolution.

**ARUNTA RESOURCES LIMITED**  
**ACN 089 224 402**  
**(the Company or Arunta)**

**NOTICE OF GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum (this **Memorandum**) accompanies and forms part of the Company's Notice of General Meeting (the **Notice**) to be held at the offices of the Company, Level 14, 31 Queen Street, Melbourne, Victoria, 3000 at 11:00am (Melbourne, Victoria time) on Friday, 19 February 2016. The Notice incorporates, and should be read together with, this Memorandum.

The following summary provides only a limited overview. Further detail is set out in this Memorandum. Please carefully read and consider the Notice of Meeting, this Memorandum and the proxy form in full before making any decision regarding how you wish to vote or instruct you proxy to vote.

Topic	Summary	For more information see:
What is the meeting about?	<p>The proposed demerger of Davenport Resources Limited [ACN 153 414 852] (<b>Davenport</b>) by Arunta Resources Limited (<b>Arunta</b> or <b>the Company</b>).</p> <p>Three resolutions are proposed:</p> <ul style="list-style-type: none"><li>- the first amending the constitution of Arunta to provide for greater certainty in the implementation of the proposed in specie distribution;</li><li>- the first approving Arunta disposing of its main undertaking by disposing of its ownership of Davenport by distributing all the shares of Davenport shares to eligible Arunta shareholders; and</li><li>- the third approving the share capital reduction represented by the distribution of Davenport shares to eligible Arunta shareholders.</li></ul>	The resolutions in the Notice of Meeting, and Section 18 of this Memorandum
What is the demerger?	<p>The separation of Davenport from Arunta.</p> <p>Davenport is currently a wholly owned subsidiary of Arunta. Davenport holds the mining exploration tenements and conducts the mining exploration activities of the Arunta group.</p> <p>By Arunta distributing all the shares of Davenport <i>in specie</i> (in kind) to eligible Arunta's shareholders, Arunta have disposed of its main undertaking as it will no longer own Davenport or have any involvement in mining exploration.</p>	Section 4
Who are eligible Arunta shareholders	<p>The recipients of Davenport shares will be eligible Arunta shareholders as at the Record Date set out in the timetable in Section 1 (25 February 2016). As noted in Section 1, the timetable is indicative and subject to change.</p> <p>Eligible Arunta shareholders will be shareholders with an address in the register of members in Australia and New Zealand, or in other countries Arunta may determine having regard to and subject to regulatory requirements of those countries (if any) applying to the receipt of Davenport shares and whether</p>	Section 18.2

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	shareholders are able to confirm to Arunta that they satisfy or can satisfy local regulatory requirements for receiving Davenport shares. Arunta will make arrangements for Davenport shares that would otherwise have been distributed to ineligible Arunta shareholders to be sold and the net proceeds of the sale to be paid to the ineligible Arunta shareholders in proportion to their holding of shares sold	
How many Davenport shares will I receive?	The <i>in-specie</i> distribution of Davenport shares under the demerger will be pro-rata, based on the number of Arunta shares held by eligible Arunta shareholders on the Record Date.  Each eligible Arunta shareholder will receive 0.328415 fully paid ordinary Davenport shares for every 100 Arunta shares held on the Record Date (rounding up fractional entitlements).	Section 18.2
What do I have to pay for Davenport shares?	Nothing. The Davenport shares are distributed <i>in specie</i> .	Section 18.2
Do I have to apply for my Davenport shares?	No. The Davenport shares are automatically distributed to each eligible Arunta shareholder.	Section 18.2
Do I have to vote "Yes" to receive Davenport shares?	No. If the resolutions are passed, all eligible Arunta shareholders will receive Davenport shares regardless of whether they voted yes or no, or did not vote.	Section 18.2
When will I receive Davenport shares?	Davenport shares are anticipated to be distributed on or about 26 February 2016, as set out in the timetable in Section 1. As noted in Section 1, the timetable is indicative and subject to change.	Section 1
What happens to my Arunta shares?	You keep your Arunta shares.	Section 18.2
What if I sell my Arunta shares after the Record Date?	You will still receive Davenport shares. Davenport shares will be allocated on the basis of holdings recorded the register of members on the Record Date.	Section 18.2
What will Davenport do after the demerger?	As has been announced, Davenport proposes acquiring East Exploration Pty Ltd [ACN 168 560 647] ( <b>East Exploration</b> ).  East Exploration, through a German subsidiary, holds two project potash licences (substantially equivalent to mining exploration tenements in Australia) in Kllstedt and Grfentonna areas in Central Germany.  East Exploration is working with its consultants ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH ( <b>ERCOSPLAN</b> ) and other geologists familiar with the South Harz field to develop a program of work to advance the Kllstedt project.  In conjunction with the work undertaken and to be undertaken in respect of the Kllstedt project, East Exploration will conduct investigations in respect of the Grfentonna tenement in order to plan the next stage of exploration	Sections 5, 6, 7, 8 and 10

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	<p>The acquisition is conditional upon entry into formal documentation by East Exploration's shareholders for the sale of their shares, Arunta and Davenport being satisfied with any conditions imposed on the demerger of Davenport or subsequent listing of Davenport by ASX, the proposed placement described above and a capital raising described below, and satisfaction of ASX and regulatory requirements including Arunta, Davenport and Potash West NL shareholder approvals (if applicable).</p>	
<p>What will Arunta do after the demerger?</p>	<p>As has been announced, Arunta proposes acquiring Spirit Telecom (Australia) Pty Ltd [ACN 112 320 804] (<b>Spirit</b>). A separate general meeting would be called for that acquisition.</p> <p>Arunta will no longer own Davenport shares.</p> <p>All cash, receivables and other liquid assets of Arunta will be transferred to Davenport as part of the demerger. An amount equal to the anticipated costs of legal and other advisors and experts engaged by Arunta in connection with the implementation of the proposed acquisition of Spirit will be retained by Arunta together with an additional sum of \$50,000. Arunta will undertake, if it has not already done so, to pay to Davenport net amounts received as tax refunds, rebates or research and development grants arising from Davenport's activities prior to ceasing the demerger.</p> <p>A pro forma balance sheet of Arunta illustrating the potential effect of the demerger on Arunta is included in Section 16.</p>	<p>Sections 4, 11 and 16</p>
<p>Are there risks?</p>	<p>Yes. There are risks specific to Arunta after the demerger, Davenport after the demerger, and of the proposed acquisition of East Exploration by Davenport after the demerger. There are also general risks applicable to Arunta and Davenport.</p> <p>Shareholders should carefully read and consider the risks identified in relation to Davenport after the demerger, Davenport after the acquisition of East Exploration, and Arunta after the demerger in Sections 9, 10 and 11.</p>	<p>Sections 9, 10 and 11.</p>
<p>Are their tax consequences?</p>	<p>The Company believes the taxation implications to shareholders as a result of the demerger will be a reduction in the cost base of their shares in the Company equal to the value of the Davenport Shares distributed to them. Should the value of the Davenport Shares distributed exceed this cost base, then an assessable capital gain may result based on the number of Davenport shares being distributed and the value at which Shares have traded on ASX.</p> <p>Shareholders should consult their own professional advisors in relation to the demerger. For specific taxation advice, shareholders should consult their own taxation adviser so that their individual circumstances and taxation positions are taken into consideration.</p>	<p>Section 18.2</p>
<p>Where can I get more information?</p>	<p>Shareholders should read the Notice of Meeting, this Memorandum and the proxy form carefully.</p> <p>Arunta is a disclosing entity and makes announcements to ASX from time to time. Copies of announcements are on the ASX</p>	<p>Section 18.2</p>

	website, www.asx.com.au. Copies of announcements can also be obtained from the Company upon request and will be made available at the Company's website www.aruntaresources.com.au. Shareholders are advised to refer to ASX's website for updated releases about events or matters affecting the Company.	
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### 1. Indicative Timetable

Set out below is the indicative timetable for the demerger and proposed acquisition of East Exploration. These dates are indicative only and are subject to change at the Board's discretion (subject to the ASX Listing Rules and the Corporations Act). Any changes to the timetable prior to the demerger taking effect will be notified by Company by announcements to ASX.

Dispatch of Notice of General Meeting to approve the demerger	19 January 2016
General Meeting to approve the demerger	19 February 2016
"Ex" date for the demerger (in specie distribution) - the date on which Arunta shares commence trading without the entitlement to participate in the <i>in specie</i> distribution of Davenport shares (unless otherwise suspended).	23 February 2016
Record Date for the demerger	25 February 2016
Indicative Davenport shares distribution date	26 February 2016
Anticipated completion of placement	26 February 2016
Anticipated close of capital raising	7 April 2016
Anticipated completion of acquisition of East Exploration	14 April 2016
Anticipated listing date	29 April 2016

### 2. Amendment of the Constitution

Resolution 1 is proposed as a special resolution to amend the existing constitution of Arunta to provide for greater certainty in the implementation of the proposed in specie distribution. The new provision will expressly empower the Directors to, among other things, agree to each shareholder who receives Davenport shares under the demerger becoming a shareholder of Davenport.

Specific details in respect of Resolution 1 are set out in Section 18.1.

### 3. Demerger of Davenport and acquisition of East Exploration

The following Sections 4 to 17 describe the proposed transactions, identify various risks, and provide ancillary information. Specific details in respect of each of Resolutions 2 and 3 are set out in Sections 18.2 and 18.3.

### 4. Demerger of Davenport

As at the date of this meeting, Davenport is a wholly owned subsidiary of Arunta. The group's main undertaking, mining exploration activities, is conducted in Davenport. The mining exploration tenements and mining exploration activities comprising the main undertaking are held by and conducted by Davenport.

As announced on 24 June 2015 in connection with the proposed acquisition of Spirit, and on 18 August 2015 in connection with the proposed acquisition of East Exploration by Davenport, Arunta proposes distributing all the

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issued shares of Davenport *in specie* (in kind) to eligible Arunta shareholders. The demerger will be an equal capital reduction by Arunta.

The recipients of Davenport shares will be eligible Arunta shareholders as at the Record Date. The Record Date is set out in the timetable in Section 1. As noted in Section 1, the timetable is indicative and subject to change.

Prior to completion of the demerger, in accordance with the respective terms of the proposed acquisitions of East Exploration and Spirit, all cash, receivables and other liquid assets of Arunta will be transferred to Davenport as part of the demerger. An amount equal to the anticipated costs of legal and other advisors and experts engaged by Arunta in connection with the implementation of the proposed acquisition of Spirit will be retained by Arunta together with an additional sum of \$50,000. Arunta will undertake, if it has not already done so, to pay to Davenport net amounts received as tax refunds, rebates or research and development grants arising from Davenport's activities prior to ceasing to be subsidiary of Arunta.

Following completion of the demerger, Arunta will no longer own Davenport shares. Davenport will cease to be a subsidiary of Arunta. Arunta will have disposed of its main undertaking and will cease to have any direct or indirect mining exploration activities or interests in mining exploration tenements or other mining exploration assets. Davenport will continue to be the holder of the mining exploration tenements and assets. Davenport, and not Arunta, will be responsible for mining exploration activities and interests in mining exploration tenements and assets.

Following the demerger, as Arunta will no longer have a main undertaking, it will be necessary for Arunta to acquire a new main undertaking and to satisfy ASX's requirements for re-compliance with Chapters 1 and 2 of the Listing Rules (in essence, the requirements applicable to a new listing) in order to remain listed on ASX. If a new main undertaking is not acquired within 6 months of the demerger, ASX would suspend and delist Arunta. It is intended that the re-compliance requirements will be satisfied by and as part of the proposed acquisition of Spirit and the capital raising in connection with that acquisition.

## 5. Proposed acquisition of East Exploration

East Exploration is a private Australian company which holds two project potash licences (substantially equivalent to mining exploration tenements in Australia) in Kllstedt and Grfentonna areas in Central Germany through a German subsidiary. Further information about East Exploration and the licences is provided in the following Section 6.

It is intended that within fourteen days after the completion of the demerger (or such longer period as the parties may agree or is required by a regulatory authority) Davenport will issue a further six million (6,000,000) fully paid ordinary shares in a placement to exempt seed capital investors selected by Davenport and East Exploration (**Placement Participants**) at eight cents (\$0.08) per share to raise a further four hundred and eighty thousand dollars (\$480,000) before costs. These funds will be used to fund costs of the proposed capital raising and ASX listing described further below.

The consideration for the purchase of all the shares of East Exploration will be the issue of:

- (a) 36,458,333 (thirty-six million four hundred and fifty-eight thousand three hundred and thirty-three) fully paid Davenport ordinary shares;
- (b) 33,854,167 (thirty-three million eight hundred and fifty-four thousand one hundred and sixty-seven) fully paid non-transferrable, non-voting Davenport performance shares (**Davenport First Performance Shares**) with a performance milestone which is the announcement to ASX by Davenport within four (4) years after completion of the acquisition and listing (or such lesser period as is satisfactory to ASX) of the first JORC Code compliant Inferred Resource of one of the following:
  - (i) 250 million tonnes of potash at or above 11.0% K2O by content, or
  - (ii) 150 million tonnes of potash at or above 12.0% K2O by content, or
  - (iii) 100 million tonnes of potash at or above 13.0% K2O by content, or
  - (iv) 75 million tonnes of potash at or above 15.0% K2O by content, or
  - (v) 50 million tonnes of potash at or above 18.0% K2O by content.

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- (c) 33,854,167 (thirty-three million eight hundred and fifty-four thousand one hundred and sixty-seven) fully paid non-transferrable, non-voting Davenport performance shares (**Davenport Second Performance Shares**) with a performance milestone which is the announcement to ASX by Davenport within six (6) years after completion of the acquisition and listing (or such lesser period as is satisfactory to ASX) of satisfaction of all mining approvals and utility contracts required to construct and operate a 500,000 tonne per annum potash mine (including all Government approvals, water and energy contracts necessary to operate the mine.)

The common terms of the above Davenport first and second performance shares will provide for the shares to be non-transferrable, non-voting ordinary shares which automatically convert to fully paid ordinary shares (with the same terms as Davenport's ordinary shares) upon achievement of the milestone(s) for the respective tranche, and are to comply with the requirements of ASX. In the event of a takeover or change of control of Davenport the performance shares will convert in their entirety. The terms will include that Davenport must apply for listing of the shares upon conversion. The shares will be cancelled if the applicable milestone(s) for that tranche is/are not achieved within the time specified for achieving that milestone. The performance shares are therefore issued at completion but are subject to fulfilment of the applicable milestone.

The vendors of East Exploration will receive Davenport shares in proportion to their East Exploration shareholdings at completion of the acquisition.

The above purchase price assumes there will be approximately \$200,000 of cash in Davenport at the time of completion of the acquisition of East Exploration. The actual amount may differ.

Upon and subject to completion of the acquisition East Exploration will be entitled to appoint two directors to the Board of Davenport, one of whom will be the Chairperson. East Exploration has nominated Mr Patrick McManus as the proposed Chairman and Mr Rory Luff a proposed director. Mr Angus Edgar will remain as a non-executive director of Davenport. Mr Galbally and Mr Bain are to resign as directors of Davenport at completion of the acquisition. East Exploration and Davenport are to jointly select and appoint a Managing Director to the Board of Davenport.

Davenport will put in place a share based incentive scheme for directors and management, the scope and size of which is to be determined.

The acquisition is conditional upon entry into formal documentation by East Exploration's shareholders for the sale of their shares, Arunta and Davenport being satisfied with any conditions imposed on the demerger of Davenport or subsequent listing of Davenport by ASX, the proposed placement described above and a capital raising described below, and satisfaction of ASX and regulatory requirements including Arunta, Davenport and Potash West NL shareholder approvals (if applicable).

The terms of the acquisition include payment by Davenport to East Exploration of \$250,000, of which \$100,000 has already been paid. A further \$50,000 was paid on 21 November 2015 and the final \$100,000 is to be paid following completion of the placement to Placement Participants) to raise a four hundred and eighty thousand dollars (\$480,000) before costs referred to above. The amounts paid to East Exploration are to be applied by East Exploration principally to maintaining and advancing the South Harz Project, and do not form part of the consideration payable to the vendors of East Exploration.

The proposed terms of the acquisition, placement and capital raising are subject to modification by agreement between Davenport and East Exploration where required to enable the acquisition and listing to proceed, including for example, altering the amount proposed to be raised by the capital raising described below to satisfy ASX's requirements for a new listing.

The proposed acquisition of East Exploration will occur in conjunction with, and subject to, Davenport:

- (a) completing a capital raising to raise not less than \$4,000,000 (four million dollars) by a public offer of 20,000,000 (twenty million) fully paid ordinary Davenport shares at an issue price of twenty cents (\$0.20) per share, with the ability to accept over subscriptions for up to \$1,000,000 (one million dollars);

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- (b) Davenport being admitted to the official list of ASX ("listed").

The acquisition and above capital raising will not proceed unless ASX's requirements for listing are satisfied. While it is a condition of the proposed acquisition of East Exploration that Davenport becomes listed, it is not stated or implied that Davenport shares to be distributed *in specie* under the demerger will be quoted and there is no certainty that Davenport shares will be listed on ASX or another securities exchange at any particular time or at all.

The capital raising funds are to be used for:

- (a) an agreed 3 to 4 hole confirmatory drill program, to define a JORC resource, and further development plan' at South Harz Project, subject to definitive feedback and budgets from East Exploration's consultants ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau mbH (**ERCOSPLAN**);
- (b) expenditure on Davenport's Southern Cross Bore project, as agreed;
- (c) capital raising fees and management fees on the funds raised and the payment of all other costs associated with the capital raising and acquisition including legal fees and fees associated with the preparation of all required expert and technical reports; and
- (d) the balance of funds to be applied to the working capital requirements of the merged group (comprising Davenport, East Exploration and their respective subsidiaries, if any).

Davenport and Potash West shareholders will be provided a priority offer to participate in the capital raising.

The anticipated capital structure of Davenport at the time of completing the acquisition and listing, if the placement, capital raising and conditions for the acquisition and listing are successfully completed or satisfied, assuming the minimum capital raising amount of \$4 million (before costs) is raised, will be as follows:

<b>Holders:</b>	<b>Davenport shares</b>	<b>Percentage</b>
Pre-completion Davenport shareholders (shares distributed by Arunta)*	6,000,000	8.76%
Placement Participants	6,000,000	8.76
East Exploration vendors^	36,458,333	53.27%
Capital raising participants (minimum raising)	20,000,000	29.21%
<b>TOTAL*^</b>	<b>68,458,333</b>	<b>100.00%</b>

\* Subject to rounding.

^ Plus the two tranches of performance shares (a total of 67,708,334 performance shares).

Due to the time required to pursue completion of conditions precedent for both the proposed acquisitions of East Exploration and Spirit, it has been decided by the Board of Arunta and agreed with East Exploration and Spirit that the demerger of Davenport (and hence the proposed acquisition of East Exploration) will proceed separately from the proposed acquisition of Spirit. Under the initially agreed terms the demerger was a condition of the proposed acquisition of Spirit but the acquisition of Spirit was not a condition of the demerger. Similarly, while the proposed acquisition of East Exploration was conditional upon the demerger of Davenport having been completed, the acquisition of East Exploration was not a condition of the demerger.

The revised indicative timetable for the demerger and anticipated acquisition of East Exploration is set out in Section 1. The anticipated timetable for the proposed acquisition of Spirit will be updated and announced to ASX separately. A separate general meeting of Arunta shareholders will be held to seek approvals required for the proposed acquisition of Spirit. A separate notice of general meeting will be issued in respect of that meeting and announced to ASX.

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## 6. East Exploration and its projects

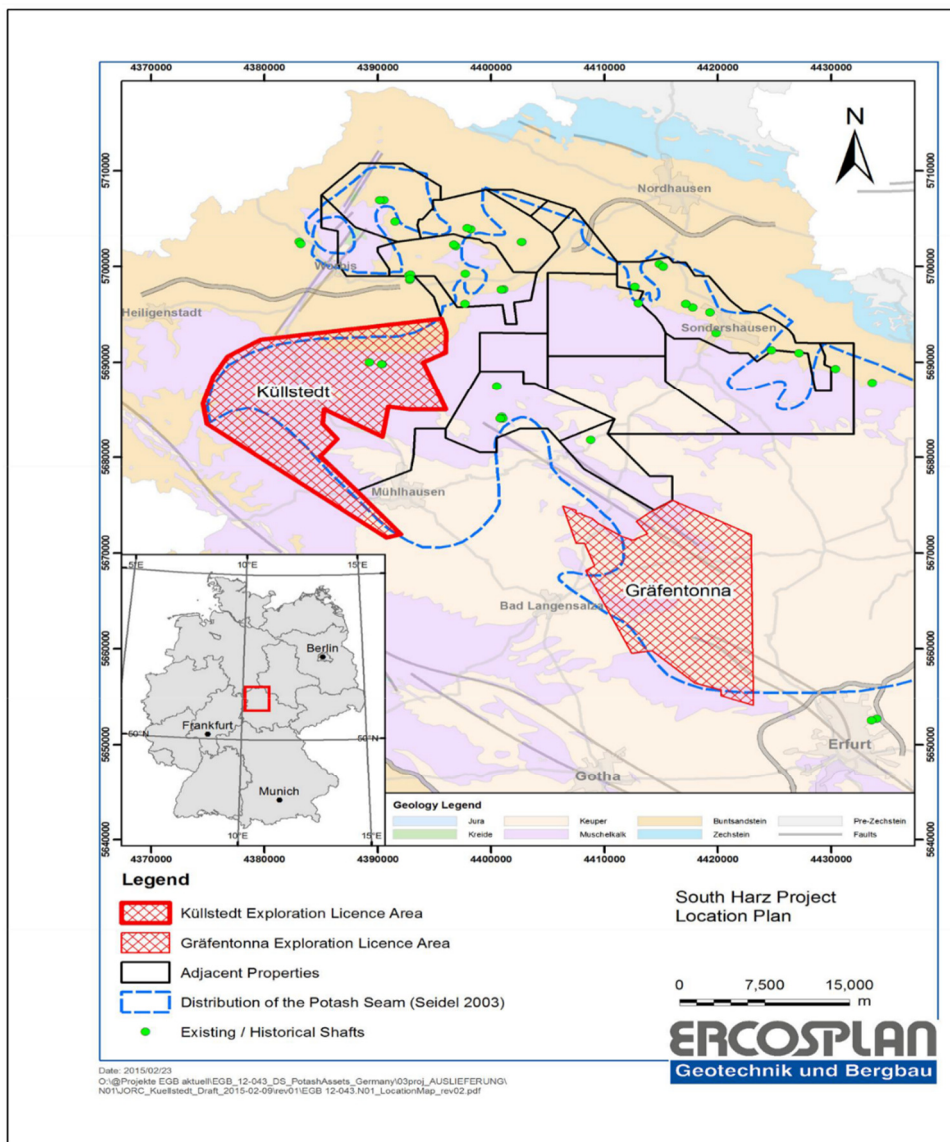
The information in this Section 6 has been provided by, or prepared on the basis of information provided by, East Exploration or its representatives.

### East Exploration

East Exploration Pty Ltd was registered in Victoria on 14 March 2014. The company's primary objective was and is the identification, sourcing, due diligence, acquisition, and procurement of potash tenements in East Germany.

The company's majority shareholder is East Exploration Holdings Pty Ltd. The ultimate holding company of East Exploration Holdings Pty Ltd is Potash West NL, a listed Australian company (ASX: PWN)

On 4 July 2014, East Exploration Pty Ltd filed an application for the granting of the exploration licences in the Küllstedt and Gräfontonna areas in Central Germany. In November 2014, East Exploration Pty Ltd applied to transfer the applications to East Exploration GmbH (a wholly owned German subsidiary of East Exploration Pty Ltd).



On 12 January 2015, the Thuringian State Mining Office issued to East Exploration GmbH the exploration licences for commercial purposes in the Küllstedt and Gräfontonna areas (Notice Nos. 19/2015 and 17/2015 respectively). The licences include permission to explore for rock salts, potassium salts, magnesium salts and boron salts in addition to salts that occur in the same deposit with these salts.

Figure 1

### **South Harz Potash Project - Germany**

East Exploration Pty Ltd (through its wholly owned subsidiary East Exploration GmbH) holds exploration licences having an area of 457km<sup>2</sup> in the southwestern edge of the South Harz Potash District in central Germany. The Kllstedt Exploration Licence extends over 241 km<sup>2</sup> while the Grfentonna Exploration Licence has an area of 216km<sup>2</sup>. Both licences are located in the north-western part of the Federal State of Thuringia, bordering the city of Mhlhausen to the south (Figure 1). A world class infrastructure network exists throughout the region and is being utilised by current potash producers.

#### *Kllstedt*

A total of 34 drill holes were drilled in the Kllstedt licence, and its immediate surrounds, in the period 1960 to 1980. There is a well-documented history of production on the licences and very long history of extensive production on neighbouring properties from Sylvinite and Carnallite (100M tonnes of potash prior to 1993, and over \$20b USD in today's value). Three shafts were sunk in the Kllstedt licence extracting Potash early last century.

Historical resource estimates were carried out in 1964 and 1980. The distribution of potash salts in the Kllstedt area has been well documented through over a century of exploration and mining and the geology of the area is well understood. Planning for a confirmatory drilling programme is in progress with consultants and will be finalised in the next few months. The programme will target potential areas of thick mineralisation at shallower depths.

The Company is particularly encouraged by the extent of potential mineralisation within the licence areas containing both sylvinite and carnallite and by the fact that it has been the site of successful potash mining operations in the past. Current potash mining in the region exploits sylvinite, and carnallite, utilising both large scale underground and solution mining extraction methods.

East Exploration commissioned ERCOSPLAN to carry out a review of all the geological data relating to the Kllstedt licence and to estimate an Exploration Target for the area. This was achieved, with an Exploration Target estimated at between 4 and 5 Billion tonnes of mineralised rock. The volume of the potash seam was estimated from the geological model which has been constructed using historical drillhole data. The tonnage was derived from the style of mineralisation and its characteristic density which can vary between 1.83 t/m<sup>3</sup> and 2.32 t/m<sup>3</sup>. This amounts to a tonnage range of between 4,055 million metric tonnes and 5,141 million metric tonnes of mineralized rock. (Refer to the announcement to ASX by Potash West NL under its code "PWN" on 4 March 2015, "Significant Exploration Target Identified at Kllstedt within South Harz Project, Germany").

*The potential quantity and grade of the Exploration Target is conceptual in nature, as there has been insufficient exploration and inadequate availability of historical potash exploration results to estimate a Mineral Resource over its area and as it is uncertain if further exploration will result in the estimation of a Mineral Resource.*

In the licence area the potash unit has a maximum drill defined thickness of 58m. The thickness is variable, decreasing to the west and increasing to the southeast. Potash grades intercepted in drillholes through the potash seam vary from averages of around 18% K<sub>2</sub>O in the southwest to between 10% and 14% K<sub>2</sub>O in the northwest of the licence. (Refer to the announcement to ASX by Potash West NL under its code "PWN" on 4 March 2015, "Significant Exploration Target Identified at Kllstedt within South Harz Project, Germany").

East Exploration is working with ERCOSPLAN and other geologists familiar with the South Harz field to develop a program of work to advance the Kllstedt project. ERCOSPLAN is currently engaged on ongoing work to locate and analyse detailed historical exploration records as well as define possible drill hole locations, in order to verify the historical drill hole data and to increase the chemical, mineralogical and lithological data density in the Kllstedt tenement. If successful, these programs will underpin upgrades to the estimates of mineralisation. East Exploration anticipates that all necessary planning and approvals will be complete by early 2016 with confirmation drilling and data analysis to be completed within the following 12-18 month period.

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### **Gräfentonna**

In conjunction with the work undertaken and to be undertaken in respect of the Kllstedt project, East Exploration will conduct investigations in respect of the Gräfentonna tenement in order to plan the next stage of exploration.

## **7. Davenport's Proposed Activities and Use of Funds after the acquisition of East Exploration**

### **7.1. Kllstedt**

As a result of their analysis of the historical exploration data, ERCOSPLAN has ascertained that intensive geological exploration has been performed in the Kllstedt area in the past. The results of the past drill holes have only been available to ERCOSPLAN in summary form at this stage. Based on this information and data, together with ERCOSPLAN's experience in this type of historical exploration, ERCOSPLAN states that it can be justifiably assumed that an analysis of this detailed historical information could enable the estimation of Mineral Resources in accordance with the JORC Code. As a result of their analysis, ERCOSPLAN recommended the following:

- I. Application for permission to view and use the detailed historical exploration reports as well as carry out tests on the still existing sample material from the exploration drill holes, if available. Based on that data becoming available, the existing JORC Report should be updated.

Independent of the results of I., above, the estimation of Mineral Resources in the Indicated and Measured categories in accordance with the JORC Code requires additional exploration work to be carried out. Therefore the following is also recommended by ERCOSPLAN:

- II. The data from the historical drill holes should be checked via confirmation drilling in the area, which allows an extraction of cores from the potash section for detailed description and chemical assaying. Additionally, the confirmation holes can be logged geophysically to cross-check the historical data and correlate the results with those of the chemical analyses.

Pursuant to the above recommendations, East Exploration Pty Ltd has formally engaged ERCOSPLAN to carry out the following:

Activities underway and expected to be completed prior to the IPO of Davenport.

### **Definition of possible drill hole locations**

Including:

- identification of possible drill hole locations on basis of presently available information from historical drill holes;
- drill site visits for verification of the accessibility and ground conditions after the proposed drill hole location have been discussed and approved by the Client.

### **Preparation of a drilling request for proposals (RfP)**

Up to four drill holes are planned in the Kllstedt Exploration License Area. The scope of work includes the following services:

- detailed design for four confirmation drill holes in the Kllstedt Exploration License Area;
- preparation of a technical RfP for the execution of the confirmation drill holes, in order to provide this RfP for drilling companies. The drilling companies will be responsible for preparation and submission of the operation plan (**Sonderbetriebsplan**) for each of the confirmation drill holes to the Thuringian State Mining Office for approval;
- discussion of technical execution and time schedule for the drill holes with the drilling companies during the proposal preparation.

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### **Evaluation of the proposals and assistance for drilling preparation**

Including:

- assistance in the technical evaluation of drilling proposals and recommendations for further proceeding;
- research on land owners and adjustment of the drilling programme; confirmation/verification of the originally planned drilling programme;
- assistance in approval procedure with authorities; and
- site visit of the drilling location(s) with the selected drilling company, technical discussion.

At the end of this process ERCOSPLAN will make recommendations to East Exploration concerning the technical drilling proposals, next required steps and updated time schedule and identification of best proposal.

Once the above work is complete, following the acquisition of East Exploration by Davenport, East Exploration will embark on a 2 - 4 Hole confirmatory drill program comprised of the following:

- Drilling 1 hole into the North East of the K llstedt licence to confirm previous drilling data with the aim of compiling a JORC resource over this area. The previous drilling in this area suggests thick relatively shallow mineralisation of Carnallite.
  - It is expected that the drilling depths will be between 500m and 800m
  - Based on the results of this hole a second hole may be placed in this area to enhance the results
- Drilling 1 hole into the Southern section of the deposit to confirm previous drilling data with the aim of compiling a JORC resource of this area. Previous drilling in this area suggests potential for high grade sylvinite mineralisation exists here.
  - It is expected drilling depths in this region will be about 950m;
  - Based on the results of this hole a second hole may be placed in this area to enhance the results.

East Exploration are currently getting drilling cost estimates from several drilling companies.

#### **7.2. Gr fentonna**

In conjunction with the work undertaken and to be undertaken in respect of the K llstedt project, East Exploration will conduct investigations in respect of the Gr fentonna tenement, including investigating all available data relating to the tenement, in order to plan the next stage of exploration.

#### **8. East Exploration's Reporting obligations in respect of German Licences**

Prospecting results must be disclosed to the Thuringian State Mining Office immediately after completion of operations, and no later than at expiry of the permit. Moreover, the status of prospecting must be reported yearly to the Thuringian State Mining Office.

In accordance with the regional plans Central and North Thuringia, protected or restricted areas for open space safeguarding, flood protection, agricultural land use, raw materials, tourism and recreation are located fully or partially inside the claim.

Regarding plans for the 2nd exploration phase please note already that:

- for utilisation of areas, in particular agricultural land, agreements under private law must be reached with the owners and users of those areas; and

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- in implementation zones of legally authorised development plans, the conditions of these must be taken into consideration.

Parts of the claim include a shared boundary or overlap with mining properties awarded for other unappropriated mineral resources. If the prospecting activities are carried out in these field sections, then measures must be implemented with their right-holders or mining companies as part of the prospecting operation plan, to rule out any interference with the mining activities currently carried out there.

## 9. Key risks associated with Davenport after the demerger

There are risks which could have a material adverse impact on Davenport, its operating and financial performance, and the price or value of Davenport shares after completion of the demerger.

The risks applicable to Davenport following the demerger and prior to the completion of the acquisition of East Exploration are substantially the same as those presently applicable to Davenport. The following key risks would be anticipated to apply in addition to the present risks:

**Transaction Risk** – The acquisition of East Exploration may not be completed for a range of potential reasons including but not only not raising required capital or satisfying other admission criteria of ASX for an initial public offer listing, or non-satisfaction of other conditions precedent (unless waived) in a timely manner or at all. If the acquisition of East Exploration is not completed Davenport will be unlikely to be able to list on ASX or another securities exchange unless it either acquires other assets, projects or activities. Davenport's ability to raise capital may be limited pending or in the absence of the East Exploration acquisition, and Davenport may be required to be wound up with the loss of any value that might otherwise have been represented by Davenport shares following the demerger.

**Illiquid shares in an unlisted company** – until and unless the acquisition of East Exploration or an alternative acquisition and an associated capital raising are successfully completed and the requirements of ASX or another applicable securities market are met, Davenport shares will not be listed on ASX or other securities exchange. During that time there will be no ready market for Davenport shares and they will not be able to be traded in the same way as Arunta shareholders can presently trade Arunta shares. The absence of a ready market will mean holdings of Davenport shares are illiquid and potentially not able to be traded. In the absence of a market, determining the price or value of Davenport shares, or a price at which they might be disposed of if able to be disposed of, may not be possible or may be uncertain or difficult.

**Financing Risk** – Davenport will no longer be a subsidiary of an ASX listed company (Arunta). Therefore its access to capital may be reduced. Pending raising capital itself, Davenport will be reliant on its existing funds and funds transferred to it by Arunta as part of the demerger process.

**Increased Costs** - Davenport will be required to fund and bear its own operating costs and in particular overhead and administrative costs as an "stand alone" entity rather than these being in part shared with or absorbed by Arunta as its parent company. Therefore the amount payable as operating, overhead and administrative costs is likely to be greater than at present.

Further key risks applying after completion of the acquisition of East Exploration identified by the present Board of East Exploration are set out in the following Section 10.

It should be noted that the above description of risks is not intended to be an exhaustive list of the risk factors to which Davenport is or may be exposed.

## 10. Key risks associated with Davenport after the proposed acquisition of East Exploration

There are risks which could have a material adverse impact on Davenport, its operating and financial performance and the price or value of Davenport shares after completion of the proposed acquisition of East Exploration. Key risks identified by the present Board of East Exploration are set out below. It should be noted that the description of risks below is not intended to be an exhaustive list of the risk factors to which Davenport is or may be exposed.

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**Potash Prices** - Potash prices and movements in foreign currency exchange rates have a substantial impact on potash exploration and development projects, and consequently any downward movement may adversely impact the financial performance of East Exploration and/or the price of the shares.

**Exploration** - Potash exploration and development activity by its nature contains significant risks. Exploration and development may be unsuccessful, or may prove more costly or time consuming than expected.

**Resource Estimate** - Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past drilling and mining, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

**Tenements and Licenses** - All of the Company's various permits, exploration licences, mining leases, mining area licences, mining tenements and exploration licences are due for renewal from time to time. The Company expects that it will in due course lodge renewal applications for them as required. The Company has no reason to believe any of these will not be renewed. However, this cannot be guaranteed. If any of the above are not renewed, the Company may suffer damage through the loss of opportunity to discover and develop any mineral resources to which it otherwise would have had a right.

**Environment** - The Company's projects are subject to German laws and regulations (including local regulations and mining authorities) regarding environmental matters and the discharge of hazardous wastes and materials. Non-compliance with these could expose the Company to substantial liabilities. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and social expectations.

**Additional Funding Requirement** - The Company will from time to time require further funding to develop its potash projects into producing mines. Market conditions, including the potash price, which are then generally prevailing will impact on the price or cost at which the Company will be able to raise such funds and no assurance can be given that such funding will be available on terms acceptable to the Company.

**Country Risk** - Germany may be subject to political, economic, contractual and other uncertainties. Future government actions concerning the economy or the operation and regulation of exploration activities could have a significant effect on the Company. The Company's activities may be subject to political, economic and other uncertainties, including the risk of civil rebellion, expropriation, nationalisation, enforceability or renegotiation or nullification of existing contracts, exploration licences, permits or other agreements, changes in law or taxation policies, currency exchange restrictions, foreign ownership restrictions and changing political conditions.

**Key Personnel** - The Company is heavily dependent upon the expertise of its key officers who are not subject to formal fixed term employment contracts. The loss of one or more of these individuals could have a material adverse effect on the Company. The Company's future ability to recruit and retain highly qualified management personnel will be critical to its success.

**Operation** - The Company's projects are variously in an evaluation and pre-development phase. As a result, the Company will be subject to many of the risks inherent in the establishment of mining operations. No assurances can be given that the Company's activities will result in a commercially viable operation. Any mining operations of the Company, should it commence production, may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, technical failure, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fires, explosions and other incidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurances can be given that the Company will be able to obtain such insurance coverage at

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reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover such claims.

**Counter Parties** - There exists a risk that counter parties to contracts and agreements with the Company, including joint venture partners, may breach the terms of such contracts and agreements. Such breach or breaches by a counter party could adversely impact on the Company and its business. In addition, financial failure or default by any current or future joint venture partner may result in unplanned expenditure or the loss of interest in relevant tenements.

#### **11. Key risks associated with Arunta after the demerger**

Some risks currently applicable to Arunta, such as general market risks, will be substantially the same after the demerger of Davenport. Risks associated with mining exploration would cease to be applicable to Arunta following the demerger. The following further key risks would be anticipated to apply in addition to the continuing current risks. It should be noted that the description of risks below is not intended to be an exhaustive list of the risk factors to which Arunta is or may be exposed.

**Transaction Risk** – The proposed acquisition of Spirit may not be completed for a range of potential reasons including but not only the possibility of not receiving shareholder approvals at a subsequent general meeting, not raising required capital or satisfying other requirements of ASX for re-compliance with the admission criteria applicable to a reverse takeover or “back door” listing, or non-satisfaction of other conditions precedent (unless waived) in a timely manner or at all. If the acquisition of Spirit is not completed Arunta may not be able to continue to be listed on ASX unless it either acquires other assets, projects or activities and/or raises significant capital within six months after the demerger. Arunta’s ability to raise capital may be limited pending or in the absence of acquiring Spirit, and Arunta may be required to be wound up with the loss of any value that might otherwise have been represented by Arunta’s shares following the demerger.

**Financing Risk** – Arunta access to capital may be reduced depending on the market perception of its proposed acquisition of Spirit and sentiment toward the sector in which Spirit operates. Pending raising capital as part of the proposed acquisition of Spirit, Arunta will be reliant on the limited funds retained after the transfer of funds by it to Davenport as part of the demerger process.

**Increased Costs** - Arunta will be required to fund and bear its own operating costs and in particular overhead and administrative costs as an “stand alone” entity rather than these being in part shared with or absorbed by Davenport as an active subsidiary. Therefore the amount payable as operating, overhead and administrative costs may be greater than at present.

Also, there would be risks associated with the proposed acquisition of Spirit, if that acquisition were to proceed, or with an alternative acquisition (if any) if the acquisition of Spirit were not to proceed. Details would be included in the notice of meeting that would be issued for a general meeting of Arunta shareholders at which approvals for the proposed acquisition of Spirit (or an alternative acquisition) would be sought.

#### **12. Board of Davenport (current and after the demerger)**

Following completion of the demerger, until the acquisition of East Exploration is completed, the current directors of Arunta named below, who are also the current directors of Davenport, are proposed to remain as directors of Davenport. Details of the proposed Board of Davenport following the completion of the acquisition of East Exploration are set out in the following Section 13.

##### **Francis Galbally**

Mr Francis Galbally is the current Chairperson of the Board of Arunta and is a director of Davenport. It is proposed that Mr Galbally will resign as a director of Davenport at the time of completion of the acquisition of East Exploration.

##### **Angus Edgar**

Mr Angus Edgar is the current managing director of Arunta and is proposed to remain as a Director following completion of the acquisition of East Exploration.

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**Christopher Bain**

Mr Christopher Bain is a current director of Davenport. It is proposed that Mr Bain will resign as a director of Davenport at the time of completion of the acquisition of East Exploration.

**13. Proposed Board of Davenport after the acquisition of East Exploration**

**Patrick McManus - BSc (Hons), MBA, FAusIMM, FAICD**

Patrick McManus has a degree in mineral processing from Leeds University and an MBA from Curtin University. A mining professional for more than 30 years, his work has taken him to many sites within Australia and overseas, including Eneabba and the Murray Basin in Australia, and Madagascar, Indonesia and the United States. During that time, Patrick has worked in operational, technical and corporate roles for RioTinto, RGC Limited and Bemax Resources Limited. He was a founding director and, from January 2007 to March 2010, managing director of ASX-listed Corvette Resources Limited. Patrick McManus is the Managing Director of Potash West NL.

**Rory Luff**

Executive Director of BW Equities Pty Ltd, a corporate advisory firm in Melbourne Australia specialising in the minerals and mining space.

**Angus Edgar**

Mr Angus Edgar is the current managing director of Arunta and is proposed to remain as a Director following completion of the acquisition of East Exploration.

**14. Interests of proposed Board of Davenport**

The members of the proposed Board of Davenport following the acquisition of East Exploration or entities associated with them will receive Davenport shares as consideration for the acquisition of East Exploration shares, as follows:

Director (or associated entity)	Number of East Exploration ordinary shares	Number of Davenport ordinary shares	Number of Davenport First Performance Shares	Number of Davenport Second Performance Shares
Patrick McManus*	Nil	Nil	Nil	Nil
Rory Luff^	114,000	5,984,986	5,557,487	5,557,487
Angus Edgar+	27,780	1,458,447	1,354,272	1,354,272

Notes:

\* Mr McManus is a director of Potash West NL, an ASX listed company which is the ultimate holding company of an East Exploration shareholder, East Exploration Holdings Pty Ltd. Mr McManus does not control Potash West NL or East Exploration Holdings Pty Ltd and will have no relevant interest in the Davenport shares received by Potash West NL or East Exploration Holdings Pty Ltd.

^ An entity associated with a relative of Mr Rory Luff also holds 144,000 East Exploration shares and will receive 7,559,983 Davenport ordinary shares, 7,019,984 Davenport First Performance Shares and 7,019,984 Davenport Second Performance Shares. The relative and their associated entity are not associates of Mr Rory Luff, and Mr Rory Luff will have no relevant interest in the Davenport shares received by the relative or their associated entity.

+ An entity associated with Mr Edgar (or its nominee) will receive East Exploration shares prior to completion of the acquisition. Neither Mr Edgar or his associated entities currently hold any East Exploration shares.

**15. Board of Arunta (current and after the demerger)**

The current Board of Arunta, being Mr Francis Galbally, Mr Angus Edgar and Mr Greg Bound would be anticipated to remain following the demerger pending the proposed acquisition of Spirit. If the proposed

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acquisition of Spirit were to proceed, it is anticipated that three new Directors of Arunta will be elected, and Mr Galbally, Mr Edgar and Mr Bound would resign as Directors of Arunta. Further details would be announced to ASX and included in the notice of meeting that would be issued for a general meeting of Arunta shareholders at which approvals for the proposed acquisition of Spirit would be sought.

## 16. Pro forma balance sheet

Set out below is the pro-forma consolidated balance sheet of Arunta as at 30 June 2015.

The financial information provided in the pro-forma consolidated balance sheet has been extracted from the audited consolidated financial report of Arunta to 30 June 2015.

The pro-forma consolidated balance sheet assumes the demerger is completed. Footnotes including assumptions are included at the end of the pro-forma consolidated balance sheet.

Arunta Resources Limited Pro-forma Consolidated Balance Sheet	Consolidated Audited 30 Jun 2015	Working Capital 1	Deposit Payments 2	Proposed Investment Proceeds 3	Transaction Costs 4	Convertible Loan 5	Assets / Liabilities Transferred 6	Pro-forma Post Davenport Demerger \$
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	597,270	-375,000	-276,673	154,000		250,000	-49,597	300,000
Trade and other receivables	31,355						-31,355	0
<b>TOTAL CURRENT ASSETS</b>	<b>628,625</b>	<b>-375,000</b>	<b>-276,673</b>	<b>154,000</b>	<b>0</b>	<b>250,000</b>	<b>-80,952</b>	<b>300,000</b>
<b>NON-CURRENT ASSETS</b>								
Trade and other receivables	14,696		126,673				-141,369	0
Other financial assets	166,984		150,000	-154,000			-162,984	0
Property, plant and equipment	13,821						-13,821	0
Deferred exploration expenditure	250,284						-250,284	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>445,785</b>	<b>0</b>	<b>276,673</b>	<b>-154,000</b>	<b>0</b>	<b>0</b>	<b>-568,458</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>1,074,410</b>	<b>-375,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>-649,410</b>	<b>300,000</b>
<b>CURRENT LIABILITIES</b>								
Trade and other payables	144,582				250,000		-144,582	250,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>144,582</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>0</b>	<b>-144,582</b>	<b>250,000</b>
<b>NON-CURRENT LIABILITIES</b>								
Provisions	12,000						-12,000	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>12,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-12,000</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>156,582</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>0</b>	<b>-156,582</b>	<b>250,000</b>
<b>NET ASSETS</b>	<b>917,828</b>	<b>-375,000</b>	<b>0</b>	<b>0</b>	<b>-250,000</b>	<b>250,000</b>	<b>-492,828</b>	<b>50,000</b>
<b>TOTAL EQUITY</b>	<b>917,828</b>	<b>-375,000</b>	<b>0</b>	<b>0</b>	<b>-250,000</b>	<b>250,000</b>	<b>-492,828</b>	<b>50,000</b>

Footnotes:

1. Includes operating working capital expenditure up to 31 October 2015 and assumed requirements of \$70,000 per month for 2 months up to 31 December 2015 before the transaction occurs.

Includes \$118,419 received in October from a Government research and development tax incentive application from the 2014 financial year.

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2. Rental and mining security bonds and \$150,000 deposit for the proposed acquisition of East Exploration (\$100,000 paid and a further \$50,000 expected to be paid by 31 December 2015).
3. Estimated proceeds from the proposed sale of the investment held in an unlisted company, Total Face Group Limited.
4. Estimated transaction costs required to be paid of legal and other advisors and experts.
5. Proposed convertible loan to raise additional funding to meet working capital requirements before the transaction occurs.
6. \$250,000 to pay estimated transaction costs and an additional \$50,000 cash will remain. All other assets and liabilities will be transferred to Davenport Resources.

#### *Basis of Preparation*

The above pro forma consolidated balance sheet has been prepared in accordance with the ASIC Regulatory Guide 230 Disclosing non-IFRS Financial Information issued in December 2011.

The pro-forma consolidated balance sheet is based on actual, audited financial report at 30 June 2015 and has been prepared to provide shareholders with information on the assets and liabilities of Arunta and pro-forma assets and liabilities of Arunta following the demerger. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

#### *Most recent audited financial statement*

The financial report for the year ended 30 June 2015 was been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The financial report for the year ended 30 June 2015 contains historical financial information including the directors' report and financial statements of the type issued by Australian public companies, and the auditor's report. The auditor's report contains a going concern emphasis of matter. Any person may request a copy of the financial report for the year ended 30 June 2015, which the Company will provide free of charge. In addition, a copy may be downloaded from company announcements which are published on the ASX web site under the code "AJR", or from the Company's website, [www.aruntaresources.com.au](http://www.aruntaresources.com.au).

#### **17. Competent Person's Statement**

The information in this Memorandum that relates to Exploration Targets and Exploration Results, is based on information (**the report**) compiled by Andreas Jockel, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 1018) and Dr Henry Rauche, a Competent Person who is a Member of a 'Recognised Professional Organisation' (RPO), the European Federation of Geologists, and a registered "European Geologist" (Registration Number 729).

Andreas Jockel and Dr Henry Rauche are full-term employees of ERCOSPLAN Ingenieuresellschaft Geotechnik und Bergbau mbH (ERCOSPLAN). ERCOSPLAN, Andreas Jockel and Dr Henry Rauche are not associates or affiliates of East Exploration, Arunta, Davenport, or of any associated company. ERCOSPLAN received a fee for the preparation of the report in accordance with normal professional consulting practices. That fee was not contingent on the conclusions of the report and ERCOSPLAN, Andreas Jockel and Dr Henry Rauche will receive no other benefit for the preparation of the report. ERCOSPLAN, Andreas Jockel and Dr Henry Rauche do not have any pecuniary or other interests that could reasonably be regarded as capable of affecting their ability to provide an unbiased opinion in relation to the Kllstedt Exploration Licence Area.

ERCOSPLAN does not have, at the date of this Memorandum, and has not had within the previous years, any shareholding in or other relationship with East Exploration, Arunta, Davenport or the Kllstedt Exploration Licence Area and consequently considers itself to be independent of East Exploration, Arunta and Davenport.

Andreas Jockel and Dr Henry Rauche have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources

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and Ore Reserves'. Andreas Jockel and Dr Henry Rauche consent to the inclusion in this Memorandum of the matters based on their information in the form and context in which it appears.

The information in this Memorandum that relates to an Exploration Target is based on, and fairly represents, the information and supporting documentation extracted from the report which was prepared by Andreas Jockel and Dr Henry Rauche in compliance with the JORC Code (2012) and released to the ASX by Potash West NL on 4 March 2015 under the code "PWN", "Significant Exploration Target Identified at K ullstedt within South Harz Project, Germany". The technical report "Final 12-043N01\_JORC\_Kuellstedt\_2015-03-15" and subsequent market release are both available on the website of Potash West NL at [www.potashwest.com.au](http://www.potashwest.com.au).

Potash West NL has confirmed to the Company that it is not aware of any new information or data that materially affect the information included in the original announcement. All material assumptions and technical parameters underpinning the Exploration Target estimate in that previous ASX release continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## **18. Resolutions**

### **18.1. Resolution 1: Amendment of the Constitution**

Resolution 1 is proposed as a special resolution to amend the existing constitution of Arunta to provide for greater certainty in the implementation of the proposed in specie distribution.

At present, Arunta has the power under the Corporations Act to distribute any of its property among its shareholders, in kind (in specie) or otherwise.

Recent developments in Court decisions suggest that a company may require an express provision in its constitution to facilitate making an in specie distribution involving a distribution of shares in another company. In particular, the Court decisions may indicate that the requirement that a person agrees to become a shareholder of another company (in this case, Davenport) means that the constitution of the company making the distribution (here Arunta) needs an express provision empowering the directors of the company making the distribution to give that agreement on behalf of its shareholders.

The new provision will expressly empower the Directors to, among other things, agree to each shareholder who receives Davenport shares under the demerger becoming a shareholder of Davenport.

It also deals with matters incidental to making an in specie distribution of assets, including giving the directors of Arunta the ability to resolve any difficulty in connection with an in specie distribution. The powers include making alternative arrangements for foreign shareholders to receive cash payments instead of shares, if qualifying an offer under foreign laws is considered impractical, or if it would be illegal. This is consistent with the treatment of shareholders with addresses on the register of members outside Australia and New Zealand under the Listing Rules in a rights issue.

The amendment of the constitution would establish the clear power to make the distribution and to consent to becoming members (shareholders) of Davenport on behalf of members. This will facilitate the implementation of the demerger, resulting Arunta shareholder's indirect interests in Davenport (which holds and conducts the group's mining exploration assets and activities) becoming directly held.

As Resolution 1 is a special resolution, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution for the resolution to be passed and for the amendment of the constitution to take effect.

### **18.2. Resolution 2: Approval for disposal of main undertaking**

Resolution 2 seeks approval from the Company's shareholders for the disposal of Arunta's current main undertaking by the demerger of Davenport.

The Company's current main undertaking is the mining exploration assets and activities held and conducted by Davenport. The demerger results in the Company disposing of its main undertaking by ceasing to own Davenport. The disposal of the main undertaking by the demerger also entails a change in the scale of the

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activities of the Company and the change in nature of the Company's activities by ceasing to be a mining exploration company by the demerger of Davenport.

The disposal of the Company's main undertaking would be made in anticipation of the proposed acquisition of Spirit (and specifically to focus on the Spirit's telecommunications business) if that acquisition is completed or by an alternative acquisition or acquisitions (if any) that may be identified by Arunta if the acquisition of Spirit were not to be completed.

The details of, and risks associated with, Arunta ceasing to be a mining exploration company by the demerger of the Company's subsidiary Davenport and proposed acquisition of East Exploration by Davenport are set out earlier in this Memorandum.

ASX Listing Rule 11.2 provides that where an entity proposes disposing of its main undertaking it must get the approval of holders of its ordinary shares and comply with any requirements of ASX in relation to the notice of meeting.

After the disposal of the main undertaking by the demerger of Davenport, the Company will be required to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX within six months. If a new main undertaking is not acquired within 6 months of the demerger, ASX would suspend and delist Arunta.

It is intended that the re-compliance requirements will be satisfied by and as part of the proposed acquisition of Spirit and the capital raising in connection with that acquisition.

Shareholder approval for the proposed acquisition of Spirit, including to issue Arunta shares and options as consideration for the acquisition and to elect new Directors to the Board of Arunta would be sought at a separate general meeting of Arunta shareholders. A prospectus would be issued for the capital raising in connection with that acquisition, which will also have the objective of satisfying the disclosure requirements applicable to a new listing.

Further announcements would be made to ASX, including releasing a copy of the prospectus when lodged, and a detailed notice of meeting would be issued in respect of seeking the approvals for the proposed acquisition of Spirit.

### **18.3. Resolution 3: Demerger of Davenport Resources Limited**

#### **Introduction**

As set out in Section 4, under the terms of the proposed acquisition of East Exploration by Davenport and the proposed acquisition of Spirit by Arunta, Arunta is to demerge Davenport (subject to shareholder approval). The demerger will be implemented by Arunta making an *in specie* distribution of all the shares of Davenport to Arunta's shareholders. The demerger of Davenport by Arunta will be a reduction of Arunta's share capital.

Shareholders are being asked to consider and, if thought fit, to pass an ordinary resolution authorising the reduction of share capital and *in specie* distribution of all the shares of Davenport to Arunta's shareholders to implement the demerger.

The *in-specie* distribution of Davenport shares under the demerger will be pro-rata, based on the number of Arunta shares held by eligible Arunta shareholders on the Record Date, by way of an equal capital reduction under sections 256B and 256C of the Corporations Act.

Eligible Arunta shareholders will be shareholders with an address in the register of members in Australia and New Zealand, or in other countries Arunta may determine having regard to and subject to regulatory requirements of those countries (if any) applying to the receipt of Davenport shares and whether shareholders are able to confirm to Arunta that they satisfy or can satisfy local regulatory requirements for receiving Davenport shares. Arunta will make arrangements for Davenport shares that would otherwise have been distributed to ineligible Arunta shareholders to be sold and the net proceeds of the sale to be paid to the ineligible Arunta shareholders in proportion to their holding of shares sold.

Based on the current number of Davenport shares on issue, each eligible Arunta shareholder will receive 0.328415 (zero point three two eight four one five) fully paid ordinary Davenport shares for every 100 (one

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hundred) Arunta shares held on the Record Date. Fractional entitlements to Davenport shares resulting from the demerger will be rounded up to the nearest whole number of shares.

Arunta has announced an intention to consolidate its Shares as part of the proposed acquisition of Spirit, if that acquisition proceeds. The Record Date for determining entitlements to Davenport shares for the *in specie* distribution will be before the consolidation would take effect. Therefore entitlements to Davenport shares are calculated on a pre-consolidation basis, and references to the Company's shares in respect of Resolution 3, the demerger, the capital reduction and the *in specie* distribution are references to pre-consolidation shares.

Under the demerger, shareholders will not be required to pay any consideration for the Davenport shares.

The terms of the demerger are the same for each eligible Arunta shareholder. The date for determining which shareholders are entitled to participate in the return of capital is the Record Date.

A pro-forma balance sheet showing the effect of the demerger on the Company is set out in Section 16.

Resolution 3 is dependent on Resolution 2 being passed. Accordingly, if Resolutions 2 and 3 are not passed the demerger will not proceed.

#### **Reason for the demerger**

The reason the demerger by an *in-specie* distribution of Davenport shares is proposed is to ensure that eligible Arunta shareholders are able to retain their (currently indirect) investment and interest in the Company's main, existing activity (mining exploration) without dilution by the proposed acquisition of Spirit. The demerger will mean that Arunta shareholders who retain their Arunta shares can participate in the opportunity represented by the proposed acquisition of Spirit which the Board identified, if that acquisition proceeds.

Vendors of Spirit (if acquired) and investors in the capital raising which is anticipated to be undertaken in conjunction with the proposed acquisition of Spirit will not receive any interest in Davenport, its mining exploration tenements or any other interests that may be acquired or held by Davenport.

By separating the mining exploration tenements and Spirit's business (if Spirit is acquired), each company will be able to focus on and devote its respective resources to its particular activities under separate Boards, without the different activities competing for or diluting the funds, management time or other resources of each other.

#### **Demerger Timetable**

Set out below is the indicative timetable for the demerger. These dates are indicative only and are subject to change at the Board's discretion (subject to the ASX Listing Rules and the Corporations Act). Any changes to the timetable will be notified by Company by announcements to ASX.

Dispatch of Notice of General Meeting to approve the demerger	19 January 2016
General Meeting to approve the demerger	19 February 2016
"Ex" date for the demerger (in specie distribution) - the date on which Arunta shares commence trading without the entitlement to participate in the <i>in specie</i> distribution of Davenport shares (unless otherwise suspended).	23 February 2016
Record Date for the demerger	25 February 2016
Indicative Davenport shares distribution date	26 February 2016

#### **Requirements under section 256B and section 256C of the Corporations Act**

The demerger is an *in specie* distribution of the Shares to eligible Arunta shareholders by way of a capital reduction. The capital reduction is an equal reduction of capital under the Corporations Act.



Section 256B of the Corporations Act provides that the Company may only reduce its share capital if the reduction:

- is fair and reasonable to the shareholders of Arunta as a whole;
- does not materially prejudice the Company's ability to pay its creditors; and
- is approved by shareholders under section 256C of the Corporations Act.

Under section 256C of the Corporations Act, an equal reduction of capital must be approved by an ordinary resolution passed at a general meeting of the Company. Accordingly, for the demerger to be approved by a resolution being passed, a majority of votes by those present in person or by proxy must be cast validly in favour of the resolution.

For the reasons set out in this Memorandum:

- The Directors consider that the demerger is fair and reasonable to shareholders as a whole because it applies to all eligible shareholders of Arunta equally. Further, the Directors consider that the return per Arunta share is a reasonable return to Arunta shareholders;
- The Directors consider that the demerger does not materially prejudice the Company's ability to pay its creditors; and
- Resolution 3 requires approval of shareholders in accordance with section 256C of the Corporations Act. This Notice notifies shareholders of the meeting at which approval of Resolution 3 is being sought.

The separation of the mining tenements by demerging Davenport also enables that aspect of the current business to pursue opportunities such as the proposed acquisition of East Exploration separately and without affecting, or being affected by Arunta's anticipated new focus on the Spirit business (if Spirit is acquired).

#### **The effect of the demerger on Arunta shareholders**

The number of Arunta shares held by Arunta shareholders will not change as a result of the demerger, and Arunta shareholders will retain their current percentage shareholding interest in Arunta immediately following the demerger. The rights attaching to Arunta shares will not be altered by the demerger.

Eligible Arunta shareholders will not be required to pay any additional consideration for the Davenport shares as the Company will make an appropriate capital reduction to reflect the distribution of Davenport shares. The terms of the demerger are the same for each eligible Arunta shareholder.

The Davenport shares will be distributed to eligible Arunta shareholders on a pro-rata basis, with fractional entitlements to be rounded up to the nearest whole Davenport share.

As at the date of this Notice of Meeting, Arunta has 1,826,956,250 shares on issue. No additional Arunta shares will be issued and no Arunta shares will be cancelled or bought back as a result of the *in specie* distribution of Davenport shares. The ratio for distribution of the Davenport shares will be 0.328415 (zero point three two eight four one five) Davenport shares for every 100 (one hundred) Arunta shares held by eligible Arunta shareholders on the Record Date.

#### **Davenport shareholders will be bound by Davenport constitution**

If shareholders approve Resolution 3 and the demerger is completed, all Arunta shareholders (including those who did not vote or did not vote in favour of Resolution 3) will become shareholders of Davenport and will become bound by the Davenport constitution.

#### **Rights attaching to Davenport shares**

The rights attaching to ownership of Davenport shares in general (including the Davenport shares) are:

- described in the Davenport constitution; and

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- regulated by the Corporations Act, and the general law.

The Davenport constitution is typical of those for Australian public companies. It also contains provisions that comply with ASX requirements if Davenport becomes listed. A copy of the Davenport constitution is available on the Company's website [www.aruntaresources.com.au](http://www.aruntaresources.com.au).

### **Tax consequences**

The Company believes the taxation implications to shareholders as a result of the demerger will be a reduction in the cost base of their Shares in the Company equal to the value of the Davenport Shares distributed to them. Should the value of the Davenport Shares distributed exceed this cost base, then an assessable capital gain may result based on the number of Davenport shares being distributed and the value at which Shares have traded on ASX.

Shareholders should consult their own professional advisors in relation to the demerger. For specific taxation advice, shareholders should consult their own taxation adviser so that their individual circumstances and taxation positions are taken into consideration.

### **Advantages and Disadvantages of the demerger**

The principal advantages and disadvantages to shareholders of the demerger are as follows:

#### *Advantages*

The demerger will:

- (a) position Arunta to pursue the proposed acquisition of Spirit opportunity, in which all Arunta shareholders who retain their Arunta shares would participate;
- (b) enable existing Arunta shareholders to retain their interest in the Company's current main activity as a separate entity without being diluted by the vendors of Spirit or participants in a capital raising in connection with the proposed acquisition of Spirit if completed; and
- (c) enable existing Arunta shareholders who retain their Arunta shares to participate in such other opportunities as the Company may secure if the proposed acquisition of Spirit were not to be completed.

The South Harz Project is an advanced project insofar as there has been a significant amount of historical investigations carried on both tenements over many years of which the data and information is available to East Exploration.

East Exploration's German consultants, ERCOSPLAN, have had significant experience in this area and this type of exploration.

#### *Disadvantages*

Arunta shareholders will receive shares in a company that is not listed on ASX or another securities market at the time of the demerger. The Davenport shares received under the demerger will not be listed until (and then only if) Davenport successfully completes the acquisition of East Exploration or another suitable acquisition, raises sufficient capital and satisfies the requirements for an initial public offer on ASX.

Until additional capital is raised, Davenport will be reliant on existing funds which are to be transferred from Arunta as described earlier in this Memorandum. Unlike Arunta, Davenport would not be raising funds as an existing listed company, which may limit its ability to raise funds more than would be the case for Arunta as a listed company if Arunta were to retain its main undertaking and continue its existing activities, and not seek to acquire an alternative business or undertaking such as Spirit.

Key risks which could have a material adverse impact on Davenport's operating and financial performance and the price or value of Davenport shares are set out in Sections 9 and 10.

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**Effect on Arunta Options**

ASX Listing Rule 7.22.3 provides that in a return of capital, the number of options must remain the same and the exercise price of each option must be reduced by the same amount as the amount returned in relation to each ordinary security.

Arunta currently has the following Options on issue:

<b>Number of Options</b>	<b>Pre Distribution Exercise Price</b>	<b>Expiry Date</b>	<b>Listed or unlisted</b>
590,586,829	\$0.002 (0.2 cents)	31 July 2019	Listed (AJRO)
15,000,000	\$0.03 (3 cents)	18 December 2016	Unlisted

In accordance with ASX Listing Rule 7.22.3 the exercise price of each Option on issue on the Record Date will be reduced by the same amount as the amount returned in relation to each Arunta share.

**Risk Factors**

There are risks which could have a material adverse impact on Davenport's operating and financial performance and the price or value of Davenport shares. Key risks are set out in Sections 9, 10 and 11. It should be noted that the description of risks in Sections 9, 10 and 11 is not intended to be an exhaustive list of the risk factors to which Davenport is or may be exposed.

**Directors' Interests**

The table below sets out the current direct and indirect interests of the current Directors of Arunta in the Company's Shares and the number of Davenport shares each Director will receive *in specie* under the demerger.

<b>Director (direct and indirect interests)</b>	<b>Number of Arunta Group shares</b>	<b>Number of Davenport shares</b>
Francis Galbally	18,172,810	59,683
Angus Edgar*	237,612,310	780,355
Greg Bound	Nil	Nil

\* Mr Edgar also has direct and indirect interests in 90,998,841 Arunta options (ASX code AJRO, exercisable at 0.2 cents expiring on 31 July 2019). The Arunta options carry no entitlement to Davenport shares.

**Information about East Exploration**

The Information about East Exploration contained in this Memorandum has been prepared in part based on information provided by East Exploration or its representatives. Information in this Explanatory Memorandum concerning East Exploration provided by East Exploration or its representatives has not been independently verified by the Company. None of the Company, the Board nor any officer, employee, advisor or member of Arunta or its subsidiaries including Davenport make any representation or warranty (express or implied) as to the accuracy or completeness of information received about East Exploration, its assets, financial position or activities.

Information about East Exploration has also been released to ASX in announcements by Potash West NL (the holding company of a proposed vendor of East Exploration shares). Copies of Potash West NL's ASX announcements can be obtained from the ASX website under the code PWN. Announcements by Potash West have not been checked and are not confirmed or endorsed by Arunta or Davenport or their officers, employees or representatives.

**Access to further information**

Arunta is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations.

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Broadly, these obligations require Arunta:

- to prepare and lodge with the Australian Securities and Investments Commission (**ASIC**) both yearly and half yearly financial statements accompanied by a director's statement and report and an audit review or report for Arunta and for the consolidated Arunta group which currently includes Davenport as a wholly owned subsidiary;
- as a company listed on ASX, Arunta is subject to the ASX Listing Rules, which require (subject to certain exceptions) immediate disclosure to the market of any information concerning Arunta or its subsidiary including Davenport of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities, subject to certain limited exceptions related mainly to confidential information. This information to be disclosed includes information about Davenport as a wholly owned subsidiary. This Memorandum should be read in conjunction with the publicly available information in relation to Arunta, which has been notified to ASX. Shareholders should therefore have regard to the other publicly available information in relation to Davenport before making a decision on how to vote on the Resolutions.

From time to time the Company seeks and engages in discussions on an ongoing basis in respect of potential new investment opportunities. While the Company may seek and negotiate potential investment opportunities in this respect, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company would make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

Any person may request, and the Company will provide free of charge, a copy of each of the following documents before the general meeting. The documents are also available on-line from the ASX web site:

- (a) the Annual Financial Report of the Company for the financial year ended 30 June 2015 (lodged with ASX on 17 September 2015 as part of the 2015 Annual Report), being the most recent annual financial report of the Company before the date of the Notice of Meeting which this Memorandum accompanies and forms part of;
- (b) any continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report referred to in (a) above before the date of the Notice of Meeting. Continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report to the date of this Prospectus are listed below.

Copies of documents lodged with ASIC and ASX in relation to Arunta and Davenport may be obtained from ASIC or ASX by accessing their respective web sites, or by request from the Company before the general meeting.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of the Notice of Meeting which this Memorandum accompanies and forms part of which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX. The Company is not aware of any matters that would need to be disclosed under the Corporations Act or the Listing Rules that have not been previously disclosed or which have not been set out in this Memorandum or the Notice of Meeting which it accompanies and forms part of.

The following announcements (continuous disclosure notices) have been made by the Company to ASX since lodging its audited financial statements (Annual Report) for the year ended 30 June 2015:

Date	Headline
01/12/2015	Spirit Update
24/11/2015	Results of Meeting
23/11/2015	Change of Company Secretary
16/11/2015	Final Director's Interest Notice - Mr A Wing
16/11/2015	Initial Director's Interest Notice

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Date	Headline
12/11/2015	Board Changes
30/10/2015	Quarterly Activities and Cashflow Report
22/10/2015	Notice of Annual General Meeting/Proxy Form
24/09/2015	South Harz Potash Project - Completion of Due Diligence
17/09/2015	Appendix 4G
17/09/2015	Annual Report to shareholders

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements before the general meeting.

The Company may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website, [www.asx.com.au](http://www.asx.com.au). Copies of announcements can also be obtained from the Company upon request and will be made available at the Company's website [www.aruntaresources.com.au](http://www.aruntaresources.com.au). Shareholders investors are advised to refer to ASX's website for updated releases about events or matters affecting the Company.

**Relief from disclosure requirements granted by ASIC**

The Corporations Act:

- (a) restricts the Company from inviting shareholders to vote on the *in specie* distribution of Davenport shares at the Meeting without issuing a prospectus in respect of the Davenport shares; and
- (b) may restrict the Company's shareholders from on-selling the Davenport shares distributed to them within 12 months of receiving their Davenport shares, without subsequent disclosure being made by that person or the Company.

ASIC has granted relief from the above restrictions, allowing:

- (a) the Company to issue this Notice and invitation to shareholders to vote without requiring the Company to issue a prospectus in respect of the Davenport shares; and
- (b) shareholders (other than shareholders which controlled Davenport at the time of the *in specie* distribution who would have been required to give disclosure to investors under the Corporations Act but for an exception in the Act) to on-sell the Davenport shares distributed to them within 12 months of receiving their Davenport shares.

As required by the terms of the relief granted by ASIC, the Company states that:

- (a) the capital reduction (the *in specie* distribution of Davenport shares) is not conditional upon the quotation of securities of Davenport on a financial market (whether in Australia or elsewhere);
- (b) The Notice (including this Memorandum) is in substantially the same form as the draft Notice (including a draft of this Memorandum) given to ASIC on 13 January 2016.

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# ARUNTA RESOURCES LIMITED

ACN: 089 224 402

## REGISTERED OFFICE:

LEVEL 14  
31 QUEEN STREET  
MELBOURNE VIC 3000

## SHARE REGISTRY:

Security Transfer Registrars Pty Ltd  
**All Correspondence to:**  
PO BOX 535, APPECROSS WA 6953  
AUSTRALIA  
770 Canning Highway, APPECROSS WA 6153  
AUSTRALIA  
T: +61 8 9315 2333 F: +61 8 9315 2233  
E: registrar@securitytransfer.com.au  
W: www.securitytransfer.com.au

«Company\_code»«Sequence\_number»«Address\_unknown»

«Holder\_name»  
«Address\_line\_1»  
«Address\_line\_2»  
«Address\_line\_3»  
«Address\_line\_4»  
«Address\_line\_5»

Code:

AJR

Holder Number:

«HOLDER\_NUM

## PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

### SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson 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 the Company to be held at **11:00am AEDT on Friday 19 February 2016** at the offices of the Company, Level 14, 31 Queen Street, Melbourne, Victoria, 3000 and at any adjournment of that meeting.

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

#### RESOLUTION

- Amendment of the Constitution
- Approval for Disposal of Main Undertaking
- Demerger of Davenport Resources Limited

For Against Abstain\*

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. \* 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.

### SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 11:00am AEDT on Wednesday 17 February 2016

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AJRPX1260216

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My/Our contact details in case of enquiries are:

Name:

Number:

(  )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

### 4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) 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 contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities 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 of your votes; and
- b) Return both forms in the same envelope.

### 5. SIGNING INSTRUCTIONS

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

**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney you must have already lodged this document with the Company's share 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 may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

### 6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

#### Security Transfer Registrars Pty Ltd

**Postal Address** PO BOX 535  
Applecross WA 6953 AUSTRALIA

**Street Address** Alexandria House  
Suite 1, 770 Canning Highway  
Applecross WA 6153 AUSTRALIA

**Telephone** +61 8 9315 2333

**Facsimile** +61 8 9315 2233

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#### PRIVACY STATEMENT

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