



# **MITHRIL**

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## **RESOURCES LTD**

### **AMENDED EXPLANATORY NOTES TO RESOLUTION 4** **AGM HANDOUT**

On The 20<sup>th</sup> October 2009 Mithril Resources Ltd (“**the Company**”) announced to the ASX, that the director’s of the Company propose to amend Resolution 4 as set out in the Notice of Meeting.

The Company wishes to advise in respect of Resolution 4 and the proposed issue of options to directors, that the directors are proposing to increase the exercise price of the options by 50% from \$0.20 to \$0.30. The purpose of the amendment is to increase the exercise price to reflect current market prices. The proposed amended price represents a premium of 130.77% to the closing price of the Company’s shares of \$0.13 on 25 June 2009, being the date that the options were announced to the ASX.

The amended explanatory notes in regards to Resolution 4 are set out below.

#### **Resolution 4: Approval of Issue of Options to the Directors**

On 25 June 2009, the Board resolved, subject to obtaining Shareholder approval, to allot and issue 2,300,000 options to the Directors (or their respective nominees) each to acquire one Share in the Company with an exercise price of \$0.20 and an exercise period of four years commencing on 25 June 2010 and expiring on 24 June 2014. The director’s subsequently resolved and proposed on the 20<sup>th</sup> October 2009, subject to obtaining Shareholder approval to increase the exercise price of the options to \$0.30. The exercise price of \$0.30 represents a 130.77% premium to the closing price of \$0.13 on 25 June 2009, being the date that the options were announced to ASX.

The Board has reviewed the market standard of remuneration for directors, and considered it appropriate to issue the proposed number of options to each of the Directors in order to retain their services and provide incentive linked to the performance of the Company. The Board acknowledges the recommendation of the ASX that long-term incentives such as options are not the optimal form of remuneration for non-executive directors. However, the Board believes that providing options to non-executive directors is the most appropriate form of remuneration for the Company in order to conserve maximum cash funds to carry out ongoing exploration activities and to retain the services of the non-executive directors.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because the proposed issue is to Directors, and as such related parties, of the Company . If Shareholder approval is given under ASX Listing Rule 10.11, Shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in these Explanatory Notes:

- (1) Subject to Shareholder approval, it is proposed that each Director will be granted the number of options as set out in table 1 below to subscribe for new ordinary Shares in the Company. It is considered appropriate to grant the options to the Directors as a key component of remuneration in order to retain their services and to provide incentive linked to the performance of the Company. There are no additional performance criteria on the options given the Board and management team are responsible for running the Company. It is considered the performance of the Directors and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if the Board of Directors perform to the level whereby the value of the Company increases sufficiently to warrant exercising the options. It is considered that any additional performance criteria is not warranted.

- (2) The breakdown of the options that the Directors (or their respective nominees) will receive in accordance with Resolution 4 is set out in the following table:

**Table 1: Summary of proposed issue of options**

Director	No. of Options	Exercise Price	Exercise Period	Value per Option	Total Value
Mr John Roberts	500,000	\$0.30	25 June 2010 to 24 June 2014	\$0.201	\$100,500
Mr Graham Ascough	600,000	\$0.30	25 June 2010 to 24 June 2014	\$0.201	\$120,600
Mr Derek Carter	400,000	\$0.30	25 June 2010 to 24 June 2014	\$0.201	\$80,400
Mr Richard Bonython	400,000	\$0.30	25 June 2010 to 24 June 2014	\$0.201	\$80,400
Mr Donald Stephens	400,000	\$0.30	25 June 2010 to 24 June 2014	\$0.201	\$80,400

No funds will be raised by the grant of the options as they are being granted for no consideration. Each option proposed to be granted entitles the holder to subscribe for one Share in the Company at the specified exercise price of \$0.30 per Share exercisable during the exercise period specified above. Shares issued on exercise of the options will rank equally in all respects with the existing fully paid ordinary Shares in the Company.

**(3) Terms and Conditions of Options issued to Directors**

- The Optionholder is entitled to be allotted one fully paid ordinary Share in the Company for each Option exercised (subject to possible adjustments referred to below).
- The Options to be issued to the Optionholders are as follows:

2,300,000 options with an exercise price of \$0.30 each and exercisable in whole or in part at any time during the period of four years commencing on 25 June 2010 and expiring on 24 June 2014. The options granted to an Optionholder will lapse if the Options are not exercised before the expiry date of 24 June 2014.

Notwithstanding the above, if there is a takeover bid made for the Company before 25 June 2010 which is recommended for acceptance by the Board of the Company and which would extend to any shares issued on exercise of the Options, the Optionholder may exercise any or all of the Options held by it in order to accept the takeover bid in respect of those share allotted and issued on exercise of these Options.

- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per Option in cleared funds.

- The Company will not apply for official quotation on ASX of the Options. The Company will make application for official quotation on ASX of new Shares allotted on exercise of the Options. Those Shares will participate equally in all respects with existing issued Shares, and in particular new Shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
- Subject to any restriction agreement, options are freely transferable.
- An Optionholder may only participate in new issues of securities to holders of Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

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

Where:

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

(4) A valuation of the options has been conducted and this value has included in paragraph (2). The valuation imputes a total value of the options to be issued to the Directors (or their respective nominees) of \$462,300. The value may increase or decrease after the date of the valuation as it will depend upon the future price of Shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:

- a volatility index of 129% based on the historic volatility of the Company's shares;
- The Share price on the issue date has been estimated at \$0.245 being the closing price on the 19 October 2009;
- for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
- a risk free rate of 5.24% has been used.

- (5) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to the Directors under Resolution 4 assuming that Shareholders pass the resolution:

Current shares issued	119,134,250
Shares issued assuming all existing options are exercised	156,298,000
Shares issued assuming exercise of all the options referred to in Resolution 4	2,300,000
<b>Total shares</b>	<b>158,298,000</b>
Dilution effect	1.45%

- (6) The market price of Shares in the Company would normally determine whether or not the Directors (or their respective nominees) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price of the Shares quoted on ASX during the 12 month period to 4 September 2009, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.245 on 12 June 2009 and 3 September 2009
Lowest	\$0.06 on 3 and 23 March 2009
Last	\$0.22 on 4 September 2009

The Company notes that the last available price prior to finalising the meeting documents for despatch was \$0.24 on 20 October 2009.

**(7) General**

- (a). In addition to the options proposed to be granted, for the financial year ended 30 June 2009, each Director received salary and fees (including superannuation where applicable) as follows:

Director	Directors Fees
John Roberts	\$43,600
Graham Ascough	\$236,461
Derek Carter	\$32,700
Richard Bonython	\$32,700
Donald Stephens	\$32,700

- (b). The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of Directors or any meetings of

committees of Directors, in attending meetings of Shareholders or in connection with the business of the Company.

- (c). The current Share and option holdings of the Directors and their associates are as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
John Roberts	1,412,500	647,500	Nil	312,500
Graham Ascough	Nil	600,000	Nil	1,750,000
Derek Carter	Nil	1,200,000	Nil	Nil
Richard Bonython	20,000	1,860,000	Nil	250,000
Donald Stephens	400,000	Nil	Nil	Nil

- (d). The Share and option holdings of the Directors and their associates if this resolution is passed will be as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
John Roberts	1,412,500	647,500	Nil	812,500
Graham Ascough	Nil	600,000	Nil	2,350,000
Derek Carter	Nil	1,200,000	Nil	400,000
Richard Bonython	20,000	1,860,000	Nil	650,000
Donald Stephens	400,000	Nil	Nil	400,000

- (e). As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how Shareholders ought to vote in respect of the resolution. The Chairman intends to vote any undirected proxies in favour of Resolution 4.
- (f). If Resolution 4 is passed, the options to be issued to the Directors (or their respective nominees) will be issued not later than 1 month after the date of the meeting.

### Interpretation

Terms defined in the Notice of Meeting have the same meaning in these Explanatory Notes.