



**VHM Limited**

**VHM Limited**

**ACN 601 004 102**

## **Notice of General Meeting**

**A General Meeting of the Company will be held as follows:**

**Time and date:** 11am AEST, Tuesday 24 May 2022

**Location:** Virtual Online Meeting

If you wish to virtually attend the EGM (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here:

[https://us02web.zoom.us/webinar/register/WN\\_AAD9kk3IRG-14g0asUL56w](https://us02web.zoom.us/webinar/register/WN_AAD9kk3IRG-14g0asUL56w)

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the EGM.

**This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from a suitably qualified professional adviser prior to voting.**

**If you have any questions in relation to this Notice of General Meeting, please do not hesitate to contact the Company Secretary, Ian Hobson, on [ian.hobson@vhmltd.com.au](mailto:ian.hobson@vhmltd.com.au) or + 08 9388 8290**

# Important information

## ASIC

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this document or the merits of the Demerger to which this Notice of Meeting relates.

## Purpose of this document

The purpose of this document is to:

- explain the terms of the proposed Demerger and In-specie Distribution, and the manner in which the In-specie Distribution will be implemented if approved by Shareholders; and
- provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve Resolution 2 required to give effect to the In-specie Distribution.

## Legal requirements

Pursuant to ASIC "Regulatory Guide 188: Disclosure in reconstructions", an invitation to vote at a reconstruction or capital reduction meeting on the issue or transfer of securities constitutes an offer for the purposes of Chapter 6D of the Corporations Act and, unless an exemption applies under sections 708–8A of the Corporations Act, a prospectus must accompany an offer of securities in a reconstruction or capital reduction.

On 21 April 2022, VHM obtained relief from ASIC from:

- a) parts 6D.2 and 6D.3 of the Corporations Act to undertake the In-Specie Distribution (as more particularly described in the Explanatory Memorandum), which will comprise:
  - (i) a capital component, being a reduction of VHM's issued share capital (**Capital Reduction**); and
  - (ii) an income component (if any), being a dividend (**Demerger Dividend**)<sup>1</sup>,without issuing a prospectus; and
- b) sections 707(3) and 707(5) of the Corporations Act, for any on-sale of VP Minerals Shares transferred to Shareholders under the In-specie Distribution.

In accordance with the terms of ASIC's relief, VHM confirms this Notice is in substantially the same form as the draft notice of meeting provided to ASIC on 12 April 2022.

There is no information known to VHM that is material to the decision by Shareholders on how to vote on Resolution 2 other than as disclosed in this Notice and Explanatory Memorandum and information that VHM has previously disclosed to Shareholders. Shareholders should note that this Notice and Explanatory Memorandum is not a prospectus lodged under Chapter 6D of the Corporations Act.

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<sup>1</sup> The capital component and Demerger Dividend will be paid by way of the distribution of VP Minerals Shares only. There is no additional cash component payable to Eligible Shareholders on distribution.

## **Forward looking statements**

This document contains forward-looking statements which incorporate an element of uncertainty or risk, such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects'. These statements are based on an evaluation of current economic and operating conditions, as well as assumptions regarding future events. These events, as at the date of this document, are expected to take place, but there is no guarantee that such will occur as anticipated or at all given that many of the events are outside VHM's control.

Accordingly, VHM cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this document will actually occur. Further, VHM may not update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statements.

## **No financial product advice**

This document does not constitute financial product, taxation or investment advice nor a recommendation in respect of the VP Minerals Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote, Shareholders should consider the appropriateness of the information, having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their circumstances. Neither VHM nor VP Minerals is licensed to provide financial product advice.

## **Cooling-off rights**

No cooling-off rights apply in respect of the acquisition of VP Minerals Shares under the In-specie Distribution (whether the regime is provided for by law or otherwise).

## **No internet site is part of this document**

No internet site is part of this Notice and Explanatory Memorandum. VHM maintains an internet site ([www.vhmltd.com.au](http://www.vhmltd.com.au)). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

## **Defined terms**

Capitalised terms in this Notice and Explanatory Memorandum are defined either in Schedule 1 or where the relevant term is first used.

## IMPORTANT INFORMATION REGARDING MEETING ATTENDANCE AND VOTING

Pursuant to section 249R of the Corporations Act and clause 15.7 of the Company's Constitution, the Company will hold the Meeting as a virtual meeting via a web-based meeting portal.

The Company considers that the health, safety and welfare of the Company's staff, its Shareholders and other stakeholders is of paramount importance given the dynamic nature of the COVID-19 pandemic, current restrictions on travel and gatherings, and the ability of both the Federal and State Governments to impose further restrictions.

All resolutions at the Meeting will be voted on by poll and Shareholders who are entitled to vote may vote either at the Meeting by poll during the Meeting electronically or prior to the Meeting by appointing a proxy.

Further details of the voting methods open to Shareholders are set out in detail below.

**Shareholders are strongly encouraged to either vote prior to the Meeting or to appoint the Chair as their proxy.**

The Board will continue to monitor the Covid-19 situation closely and details of any alternative arrangements for the Meeting will be issued to Shareholders electronically by no later than 10 days prior to the date of the Meeting or at shorter notice, depending on the circumstances.

The Company is aware that, at present, there are significant delays in the Australian postal system due to COVID-19, which may adversely affect both the receipt and return of voting forms by Shareholders. In accordance with section 110D of the Corporations Act, the Company will not be dispatching physical copies of the Notice of General Meeting and Explanatory Statement to all Shareholders. Instead, these documents will be emailed to all Shareholders who have provided an email address to the Company's share registrar and are otherwise available on the Company's website. Only Shareholders who have made an election to receive physical copies of meeting materials in accordance with section 110E of the Corporations Act will be provided with a physical copy.

If you wish to virtually attend the EGM (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here: [https://us02web.zoom.us/webinar/register/WN\\_AAD9kk3IRG-14g0asUL56w](https://us02web.zoom.us/webinar/register/WN_AAD9kk3IRG-14g0asUL56w)

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the EGM.

Shareholders will be able to vote (see the "Voting virtually at the Meeting" section of this Notice of Meeting below) and ask questions at the virtual meeting. Shareholders are also encouraged to submit questions in advance of the Meeting to the Company. Questions must be submitted in writing to the Company Secretary at [ian.hobson@vhmltd.com.au](mailto:ian.hobson@vhmltd.com.au) at least 48 hours before the EGM.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

### **Voting virtually at the Meeting**

Shareholders who wish to vote virtually on the day of the EGM will need to login to the online meeting platform powered by Automic. Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting. An account can be created via the following link [investor.automic.com.au](https://investor.automic.com.au) and then clicking on “register” and following the prompts.

Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

To access the virtual meeting on the day:

1. Open your internet browser and go to [investor.automic.com.au](https://investor.automic.com.au)
2. Login with your username and password or click “register” if you haven’t already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**
3. After logging in, a banner will display at the bottom of your screen to indicate that the meeting is open for registration, click on “Register” when this appears. Alternatively, click on “Meetings” on the left-hand menu bar to access registration.
4. Click on “Register” and follow the steps
5. Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" to be taken to the voting screen
6. Select your voting direction and click "confirm" to submit your vote. Note that you cannot amend your vote after it has been submitted

For further information on the live voting process please see the **Registration and Voting Guide** at <https://www.automicgroup.com.au/virtual-agms/>

**VHM Limited**  
**ACN 601 004 102**

**Notice of General Meeting**

Notice is hereby given that a general meeting of Shareholders of VHM Limited (ACN 601 004 102) (**VHM**) will be held as a virtual online meeting commencing at 11am AEST on Tuesday, 24 May 2022 (**Meeting**).

please **pre-register** in advance for the virtual meeting here:

[https://us02web.zoom.us/webinar/register/WN\\_AAD9kk3IRG-14g0asUL56w](https://us02web.zoom.us/webinar/register/WN_AAD9kk3IRG-14g0asUL56w)

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the EGM.

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 as Shareholders at 7pm AEST on 22 May 2022.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

Terms and abbreviations used in the Notice are defined in Schedule 1.

**Resolution 1– Approval of amendment to Constitution**

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

*'That, pursuant to section 136(2) of the Corporations Act, VHM's constitution be amended, with effect from the end of the Meeting, by inserting new clauses 13.6 and 13.7 as set out in the Explanatory Memorandum.'*

**Voting Exclusions**

There are no voting exclusions in relation to Resolution 1.

**Resolution 2 – Approval of equal capital reduction and in-specie distribution of shares**

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

*'That, subject to the passing of Resolution 1, for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes:*

- (a) the issued share capital of VHM be reduced by an amount equal to the market value of the VP Minerals Shares less a Demerger Dividend (if any); and*
- (b) the reduction of capital and the Demerger Dividend (if any) be satisfied by VHM making a pro rata in-specie distribution of the VP Minerals Shares to all eligible shareholders of VHM at the Record Date, on the terms and conditions set out in the Explanatory Memorandum.'*

**Voting Exclusions**

There are no voting exclusions in relation to Resolution 2.

**BY ORDER OF THE BOARD**



Ian Hobson  
Company Secretary, VHM Limited  
Dated: 2 May 2022

**VHM Limited**  
**ACN 601 004 102**

**Explanatory Memorandum**

**1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held as a virtual online meeting at 11 am AEST on Tuesday, 24 May 2022.

This Explanatory Memorandum forms part of the Notice which should be read in its entirety before deciding how to vote on the Resolutions. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

A Proxy Form is located at the end of this Explanatory Memorandum.

**2. RESOLUTION 1 - Approval of amendment of Constitution**

**2.1 Introduction**

Resolution 1 seeks the approval of Shareholders to amend the VHM Constitution to enable VHM to make the In-specie Distribution if Resolution 2 is passed. The details of the In-specie Distribution are set out in Section 3.

**2.2 Proposed new clauses**

Pursuant to clause 13.5 of the VHM Constitution, VHM may reduce its share capital in any way permitted by the Corporations Act. In addition, clause 33.6 allows the Board to satisfy a dividend by the distribution of specific assets (including shares in another company).

In summary, the proposed new clauses 13.6 and 13.7 allow the Directors to effect a capital reduction by the distribution of specific assets, including shares in another company. In relation to an in-specie distribution of shares in a company, the new clause 13.6 provides that each Shareholder:

- is deemed to have agreed to become a member of that company and be bound by the constitution of that company; and
- appoints VHM and its officers as the Shareholder's attorney to do all things reasonably required to transfer the shares to the Shareholder.

The proposed new clause 13.7 gives the Directors ancillary powers in relation to an in-specie distribution, including making a cash payment to a Shareholder instead of transferring shares if the distribution would otherwise be illegal or would be impracticable or unreasonable (for example, where Shareholders reside overseas).

The whole text of the proposed new clauses 13.6 and 13.7 is set out below. Any Shareholder wishing to obtain a copy of the proposed amended Constitution should contact VHM and a copy will be provided free of charge.



### **13.6 Distribution of specific assets**

- (a) *When resolving to pay a dividend or to return capital by a reduction of capital, a buy-back or otherwise, the Directors may:*
  - (i) *resolve that the dividend or return of capital be satisfied either wholly or partly by the distribution of specific assets to some or all of the persons entitled to the dividend or return of capital, including shares, debentures or other securities of the Company or any other body corporate or trust; and*
  - (ii) *direct that the dividend or return of capital payable in respect of any particular shares be satisfied wholly or partly by such distribution, and that the dividend or return of capital payable in respect of other shares be paid in cash.*
- (b) *If a distribution of a reduction of the share capital of the Company includes a distribution of shares or other securities in another body corporate:*
  - (i) *each Member is deemed to have agreed to become a member of that body corporate and be bound by the constitution of that body corporate;*
  - (ii) *each Member appoints the Company and each of its officers jointly and severally as the Member's attorney to do all such acts, matters and things reasonably required to transfer or vest title in the securities to the intended recipient and for no other purpose. Without limitation, the attorney may execute any transfer of securities or other document required to give effect to the distribution of securities to that Member. The Company is not and will not become liable to any Member for anything the Company does or fails to do under this authority in good faith and the Member releases the Company from and indemnifies it against any such liability; and*
  - (iii) *any binding instruction or notification between the Member and the Company (including any instructions relating to payment of dividends or to communications from the Company) will be deemed to be a similarly binding instruction or notification to the other body corporate until that instruction or notification is revoked or amended in writing agreed to the other body corporate (to the maximum extent permitted under Australian Law, or the other body corporate's constitution).*

### **13.7 Ancillary powers regarding distributions**

- (a) *In relation to any decision to pay a dividend or to return capital by a reduction of capital, buy-back or otherwise, the Directors may:*
  - (i) *settle any difficulty that arises in making the distribution as they think expedient and in particular:*
    - (A) *make cash payments in cases where Members are entitled to fractions of shares, debentures or other securities;*
    - (B) *decide that amounts or fractions of less than a particular value decided by the Directors may be disregarded in order to adjust the rights of all parties by withholding assets, cash, shares, debentures or other securities where the Company is required to make a payment in*

*respect of the Member to a government or taxing authority in relation to the distribution or issue;*

- (C) decide to make distributions by disregarding transfers of shares or aggregating parcels of shares where they form the opinion that shareholdings have been split or aggregated to obtain the benefit of rounding on fractions of shares; and*
- (D) for an electronic transfer, if no account is nominated, or payment is rejected or refunded, the Company may credit the amount to an account of the Company until the Member nominates a valid account, or the amount is otherwise dealt with under Rule 36;*

- (ii) fix the value for distribution of any specific assets;*
- (iii) pay cash or issue shares, debentures or other securities to any Member in order to adjust the rights of all parties;*
- (iv) vest any of those specific assets, cash, shares, debentures or other securities in a trustee or nominee on trust for the persons entitled to the distribution or capitalised amount, on any terms that seem expedient to the Directors; and*
- (v) authorise any person to make, on behalf of the Members, or a particular Member, entitled to any specific assets, cash, shares, debentures or other securities as a result of the decision, an agreement (including in writing) with the Company or another person which provides, as appropriate, for the distribution or issue to them of the assets, cash, shares, debentures or other securities and by applying to them their respective proportions of the amount resolved to be distributed.*

*(b) Any agreement made under an authority referred to in Rule 13.7(a)(v) is effective and binds all Members concerned.*

*(c) Instead of making a distribution or issue of specific assets, shares, debentures or other securities to a particular Member, the Directors may make a cash payment to that Member or allocate some or all of the assets, shares, debentures or other securities to a trustee to be sold on behalf of, and for the benefit of, or in respect of, that Member, if:*

- (i) the distribution or issue would otherwise be illegal or unlawful;*
- (ii) the distribution or issue would give rise to parcels of securities which do not constitute a marketable parcel;*
- (iii) in the Directors' discretion, the distribution or issue would, for any reason, be impracticable or unreasonable; or*
- (iv) the Member so agrees.*

## **2.3 Corporations Act requirements**

Pursuant to section 136(2) of the Corporations Act, a company may modify its constitution by special resolution.

## 2.4 Board recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

## 3. RESOLUTION 2 - Approval of equal capital reduction and in-specie distribution of shares

### 3.1 Introduction

Resolution 2 seeks the approval of Shareholders to reduce the capital of VHM by an amount equal to the market value of the VP Minerals Shares less the Demerger Dividend (if any), to be effected by way of a pro-rata in-specie distribution of the VP Minerals Shares to Eligible Shareholders, on the basis of 1 VP Minerals Share for every 1 Share held on the Record Date<sup>2</sup> (**In-specie Distribution**).

### 3.2 VHM overview

VHM was incorporated on 31 July 2014 and is an unlisted public company with a share capital of 138,958,442 Shares and 382 Shareholders. In addition, VHM has issued options and convertible notes (summarised in Sections 3.6 and 3.7 below).

VHM is a rare earth and mineral sands zircon mine development company. VHM's flagship project is the Goschen Zircon and Rare Earth Minerals Project (**Goschen Project**) located in the Loddon Mallee region in the rural northwest of Victoria. The Goschen Project is 100% owned by VHM. The primary activity of VHM is the exploration and development of the Goschen Project.

VHM has completed a definitive feasibility study at the Goschen Project and is working on completion of permitting, front end engineering design and progression of detailed engineering. At its Australian Rare Earths Minerals (AREM) refinery project (for downstream processing of product from the Goschen Project to produce mineral rare earth carbonate (MREC)), VHM is planning completion of metallurgy test work and a feasibility study.

In late 2021, VHM engaged a specialist geophysical consultant to analyse electromagnetic data from high-resolution aeromagnetic surveys (Geoscience Australia's 2021 \$8 million airborne electromagnetic survey across western Victoria and South Australia as part of its 'Exploring for the Future' program), covering 2,912 km<sup>2</sup> aimed at detecting zircon, titanium, and rare earth mineral deposits on VHM's exploration licences surrounding the Goschen deposit. This work has also defined exploration targets for gold and base metals mineralisation. Interpretation of strong electromagnetic conductors coupled with other geophysical data (gravity, radiometric and magnetic) combined with structural geology interpretation resulted in the definition of four gold exploration targets and provided encouragement for application of new licences.

As a result, VHM has been focused on its gold prospects, comprised of 4 existing exploration licences (EL 6926, EL 6915, EL 6895 and EL 6923) (**Existing Licences**), 4 applications for exploration licences (EL 7807, EL 7810, EL 7803 and EL 7827) (**Licence Applications**) and the geological data in relation to those licences and applications (together, the **Demerger Assets**). The Licence Applications were submitted to Earth Resources Regulation between November 2021 and mid-February 2022. Processing of the Licence Applications and the grant of such exploration licences (**2022 Licences**), if successful, may take up to eight

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<sup>2</sup> This ratio assumes that there will be no change to the issued capital of both VHM and VP Minerals between the date of First Completion and the Record Date.

months.

Details of the licences which comprise the Demerger Assets are set out in **Schedule 3**.

VP Minerals Limited (ACN 655 644 581) (**VP Minerals**) was incorporated as a wholly owned subsidiary of VHM on 26 November 2021 for the sole purpose of holding the Demerger Assets. The Board proposes demerging the Demerger Assets from VHM (**Demerger**).

As Shareholders are aware, VHM is currently in the process of undertaking an IPO and applying for admission to the official list of ASX. We note that the Record Date is prior to the proposed allotment date for the IPO shares. The IPO and ASX admission is not conditional on the Demerger first occurring.

### 3.3 Rationale for the Demerger

The Demerger is being proposed by the Board for the following reasons:

- (a) to allow VHM the opportunity to focus its efforts on its flagship asset, the Goschen Project;
- (b) the Demerger Assets are considered non-core to VHM, whilst nonetheless warranting further funding and investigation;
- (c) given the focus of VHM on the Goschen Project, the Board considers that VHM is not able to reasonably prioritise resources to further advance the Demerger Assets, and therefore their potential value is better exploited in a stand-alone entity, VP Minerals, whose sole focus will be the advancement of those Demerger Assets; and
- (d) to give Shareholders the opportunity to participate in the growth of the Demerger Assets through a separate entity that will have separate focused management with gold experience and separate sufficient resources to further explore and possibly develop the Demerger Assets.

Further information on VP Minerals is set out in Section 3.11 below. Information regarding the effect of the Demerger on Shareholders, VHM and VP Minerals is set out in Sections 3.14, 3.15 and 3.16 below.

### 3.4 Transfer of Demerger Assets to VP Minerals

Pursuant to an Asset Sale Agreement between VHM and VP Minerals dated 9 March 2022 (as amended) (**Asset Sale Agreement**), VHM agrees to sell the Demerger Assets to VP Minerals, conditional on VHM obtaining the approval of Earth Resources Regulation to the transfer of the Existing Licences and the 2022 Licences pursuant to section 33 of the Mineral Resources Act.

VHM is still awaiting the approval of Earth Resources Regulation to the transfer of the Existing Licences (**Ministerial Approval**), which is expected to occur by the end of May 2022. Completion of the transfer of the Existing Licences to VP Minerals (**First Completion**) will occur 2 business days after Ministerial Approval is received.

In relation to the 2022 Licences, the Mineral Resources Act prohibits licences being transferred during their first 12 months. Accordingly, completion of the transfer of the 2022 Licences to VP Minerals (**Second Completion**) will be delayed until at least 12 months after grant of the 2022 Licences (and conditional on approval of the transfer by Earth Resources

Regulation). Between First Completion and Second Completion, VP Minerals must pay for all exploration costs relating to the 2022 Licences. It is intended that VHM will provide an unsecured loan to VP Minerals in order to pay for these exploration costs.

Whilst VHM has no reason to believe that the 2022 Licences will not be granted, the Board's view is that the Existing Licences on their own provide sufficient acreage and potential for VP Minerals to explore for gold and other metalliferous minerals.

The purchase price for the Demerger Assets is an amount equal to \$1,418,834 plus the aggregate amount of expenditure incurred by VHM in respect of the Demerger Assets in the period from 1 January 2022 until the date of First Completion, as advised by VHM to VP Minerals immediately prior to First Completion. It is estimated that the aggregate purchase price will be approximately \$1,500,000. If some or all of the 2022 Licences are not granted, there will be no adjustment to the purchase price.

The purchase price will be paid by VP Minerals by issuing 138,958,441 fully paid ordinary shares in VP Minerals (**Consideration Shares**) to VHM on First Completion.

The Asset Sale Agreement also contains rights of negotiation and first and last rights of refusal in respect of deposits in certain exploration licences. In summary, for a period of 10 years after First Completion:

- VHM must not dispose of an interest in any gold deposits in 2 exploration licences held by VHM (EL 6664 and EL 6419) (**Gold Deposits**); and
- VP Minerals must not dispose of an interest in any rare earth and minerals sands deposits in the Existing Licences or the 2022 Licences (**Rare Earth Deposits**),

without first complying with the following:

- in relation to any Rare Earth Deposits held by VP Minerals or Gold Deposits held by VHM, if requested by either party, both parties must exclusively negotiate in good faith for 3 months for the disposal of those Deposits; and
- if they do not enter into a disposal agreement and, within 6 months after ceasing negotiations, a third party wishes to enter into a disposal agreement for a price not more than 110% of the consideration that VHM (for the Rare Earth Deposits) or VP Minerals (for the Gold Deposits) was willing to pay, VP Minerals (for the Rare Earth Deposits) or VHM (for the Gold Deposits) must first offer VHM/VP Minerals to enter into a disposal agreement for that consideration.

### 3.5 In-specie Distribution

VHM intends to undertake the Demerger by way of an equal capital reduction and a Demerger Dividend (if any), to be satisfied by the In-specie Distribution.

Each Eligible Shareholder's name will be entered on the register of members of VP Minerals with each Eligible Shareholder deemed to have consented to becoming a VP Minerals Shareholder and being bound by its constitution.

As a result of the In-Specie Distribution, Eligible Shareholders will receive a direct ownership interest in VP Minerals, whilst retaining their existing ownership interest in VHM.

The Board wishes to seek Shareholder approval for the In-Specie Distribution. As noted in Section 2 above, Resolution 1 must be passed to enable VHM to undertake the In-specie Distribution. In addition, First Completion must occur before undertaking the In-specie Distribution.

If Resolutions 1 and 2 are passed and First Completion occurs, VHM will be able to proceed with the In-specie Distribution. If either Resolution 1 or 2 is not passed or First Completion does not occur, VHM will not be able to proceed with the In-specie Distribution.

### 3.6 Options

As noted in Section 3.15(b) below, as at the date of this Notice, VHM has on issue:

- 320,000 Adviser Options with an exercise price of \$0.21875;
- 320,000 Adviser Options with an exercise price of \$0.375; and
- 6,246,669 Employee Options with a nil exercise price. VHM is planning to issue a further 4,099,641 Employee Options with a nil exercise price prior to the Record Date.

In relation to the Adviser Options, on completion of the In-Specie Distribution:

- the terms of the Adviser Options will be reorganised such that exercise price of each Adviser Option will be reduced by the same amount as the capital amount returned in relation to each Share; and
- VP Minerals will issue 640,000 options in VP Minerals to the Adviser Optionholders on the same terms as the Adviser Options, but with an exercise price equal to the amount of the reduction.

In relation to the Employee Options, on completion of the In-Specie Distribution, VP Minerals will issue the same number of options in VP Minerals to each Employee Optionholder as they hold in VHM, on substantially the same terms as the Employee Options (noting that the options cannot be issued under an employee incentive option plan as the Employee Optionholders will not be employees of VP Minerals).

This ensures that the Adviser Optionholders and the Employee Optionholders will receive the same options in VP Minerals as they currently have in VHM, so that they are not disadvantaged by the Demerger.

In addition to the Adviser Options and the Employee Options, the Board proposes to issue 500,000 options (with an exercise price of \$1.00 each) to each of Messrs Don Runge and Gamini Colless (being non-executive directors of VHM) as a special exertion fee, subject to obtaining shareholder and noteholder approvals (**New Options**).

If the New Options are issued prior to completion of the In-Specie Distribution, on completion of the In-Specie Distribution, VP Minerals will issue the same number of options in VP Minerals (and on the same terms) to Messrs Don Runge and Gamini Colless to ensure that they are not disadvantaged by the Demerger.

### 3.7 Convertible Notes

As noted in Section 3.15(b) below, as at the date of this Notice, VHM has on issue:

- 369 2021 Convertible Notes; and

- 1,505 2022 Convertible Notes (however see note on the next page regarding a further issue of 2022 Convertible Notes between the date of this Notice and the date of the Meeting).

In order to ensure that the 2021 Noteholders and the 2022 Noteholders are not disadvantaged by the Demerger, the following will occur on completion of the In-Specie Distribution:

### **2021 Convertible Notes**

Pursuant to the Notice of Meeting of Noteholders dated 29 December 2021, on the date that the In-Specie Distribution is implemented, VP Minerals will offer each 2021 Noteholder the following two separate options to subscribe for ordinary shares in VP Minerals (both with a nil exercise price):

- The first of these options may be exercised in the event VHM proceeds with an IPO. The number of ordinary shares to be acquired on option exercise will be determined by dividing the face value in respect of the 2021 Noteholder's convertible notes by the applicable conversion price (being 80% of the issue price per share under the IPO). This number of shares would be subject to a cap to ensure there is no more than equivalence at the point of the IPO (excluding new IPO capital).
- The second of these options may be exercised in the event there is a takeover of VHM under Chapter 6 of the Corporations Act prior to an IPO. The number of ordinary shares to be acquired on option exercise will be determined by dividing the face value in respect of the 2021 Noteholder's convertible notes by the applicable notional conversion price (being 80% of a price per share in VHM calculated according to the consideration paid for 100% of the shares in VHM plus the amount of VHM's outstanding debt). The same cap in relation to equivalence would also apply.

### **2022 Convertible Notes**

Pursuant to the Convertible Note Deed Polls by VHM governing the 2022 Convertible Notes, on completion of the In-Specie Distribution, VP Minerals must issue to each 2022 Noteholder an option to acquire ordinary shares in VP Minerals on the basis that:

- the number of shares to be issued upon exercise of the option will be equal to the number of shares in VHM which are issued to the 2022 Noteholder on the IPO of VHM;
- the option will only be able to be exercised if the IPO of VHM has occurred; and
- the exercise price will be nominal and the option must be exercised within 10 business days following the IPO of VHM (after which such options expire).

As at the date of this Notice, VHM is finalising the issue of further 2022 Convertible Notes. It is estimated that up to a further 1,679 Convertible Notes (approximately) will be issued prior to the date of the Meeting resulting in a total of up to 3,184 (approximately) 2022 Convertible Notes.

## **3.8 Key steps in the Demerger**

The Demerger comprises the following key steps:

- VHM Constitution being amended (the subject of Resolution 1);
- VHM obtaining Shareholder approval for the In-specie Distribution (the subject of Resolution 2);
- obtaining Ministerial Approval;
- First Completion occurring (including the issue of the Consideration Shares);
- VHM distributing its VP Minerals Shares on a pro-rata in-specie basis to the Eligible Shareholders;
- VP Minerals issuing options to the Adviser Optionholders and the Employee Optionholders;
- VP Minerals offering options to the 2021 Noteholders pursuant to the Notice of Meeting of Noteholders dated 29 December 2021;
- VP Minerals issuing options to the 2022 Noteholders pursuant to the Convertible Note Deed Polls by VHM governing the 2022 Convertible Notes; and
- Second Completion occurring.

### 3.9 Indicative timetable

The following indicative timetable applies to the Demerger:

Event	Date
General Meeting to approve the In-specie Distribution	24 May 2022
Record Date for In-specie Distribution	16 June 2022
First Completion	2 business days after obtaining Ministerial Approval
Completion of the In-specie Distribution (by the transfer of VP Minerals Shares to Eligible Shareholders)	2 business days after First Completion (see note below)
Issue of VP Minerals options to the Adviser Optionholders and the Employee Optionholders (referred to in Section 3.6 above)	
Offer of VP Minerals options to the 2021 Noteholders (referred to in Section 3.7 above)	
Issue of VP Minerals options to the 2022 Noteholders (referred to in Section 3.7 above)	
Second Completion	In 2023 after Ministerial Approval is received for the transfer of the 2022 Licences



3.10 If Ministerial Approval and First Completion occur before 16 June 2022, completion of the In-Specie Distribution will occur after the Record Date but no later than the 2<sup>nd</sup> Business Day after the Record Date. **Corporations Act Requirements**

The proposed reduction of capital by way of the In-Specie Distribution is an equal capital reduction on the basis that:

- the In-Specie Distribution relates only to ordinary shares of VHM;
- the In-Specie Distribution applies to each Shareholder in the proportion to the number of Shares they hold; and
- the terms of the In-Specie Distribution are the same for each Shareholder.

Pursuant to section 256B(1) of the Corporations Act, VHM may reduce its share capital if the reduction:

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

The Directors consider that each of the above requirements is met in respect of the In-Specie Distribution, having regard to the circumstances of VHM and the reasons for implementation of the Demerger outlined in this Explanatory Memorandum.

In particular, and for the purposes of section 256B of the Corporations Act, the Directors consider that the capital reduction effected by way of the In-Specie Distribution is fair and reasonable to the Shareholders as a whole because it will allow Shareholders to retain their exposure to VHM's flagship Goschen Project while also providing Shareholders with separate exposure to VP Minerals' Demerger Assets.

Section 256C(1) of the Corporations Act provides that an equal capital reduction must be approved by an ordinary resolution passed at a general meeting of VHM. Resolution 2 seeks this approval. Under section 256C(4), VHM must give all information known to VHM that is material to the decision on how to vote on Resolution 2 (however VHM does not need to give this information if it would be unreasonable to expect VHM to do so because it has already been disclosed to Shareholders). This Explanatory Memorandum sets out the relevant information known to VHM.

VHM has lodged a copy of this Notice of Meeting and Explanatory Memorandum with ASIC in accordance with section 256C(5) of the Corporations Act.

3.11 **Information on VP Minerals**

(a) **Introduction**

As noted in Section 3.2 above, VP Minerals was incorporated as a wholly owned subsidiary of VHM on 26 November 2021 for the sole purpose of spinning-out the Demerger Assets from VHM and otherwise undertaking the Demerger.

As at the date of this Notice of Meeting, VP Minerals has 1 ordinary share on issue, held by VHM. As noted in Section 3.4 above, as a result of the issue of the

Consideration Shares, on First Completion, VP Minerals will have 138,958,442 ordinary shares on issue, all held by VHM.

(b) **Summary of assets**

As at the date of this Notice of Meeting, VP Minerals holds no assets. However, pursuant to the Asset Sale Agreement described in Section 3.10, VHM has agreed to transfer the Demerger Assets to VP Minerals.

(c) **Plan for VP Minerals post Demerger**

If the Demerger is implemented, VP Minerals plans to undertake exploration of the Demerger Assets. Systematic exploration programs will be carried out, commencing with surveying, mapping and geochemical surveys with a view to identifying defined targets for drilling. Exploration activities thereafter will be determined by the results of the initial programs.

Subject to the success of such exploration programs, a longer term plan for VP Minerals would be to list its securities for trading on a recognised stock exchange.

(d) **Funding for VP Minerals**

VHM will continue to fund VP Minerals' activities up to completion of the Demerger and beyond until such time as VP Minerals raises its own equity capital funds. These funds will be provided by way of secured loan advances. The Board's current assessment is that the Demerger and raising of funds by VP Minerals will be completed around December 2022. Budgeted activities of VP Minerals until then require approximately \$500,000, which funds will be provided by VHM as loan advances.

(e) **Board and key management personnel**

As at the date of this Notice of Meeting, the VP Minerals Board is identical to that of VHM and comprises Messrs Don Runge, Gamini Colless, Graham Howard and Michael Allen. The biographies of those Directors is set out on VHM website at [www.vhmltd.com.au](http://www.vhmltd.com.au).

At the date of this Notice, VP Minerals does not have any key management personnel other than its directors listed above. Until such time as VP Minerals has procured its own equity funds and engaged its own personnel, senior executives of VHM will assist VP Minerals in the execution of its exploration activities.

(f) **Remuneration of VP Minerals Board**

The annual remuneration for each of the directors of VP Minerals will be the same as the remuneration of non-executive directors of VHM, as follows:

Director	Remuneration (inclusive of superannuation)
Don Runge (Chair)	\$130,000
Gamini Colless	\$90,000

Director	Remuneration (inclusive of superannuation)
Graham Howard	\$90,000
Michael Allen	\$90,000

(g) **Directors' interests in VP Minerals**

After completion of the In-Specie Distribution, the Directors' shareholding in VP Minerals will be as noted in section **Error! Reference source not found.** below.

(h) **Rights attaching to VP Minerals Shares**

The rights that will attach to VP Minerals Shares are set out in VP Minerals' Constitution. The VP Minerals' Constitution is identical to the VHM Constitution (assuming Resolution 1 is passed). A copy of the VP Minerals' Constitution is available on request.

### 3.12 **Advantages of the Demerger**

- (a) Each of the VHM Board and the VP Minerals Board will be able to focus on, and prioritise, the development of their respective businesses.
- (b) Shareholders may elect to retain exposure to either one or both companies as dictated by their investment preferences and objectives on the basis that:
  - all Eligible Shareholders will have an interest in VP Minerals following the pro rata In-specie Distribution and thereby the opportunity to retain this interest to benefit from the advancement of the Demerger Assets; and
  - all Shareholders will retain their current percentage ownership interest in the capital of VHM.
- (c) The Demerger provides Shareholders with an interest in two companies – VHM and VP Minerals. The Board believes a separate entity focused on the Demerger Assets will enable better recognition of those assets by the market and thus presents a better prospect of delivering greater value to Shareholders.
- (d) The Demerger will allow each of VHM and VP Minerals to seek investment from investors and financiers including those with a specialist gold focus who do not wish to have exposure to other minerals, and those with a focus on rare earths minerals that do not want to have exposure to gold.

### 3.13 **Disadvantages of the Demerger**

- (a) VHM has and will continue to incur costs associated with the Demerger including, but not limited to, legal, accounting and taxation advisory fees incurred in the preparation of documentation required to give effect to the Demerger.
- (b) There will be two separate companies that will incur ongoing administrative costs and require funding which in some instances may lead to duplication.

- (c) On completion of the In-specie Distribution, Shareholders will become shareholders in VP Minerals and should be aware of the general and specific risk factors which may affect VP Minerals and the value of its securities. These risk factors are set out in Schedule 2.
- (d) There is no guarantee that the VP Minerals Shares will rise in value or that there will be a liquid market for VP Minerals Shares generally at any point in future when a Shareholder decides to dispose of them. Shareholders may not be able to realise an acceptable return on their investment, or any return, depending on market conditions and VP Minerals' performance at the relevant time.
- (e) As a standalone independent company, VP Minerals will have to raise further capital in future and there can be no guarantee that it will be able to raise sufficient (or any) further capital to advance the Demerger Assets. Shareholders may have their shareholding in VP Minerals diluted as VP Minerals raises further capital.
- (f) Some Shareholders (being the Ineligible Shareholders) will not be eligible to receive VP Minerals Shares pursuant to the In Specie Distribution. Such holders will participate indirectly in the In Specie Distribution through the process described in Section 3.14(b). The Ineligible Shareholders (2.95% at the date of this Notice of Meeting) do not constitute a material portion of the VHM share register.
- (g) There are likely to be taxation consequences in respect of the distribution of the VP Minerals Shares to the Shareholders. Details of the general taxation effect of the In-Specie Distribution are set out in Section 3.19 below.

### 3.14 Effect of In-specie Distribution on Shareholders

#### (a) What will Shareholders receive?

Eligible Shareholders will receive 1 VP Minerals Share for every 1 Share held by them at the Record Date<sup>3</sup>.

Shareholders are not required to contribute any payment for the VP Minerals Shares which they are entitled to receive under the In-specie Distribution.

#### (b) What about overseas Shareholders?

VHM has considered the geographical breakdown of its member register and determined that it is unreasonable in the circumstances to extend the In-specie Distribution to Shareholders outside of Australia and New Zealand (**Ineligible Shareholders**) on the basis of:

- the small number of Ineligible Shareholders – at the date of this Notice of Meeting, 13 Shareholders from a total of 382 Shareholders are Ineligible Shareholders representing 2.95% of the total Shares on issue;
- the number and value of VP Minerals Shares that Ineligible Shareholders would be offered; and
- the cost of complying with legal or regulatory requirements in those places.

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<sup>3</sup> This ratio assumes that there will be no change to the issued capital of both VHM and VP Minerals between the date of First Completion and the Record Date.

As a result:

- the VP Minerals Shares to which the Ineligible Shareholders would otherwise be entitled to under the In-specie Distribution (**Non-Transferring Shares**) will not be transferred to the Ineligible Shareholders; and
- VHM will appoint a nominee who holds an Australian financial services licence (**Nominee**) to sell or procure the sale of the Non-Transferring Shares as soon as reasonably practicable after the Record Date and then account to any Ineligible Shareholders for the proceeds of their sale. VHM will bear the costs of the sale of the Non-Transferring Shares.

VHM Directors are not in a position at this stage to give any indication of the quantum of proceeds that could be realised from the sale of the Non-Transferring Shares. However, the VHM and VP Minerals Boards will endeavour to effect a sale of these Shares at the same time and at the same price at which new VP Minerals Shares are issued post Demerger in order to raise new equity capital to fund exploration of the Demerger Assets.

(c) **What is the impact on a Shareholder's shareholding in VHM?**

The number of Shares held by a Shareholder will not change as a result of the In-specie Distribution. The rights attaching to Shares will also not alter.

If the Demerger is implemented, the value of Shares may be less than the value held prior to the Demerger being completed due to the removal of the Demerger Assets from VHM's asset portfolio. The size of any decrease will be dependent on the value ascribed by the market to the Demerger Assets.

(d) **Do Shareholders have to do anything to receive their VP Minerals Shares?**

Eligible Shareholders must hold Shares on the Record Date in order to receive their entitlement under the In-specie Distribution. If Resolutions 1 and 2 are passed by the requisite majority of Shareholders and First Completion occurs, Eligible Shareholders will automatically receive the VP Minerals Shares they are entitled to receive.

(e) **What are the taxation implications of the In-specie Distribution?**

A general guide to the taxation implications of the In-specie Distribution is set out in Section 3.19 below. The Section is not intended to provide taxation advice in respect of particular circumstances of any Shareholder. **Shareholders should obtain professional advice as to the taxation implications of the In-specie Distribution in their specific circumstances.**

It is also noted that from a tax perspective, VHM is seeking a class ruling from the ATO to confirm whether Demerger Relief for income tax purposes will be available (refer to Section 3.19(a) below for further details). However, completion of the Demerger is not conditional upon obtaining the class ruling.

(f) **Risk factors**

On completion of the In-specie Distribution, Shareholders will become shareholders in VP Minerals and should be aware of the general and specific risk factors which

may affect VP Minerals and the value of its securities. These risk factors are set out in Schedule 2.

### 3.15 Effect of In-specie Distribution on VHM

#### (a) Corporate Structure

Currently, VP Minerals is a wholly-owned subsidiary of VHM. After the In-specie Distribution, VP Minerals will be a standalone company owned by the Shareholders.

#### (b) Capital Structure

The capital structure of VHM as at the date of this Notice is set out in the table below:

Security type	Number	Expiry date	Exercise price (\$)
Shares	138,958,442	N/A	N/A
Adviser Options	320,000	30/08/2022	0.21875
Adviser Options	320,000	30/08/2022	0.375
Employee Options	96,000	02/11/2023	Nil
Employee Options	3,716,355	31/12/2024	Nil
Employee Options	183,642	30/09/2025	Nil
Employee Options	2,250,672	28/02/2026	Nil
2021 Convertible Notes	369	N/A	N/A
2022 Convertible Notes	1,505	N/A	N/A

- As noted in Section 3.6 above, an additional 4,099,641 Employee Options with a \$nil exercise price are expected to be issued prior to the date of the Meeting.
- As noted in Section 3.7 above, additional 2022 Convertible Notes of up to approximately 1,679 will be issued prior to the date of the Meeting resulting in a total of up to 3,184 (approximately) 2022 Convertible Notes.

There will be no change to the capital structure of VHM as a result of the In-specie Distribution. The number of Shares, options and convertible notes in VHM will not change, and the rights attaching to the Shares will not be affected, as a result of the In-Specie Distribution.

The only change to the above table is that the terms of the Adviser Options will be reorganised such that the exercise price of each Adviser Option will be reduced by the same amount as the capital amount returned in relation to each Share, as noted in Section 3.6 above.

#### (c) Board of VHM

There are no proposed changes to the Board in connection with the In-specie Distribution.

(d) **Financial effect of the Demerger on VHM**

As noted in Section 3.4 above, VHM estimates that the purchase price of the Demerger Assets will be \$1.5 million. The financial effect of the Demerger on VHM will therefore be a reduction in its equity capital of approximately \$1.5 million and a reduction in its capitalised exploration expenditure carried forward of an identical amount. VHM's net assets as stated in its audited 30 June 2021 Financial Statements were \$24.2 million and a reduction of \$1.5 million to that amount as a result of the Demerger represents a 6% change, which is considered immaterial.

(e) **What happens if Resolutions 1 and/or 2 are not approved or if First Completion does not occur?**

If Resolutions 1 and/or 2 are not approved or if First Completion does not occur, the In-specie Distribution will not proceed and VHM will continue to hold all of the shares on issue in VP Minerals. In those circumstances, the VHM Group will continue exploration of the Demerger Assets and determine if the Demerger finds favour with Shareholders at a future date. VHM's IPO and ASX listing will proceed regardless of whether the In-Specie Distribution proceeds.

**3.16 Effect of In-specie Distribution on VP Minerals**

(a) **Corporate Structure**

Currently, VP Minerals is a wholly-owned subsidiary of VHM. After the In-specie Distribution, VP Minerals will be a standalone company owned by the Shareholders.

(b) **Capital Structure**

Other than the options referred to in the following paragraph, there will be no change to the capital structure of VP Minerals as a result of the In-specie Distribution, except that all of the VP Minerals Shares will be held by the Eligible Shareholders instead of VHM. The number of VP Minerals Shares will not change, and the rights attaching to the VP Minerals Shares will not be affected, as a result of the In-Specie Distribution.

As noted in Sections 3.6 and 3.7 above, upon completion of the In-Specie Distribution, VP Minerals will:

- issue options to the Adviser Optionholders and the Employee Optionholders;
- offer options to the 2021 Noteholders; and
- issue options to the 2022 Noteholders.

In addition, VP Minerals will issue options to Messrs Don Runge and Gamini Colless if the New Options are issued before completion of the In-Specie Distribution.

(c) **Board of VP Minerals**

The Board of VP Minerals will continue to comprise Mr Don Runge, Mr Gamini Colless, Mr Graham Howard and Mr Michael Allen in the near term following completion of the In-specie Distribution. Thereafter, the Board of VP Minerals may consider changes to its composition as it independently seeks to raise new equity capital and embarks on exploration of the Demerger Assets.

(d) **Financial effect of the Demerger on VP Minerals**

As noted in Section 3.15(d) above, the purchase price of the Demerger Assets will be approximately \$1.5 million. The financial effect of the Demerger on VP Minerals will therefore be the recognition of approximately \$1.5 million as acquired exploration assets and a corresponding increase in the issued capital of VP Minerals.

(e) **What happens if Resolutions 1 and/or 2 are not approved or if First Completion does not occur?**

Refer to Section 3.15(e) above.

**3.17 Directors' interests**

The tables below set out the number of securities in VHM that each Director has an interest in as at the date of this Notice and the number of securities in VP Minerals that each Director will have an interest in if the In-Specie Distribution is implemented.

Director	VHM Shares	VHM Sholding (%)	VHM Options	VP Minerals Shares to receive <sup>4</sup>	VP Minerals Sholding (%)	VP Minerals Options
Don Runge	4,498,287	3.24	Nil	4,498,287	3.24	Nil
Gamini Colless <sup>5</sup>	736,000	0.53	Nil	736,000	0.53	Nil
Graham Howard	4,515,515	3.25	2,156,230 Employee Options	4,515,515	3.25	2,156,230
Michael Allen	736,000	0.53	1,519,310 Employee Options	736,000	0.53	1,519,310

**3.18 Costs of the Demerger**

The approximate total expenses of the Demerger as set out below:

<sup>4</sup> This assumes a ratio of 1 VP Minerals Share for each 1 VHM Share held.

<sup>5</sup> The Board proposes to issue Shares to Mr Gamini Colless as consideration for a director sign-on fee and annual director fee, subject to obtaining shareholder and noteholder approvals. If these shares are issued prior to completion of the In-Specie Distribution, Mr Gamini Colless will hold more Shares at the Record Date.



Fees	A\$
Legal fees (excluding tax advice)	75,000
Tax advice	80,000
ASIC	6,974
<b>Total Demerger costs</b>	<b>161,974</b>

VHM will incur some of the above costs prior to completion of the Demerger, including, but not limited to legal, accounting and advisory fees incurred in the preparation of documentation required to give effect to the Demerger and tax advice obtained in relation to any taxation consequences of the In-specie Distribution. The Demerger costs will be borne by VHM and will not be reimbursed by VP Minerals.

### 3.19 Tax considerations for the In-specie Distribution

The Australian tax and duty comments contained in this Section 3.19 are based on the Australian taxation laws (together with established interpretations and practices in respect of those laws) applicable as at the date of this Notice. Prior to completion of the In-specie Distribution, the Australian taxation laws (or their interpretation or practice) may change. The precise implications of the In-specie Distribution (and subsequent ownership or disposal of the VP Minerals Shares) will also depend upon each investor's specific circumstances.

**Accordingly, Shareholders should seek their own professional advice on the taxation implications of the In-specie Distribution and ownership of VP Minerals Shares, taking into account their specific circumstances.**

The Australian taxation and duty comments contained in this Section 3.19 are general in nature and are not intended to be an authoritative or complete statement of all potential tax implications for Shareholders.

The below tax summary only addresses the position of a Shareholder who:

- participates in the In-specie Distribution;
- holds their Shares on capital account, i.e. not on revenue account or as trading stock;
- is not subject to the Taxation of Financial Arrangement provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 97**);
- did not acquire their Shares under an employee incentive plan; and
- is an individual, complying superannuation entity or a certain company, trust or partnership (e.g. the comments do not cover investors who are insurance companies or banks).

As this Section 3.19 only contains Australian tax and duty comments, Shareholders (particularly those that are non-Australian tax residents) are advised to seek appropriate advice regarding the non-Australian tax and duty implications of the In-specie Distribution having regard to their country of tax residency and individual circumstances.

HWL Ebsworth Lawyers has provided the tax comments below. HWL Ebsworth Lawyers is not licensed under Chapter 7 of the Corporations Act to provide financial product advice. Taxation issues, such as (but not limited to) those covered by this Section 3.19 are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian financial services licence before making such a decision.

VHM, VP Minerals, their directors and advisors do not accept any responsibility for the individual taxation implications arising from the In-specie Distribution and related transactions.

(a) **Class ruling**

VHM is intending to apply to the ATO for a class ruling confirming certain income tax implications of the In-specie Distribution for Shareholders.

The In-specie Distribution is not conditional upon receipt of a draft class ruling (or other appropriate guidance) from the ATO.

VHM expects to determine the capital component of the Demerger (being the Capital Reduction) by reference to the allocation required by the principles set out in the class ruling from the ATO. A Demerger Dividend will arise to the extent that the market value of the VP Minerals Shares exceeds the Capital Reduction.

It should be noted that the ATO may (in certain circumstances) make a determination under section 45B of the *Income Tax Assessment act 1936* (Cth) (**ITAA 36**) to deem certain payments, such as the Capital Reduction, to be treated as an unfranked dividend for tax purposes. Having regard to the circumstances of the Demerger, VHM does not consider the ATO will apply section 45B to the Demerger, and is seeking confirmation from the ATO in the class ruling that section 45B will not apply.

The comments in Section 3.19(b) assumes that a favourable class ruling is obtained and Demerger Relief is available. It is uncertain whether a favourable class ruling will be issued. However, if the circumstances are such that the In-specie Distribution occurs after the IPO, with the Record Date being set prior to the IPO, VHM is of the view that it is unlikely a favourable class ruling will be obtained. In the event that a favourable class ruling is not obtained, the tax outcomes will differ – refer to Section 3.19(c) below for further details if Demerger Relief is not available.

(b) **Australian taxation implications for Australian tax resident Shareholders if Demerger Relief is available**

If a class ruling is issued confirming that Demerger Relief is available:

- the Demerger Dividend will not be assessable income; and
- Australian tax resident shareholders who hold their Shares on capital account are able to choose to apply income tax roll-over relief.

For such Shareholders, they can disregard any capital gain made under CGT event G1 in respect of the Capital Reduction amount of the In-specie Distribution.

For tax resident shareholders that do not choose to obtain roll-over relief, any capital gain made under CGT event G1 from the In-specie Distribution (i.e. if the Capital Reduction amount received is greater than the cost base of their Shares) cannot be disregarded. Shareholders in this scenario may be eligible to apply the CGT discount to any capital gain made under CGT event G1, however, Shareholders will need to seek specific tax advice having regard to their specific facts and circumstances in order to assess their eligibility for the CGT discount. It is noted that no capital loss should be recognised as a result of CGT event G1 happening. The way a shareholder prepares its income tax return should generally be sufficient evidence of the making of a choice to obtain Demerger Relief. No formal election is generally required.

Regardless of whether Demerger Relief is chosen by an Australian tax resident Shareholder, Shareholders will be required to apportion the total of the cost bases of their Shares just before the In-specie Distribution amongst those Shares and the corresponding VP Minerals Shares received under the In-specie Distribution. This apportionment must be done on a reasonable basis, having regard to the market values of Shares and VP Minerals Shares just after the In-specie Distribution, or an anticipated reasonable approximation of those market values. It is expected that the ATO class ruling will set out the market values / percentages that can be used for this cost base apportionment process.

The VP Minerals Shares received under the In-specie Distribution will be acquired for CGT purposes on the date the shares are distributed in-specie. However, irrespective of whether Demerger Relief is chosen, for the purpose of determining entitlement to a discount capital gain in relation to a subsequent CGT event that happens to the VP Minerals Shares, they will be taken to have been acquired when the original Shares were acquired.

If the ATO makes a determination that sections 45A or 45B of the ITAA 36 apply, some or all of the Capital Reduction amount will be treated as an unfranked dividend in the hands of Shareholders. Relevant withholding tax at a rate of 30% of the dividend's gross amount (with the rate subject to reduction under the application of relevant double tax agreements) may apply with respect to distributions to foreign shareholders. Shareholders will generally be required to include any deemed dividend in their assessable income.

Note that the In-Specie Distribution does not contain a cash payment component and Shareholders will need to seek their own advice with respect to the payment of any tax liability.

(c) **Australian taxation implications for Australian tax resident Shareholders if Demerger Relief is not available**

Unless a favourable class ruling is obtained from the ATO, VHM considers that the capital gains tax (CGT) rollover under Division 125 of the ITAA 97 will not be available with respect to the In-specie Distribution.

In that case, VHM considers that the distribution to be received by Shareholders should not be taxed as a dividend, but as a capital payment by way of the distribution of Shares. On that basis, VHM does not consider the distribution to involve the payment of a Demerger Dividend. VHM has no retained profits from which to make the distribution and is intending to debit the distribution to share

capital. As such, the distribution should not be a dividend under the ordinary definition.

VHM considers that the distribution of the VP Minerals Shares will therefore give rise to a CGT event G1 for the shareholders.

The CGT cost base and reduced cost base of a Shareholder's share in VHM will be reduced (but not below zero) by the value of the In-specie Distribution in respect of that share. A capital gain will arise for a Shareholder as a result of the In-specie Distribution to the extent that the value of the Shareholder's In-specie Distribution exceeds the CGT cost base of the share. Shareholders in this scenario may be eligible to apply the CGT discount to any capital gain made under CGT event G1, however, Shareholders will need to seek specific tax advice having regard to their specific facts and circumstances in order to assess their eligibility for the CGT discount. A capital loss cannot arise. Shareholders will generally be required to include any net capital gain (after offset against any available capital losses) in their assessable income.

The first element of the CGT cost base of a Shareholder's VP Minerals Shares that they receive under the Demerger will be equal to the value of the In-specie distribution received by that Shareholder. Shareholders will be taken to have acquired their VP Minerals Shares on the date they are distributed in specie.

Although VHM does not consider the circumstances of the In-Specie Distribution support a conclusion that the distribution can be deemed a dividend in whole or part, the ATO may, in the final class ruling or otherwise, determine that the dividend integrity measures apply (e.g. section 45B of ITAA 36). If the ATO makes a determination, some or all of the Capital Reduction amount will be treated as an unfranked dividend in the hands of Shareholders. Relevant withholding tax at a rate of 30% of the dividend's gross amount (with the rate subject to reduction under the application of relevant double tax agreements) may apply with respect to distributions to foreign shareholders.

Shareholders will generally be required to include any deemed dividend, or dividend component of the distribution (i.e. any Demerger Dividend) in their assessable income.

Note that the In-Specie Distribution does not contain a cash payment component and Shareholders will need to seek their own advice with respect to the payment of any tax liability.

(d) **Australian taxation implications for non-Australian tax resident Shareholders**

For non-Australian tax resident Shareholders that do not hold their Shares through a permanent establishment in Australia and hold their Shares on capital account, CGT consequences should arise only if:

- the non-Australian tax resident Shareholder has an associate-inclusive interest of at least 10% in VHM, either at the time of disposal or throughout a 12 month period that began no earlier than 24 months before the event (referred to as a "non-portfolio interest" in VHM); and
- VHM is considered "land rich" for Australian income tax purposes (i.e. greater than 50% of the market value of the company's underlying assets is

attributable to Australian real property or certain interests in relation to Australian minerals).

Relevant non-Australian tax resident Shareholders will need to determine if the above requirements are met at the time of disposal of their VP Minerals Shares. Non-Australian tax resident Shareholders who hold (or have held) a non-portfolio interest (10% or more of the Shares on an associate inclusive basis), should obtain independent professional advice as to the tax implications of the In-specie Distribution. Also, non-Australian tax resident investors who hold their Shares on revenue account (or deemed revenue account) should seek separate independent professional advice.

Although VHM does not consider the circumstances of the In-Specie Distribution support a conclusion that the distribution can be deemed a dividend in whole or part, the ATO may, in the final class ruling or otherwise, determine that the dividend integrity measures apply (e.g. section 45B of ITAA 36). If the ATO makes a determination, some or all of the Capital Reduction amount will be treated as an unfranked dividend in the hands of Shareholders. Relevant withholding tax at a rate of 30% of the dividend's gross amount (with the rate subject to reduction under the application of relevant double tax agreements) may apply with respect to distributions to foreign shareholders.

**(e) Taxation implications for VHM**

Where Demerger Relief is available, the In-specie Distribution should not have any adverse income tax implications for VHM.

If the ATO rules that Demerger Relief is not available, VHM would make a capital gain on its distribution of the VP Minerals Shares if the market value of the VP Minerals Shares exceeds VHM's cost base in those shares.

If the ATO rules in the final class ruling that the dividend tax integrity measures apply (e.g. section 45A or 45B of the ITAA 36), and the Commissioner makes a determination that the capital benefit, or the part of the capital benefit, was paid under a scheme to avoid franking debits arising in relation to the In-specie Distribution, a franking debit will arise in VHM's franking account and VHM may become liable for franking deficit tax.

**(f) Ineligible Shareholders**

The Australian income tax implications of the In-specie Distribution outlined above should apply equally to Ineligible Shareholders whose VP Minerals Shares are sold by the Nominee (described in Section 3.19(d) above).

Ineligible Shareholders should be regarded for CGT purposes as having disposed of their VP Minerals Shares under CGT event A1 (disposal of a CGT asset). The disposal proceeds should equal the proceeds received (adjusted for any applicable withholding tax).

If Demerger Relief is not available, for the purpose of determining whether a capital gain or capital loss arises:

- the cost base of the VP Minerals Shares will be as outlined as above; and

- for the purpose of determining whether the VP Minerals Shares are held for 12 months or more for the purpose of the CGT discount, Shareholders will be treated as having acquired the corresponding VP Minerals Shares on the date of the In-specie Distribution.

No Australian income tax consequences should arise for Ineligible Shareholders who are non-Australian tax residents unless they hold (or have held) a non-portfolio interest or their shares are held via an Australian permanent establishment.

(g) **GST**

No GST should be payable in relation to the In-specie Distribution. However, the eligibility for Shareholders to claim full or partial input tax credits in relation to GST incurred on advisor fees and other costs relating to their participation in the In-specie Distribution will depend on the individual circumstances of each Shareholder.

(h) **Stamp duty**

No stamp duty should be payable in any Australian State or Territory by Shareholders in relation to their participation in the In-specie Distribution.

In the unlikely event that stamp duty will be payable on the In-specie Distribution, the stamp duty cost will be met by VHM.

(i) **Foreign resident CGT withholding declaration**

VHM warrants that it has, at all times, from the date of this Notice up to and including the date on which the VP Minerals Shares are distributed, been an Australian tax resident for Australian income tax purposes.

On the basis of the above declaration, and given that VHM is a company incorporated in Australia, foreign resident CGT withholding should not apply to the acquisition of VP Minerals Shares by Shareholders under the In-specie Distribution.

### 3.20 **Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 2.

## Schedule 1      Definitions

In the Notice, words importing the singular include the plural and vice versa.

<b>\$ or A\$</b>	means Australian Dollars.
<b>2021 Convertible Notes</b>	means the convertible notes issued by VHM pursuant to Convertible Note Deed Polls between VHM and each 2021 Noteholder dated on or about 10 March 2021.
<b>2021 Noteholders</b>	means the holders of 2021 Convertible Notes.
<b>2022 Convertible Notes</b>	means the convertible notes issued by VHM pursuant to the Convertible Note Deed Poll by VHM dated 15 March 2022 and the Further Deed Poll dated 22 April 2022.
<b>2022 Noteholders</b>	means the holders of 2022 Convertible Notes.
<b>2022 Licences</b>	has the meaning set out in Section 3.2.
<b>Adviser Optionholders</b>	means holders of the Adviser Options.
<b>Adviser Options</b>	means options (to subscribe for Shares) granted by VHM to advisers of VHM.
<b>AEST</b>	means Eastern Standard Time as observed in Sydney, New South Wales.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>Asset Sale Agreement</b>	has the meaning set out in Section 3.4.
<b>ATO</b>	means the Australian Tax Office.
<b>Board</b>	means the board of Directors of VHM.
<b>Business Day</b>	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
<b>Capital Reduction</b>	means the capital component of the In-specie Distribution, being a reduction of the issued share capital of VHM.
<b>CGT</b>	means capital gains tax.
<b>Chair</b>	means the person appointed to chair the Meeting convened by the Notice.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth), as amended.
<b>Consideration Shares</b>	has the meaning set out in Section 3.4.

<b>Demerger</b>	means the demerger of the Demerger Assets from VHM to VP Minerals by way of the In-specie Distribution.
<b>Demerger Dividend</b>	means the income component of the In-specie Distribution, being a dividend by VHM.
<b>Demerger Relief</b>	means a confirmation from the ATO that (as the context requires): <ul style="list-style-type: none"> <li>(a) the relevant shareholders of an entity conducting a demerger may be eligible to choose to receive capital gains tax roll-over under Division 125 of the ITAA 97 in respect of the proposed Demerger; and/or</li> <li>(b) the Commissioner for Taxation will not make a determination under subsection 45A(2), paragraph 45B(3)(a) or paragraph 45B(3)(b) of the ITAA 36 in respect of the entity's shareholders participating in the Demerger.</li> </ul>
<b>Director</b>	means a director of VHM.
<b>Eligible Shareholder</b>	means a person registered as the holder of Shares on the Record Date, whose registered address is in Australia or New Zealand.
<b>Employee Optionholders</b>	means holders of the Employee Options.
<b>Employee Options</b>	means options (to subscribe for Shares) granted by VHM to eligible employees under its Employee Incentive Option Plan.
<b>Existing Licences</b>	has the meaning set out in Section 3.2.
<b>Explanatory Memorandum</b>	means the explanatory memorandum which forms part of the Notice.
<b>First Completion</b>	has the meaning set out in Section 3.4.
<b>General Meeting or Meeting</b>	means the meeting convened by the Notice.
<b>Goschen Project</b>	has the meaning set out in Section 3.2.
<b>Ineligible Shareholders</b>	means a person registered as the holder of Shares on the Record Date, whose registered address is not in Australia or New Zealand.
<b>In-specie Distribution</b>	means the proposed pro-rata in-specie distribution of VP Minerals Shares to Eligible Shareholders, by way of an equal capital reduction and payment of a Demerger Dividend (if any), with the In-specie Distribution to be effected on the basis of 1 VP Minerals Share for every 1 Share held on the Record Date <sup>6</sup> , as more particularly described in Section 3.
<b>ITAA 36</b>	means the <i>Income Tax Assessment Act 1936</i> (Cth).
<b>ITAA 97</b>	means the <i>Income Tax Assessment Act 1997</i> (Cth).

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<sup>6</sup> This ratio assumes that there will be no change to the issued capital of both VHM and VP Minerals between the date of First Completion and the Record Date.



<b>Licence Applications</b>	has the meaning set out in Section 3.2.
<b>Mineral Resources Act</b>	means the <i>Mineral Resources (Sustainable Development) Act</i> 1990 (VIC).
<b>Ministerial Approval</b>	has the meaning set out in Section 3.4.
<b>New Options</b>	has the meaning set out in Section 3.6.
<b>Notice or Notice of Meeting</b>	means this notice of meeting including the Explanatory Memorandum and the Proxy Form.
<b>Proxy Form</b>	means the proxy form accompanying the Notice.
<b>Record Date</b>	means 5:00pm AEST on 16 June 2022.
<b>Resolution</b>	means a resolution referred to in the Notice.
<b>Schedule</b>	means a schedule to the Notice.
<b>Second Completion</b>	has the meaning set out in Section 3.4.
<b>Section</b>	means a section of the Explanatory Memorandum.
<b>Share</b>	means a fully paid ordinary share in the capital of VHM.
<b>Shareholder</b>	means a shareholder of VHM.
<b>VHM</b>	means VHM Limited ACN 601 004 102.
<b>VHM Constitution</b>	means the constitution of VHM.
<b>VP Minerals</b>	means VP Minerals Limited (ACN 655 644 581).
<b>VP Minerals Shares</b>	means the fully paid ordinary shares in the capital of VP Minerals held by VHM on the Record Date.
<b>VP Minerals Shareholder</b>	means a holder of ordinary fully paid shares in VP Minerals.

## Schedule 2      Key risk factors facing VP Minerals

The business, assets and operations of VP Minerals will be subject to certain risk factors that have the potential to influence its operating and financial performance in the future. These risks can impact on the value of an investment in its securities and include those highlighted below.

The risk factors set out below ought not to be taken as exhaustive of the risks faced by VP Minerals or by investors in VP Minerals. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of VP Minerals and the value of the VP Minerals Shares. Therefore, the VP Minerals Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

### 1.1      Risks specific to VP Minerals

#### (a)      Limited operating history

VP Minerals was incorporated on 26 November 2021 and therefore has limited operational and financial history on which to evaluate its business and prospects. The prospects of VP Minerals must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stages of their development, particularly in the mineral exploration sector, which has a high level of inherent risk and uncertainty. No assurance can be given that VP Minerals will achieve commercial viability through the successful exploration on, or mining development of, its projects. Until VP Minerals is able to realise value from the projects, it is likely to incur operational losses.

#### (b)      2022 Licences

There can be no guarantee that the 2022 Licences will be granted, or if they are granted, that they will be granted in their entirety. If the 2022 Licences are not granted, VHM will not acquire an interest in these tenements, and cannot transfer them to VP Minerals under the Asset Sale Agreement. The 2022 Licences therefore should not be considered as assets of VP Minerals.

Whilst VHM has no reason to believe that the 2022 Licences will not be granted, the Board's view is that the Existing Licences on their own provide sufficient acreage and potential for VP Minerals to explore for gold and other metalliferous minerals.

#### (c)      Grant and renewal of permits

VP Minerals' exploration activities are dependent upon the maintenance (including renewal) of the tenements in which VP Minerals has or acquires an interest. Maintenance of VP Minerals' tenements is dependent on, among other things, VP Minerals' ability to meet the licence conditions imposed by relevant authorities including minimum annual expenditure requirements which, in turn, is dependent on VP Minerals being sufficiently funded to meet those expenditure requirements. Although VP Minerals has no reason to think that the tenements in which it currently has an interest will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed by the relevant granting authority.

(d) **Land access**

There is a substantial level of regulation and restriction on the ability of exploration and mining companies to have access to land in Australia. VP Minerals currently has a focus on various exploration tenements located in Victoria.

Access to land for exploration purposes can be affected by land ownership, nature reserves and national parks, government regulation and environmental restrictions. Access is critical for exploration and development to succeed and the ability to be able to negotiate satisfactory commercial arrangements with landowners, farmers and occupiers is often essential.

VP Minerals has sufficient access to the tenements the subject of the Existing Licences and 2022 Licences.

(e) **Funding**

VP Minerals has no operating revenue and is unlikely to generate any operating revenue unless and until its projects are successfully developed and production commences. Exploration and development involve significant financial risk and capital investment. The future capital requirements of VP Minerals will depend on many factors, including its business development activities. VP Minerals believes its funding arrangements (summarised in Section 3.11(d) of this Notice) should be adequate to fund its business development activities, exploration program and other VP Minerals' objectives in the short term.

VP Minerals' longer term funding requirements depend on numerous factors, including VP Minerals' ability to generate income from its projects, the outcome of future exploration and work programs and the acquisition of any new projects.

VP Minerals may require further funding to fund future exploration activities or the acquisition of new projects. Additional equity financing, if available, may be dilutive to VP Minerals' shareholders and/or occur at prices lower than the market price. Debt financing, if available, may involve restrictions on financing and operating activities. If VP Minerals is unable to obtain additional financing as needed, it may be required to reduce the scope of its exploration operations.

(f) **Minimum expenditure requirements**

In order to maintain an interest in the exploration licences in which VP Minerals is involved, VP Minerals is committed to meet the conditions under which the licences were granted and the obligations of VP Minerals are subject to minimum expenditure commitments required by Australian mining legislation. The extent of work performed on each exploration licence may vary depending upon the results of the exploration programme which will determine the prospectivity of the relevant area of interest. As at the date of this Notice, VHM is not in breach of its minimum expenditure commitments in connection with the Existing Licences. There is a risk that if, VP Minerals fails to satisfy these minimum expenditure requirements at the time of expiry, VP Minerals may be required to relinquish part or all of its interests in these licences.

(g) **Resource estimates and targets**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should VP Minerals encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect VP Minerals' operations.

(h) **Renewal**

All of the licences in which VP Minerals has or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement or licence is at the discretion of the relevant government authorities in Australia.

If a licence is not granted or received, VP Minerals may suffer significant damage through the loss of the opportunity to develop and discover mineral deposits on that licence.

Whilst there is no guarantee that the Australian authorities will grant VP Minerals a renewal of the licences, neither VHM nor VP Minerals are aware of any reason why the Existing Licences and the 2022 Licences would not be renewed upon expiry.

(i) **Exploration costs**

The exploration costs of VP Minerals are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect VP Minerals' viability.

(j) **Native title risk**

Access to land for exploration purposes can be adversely affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the *Native Title Act 1993* (Cth) (**NTA**) (or similar legislation in the jurisdiction where VP Minerals operates). The effect of the NTA is that existing and new tenements held by VP Minerals may be affected by native title claims and procedures.

There is a risk that a determination could be made that native title exists in relation to land the subject of a tenement held or to be held by VP Minerals which may affect the operation of VP Minerals' business and development activities. In the event that it is determined that native title does exist or a native title claim has been registered, VP Minerals may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights required. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve access rights, and require the payment of compensation to those persons holding or

claiming native title in the land the subject of a tenement. The involvement in the administration and determination of native title issues may have a material adverse impact on the position of VP Minerals in terms of cash flows, financial performance, business development, and the VP Minerals Share price.

(k) **Potential acquisitions and investments**

VP Minerals may pursue and assess other new business opportunities in the resource sector. These new business opportunities may take the form of direct project acquisitions, investments, joint ventures, farm-ins, acquisition of tenements and permits, and/or direct equity participation. Such transactions (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence or prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies advanced may not be recoverable, which may have a material adverse effect on VP Minerals. If an acquisition is undertaken, the directors of VP Minerals will need to reassess at that time, the funding allocated to current projects and new projects, which may result in VP Minerals reallocating funds from other projects and/or raising additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with the new acquisition and business activities will remain.

(l) **Taxation losses**

VP Minerals will have nil carry forward tax losses immediately following completion of the In-specie Distribution. Carry forward tax losses will remain with VHM income tax consolidated group. The ability of VP Minerals to obtain the benefit of future carry forward tax losses will depend on future tax profitability and may be adversely affected by changes in business activities, levels of taxable income, profitability relating to the use of the tax losses, and major changes in ownership. Changes in taxation laws (or their interpretation) in Australia could materially affect VP Minerals' financial performance and impact on its ability to obtain the benefit of future carry forward tax losses. The quantum and availability of future carry forward tax losses will be determined by VP Minerals on a go-forward basis in compliance with relevant tax laws.

(m) **Conflicts of interest**

Certain directors of VP Minerals are also directors and officers of other companies engaged in mineral exploration and development and mineral property acquisitions. Accordingly, mineral exploration opportunities or prospects of which these directors become aware may not necessarily be made available to VP Minerals in the first instance. Although these directors have been advised of their fiduciary duties to the situations that could arise in which their obligations to, or interests in, VP Minerals, there exists actual and potential conflicts of interest among these persons.

## 1.2 **Risks relating to the industry generally**

(a) **Exploration**

The mineral tenements of VP Minerals are at various stages of exploration, and mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of deposits of

gold or other metalliferous minerals. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of VP Minerals may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of VP Minerals.

The success of VP Minerals will also depend upon VP Minerals having access to sufficient development capital, being able to maintain title to its tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful, this could lead to a diminution in the value of the tenements, a reduction in the case reserves of VP Minerals and possible relinquishment of the tenements.

**(b) Operational**

The operations of VP Minerals may be disrupted by a variety of risks and hazards which are beyond the control of VP Minerals, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fire, explosions and other incidents beyond the control of VP Minerals.

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 VP Minerals currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that VP Minerals will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

**(c) Development risk**

If VP Minerals does locate commercially viable reserves of gold and/or other metalliferous mineral deposits, then the future development of a mining operation at any of VP Minerals' projects will be subject to a number of risks, including:

- geological and weather conditions causing delays and interference to operations;
- obtaining all necessary and requisite approvals from relevant authorities and third parties;
- technical and operational difficulties associated with mining of minerals and production activities;
- access to necessary funding;
- mechanical failure of plant and equipment;
- shortage or increases in price of consumables, and plant and equipment;

- environmental hazards, fires, explosions and other accidents;
- transportation facilities;
- costs overruns; and
- the costs of extraction being higher than expected.

There is no guarantee that VP Minerals will achieve commercial viability through the development of its projects.

(d) **Environmental risk**

The operations and proposed activities of VP Minerals are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, VP Minerals' activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is VP Minerals' intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on VP Minerals' ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on VP Minerals for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making VP Minerals' operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(e) **Competition risk**

The industry in which VP Minerals will be involved is subject to domestic and global competition. Although VP Minerals will undertake all reasonable due diligence in its business decisions and operations, VP Minerals will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of VP Minerals' projects and business.

In particular, VP Minerals' ability to undertake exploration and mining activities is dependent upon its ability to source and acquire appropriate mining equipment and personnel. Equipment and personnel are not always readily available and the market for mining equipment and personnel experiences fluctuations in supply and demand. Increases in worldwide mining activities may create cost pressures for services and skilled personnel in the resources industry, which may affect the ability to purchase or

hire equipment, supplies, and services and to recruit skilled personnel in relation to the projects. The reduced availability of equipment, services and skilled personnel may delay the planned exploration, development, and production activities at the projects. A shortage of skilled labour in the Australian mining industry could result in VP Minerals having insufficient employees or contractors to operate its business, which could adversely affect VP Minerals' business, results of operations and financial condition.

(f) **Commodity and currency price volatility**

It is anticipated that any future revenues derived from mining will primarily be derived from the sale of gold. Consequently, any future earnings are likely to be closely related to the price of gold.

Commodity prices fluctuate and are affected by numerous factors beyond the control of VP Minerals. These factors include world demand for metals, forward selling by producers and production cost levels in major metal- producing regions.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on VP Minerals' exploration, development, and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of VP Minerals are and will be taken into account in Australian currency. As a result, VP Minerals is exposed to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets, which could have a material effect on VP Minerals' operations, financial position (including revenue and profitability) and performance.

(g) **Regulatory Risks**

VP Minerals' exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, occupational health and safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. VP Minerals requires permits from regulatory authorities to authorise VP Minerals' operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that VP Minerals will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict VP Minerals from proceeding with the development of a project or the operation or development of a mine.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of VP Minerals' activities or forfeiture of one or more of VP Minerals' tenements.



These failures may have operational and financial implications for VP Minerals which may negatively impact on the financial performance and growth prospects for VP Minerals.

### 1.3 General risks

#### (a) Securities investments

There are risks associated with any securities investment. The prices at which the securities of VP Minerals trade may fluctuate in response to a number of factors. Furthermore, the market for mining and exploration companies has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the securities of VP Minerals regardless of its operational performance.

#### (b) Illiquid market

VP Minerals is not listed on a stock exchange and therefore the VP Minerals Shares operate in an illiquid market.

#### (c) Force majeure

VP Minerals' projects now or in the future may be adversely affected by risks outside the control of VP Minerals including labour unrest, subversive activities or sabotage, fires, floods, explosions or other catastrophes.

#### (d) Government and legal risk

Changes in government, monetary policies, taxation and other laws can have a significant impact on VP Minerals' assets, operations and ultimately the financial performance of VP Minerals and its shares. Such changes are likely to be beyond the control of VP Minerals and may affect industry profitability as well as VP Minerals' capacity to explore and mine.

VP Minerals is not aware of any reviews or changes that would affect the Demerger Assets. However, changes in community attitudes on matters such as taxation, competition policy and environmental issues may bring about reviews and possibly changes in government policies. There is a risk that such changes may affect VP Minerals' development plans or its rights and obligations in respect of the Demerger Assets. Any such government action may also require increased capital or operating expenditures and could prevent or delay certain operations by VP Minerals.

#### (e) Litigation risks

VP Minerals is exposed to possible litigation risks contractual disputes, occupational health and safety claims and employee claims. Further, VP Minerals may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on VP Minerals' operations, financial performance and financial position. VP Minerals is not currently engaged in any litigation.

(f) **General economic and political risks**

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any activities that may be conducted by VP Minerals.

(g) **Reliance on key personnel**

VP Minerals will be reliant on technical consultants and other resource industry specialists engaged on a consultancy basis to provide analyses and recommendations on, and carry out, exploration activities in respect of its projects. The availability of suitable technical consultants and resource industry specialists may be limited and there may be delays in securing equipment and personnel required to carry out VP Minerals' planned activities. This may result in cost and time overruns which may have a material adverse effect on VP Minerals.

(h) **Insurance**

Insurance against all risks associated with VP Minerals' business is not always available or affordable. VP Minerals maintains insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the directors of VP Minerals consider the required premiums to be excessive having regard to the benefits that would accrue.

(i) **Coronavirus disease**

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of businesses, individuals and governments to operate. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the pandemic on VP Minerals' business (or on the operations of other businesses on which it relies), and there is no guarantee that VP Minerals' efforts to address the adverse impacts of COVID-19 will be effective. The impact to date has included periods of significant volatility in financial, commodities and other markets. This volatility, if it continues could have an adverse impact on VP Minerals' people, communities, suppliers or otherwise on its business, financial condition and results of operations. The pandemic may lead to delays or restrictions regarding land access, availability of equipment and VP Minerals' ability to freely move people and equipment to and from VP Minerals' exploration projects, leading to delays and cost increases. There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including (but not limited to) government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions. The impact of some or all of these factors could cause significant disruption to VP Minerals' operations and financial performance.

(j) **Climate change risks**

The climate change risks particularly attributable to VP Minerals include:

- the emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation. VP Minerals may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage.

These examples sit amongst an array of possible restraints on industry that may further impact VP Minerals and its profitability. While VP Minerals will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that VP Minerals will not be impacted by these occurrences; and

- climate change may cause certain physical and environmental risks that cannot be predicted by VP Minerals, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which VP Minerals operates.

## Schedule 3      Demerger Assets

Tenement	Registered holder (100%)	Status	Area Km <sup>2</sup>	Application date	Grant date	Expiry date
EL 6926	VHM Limited	Live/good standing	818	21/02/2019	12/07/2019	11/07/2024
EL 6915	VHM Limited	Live/good standing	562	21/02/2019	12/07/2019	11/07/2024
EL 6895	VHM Limited	Live/good standing	704	21/12/2018	1/05/2019	30/04/2024
EL 6923	VHM Limited	Live/good standing	636	21/02/2019	21/05/2019	20/05/2024
EL 7807	N/A – application only	Pending grant/Application stage	421	12/11/2021	N/A	N/A
EL 7810	N/A – application only	Pending grant/Application stage	424	12/11/2021	N/A	N/A
EL 7803	N/A – application only	Pending grant/Application stage	609	6/01/2022	N/A	N/A
EL 7827	N/A – application only	Pending grant/Application stage	335	16/02/2022	N/A	N/A





**VHM Limited**

VHM Limited | ACN 601 004 102

# Proxy Voting Form

If you are attending the virtual Meeting  
please retain this Proxy Voting Form  
for online Securityholder registration.

Your proxy voting instruction must be received by **11.00am (AEST) on Sunday, 22 May 2022**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

## SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

### STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

### DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### STEP 2 - VOTES ON ITEMS OF BUSINESS

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

### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

### 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 Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

### Lodging your Proxy Voting Form:

#### Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone

**Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.**



#### BY MAIL:

Automic  
GPO Box 5193  
Sydney NSW 2001

#### IN PERSON:

Automic  
Level 5, 126 Phillip Street  
Sydney NSW 2000

#### BY EMAIL:

[meetings@automicgroup.com.au](mailto:meetings@automicgroup.com.au)

#### BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

**PHONE:** 1300 288 664 (Within Australia)  
+61 2 9698 5414 (Overseas)

