
DATELINE RESOURCES LIMITED (COMPANY)

ACN 149 105 653

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00 am (Sydney time)

DATE: 30 November 2016

PLACE: The Offices of K&L Gates
Level 31, 1 O'Connell Street
Sydney NSW 2000

This Notice of Meeting together with the attaching Explanatory Statement and Independent Expert's Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Mr John Smith on +61 2 8231 6640.7

The Independent Expert has concluded that (1) the Company's proposed acquisition of Gunnison Gold on the terms of the Proposed Transaction is not fair but is reasonable to the Non-Associated Shareholders and that (2) the Related Party Share Issues are not fair but is reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 10:00am (Sydney time) on 30 November 2016 at:

The Offices of K&L Gates
Level 31, 1 O'Connell Street
Sydney NSW 2000

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm (Sydney time) on 28 November 2016.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Proxies must be:

- lodged by posting them or delivering them by hand to the address specified below; or
- received at the fax number specified below; or
- received at the email address specified below,

not later than 48 hours before the Meeting (i.e. 10.00am (Sydney time) on 28 November 2016).

Address: Dateline Resources Limited
Level 29, 2 Chifley Square
SYDNEY NSW 2000

Postal address: Dateline Resources Limited
PO Box 553
SOUTH HURSTVILLE NSW 2221

Fax number: +61 2 8231 6487

Email address: info@datelineresources.com.au

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given to adopt the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR STEPHEN BAGHDADI

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Mr Stephen Baghdadi, a Director who was appointed on 3 July, 2014 retires, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – APPROVAL OF PROPOSED TRANSACTION AND ISSUE OF OPTIONS TO SOUTHERN CROSS EXPLORATION NL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for the Company to acquire the entire issued share capital of Gunnison Gold Pty Ltd ACN 614 904 479 from Southern Cross Exploration NL for \$250,000 in cash and the issue of 25,000,000 Options to Southern Cross Exploration NL with an exercise price of \$0.04 per Share plus re-imbursement of costs, on the terms for the Proposed Transaction as set out in the Explanatory Statement attached to this Notice of Meeting."

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

- (a) Southern Cross Exploration NL;
- (b) an Associate of Southern Cross Exploration NL; and
- (c) CRG Mining LLC, SLV Minerals LLC and an Associate of each of CRG Mining LLC and SLV Minerals LLC.

However, the Company will not disregard a vote if:

- (d) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (e) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited for the purposes of the Company seeking Shareholder approval under Listing Rule 10.1.

The Independent Expert has concluded that the Proposed Transaction and issue of Options to SXX is not fair but is reasonable to the Non-Associated Shareholders.

The Independent Expert's Report also provides a valuation of the Options.

5. RESOLUTION 4 – ISSUE OF SHARES TO SOUTHERN CROSS EXPLORATION NL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 10.11, item 7 of section 611 of the Corporations Act, and for all other purposes, the Company issue 40,000,000 Shares to Southern Cross Exploration NL at an issue price of \$0.01 per Share in full and final satisfaction of its loan of \$400,000 to the Company and 100,000,000 Shares to Southern Cross Exploration NL at an issue price of \$0.01 per Share, such that the voting power of Southern Cross Exploration NL will increase from 19.75% to approximately 43.56%, as described in the Explanatory Statement attached to this Notice of Meeting."

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

- (a) Southern Cross Exploration NL, the directors of Southern Cross (Stephen Baghdadi, Craig Coleman and Andrew Phillips) and the secretary of Southern Cross (Andrew Phillips); and
- (b) an Associate of Southern Cross Exploration NL.

However, the Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

- (d) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited for the purposes of the Company seeking Shareholder approval under section 611 (item 7) of the Corporations Act.

The Independent Expert has concluded that the issue of Shares to SXX is not fair but is reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

6. RESOLUTION 5 – ISSUE OF SHARES TO A COMPANY CONTROLLED BY RELATED PARTY, MR GREG HALL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Company issue 10,000,000 Shares to a company controlled by Mr Greg Hall (or its nominee) at an issue price of \$0.01 per Share in lieu of consultancy fees for services provided to Golden Phoenix Resources Ltd (a wholly owned subsidiary of the Company) by a company controlled by Mr Hall, as described in the Explanatory Statement attached to this Notice of Meeting.”

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

- (a) Greg Hall (or his nominee); and
(b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
(d) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Independent Expert has concluded that the issue of shares to Mr Greg Hall (or his nominee) is not fair but is reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

7. RESOLUTION 6 – ISSUE OF SHARES TO A RELATED PARTY – MR MARK JOHNSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, the Company issue up to 6,000,000 Shares to Mr Mark Johnson (or his nominee) at an issue price of \$0.01 per Share in satisfaction of his loan of up to \$60,000 to the Company and to issue 15,000,000 Shares at an issue price of \$0.01 per Share to Mr Mark Johnson (or his nominee), on the terms set out in the Explanatory Statement attached to this Notice of Meeting.”

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

- (a) Mark Johnson (or his nominee); and
(b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Independent Expert has concluded that the issue of Shares to Mark Johnson (or his nominee) is not fair but is reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

8. RESOLUTION 7 – ISSUE OF SHARES AND OPTIONS TO UNRELATED PARTY, MICHAEL SILVER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Company be authorised to issue 25,000,000 Shares to Michael Silver (or his nominee) at an issue price of \$0.01 per Share and 10,000,000 Options with an exercise price of \$0.04, as described in the Explanatory Statement attached to this Notice of Meeting.”

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

- (a) Michael Silver (or his nominee) and any person who may participate in the issue of Shares or Options under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder; and
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – ISSUE OF SHARES TO SOPHISTICATED AND PROFESSIONAL INVESTORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Company be authorised to issue up to 70,000,000 Shares to sophisticated and professional investors at an issue price of \$0.01 per Share as described in the Explanatory Statement attached to this Notice of Meeting.”

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

- (a) any person who may participate in the issue of Shares under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder; and
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purposes of ASX Listing Rule 7.1A and all other purposes, approval is given for the Company to allot and issue Equity Securities up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

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

- (a) any person who may participate in the proposed issue (Participant);
- (b) any person who might obtain a benefit (other than a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 9 is passed; and
- (c) any Associate of a Participant.

However, the Company need not disregard a vote if:

- (d) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (e) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 31 October 2016

By order of the Board



**Mr John Smith
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

Various statements in this Explanatory Statement constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Explanatory Statement. There are risks and uncertainties specific to prospective gold mining and none of the Company, the Directors or their advisers provide any assurance that economically recoverable gold resources will be identified in relation to the proposed acquisition of Gunnison Gold (the subject of Resolution 3) and Gunnison Gold's proposed acquisition of the Gold links mine and processing mill mining operations referred to in Section 4 below.

1. FINANCIAL STATEMENTS AND REPORTS – AGENDA ITEM

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <http://www.datelineresources.com.au>

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

Section 250R(2) of the Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

If at least 25% or more of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of Directors (**Spill Resolution**) at the second annual general meeting.

If more than 50% of votes cast are in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors who were in office when the Directors' report (as included in the Company's annual financial report for the most recent financial year) was approved, other than the managing Director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

- (a) If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy:

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will **not** be voted and will **not** be counted in calculating the required majority if a poll is called on this Resolution.

- (b) If you appoint the Chair as your proxy (where the Chair is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member):

You do not need to direct your proxy how to vote on this Resolution. However, if you do **not** direct the Chair how to vote, you **must** mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his or her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

- (c) If you appoint any other person as your proxy:

You do not need to direct your proxy how to vote on this Resolution, and you do **not** need to mark any further acknowledgement on the Proxy Form.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR STEPHEN BAGHDADI

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. Any Director appointed by the Directors to fill a casual vacancy or as an addition to the existing Directors under clause 13.4 of the Constitution is not taken into account when determining the Directors who are to retire by rotation under clause 13.2 of the Constitution.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same

day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has three Directors who were elected at a general meeting of the Shareholders, and accordingly one of them must retire.

Mr Mark Johnson and Mr Greg Hall were both last elected as Directors at last year's annual general meeting of the Shareholders and it has been determined that Mr Baghdadi will retire.

Mr Baghdadi retires by rotation and seeks re-election.

Recommendation of Directors

The Directors (other than Mr Baghdadi) unanimously recommend that Shareholders vote **FOR** this Resolution 2.

4. RESOLUTION 3 – APPROVAL OF PROPOSED TRANSACTION AND ISSUE OF OPTIONS TO SOUTHERN CROSS EXPLORATION N.L

4.1 Background

As announced by the Company on 19 August 2016, the Company entered into a binding agreement with Southern Cross Exploration NL (**Southern Cross** or **SXX**) to acquire the entire issued share capital of Gunnison Gold Pty Ltd ACN 614 904 479 (**Gunnison Gold**) from SXX.

Gunnison Gold was incorporated on 20 September 2016 as a wholly-owned subsidiary of SXX, with 100 fully paid ordinary shares at \$1 each per share held by SXX (**Gunnison Shares**). The sole director of Gunnison Gold is Mr Stephen Baghdadi, who is a director of both the Company and SXX.

On 20 September 2016, SXX procured that Gunnison enter into an acquisition agreement in relation to CRG Mining LLC, company number 20111033525, a company incorporated in Colorado, United States of America (**CRG Mining**) with Robert Geydesen, Jacob Wilkinson and CRG Mining LLC (**CRG Acquisition Agreement**).

On 20 September 2016, SXX procured that Saguache Milling, LLC enter into an acquisition agreement in relation to SLV Minerals LLC, company number 20111261959, a company incorporated in Colorado, United States of America (**SLV Minerals**) with Robert Geydesen, Jacob Wilkinson, the Jon R. Fullmer Trust, Lorrin Fulmer, Saguache Milling, LLC and SLV Minerals (**SLV Acquisition Agreement**).

Subject to completion of each of the CRG Acquisition Agreement and SLV Acquisition Agreement, Gunnison will own various assets including the 'Gold Links Mine' in Colorado, United States of America and 'Processing Mill' (details summarised below).

The terms of the Company's proposed acquisition of the Gunnison Shares are that, subject to all necessary shareholder and regulatory approvals:

- (a) **(100% acquisition)**: the Company will buy, free from any security interests, the Gunnison Shares together with all benefits and rights attached or accruing to them for the 'Purchase Price'; and

- (b) **(purchase price)**: the 'Purchase Price' payable to SXX is the aggregate of \$250,000 (as a finder's fee), plus all out-of-pocket expenses and payments reasonably incurred by SXX directly or indirectly related to the CRG Acquisition Agreement and the issue of 25 million Options to SXX with an exercise price of \$0.04 per Share (**SXX Options**)

(being the **Proposed Transaction**).

In consideration of SXX agreeing to sell the Gunnison Shares to the Company, the Company must, on behalf of SXX, issue 25 million Shares (**Silver Shares**) and 10 million Options (**Silver Options**) to unrelated party, Michael Silver (or his nominee) of 13428 Maxella Avenue, Los Angeles, California 90292 USA.

Completion of the Proposed Transaction is conditional upon each of the following conditions being fulfilled or waived by the Company by 30 November 2016 (or such later date as the Company and Southern Cross agree) and subject to receipt of all required shareholder and regulatory approvals:

- (a) **(SXX Placement)**: a placement of 100 million Shares to SXX at an issue price of \$0.01 per Share to raise \$1,000,000 (**SXX Placement Shares**);
- (b) **(Placement)**: a placement of 85 million Shares to one or more sophisticated investors at an issue price of \$0.01 per Share to raise \$850,000. Mark Johnson, the Chair of the Company has agreed to subscribe for 15 million Shares at an issue price of \$0.01 per Share to raise \$150,000 of the total \$850,000 being raised;
- (c) **(Conversion Shares)**: amounts owed by the Company as at 19 October 2016 to the following persons are converted into Shares (at a price of \$0.01 per Share) in settlement of the indebtedness in respect of those amounts:
- (i) SXX – \$400,000, being the issue of 40 million Shares (**SXX Loan Conversion Shares**);
 - (ii) Mark Johnson – up to \$60,000, being the issue of up to 6 million Shares (**Johnson Loan Conversion Shares**);
 - (iii) Greg Hall – \$100,000, being the issue of 10 million Shares (**Hall Shares**).

The above conversion of debt amounts to the issue of the relevant conversion shares does not impact other existing commercial arrangements between the relevant parties.

Until completion of the Proposed Transaction, the Company covenants that it will not issue any Shares, Options or any other equity securities in the Company.

4.2 CRG Acquisition Agreement and SLV Acquisition Agreement

Pursuant to the CRG Acquisition Agreement and SLV Acquisition Agreement, Gunnison Gold has agreed to acquire 100% ownership of CRG Mining (which owns the permitted Gold Links Mine in Colorado) and 100% of SLV Minerals (which owns a 50 tonne-per day (**tpd**) ore processing mill located on 17 acres (6 hectares) of freehold land in Colorado, United States of America.

To complete the acquisitions under the CRG Acquisition Agreement and SLV Acquisition Agreement, Gunnison Gold is required to initially place into escrow US\$200,000 for the purchase of all of the issued membership interests of CRG Mining and SLV Minerals.

Subject to completion of the acquisitions under the CRG Acquisition Agreement and SLV Acquisition Agreement, and if Gunnison Gold is acquired by the Company, additional

milestone payments of US\$3 million over two years from completion, and a further US\$7 million after this period, will be payable by Gunnison Gold to the vendors of the Gold Links Mine and Processing Mill. In addition, royalties are payable to the landowner indexed to the gold price, but capped at 7% if the gold price is above US\$5,500. The current net smelter royalty is 1.25% based on the gold price as at 19 October 2016.

Completion of the acquisitions under the CRG Acquisition Agreement and SLV Acquisition Agreement are subject to a number of conditions precedent including, satisfactory completion of all due diligence by Gunnison Gold, receipt of all regulatory approvals and third party consents, entry into all necessary third party agreements and a new lease in relation to the mining premises currently leased by CRG Mining in relation to the Gold Links Mine on terms satisfactory to Gunnison Gold.

The Gold Links Mine comprises 34 patented and 20 unpatented mining claims in Gunnison County, Colorado covering over 4,600 acres. The mine site is located is 320 kilometres south west of Denver, Colorado. The Gold Links Mine is a permitted mine but is currently not in production.

Subject to the completion of the Proposed Transaction and the acquisitions under the CRG Acquisition Agreement and SLV Acquisition Agreement, the Company plans to re-commence operations and mining at the Gold Links Mine. At present, a small 50tpd plant is available to treat ore that may be extracted from the Gold Links Mine. If Gunnison Gold is acquired and the acquisitions of SLV Minerals and CRG Mining completes, the Company proposes to expand this plant to 100 tpd to enable the treatment of remnant broken ore and ore that maybe extracted from several easily accessed areas within the Gold Links Mine.

4.3 Approval required under Listing Rule 10.1 and conclusion of the Independent Expert

Resolution 3 seeks Shareholder approval for the Proposed Transaction for the purposes of Listing Rule 10.1.

Under Listing Rule 10.1 the Company is required to obtain Shareholder approval prior to the acquisition of a substantial asset from a related party or an Associate of a related party. A substantial asset is an asset valued at greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX by Company.

For the purposes of ASX Listing Rule 10.1, the Proposed Transaction is subject to Shareholder approval because:

- (a) the vendor of the Gunnison Shares is SXX. SXX is a related party of the Company. Stephen Baghdadi is a director of both the Company and SXX. The other directors of Southern Cross are Mr Craig Coleman and Mr Andrew Phillips. As at the date of this Notice of Meeting, SXX holds 19,997,501 Shares, being 19.75% of the issued Shares of the Company; and
- (b) the value of the consideration payable to SXX in respect of the Proposed Transaction is greater than 5% of Company's equity interests.

Listing Rule 10.10.2 provides that shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the Proposed Transaction from an independent expert.

Accompanying this Explanatory Statement is an Independent Expert's Report prepared by Lonergan Edwards & Associates Limited (**the Independent Expert's Report**).

This report provides a detailed examination of the Proposed Transaction and has concluded that the Proposed Transaction **is not fair but is reasonable to the Non-Associated Shareholders of the Company**.

The Independent Expert's Report is for the purpose of assisting Non-Associated Shareholders' consideration and assessment of the merits of the Proposed Transaction and the making of their decision whether to vote in favour of Resolution 3.

Shareholders are urged to carefully read the Independent Expert's Report in its entirety, to understand the scope of the report, the methodology of the valuation and the reasons for the Independent Expert's conclusion.

The Independent Expert's Report is set out in Annexure A. The Independent Expert's Report is also available on the Company's website, www.datelineresources.com.au under the Investors link. A Shareholder may request a copy of the Independent Expert's Report at no cost to the Shareholder.

4.4 Information required under ASX Listing Rules in relation to the issue of the SXX Options

The information required to be given to Shareholders under ASX Listing Rule 10.13 for the purposes of approval of the proposed issue of the SXX Options to Southern Cross under ASX Listing Rule 10.11 is set out below.

Name of person:	The SXX Options will be issued to Southern Cross Exploration NL.
Maximum number of securities to be issued:	The maximum number of securities to be issued is 25,000,000 Options.
Issue Date:	If Resolution 3 is passed at the Annual General Meeting, the Options will be issued to Southern Cross 1 Business Day after the date of the Annual General Meeting, but in any event the Options will be issued no later than 1 month after the date of the Annual General Meeting.
Relationship between Southern Cross Exploration NL and the Company:	Southern Cross is a shareholder of the Company and holds 19,997,501 Shares as at the date of the Notice of Meeting. A director of the Company, Mr Stephen Baghdadi, is also an executive director of Southern Cross. In addition, Mr Baghdadi holds 265,261,079 fully paid ordinary shares in Southern Cross (being 24.62% of the issued capital of Southern Cross) as at the date of the Notice of Meeting. Mr Baghdadi does not hold any Shares in the Company.
Issue Price:	Nil consideration for the issue of the Options.

Terms of Securities:

The Options are not listed and have an expiry date of 31 October 2019. The Options are exercisable at any time at an exercise price of \$0.04 per Share. Each Option on exercise entitles the holder to one fully paid ordinary share, which on issue will rank equally with the existing Shares on issue. Subject to a 12 month mandatory escrow period from the date of issue of the Options to Southern Cross (as imposed by the ASX under Listing Rule 10.7), the Options are transferable to sophisticated and professional investors.

Refer to Schedule 1 for the terms and conditions of the Options.

The use of the funds raised:

No funds will be raised by the issue of the SXX Options to Southern Cross. The SXX Options are being issued to Southern Cross as part consideration for the acquisition of the Gunnison Shares.

The Independent Expert Report contains a valuation of the Options.

Shareholder approval is not required under ASX Listing Rule 7.1 for the issue of the SXX Options to Southern Cross, in accordance with Exception 14 of ASX Listing Rule 7.2. That is, approval is not required under ASX Listing Rule 7.1 if approval is given under ASX Listing Rule 10.11.

4.5 Capital Structure on completion of the various Share and Option issues

Subject to the passage of Resolutions 3 to 8 and following completion of the various Share and Option issues, the capital structure of the Company will be as follows:

- (a) a maximum total of 367,300,000 Shares will be on issue;
- (b) a total of 35,000,000 Options with an exercise price of \$0.04 per Share and an expiry date of 31 October 2019 will be on issue.

4.6 Risks associated with the Proposed Transaction and Gunnison Gold's proposed acquisition of SLV Minerals and CRG Mining

The Proposed Transaction is consistent with the Company's principal activity and investment strategy, which is to invest in mining exploration projects.

Gunnison Gold's proposed acquisition of SLV Minerals and CRG Mining and the associated Gold Links Mine and Processing Mill are subject to completion and the satisfaction of various conditions precedent, including completion of due diligence satisfactory to Gunnison Gold and the receipt of all relevant third party and regulatory approvals.

The management of the Company believe that the tenements to be acquired are prospective for gold. However, no significant exploration on the tenements has been undertaken in recent years. The areas covered by the tenements do not currently contain any Joint Ore Reserves Committee reserves or resources. Further evaluation of the tenements is therefore required in order to confirm the prospectivity of the area.

Shareholders should be aware that the Proposed Transaction and Gunnison Gold's proposed acquisition of SLV Minerals and CRG Mining involves the acquisition of early stage gold exploration tenements (and a small processing mill). Such investments are, by their nature, very high risk and there is no guarantee that economically recoverable gold resources will be identified.

4.7 Recommendation of Directors

The Directors (other than Mr Baghdadi) recommend that Shareholders vote **FOR** this Resolution 3.

5. RESOLUTION 4 – ISSUE OF SHARES TO A RELATED PARTY – SOUTHERN CROSS EXPLORATION NL

Shareholder approval is being sought in Resolution 4 to approve:

- (a) the issue of 40,000,000 Shares at a price of \$0.01 per Share (**SXX Loan Conversion Shares**) to convert a loan of \$400,000 advanced by Southern Cross Exploration NL to the Company (**SXX Loan Conversion**). This issuance of equity as repayment of debt will reduce the amount of debt recorded on the Company's balance sheet. The SXX Loan Conversion Shares will (if Resolution 4 is approved) be issued to Southern Cross in full and final settlement of the \$400,000 loan amount owed by the Company to Southern Cross; and
- (b) the issue of 100,000,000 Shares at a price of \$0.01 per Share to raise \$1,000,000 (**SXX Placement Shares**).

The issue price of the Shares represents 87.56% of the volume weighted average price for the Company's Shares on the market for trading securities operated by ASX Limited for the 60 Trading Days (as that term is defined in the Listing Rule published by ASX Limited) prior to 19 October 2016.

The Independent Directors believe that specific approval under Chapter 2E of the Corporations Act is not required as the issue of the SXX Loan Conversion Shares and the SXX Placement Shares to Southern Cross would be reasonable in the circumstances if the Company and Southern Cross were dealing at arm's length. The issue price of \$0.01 per Share is the same as the issue price being used to raise capital from unrelated third parties.

The issue of the SXX Loan Conversion Shares in respect of the SXX Loan does not impact other existing commercial arrangements between the Company and Southern Cross.

The Independent Expert has concluded that the issue of the SXX Loan Conversion Shares and the SXX Placement Shares is not fair but is reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

The Related Party Share Issues (which are the subject of Resolutions 4, 5 and 6) reduces the indebtedness of the Company and provides new equity capital. In the absence of the Related Party Share Issues (or some equivalent comparable equity funding), the Company will, prima-facie, have to curtail its future exploration activities (and may not be able to continue to operate as a going concern).

Information required under ASX Listing Rules

The information required to be given to Shareholders under ASX Listing Rule 10.13 for the purposes of approval of the proposed issue of the SXX Loan Conversion Shares and SXX Placement Shares to Southern Cross under ASX Listing Rule 10.11 is set out below.

Name of person:	The SXX Loan Conversion Shares and the SXX Placement Shares will be issued to Southern Cross Exploration NL.
Maximum number of securities to be issued:	The maximum number of securities to be issued is 140,000,000 Shares. 40,000,000 Shares will be issued as the SXX Loan Conversion Shares. 100,000,000 Shares will be issued as the SXX Placement Shares
Issue Date:	If Resolution 4 is passed at the Annual General Meeting, the Shares will be issued to Southern Cross 1 Business Day after the date of the Annual General Meeting, but in any event the Shares will be issued no later than 1 month after the date of the Annual General Meeting.
Relationship between Southern Cross Exploration NL and the Company:	Southern Cross is a shareholder of the Company and holds 19,997,501 Shares as at the date of the Notice of Meeting. A director of the Company, Mr Stephen Baghdadi, is also an executive director of Southern Cross. In addition, Mr Baghdadi holds 265,261,079 fully paid ordinary shares in Southern Cross (being 24.62% of the issued capital of Southern Cross) as at the date of the Notice of Meeting. Mr Baghdadi does not hold any Shares in the Company.
Issue Price:	The deemed issue price for the SXX Loan Conversion Shares is \$0.01 per Share. The issue price for the SXX Placement Shares is \$0.01 per Share.

Terms of Securities:

The Shares issued to Southern Cross will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.

The use of the funds raised:

No funds will be raised by the issue of the SXX Loan Conversion Shares to Southern Cross. The SXX Loan Conversion Shares are being issued to Southern Cross in settlement of the SXX Loan.

\$1,000,000 will be raised by the issue of the SXX Placement Shares and will be used by the Company to pay out-of-pocket expenses incurred by Southern Cross related to the CRG Acquisition Agreement, for the payment of the US\$200,000 escrow amount payable by Gunnison Gold (subject to completion under the CRG Acquisition Agreement and SLV Acquisition Agreement) and for working capital purposes.

Shareholder approval is not required under ASX Listing Rule 7.1 for the issue of the SXX Loan Conversion Shares and the SXX Placement Shares to Southern Cross, in accordance with Exception 14 of ASX Listing Rule 7.2. That is, approval is not required under ASX Listing Rule 7.1 if approval is given under ASX Listing Rule 10.11.

Information required under item 7 of section 611 of the Corporations Act

Refer to Section 6 of this Explanatory Memorandum for further information in relation to the issue of the SXX Loan Conversion Shares and SXX Placement Shares required under item 7 of section 611 of the Corporations Act.

Report by the Independent Expert

The Independent Expert has been authorised by the Directors to:

1. consider and recommend whether or not the SXX Loan Conversion and the issue of the SXX Loan Conversion Shares and SXX Placement Shares are fair and reasonable for the Non-Share Associated Shareholders; and
2. prepare a report on the SXX Loan Conversion and issue of the SXX Loan Conversion Shares and SXX Placement Shares, and submit the same to all Shareholders, when dispatching the Notice of Meeting and the Explanatory Statement.

The Independent Expert has prepared a report (**Independent Expert's Report**) as to whether the SXX Loan Conversion and the issue of the SXX Loan Conversion Shares and SXX Placement Shares are 'fair and reasonable' for the Non-Share Associated Shareholders.

The Independent Expert has concluded that the SXX Loan Conversion and the issue of the SXX Loan Conversion Shares and SXX Placement Shares are not fair but reasonable for the Non-Share Associated Shareholders in the absence of a superior funding proposal.

A complete copy of the Independent Expert's Report is enclosed with this Notice of Meeting. You should carefully read the Independent Expert's Report in its entirety and if you have any

questions, you should seek advice from your accountant, solicitor or other professional adviser, without delay.

Recommendation of Directors

The Directors (other than Mr Baghdadi) recommend that Shareholders vote **FOR** this Resolution 4.

6. RESOLUTION 4 – INFORMATION REQUIRED UNDER ITEM 7 OF SECTION 611 OF THE CORPORATIONS ACT

Resolution 4 seeks Shareholder approval of the issue of the SXX Loan Conversion Shares and SXX Placement Shares to Southern Cross for the purposes of item 7 of section 611 of the Corporations Act.

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a company if:

- (i) the company is a listed company;
- (ii) the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
- (iii) because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) if an acquisition is approved previously by a resolution passed by shareholders at a general meeting of the company.

The issue of the SXX Loan Conversion Shares and SXX Placement Shares (if Resolution 4 is approved) will result in Southern Cross increasing its voting power in the Company from 19.75% to approximately 43.56%.

As result, the issue of the SXX Loan Conversion Shares and SXX Placement Shares technically constitutes circumstances that would require Southern Cross to make a "takeover bid" for all outstanding Shares under the provisions of the Corporations Act.

Shareholder approval of the issue of the SXX Loan Conversion Shares and SXX Placement Shares is being sought under item 7 of section 611 of the Corporations Act in order to avoid Southern Cross having to make a takeover bid for all of the Shares it does not already hold.

The information required to be given to Shareholders for the purposes of approving the issue of the SXX Loan Conversion Shares and SXX Placement Shares to Southern Cross under item 7 of section 611 of the Corporations Act is set out below.

Identity of person acquiring an interest in the Company's Shares as a result of the SXX Loan Conversion Shares and SXX Placement Shares being issued:	Southern Cross will be issued with 40,000,000 Shares as the SXX Loan Conversion Shares and 100,000,000 Shares as the SXX Placement Shares.
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The maximum extent of the increase in the voting power of Southern Cross as a result of the Shares being issued:	The voting power of Southern Cross will increase from 19.75% to 43.56% in total.
The voting power that Southern Cross will have as a result of the Shares being issued:	Voting power of approximately 43.56%.
The maximum extent of the increase in the voting power of the associates of Southern Cross as a result of the issue of the Shares being issued:	Other than the 19,997,501 Shares held by Southern Cross in the Company, no associates (as defined by section 12 of the Corporations Act) hold any Shares in the Company and no associates (as defined by section 12 of the Corporations Act) will receive any Shares under the SXX Loan Conversion, SXX Placement or any of the other Related Party Share Issues. The voting power of Southern Cross and its associates (as defined by section 12 of the Corporations Act) will increase from 19.75% to approximately 43.56%.
The voting power that the associates of Southern Cross will have as a result of the issue of the Shares being issued:	The voting power of Southern Cross and its associates (as defined by section 12 of the Corporations Act) will be 43.56%.

The above table assumes that the Johnson Loan Conversion Shares and Johnson Placement Shares (which are the subject of Resolution 6), the Hall Shares (which are the subject of Resolution 5), the Silver Shares (which are the subject of Resolution 7) and the Placement Shares (which are the subject of Resolution 8) have been issued.

The table does not take into account the effect of the exercise of any Options (which are the subject of Resolutions 3 and 7).

In addition, the Company discloses following information in accordance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide RG74:

- Identity of Southern Cross and its Associates – Southern Cross is a public company listed on the ASX. A director of the Company, Mr Stephen Baghdadi, is also an executive director of Southern Cross. In addition, Mr Baghdadi holds 265,261,079 fully paid ordinary shares in Southern Cross as at the date of the Notice of Meeting. These shares represent 24.62% of the issued capital of Southern Cross as at the date of the Notice of Meeting;
- details of the terms of any agreement between Southern Cross and the Company (or any of their respective associates) that is conditional on (or directly or indirectly depends on) the approval of Resolution 4 – Completion of the Proposed Transaction is conditional on the approval of the SXX Placement Shares, the Placement Shares, the Johnson Placement Shares, the SXX Loan Conversion Shares, the Johnson Loan Conversion Shares and the Hall Shares;

- a statement of Southern Cross' intentions regarding the future of the Company if members approve the SXX Loan Conversion and the issue of the SXX Loan Conversion Shares and SXX Placement Shares, in particular:
 - any intention to change the business of any member of the Dateline group – as at the date of the Notice of Meeting, Southern Cross does not have any such intention;
 - any intention to inject further capital into the Company – Southern Cross does not have any such intention as at the date of the Notice of Meeting;
 - the future employment of present employees of any member of the Company - as at the date of the Notice of Meeting, Southern Cross does not have any intention to increase or decrease the number of employees of the Company; and
 - any proposal where assets will be transferred between the Company and Southern Cross or their respective associates – as at the date of the Notice of Meeting, Southern Cross does not have any such proposal;
- any intention to otherwise re-deploy the fixed assets of the Company – as at the date of the Notice of Meeting, Southern Cross does not have any such intention;
- any intention of Southern Cross to significantly change the financial or dividend distribution policies of the Company – as at the date of the Notice of Meeting, Southern Cross does not have any such intention; and
- the personal interests that any Director or his associate has in the SXX Loan Conversion or any relevant agreement disclosed above – as stated above, Southern Cross currently holds 19.75% of the Shares and voting power of the Company. Further:
 - Mr Stephen Baghdadi, is also an executive director of Southern Cross. Mr Stephen Baghdadi is not receiving any Shares under the SXX Loan Conversion or any of the Related Party Share Issues;
 - Mr Baghdadi also holds 265,261,079 fully paid ordinary shares in Southern Cross as at the date of the Notice of Meeting;
 - Mr Baghdadi is not regarded as being an independent director of the Company on that basis; and
- details of any person who is intended to become a director of the Company if the Shareholders approve the issue of the SXX Loan Conversion Shares and SXX Placement Shares – no person will be appointed as a director of the Company as a result of the Shareholders approving the issue of the SXX Loan Conversion Shares and SXX Placement Shares.

7. RESOLUTION 5 – ISSUE OF SHARES TO A RELATED PARTY – MR GREG HALL

Shareholder approval is being sought in Resolution 7 to approve the issue of 10,000,000 Shares at a price of \$0.01 per Share (**Hall Shares**) to Golden Phoenix International Pty Ltd ACN 125 939 219 (**GP International**) a company controlled by Mr Greg Hall in lieu of GP International receiving consultancy fees for the services provided to Golden Phoenix Resources Limited (a wholly owned subsidiary of the Company). Shareholder approval is required for the purposes of the ASX Listing Rules.

The issue of the Hall Shares does not impact other existing commercial arrangements between Mr Hall and the Company.

Pursuant to clause 13.9 of the Constitution, the Directors (other than Mr Hall) have determined that the fees payable to GP International for these consultancy services will be in addition to (and not in place of) any Director's fees Mr Hall receives as a non-executive Director of the Company.

The issue price of the Shares represents 87.56% of the volume weighted average price for the Company's Shares on the market for trading securities operated by ASX Limited for the 60 Trading Days (as that term is defined in the ASX Listing Rules published by ASX Limited) prior to 19 October 2016

The information required to be given to Shareholders under ASX Listing Rule 10.13 for the purposes of approval of the proposed issue of the Hall Shares to GP International (or its nominee) under ASX Listing Rule 10.11 is set out below.

Name of person:	The Hall Shares will be issued to GP International or its nominee.
Maximum number of securities to be issued:	The maximum number of securities to be issued is 10,000,000 Shares.
Issue Date:	If Resolution 5 is passed at the Annual General Meeting, the Hall Shares will be issued to GP International or its nominee 1 Business Day after the date of the Annual General Meeting, but in any event the Hall Shares will be issued no later than 1 month after the date of the Annual General Meeting.
Relationship between Mr Hall and the Company:	Mr Hall is a non-executive Director of the Company and holds an indirect interest in 4,999,987 Shares as at the date of the Notice of Meeting as a result of his beneficial interest in the Hall Trust.
Issue Price:	The deemed issue price is \$0.01 per Share.
Terms of Securities:	The Hall Shares issued to GP International or its nominee will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.
The use of the funds raised:	No funds will be raised by the issue of the Hall Shares to GP International or its nominee. The Hall Shares are being issued to GP International (or its nominee) in lieu of it receiving fees for consultancy services provided to Golden Phoenix Resources Limited (a wholly owned subsidiary of the Company).

Shareholder approval is not required under ASX Listing Rule 7.1 for the issue of the Hall Shares to GP International (or its nominee), in accordance with Exception 14 of ASX Listing Rule 7.2. That is, approval is not required under ASX Listing Rule 7.1 if approval is given under ASX Listing Rule 10.11.

The Directors (excluding Mr Hall) believe that specific approval under Chapter 2E of the Corporations Act is not required as the issue of the Hall Shares to GP International (or its nominee) would be reasonable in the circumstances if the Company and GP International were dealing at arm's length and reduces the Company's indebtedness to pay the reasonable remuneration which was negotiated at arm's length for the consultancy services provided to Golden Phoenix Resources Limited (a wholly owned subsidiary of the Company) by GP International.

The Independent Expert has concluded that the issue of the Hall Shares is not fair but is reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

Recommendation of Directors

The Directors (other than Mr Hall) recommend that Shareholders vote **FOR** this Resolution 5.

8. RESOLUTION 6 – ISSUE OF SHARES TO A RELATED PARTY – MR MARK JOHNSON

Shareholder approval is being sought in Resolution 6 to approve:

- (a) the issue of up to 6,000,000 Shares at a price of \$0.01 per Share (**Johnson Loan Conversion Shares**) to convert the amount of up to \$60,000 owed by the Company to Mr Johnson (**Johnson Loan**) into Shares. Mr Johnson is the Executive Chairman of the Company. This issuance of equity as repayment of debt will reduce the amount of debt recorded on the Company's balance sheet. The Johnson Loan Conversion Shares will (if Resolution 6 is approved) be issued to Mr Johnson (or his nominee) in settlement of the Johnson Loan. The issue of the Johnson Loan Conversion Shares in respect of the Johnson Loan does not impact other existing commercial arrangements between the Company and Mr Johnson.
- (b) the issue of 15,000,000 Shares at a price of \$0.01 per Share to raise \$150,000 (**Johnson Placement Shares**).

The issue price of the Shares represents 87.56% of the volume weighted average price for the Company's Shares on the market for trading securities operated by ASX Limited for the 60 Trading Days (as that term is defined in the ASX Listing Rules published by ASX Limited) prior to 19 October 2016.

The information required to be given to Shareholders under ASX Listing Rule 10.13 for the purposes of approval of the proposed issue of the Johnson Loan Conversion Shares and Johnson Placement Shares to Mr Johnson (or his nominee) under ASX Listing Rule 10.11 is set out below.

Name of person:	The Johnson Loan Conversion Shares and Johnson Placement Shares will be issued to Mr Mark Johnson or his nominee.
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Maximum number of securities to be issued:	The maximum number of securities to be issued is 21,000,000 Shares, being up to 6,000,000 Shares as the Johnson Loan Conversion Shares and 15,000,000 Shares as the Johnson Placement Shares.
Issue Date:	If Resolution 6 is passed at the Annual General Meeting, the Johnson Loan Conversion Shares and Johnson Placement Shares will be issued to Mr Johnson or his nominee 1 Business Day after the date of the Annual General Meeting, but in any event the Johnson Loan Conversion Shares and Johnson Placement Shares will be issued no later than 1 month after the date of the Annual General Meeting.
Relationship between Mr Johnson and the Company:	Mr Johnson is the Executive Chairman of the Company and holds 26,588,875 Shares as at the date of the Notice of Meeting.
Issue Price:	The deemed issue price is \$0.01 per Share for the Johnson Loan Conversion Shares. The issue price is \$0.01 per Share for the Johnson Placement Shares.
Terms of Securities:	The Johnson Loan Conversion Shares and Johnson Placement Shares issued to Mr Johnson or his nominee will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.
The use of the funds raised:	No funds will be raised by the issue of the Johnson Loan Conversion Shares to Mr Johnson or his nominee. The Johnson Loan Conversion Shares are being issued to Mr Johnson (or his nominee) in settlement of the Johnson Loan. \$150,000 will be raised by the issue of the Johnson Placement Shares and will be used by the Company for working capital purposes.

Shareholder approval is not required under ASX Listing Rule 7.1 for the issue of the Johnson Loan Conversion Shares and Johnson Placement Shares to Mr Johnson (or his nominee), in accordance with Exception 14 of ASX Listing Rule 7.2. That is, approval is not required under ASX Listing Rule 7.1 if approval is given under ASX Listing Rule 10.11.

Following the issue of the Johnson Loan Conversion Shares and Johnson Placement Shares (if Resolution 6 is approved), Mr Johnson's ownership percentage in the Company will (if the Silver Shares, the Hall Shares, the Placement Shares, the SXX Loan Conversion Shares and the SXX Placement Shares are also approved and issued) decrease from 26.25% to approximately 12.96%.

The Directors believe that specific approval under Chapter 2E of the Corporations Act is not required as the issue of the Johnson Loan Conversion Shares and Johnson Placement Shares to Mr Johnson (or his nominee) would be reasonable in the circumstances if the Company and Mr Johnson (or his nominee) were dealing at arm's length. The issue of the Johnson Loan Conversion Shares will reduce the indebtedness of the Company to Mr Johnson and the issue of the Johnson Placement Shares will raise additional capital at the same issue price as being raised from third party, unrelated investors.

The Independent Expert has concluded that the Johnson Loan Conversion and the issue of the Johnson Loan Conversion Shares and Johnson Placement Shares are not fair but reasonable to the Non-Share Associated Shareholders in the absence of a superior funding proposal.

Recommendation of Directors

The Directors (other than Mr Johnson) recommend that Shareholders vote **FOR** this Resolution 6.

9. RESOLUTION 7 – ISSUE OF SHARES AND OPTIONS TO MICHAEL SILVER

Shareholder approval is being sought in Resolution 7 to approve the issue of 25,000,000 Shares at a deemed price of \$0.01 per Share (**Silver Shares**) and the issue of 10,000,000 Options with an exercise price of \$0.04 (Silver Options) to unrelated party, Michael Silver (or his nominee). Shareholder approval is being obtained for the purposes of ASX Listing Rule 7.1. The Company's capacity under Listing Rule 7.1 is 15,195,062 Shares.

ASX Listing Rule 7.1 provides that subject to certain exceptions (which do not apply in this case) a listed company may not issue shares or options to subscribe for shares equal to more than 15% of that company's issued share capital in any 12 months without obtaining Shareholders' approval.

Shareholder approval under Listing Rule 7.1 is required for the issue of the Silver Shares to ensure that the issue of the Silver Shares does not reduce the Company's capacity for additional share issues in the next 12 months.

The following information is required by Listing Rule 7.3 in relation to the issue of the Silver Shares:

Maximum number of securities to be issued:	The maximum number of Silver Shares to be issued by the Company is 25,000,000 Shares.
Issue Date:	If Resolution 7 is passed at the Annual General Meeting, the Silver Shares will be issued as soon as practicable after the date of the Annual General Meeting, but in any event the Silver Shares will be issued no later than 3 months after the date of the Annual General Meeting.
Issue Price:	The deemed issue price of the Silver Shares is \$0.01 per Share.
Name of person:	The Silver Shares will be issued to Michael Silver (or his nominee), in connection with his role in identifying and securing the

opportunity to acquire CRG Mining and SLV Minerals.

Terms of Securities:

The Silver Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.

The use of the funds raised:

No funds will be raised by the issue of the Silver Shares to Michael Silver or his nominee. The Silver Shares are being issued to Michael Silver (or his nominee) as part consideration for Michael Silver's role in identifying and securing the opportunity to acquire CRG Mining and SLV Minerals.

The following information is required by Listing Rule 7.3 in relation to the issue of the Silver Options:

Maximum number of securities to be issued:

The maximum number of Silver Options to be issued by the Company is 10,000,000 Options.

Issue Date:

If Resolution 7 is passed at the Annual General Meeting, the Silver Options will be issued as soon as practicable after the date of the Annual General Meeting, but in any event the Silver Options will be issued no later than 3 months after the date of the Annual General Meeting.

Issue Price:

Nil consideration.

Name of person:

The Silver Options will be issued to Michael Silver (or his nominee) in connection with his role in identifying and securing the opportunity to acquire CRG Mining and SLV Minerals.

Terms of Securities:

The Options are not listed and have an expiry date of 31 October 2019. The Options are exercisable at any time at an exercise price of \$0.04 per Share. Each Option on exercise entitles the holder to one fully paid ordinary share, which on issue will rank equally with the existing Shares on issue. The Options are transferable to sophisticated and professional investors.

Refer to Schedule 1 for the terms and conditions of the Options.

The use of the funds raised:

No funds will be raised by the issue of the Silver Options to Michael Silver or his nominee. The Silver Options are being issued to Michael Silver (or his nominee) as part consideration for Michael Silver's role in identifying and securing the opportunity to acquire CRG Mining and SLV Minerals.

Mr Silver is not a shareholder in the Company. On completion of the issue of the Shares to Mr Silver (or his nominee), Mr Silver will become a substantial shareholder and hold approximately 6.8% of the total issued capital of the Company.

Recommendation of Directors

The Directors recommend that Shareholders vote **FOR** this Resolution 7.

10. RESOLUTION 8 –ISSUE OF SHARES TO SOPHISTICATED AND PROFESSIONAL INVESTORS

Shareholder approval is being sought in Resolution 8 to approve the issue of up to 70,000,000 Shares at a price of \$0.01 per Share to sophisticated and professional investors as defined in the Corporations Act (**Placement Shares**). Shareholder approval is required for the purposes of the ASX Listing Rules.

The issue price of the Shares represents 87.56% of volume weighted average price for the Company's Shares on the market for trading securities operated by ASX Limited for the 60 Trading Days (as that term is defined in the ASX Listing Rules published by ASX Limited) prior to 19 October 2016.

ASX Listing Rule 7.1 provides that subject to certain exceptions (which do not apply in this case) a listed company may not issue shares or options to subscribe for shares equal to more than 15% of that company's issued share capital in any 12 months without obtaining Shareholders' approval.

Shareholder approval under Listing Rule 7.1 is required for the issue of the Placement Shares to ensure that the issue of the Placement Shares does not reduce the Company's capacity for additional share issues in the next 12 months.

No Placement Shares will be issued to related parties of the Company.

The following information is required by Listing Rule 7.3 in relation to the issue of the Placement Shares:

Maximum number of securities to be issued:

The maximum number of Placement Shares to be issued by the Company is 70,000,000 Shares.

Issue Date:

If Resolution 8 is passed at the Annual General Meeting, the Placement Shares will be issued as soon as practicable after the date of the Annual General Meeting, but in any event the Placement Shares will be issued no later than 3 months after the date of the Annual General Meeting.

Issue Price:	The issue price of the Placement Shares is \$0.01 per Share.
Name of person:	The Placement Shares will be issued to sophisticated and professional investors as defined in the Corporations Act.
Terms of Securities:	The Placement Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.
The use of the funds raised:	The Company intends to use the funds raised from the issue of the Placement Shares for working capital and exploration purposes.

Recommendation of Directors

The Directors recommend that Shareholders vote **FOR** this Resolution 8.

11. RESOLUTION 9 – APPROVAL OF ADDITIONAL PLACEMENT CAPACITY

11.1 General

ASX Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital through placements over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity is one that, as at the date of the relevant annual general meeting:

- is not included in the S&P/ASX 300 Index; and
- has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.

The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300 million.

The effect of Resolution 9 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The Company is now seeking shareholder approval of Resolution 9 by way of a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 9 for it to be passed.

11.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an eligible entity to seek shareholder approval at its annual general meeting to issue Equity Securities comprising the 10%

Placement Capacity in addition to those under the eligible entity's 15% annual placement capacity under Listing Rule 7.1.

ASX Listing Rule 7.1A.1 provides that Shareholder approval obtained under ASX Listing Rule 7.1A for the 10% Placement Capacity applies for the period commencing on the date of the annual general meeting at which the approval is obtained and expiring on the first to occur of the following:

- (a) the date which is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (b) the date of approval by Shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or ASX Listing Rule 11.2 (disposal of the Company's main undertaking).

Shareholder approval was first obtained under ASX Listing Rule 7.1A at the Company's Annual General Meeting on 29 November 2013 and was subsequently re-approved at the Annual General Meetings held on 21 November 2014 and 20 November 2015. In accordance with Listing Rule 7.1A.1, this Shareholder approval will expire on 20 November 2016. Accordingly, the Company is seeking Shareholder approval for the 10% Placement Capacity under ASX Listing Rule 7.1A for the 12-month period following this Annual General Meeting, by way of Resolution 9.

The Equity Securities issued under ASX Listing Rule 7.1A must be in the same class as an existing class of quoted Equity Securities. As at the date of this Notice, the Company has only one class of quoted Equity Securities on issue, being the Shares (ASX Code: DTR).

The exact number of Equity Securities that the Company may issue under an approval under ASX Listing Rule 7.1A will be calculated according to the following formula:

(A x D) - E

Where:

- A** = the number of Shares on issue 12 months before the date of issue or agreement to issue:
- (i) plus, the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (ii) plus, the number of partly paid shares that became fully paid in the previous 12 months;
 - (iii) plus, the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rule 7.1 or 7.4; and
 - (iv) less the number of Shares cancelled in the previous 12 months.
- D** = 10%.
- E** = the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

11.3 Technical Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 9:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 11.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of the Annual General Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 9 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under 10% Placement Capacity.

Number of Shares on Issue (Current)	Dilution			
	Number of Shares issued under 10% Placement Capacity	Funds raised based on issue price of \$0.005 (50% decrease in Current Price)	Funds raised based on issue price of \$0.01 (Current Price)	Funds raised based on issue price of \$0.02 (100% increase in Current Price)
101,300,416 (Current)	10,130,042	\$50,650.21	\$101,300.42	\$202,600.84
151,950,624 (50% increase)	15,195,062	\$75,975.31	\$151,950.63	\$303,901.24
202,600,832 (100% increase)	20,260,083	\$101,300.42	\$202,600.83	\$412,016.64

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current Shares on issue are the Shares on issue as at the date of this Notice is 101,300,416 Shares.
2. The 'Current Issue Price' (\$0.01) set out above is the issue price of Shares to be issued subject to the passage of Resolutions 3 to 8 of this Notice of Meeting. The issue price of \$0.01 represents 87.56% of the volume weighted average price for the Shares on the market for the 60 Trading Days prior to 19 October 2016.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may seek to issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration, in which case the Company may use funds raised towards the Company's existing business (including exploration expenses), payments required under the CRG Acquisition Agreement and SLV Acquisition Agreement (subject to completion and completion of the Proposed Transaction), an acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital; or
- (ii) as non-cash consideration for the acquisition of new assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the Company's circumstances, including, but not limited to, its financial position and solvency;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company previously obtained approval under ASX Listing Rule 7.1A on 20 November 2015.

For the purposes of Listing Rule 7.31.6, the Company notes that no Shares were issued in the past twelve months under ASX Listing Rule 7.1A. The Company also notes that no Shares have been issued during the last twelve month period under Listing Rule 7.1.

(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with ASX Listing Rule 7.1.A.4; and
- (ii) the information required by ASX Listing Rules 3.10.5A for release to the market.

(h) Voting exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

The Directors unanimously recommended that Shareholders vote **FOR** this Resolution 9. The Chairperson will cast all available proxies in favour of Resolution 9.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given to that term under the ASX Listing Rules.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day 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.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Dateline Resources Limited (ACN 149 105 653).

Constitution means the Company's constitution.

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

CRG Acquisition Agreement means the agreement in relation to Gunnison Gold's proposed acquisition of CRG Mining referred to in Section 4.2 of the Explanatory Statement.

CRG Mining means CRG Mining LLC, company number 20111033525, a company incorporated in Colorado, United States of America.

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

GP International means Golden Phoenix International Pty Ltd ACN 125 939 219, a company controlled by Mr Greg Hall, a director of the Company.

Gunnison Gold means Gunnison Gold Pty Ltd ACN 614 904 479.

Hall Shares means 10,000,000 Shares to be issued to GP International (or its nominee) at a deemed issue price of \$0.01 per Share, subject to Resolution 5 in the Notice of Meeting being approved by Shareholders, to be issued in lieu of fees for consultancy services provided to Golden Phoenix Resources Limited (a wholly owned subsidiary of the Company) by GP International, as more particularly described in Section 7 of the Explanatory Statement.

Hall Trust means Omaroo Pty Ltd ACN 001 494 131 as trustee for the Hall Family Trust, a related entity of Mr Greg Hall (a director of the Company).

Independent Expert means Lonergan Edwards & Associates Limited ABN 53 095 445 560 of Level 7, 64 Castlereagh Street, Sydney NSW 2000 (AFS Licence No. 246532).

Independent Expert's Report means the report by the Independent Expert dated 21 October 2016 as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders and whether the Related Party Share Issues are fair and reasonable to the Non-Share Associated Shareholders.

Johnson Loan means the amount of up to \$60,000 owed to Mr Mark Johnson (a Director) by the Company.

Johnson Loan Conversion Shares means up to 6,000,000 Shares to be issued to Mr Mark Johnson (or his nominee) at a deemed issue price of \$0.01 per Share, subject to Resolution 6 in the Notice of Meeting being approved by Shareholders, to be issued in consideration for the full and final repayment of the Johnson Loan, as more particularly described in Section 8 of the Explanatory Statement.

Johnson Placement Shares means 15,000,000 Shares to be issued to Mark Johnson or his nominee at an issue price of \$0.01 per Share, subject to Resolution 6 being approved by Shareholders.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Meeting means the annual general meeting of the Company convened by the Notice of Meeting.

Non-Associated Shareholders means the Shareholders excluding Southern Cross who are not associated with the Proposed Transaction.

Non-Share Associated Shareholders means the Shareholders excluding Directors and Southern Cross who are not associated with the Related Party Share Issues.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share to be issued by the Company, subject to Resolutions 3 and 7 in the Notice of Meeting being approved by Shareholders, on the terms and conditions set out in Schedule 1.

Placement Shares means up to 70,000,000 Shares to be issued to sophisticated or professional investors, subject to Resolution 8 being approved, at an issue price of \$0.01 per Share, as more particularly described in Section 8 of the Explanatory Statement.

Proposed Transaction means the Company's proposed acquisition of the entire share capital of Gunnison Gold for the consideration of \$250,000 cash, SXX Options and re-imburement of costs payable to Southern Cross, as more particularly described in Section 4.1 of the Explanatory Statement.

Proxy Form means the proxy form accompanying the Notice.

Related Party Share Issues means the issue of the SXX Loan Conversion Shares, SXX Placement Shares, Johnson Loan Conversion Shares, Johnson Placement Shares and Hall Shares, which are the subject of Resolutions 4, 5 and 6.

Remuneration Report means the remuneration report set out in the Directors' report section of the Company's annual financial report for the financial year ended 30 June 2016.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a registered holder of a Share.

Silver Shares means 25,000,000 Shares to be issued to Michael Silver or his nominee, subject to Resolution 7 being approved, at a deemed issue price of \$0.01 per Share.

Silver Options means 10,000,000 Options to be issued to Michael Silver or his nominee, subject to Resolution 7 being approved.

SLV Minerals means SLV Minerals LLC, company number 20111261959, a company incorporated in Colorado, United States of America.

SLV Acquisition Agreement means the agreement in relation to Gunnison Gold's proposed acquisition of SLV Minerals referred to in Section 4.2 of the Explanatory Statement.

Southern Cross or **SXX** means Southern Cross Exploration NL, ACN 000 716 012 (ASX: SXX).

SXX Loan means the amount of \$400,000 owed to Southern Cross by the Company.

SXX Loan Conversion means the conversion of the SXX Loan into Shares, subject to Resolution 4 in the Notice of Meeting being approved by Shareholders.

SXX Loan Conversion Shares means 40,000,000 Shares to be issued to Southern Cross at a deemed issue price of \$0.01 per Share, subject to Resolution 4 in the Notice of Meeting being approved by Shareholders, to be issued in consideration for the full and final repayment of the SXX Loan, as more particularly described in Sections 5 and 6 of the Explanatory Statement.

SXX Options means 25,000,000 Options to be issued to Southern Cross, subject to Resolution 3 in the Notice of Meeting being approved by Shareholders.

SXX Placement Shares means 100,000,000 Shares to be issued to Southern Cross, subject to Resolution 4 in the Notice of Meeting being approved by Shareholders, at a cash subscription issue price of \$0.01 per Share.

tpd means tonne-per day.

SCHEDULE 1 – TERMS OF OPTIONS

1. Defined terms

In these Terms, these meanings apply unless the contrary intention appears:

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney.

Company means Dateline Resources Limited ACN 149 105 653.

Completion Date means the date of issue of the Options.

Exercise Price has the meaning given to it in clause 4 of these Terms.

Expiry Date means 5.00 pm local time on 31 October 2019.

Holder means a holder of the Options or any person to whom an Option is transferred in accordance with clause 12 of these Terms.

Option means an option over an unissued Share.

Option Period has the meaning given in clause 5 of these Terms.

Permitted Person means a sophisticated investor or professional investor, as those terms are defined under sections 708(8) and 708(11) of the Corporations Act 2001 (Cth).

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

Terms means these Terms of Options.

2. Certificate

Within 5 Business Days after the Completion Date, the Company must issue to the Holder a certificate for the Options which will include:

- (a) the terms of the Options as set out in this schedule; and
- (b) a form of notice for the exercise of some or all of the Options.

3. Entitlement

Each Option entitles the Holder to subscribe for one fully paid Share (subject to adjustment under these Terms).

4. Exercise price

The exercise price of each Option is \$0.04 (subject to adjustment under clause 7 of these Terms).

5. **Option Period**

Subject to clause 6, the Options may be exercised at any time on and from the Completion Date until the Expiry Date (such period being the **Option Period**). Any Options not exercised automatically expire and lapse on the Expiry Date.

6. **Overriding restriction**

- (a) The Holder must not exercise an Option if the issue of Shares as a result of the exercise would breach section 606 of the Corporations Act.
- (b) If the Holder purports to exercise a number of Options that would result in a breach of section 606 of the Corporations Act, the Holder's exercise of Options will be deemed to be in respect of such number of Options as would not result in a breach.

7. **Adjustments**

7.1 **Participation in new issues**

The Holder of an Option may not participate in new issues of Shares unless the Holder exercises that Option and becomes the holder of Shares prior to the record date for the new issue of Shares.

7.2 **Notification of new issues**

The Company must give the Holder of an Option 10 Business Days prior notice of the record date for a new issue of Shares to enable the Holder to exercise the Option and participate in the new issue.

7.3 **Pro rata issues**

If there is a pro rata issue (except a bonus issue) of Shares, the Exercise Price reduces according to the formula in the ASX Listing Rules as follows:

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

Where:

NP = the new exercise price of the Option

OP = the old exercise price of the Option

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

P = the average market price per Share (weighted by reference to volume) during the five trading days ending on the day before the ex rights date or ex entitlement date

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

D = the dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue)

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

No change will be made to the number of Shares to which the Holder is entitled.

7.4 **Bonus issues**

If there is a bonus issue of Shares, the number of Shares over which an Option is exercisable increases by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the bonus issue.

7.5 **Option terms on reorganisation of capital**

If the issued capital of the Company is reconstructed, the rights of the Holder of an Option under this document must be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

7.6 **Options to be reorganised on reorganisation of capital**

Subject to paragraph 7.5:

- (a) in a consolidation of the Shares, the number of Options must be consolidated in the same ratio as the Shares and the Exercise Price must be amended in inverse proportion to that ratio;
- (b) in a subdivision of the Shares, the number of Options must be sub-divided in the same ratio as the Shares and the Exercise Price must be amended in inverse proportion to that ratio;
- (c) in a return of capital to Holders of Shares, the number of Options must remain the same, and the Exercise Price of each Option must be reduced by the same amount as the amount returned in relation to each Share;
- (d) in a reduction of capital by cancellation of capital paid up on Shares that is lost or not represented by available assets where no Shares are cancelled, the number of Options and the Exercise Price of each Option must remain unaltered;
- (e) in a pro rata cancellation of Shares, the number of Options must be reduced in the same ratio as the Shares and Exercise Price of each Option must be amended in inverse proportion to that ratio; and
- (f) in any other case where the Shares are reorganised, the number of Options or the Exercise Price, or both, must be reorganised so that the Holder of the Option will not receive a benefit that holders of Shares do not receive.

8. **Ranking of Shares issued on exercise of Options**

All Shares issued on the exercise of an Option rank equally (including rights relating to dividends) with the then issued Shares of the Company from the date of issue.

9. **Method of exercise of Options**

9.1 **Time of exercise**

The Options may be exercised in whole or in part at any time during the Option Period.

9.2 **Manner of exercise**

Options may be exercised by the Holder delivering to the Company:

- (a) the notice of exercise specifying the number of Options exercised; and
- (b) payment of the Exercise Price for each Option exercised.

9.3 **Notice of Expiry Date**

The Company must give the Holder a notice at least 20 Business Days before the Expiry Date with the information required by the ASX Listing Rules.

9.4 **Issue of Shares**

The Company must issue to the Holder the Shares to be issued on exercise of an Option within five Business Days after the Company receives the notice of exercise from the Holder.

9.5 **Holding Statement**

The Company must forward to the Holder a statement of holding for the Shares issued on exercise of an Option within five Business Days of their issue.

9.6 **Quotation on ASX**

- (a) The Company will as soon as practicable after any Options are exercised make application for the Shares issued on exercise of the Options by the Holder to be granted official quotation on the ASX.
- (b) The Company must, to the extent it is able, within 2 Business Days of the issue of any Shares on exercise of any of the Options, provide to the ASX a notice complying with sections 708(A)(5)(e) and 708A(6) of the Corporation Act as they apply to the Company and the Shares, if it is necessary to do so to ensure that the Shares can be re-sold to investors in Australia without disclosure under Chapter 6D.2 of the Corporations Act within 12 months from the date of issue.
- (c) The lodgement of an application for quotation of the Shares with ASX by the Company will constitute a representation and warranty by the Company to the Holder that:
 - (i) the Shares issued on exercise of the Options are not issued for the purpose of the Holder, selling or transferring the Shares or granting, issuing or transferring an interest in, or options over, them;
 - (ii) the issue of the Shares issued on exercise of the Options complies with the law and is not for an illegal purpose;
 - (iii) there is no reason why the Shares issued on exercise of the Options should not be granted quotation by ASX; and

- (iv) an offer of the Shares issued on exercise of Options for sale within 12 months after their issue will not require disclosure under section 707(3) of the Corporations Act.

9.7 **Surrender of certificate**

- (a) The Holder must surrender its option certificate to the Company at the time of exercising the Options.
- (b) If the Holder exercises some but not all Options at the relevant time, then the Company must provide the Holder with a new option certificate reflecting the number of Options that the Holder continues to hold.

10. **ASX Listing Rules**

For so long as the Company remains listed on ASX, in the event of inconsistency between these Terms and the ASX Listing Rules, the ASX Listing Rules will prevail to the extent of such inconsistency.

11. **Notices**

Any notices regarding the Options will be sent to the registered address of the Holder as recorded in the register of options maintained by the Company.

12. **Transfer of Options**

Subject to any mandatory escrow applying to the Options as required under the ASX Listing Rules, the Holder may transfer the Options (either in whole or in part) at any time before the Expiry Date provided that the transfer is to a Permitted Person.

13. **No listing on ASX**

The Options will not be listed on ASX.

14. **Governing laws**

The laws of New South Wales, Australia govern these Terms.

APPOINTMENT OF PROXY FORM

DATELINE RESOURCES LIMITED ACN 149 105 653

ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR:

the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10:00 am (Sydney time), on 30 November 2016 at The Offices of K&L Gates, Level 31 1 O'Connell Street, Sydney NSW, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**Voting on business of the Annual General Meeting**

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Stephen Baghdadi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of the Proposed Transaction and Issue of Options to Southern Cross	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Shares to Southern Cross	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Shares to a company controlled by Mr Greg Hall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Shares to Mark Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares and Options to Mr Michael Silver	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Shares to sophisticated and professional investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of additional 10% placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolution 1, If you have not directed your proxy how to vote as your proxy in respect of Resolution 1 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolution 1 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):**Individual or Shareholder 1**

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____**Contact name:** _____**Contact ph (daytime):** _____**E-mail address:** _____**Consent for contact by e-mail:** YES NO

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) hand to the Company at Level 29, 2 Chifley Square Sydney; or
 - (b) post to the Company, PO Box 553 South Hurstville NSW 2221 ; or
 - (c) facsimile to the Company on facsimile number +61 2 8231 6487; or
 - (d) email to the Company at info@datelineresources.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting (i.e. 10.00am (Sydney time) on 28 November 2016).

Proxy Forms received later than this time will be invalid.

**LONERGAN EDWARDS
& ASSOCIATES LIMITED**

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The Independent Directors
Dateline Resources Limited
Level 29
2 Chifley Square
Sydney NSW 2000

21 October 2016

Subject: Acquisition of Gunnison Gold and issue of shares and options to Southern Cross Exploration NL and directors

Dear Independent Directors

Introduction

- 1 On 19 October 2016, Dateline Resources Limited (DTR or the Company) announced that it intended (subject to shareholder approval) to:
 - (a) acquire 100% of the shares in Gunnison Gold Pty Limited (Gunnison) from Southern Cross Exploration NL (SXX) for \$250,000 in cash and the issue of 25 million options to SXX exercisable at \$0.04 per share on or before 31 October 2019. In addition, DTR will reimburse SXX for the transaction costs incurred by SXX in connection with the proposed acquisition by Gunnison of the Gold Links Mine¹ in Colorado and a 50 tonne per day (tpd) ore processing mill at the mine site (the Proposed Transaction)
 - (b) issue 40 million shares in DTR to SXX at a price of \$0.01 per DTR share in order to convert a loan of \$400,000 that was advanced by SXX to DTR into equity
 - (c) convert amounts owing by DTR to DTR's Directors² (totalling up to \$160,000) into a maximum of 16 million DTR shares at \$0.01 per share
 - (d) raise \$1.85 million in cash through the issue of:
 - (i) 100 million new DTR shares to SXX at a price of \$0.01 per share
 - (ii) 85 million new DTR shares to other investors at a price of \$0.01 per share³
 - (e) issue 25 million DTR shares and 10 million DTR options exercisable at \$0.04 per share on or before 31 October 2019 to Mr Michael Silver or his nominee in connection with his role in identifying and securing the Gold Links Mine and processing mill.

- 2 For the purposes of this report, the share issues referred to in paragraphs 1(b), 1(c) and 1(d)(i) are collectively referred to as the “Share Issue”.

Gunnison Gold

- 3 Gunnison recently entered into agreements to acquire all of the issued shares of CRG Mining LLC (CRG) (which owns the Gold Links Mine in Colorado) and SLV Minerals LLC (SLV) (which owns a 50 tpd ore processing mill located on 17 acres of freehold land in Colorado).
- 4 The Gold Links Mine comprises 54 mining claims in Gunnison County, Colorado covering over 600 acres. The mine site is located 320 kilometres south west of Denver, Colorado.
- 5 Subject to completion of the acquisition of CRG and SLV, Gunnison plans to utilise proven, mechanised mining techniques to extract ore from the Gold Links Mine. With successful exploration and delineation, mining will include the use of Alimak, Resue, and Longhole stopping methods. These methods have been used successfully in operations worldwide, specifically in the narrow veined deposits in the Eastern Goldfields of Western Australia.
- 6 Gunnison intends (subject to exploration success) to use the small 50 tpd plant to treat ore from the Gold Links Mine. The planned operation intends to utilise a simple flowsheet process of crushing, grinding, flotation and thickening to produce a gold concentrate. Subject to exploration success, Gunnison proposes to expand this plant to 100 tpd to enable the treatment of remnant broken ore and ore from several easily accessed areas within the Gold Links Mine.

Southern Cross Exploration NL

- 7 SXX is an Australian Stock Exchange (ASX) listed company engaged in the exploration of uranium, gold, magnesite and oil and gas. SXX has interests in the Batangas Gold Project in the Philippines and the Bigrlyi Uranium Project located in the Northern Territory, Australia. The company also has an interest in the Mkuju River Uranium Project in Tanzania.

Scope

- 8 The acquisition of Gunnison by DTR and the issue of shares (and options) to SXX and DTR Directors are related party transactions which require shareholder approval under ASX Listing Rule 10.1 and 10.11.
- 9 Further, SXX will hold a relevant interest of more than 20% in DTR upon completion of the share issues to SXX. Accordingly, there is a regulatory requirement for DTR to commission an independent expert’s report (IER) on the share issues to SXX.
- 10 Given the above, the Directors of DTR have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA’s opinion:
- (a) the Proposed Transaction (being the acquisition of Gunnison from SXX) is fair and reasonable to DTR shareholders other than SXX
 - (b) the proposed Share Issue to SXX and DTR’s directors is fair and reasonable to DTR shareholders not associated with SXX and DTR’s directors.

- 11 This report will accompany the Notice of Meeting and Explanatory Memorandum to be sent by DTR to its shareholders in connection with both the Proposed Transaction and the proposed Share Issue.

Summary of opinion

Proposed Transaction

- 12 We have concluded that the Proposed Transaction is not fair, but is reasonable to the shareholders of DTR not associated with the transaction.
- 13 We have concluded that the Proposed Transaction is not fair under RG 111 because the price to be paid by DTR for Gunnison exceeds its current market value. This is principally due to the fees being charged by SXX to enable DTR to “buy” into the project.
- 14 In considering whether the terms of the Proposed Transaction are reasonable we note that:
- (a) the Upfront Consideration payable by Gunnison for CRG and SLV of US\$200,000, together with the fees payable by DTR to SXX (A\$250,000 plus the value of options granted), is relatively modest compared to the potential increase in value which could be derived should significant economic recoverable gold be discovered
 - (b) the acquisition of CRG and SLV by Gunnison has been structured to minimise the costs and potential losses incurred by Gunnison in the event that an economically recoverable gold resource is not discovered. This is because the vendor’s only recourse for payment of the Deferred Consideration and Royalty Payments is Gunnison⁴, which is unlikely to have any significant value if drilling is undertaken before payment of these amounts becomes due and is unsuccessful in identifying a potentially economically recoverable gold resource
 - (c) the payments to reimburse the expenses incurred by SXX and the fees payable to Mr Michael Silver or his nominee (in connection with his role in identifying and securing the Gold Links Mine and processing mill) would need to be paid in any event on the assumption that DTR shareholders wish to proceed with the acquisition of Gunnison
 - (d) the total fees payable to SXX in connection with the Proposed Transaction (i.e. A\$250,000 plus the value of the options being issued which we have assessed at \$38,000 to \$48,000⁵) reflect, in economic substance, the cost for DTR to “buy” into the tenements, and provide a return to SXX for its time and effort associated with securing the investment opportunity. Should DTR shareholders not approve the Proposed Transaction we understand that SXX will proceed with exploration of the tenements without DTR’s involvement
 - (e) the Proposed Transaction is consistent with DTR’s principal activity and investment strategy (which is to invest in mining exploration projects)

⁴ We understand that DTR will not be providing any guarantee to the vendors of CRG and SLV with respect to payment of the Deferred Consideration or Royalty Payments.

⁵ Being 0.15 cents to 0.19 cents per option.

- (f) the Proposed Transaction increases the scale of DTR and spreads exploration risk
- (g) the exercise price of the options to be issued to SXX and Mr Michael Silver (or his nominee) is four times higher than the price at which DTR intends to raise \$1.85 million in new equity capital.

15 Given the above, in our opinion, the terms of the Proposed Transaction are reasonable.

Post announcement share trading

- 16 Post the announcement of the Proposed Transaction we also note that the share price of DTR has increased (albeit on small volumes). This indicates that investors have (prima facie) reacted positively to the Proposed Transaction.
- 17 However, DTR shareholders should be aware that the Proposed Transaction involves the acquisition of early stage gold exploration tenements (and a small processing mill). Such investments are, by their nature, very high risk and there is no guarantee that economically recoverable gold resources will be identified.

Share Issue

- 18 We have concluded that the Share Issue is not fair, but is reasonable to the shareholders of DTR not associated with the Share Issue in the absence of a superior funding proposal.
- 19 The Share Issue is not fair primarily because the Share Issue is being priced well below the full underlying value of DTR shares (based on an independent valuation of DTR's tenements by Minnelex).
- 20 However, in our opinion, the Share Issue is reasonable because:
- (a) the Share Issue reduces the indebtedness of DTR and provides new equity capital
 - (b) in the absence of the Share Issue (or some equivalent comparable equity funding), DTR will, prima-facie, have to curtail its future exploration activities (and may not be able to continue to operate as a going concern)
 - (c) the Share Issue price is equal to the price at which DTR intends to raise further additional equity capital from other investors.

General

- 21 The ultimate decision whether to approve the Proposed Transaction and the Share Issue should be based on each shareholder's assessment of the proposals. If shareholders are in doubt about the action they should take in relation to the matters dealt with in this report, shareholders should seek independent professional advice.

22 For our full opinion on the Proposed Transaction and Share Issue (and the reasoning behind our opinion), we recommend that DTR shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Director



Martin Holt
Director

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I Scope of our report

Purpose

Section 611(7) of the Corporations Act

- 23 SXX will hold a relevant interest of more than 20% in DTR upon completion of the proposed share issues to SXX⁶.
- 24 Section 606 of the *Corporations Act 2001 (Cth)* (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of security holders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer or any of its associates.
- 25 Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) sets out the view of ASIC on the operation of s611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in s606 and requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction including an IER.
- 26 As the proposed share issues will result in SXX increasing its voting interest in DTR to more than 20% there is a regulatory requirement for DTR to commission an IER.

Chapter 2E of the Corporations Act

- 27 Chapter 2E of the Corporations Act prohibits (in all but a specific number of circumstances) a public company from “giving a financial benefit” to a “related party” without the approval of the non-associated shareholders.
- 28 Giving a financial benefit to a related party includes buying an asset from or selling an asset to a related party. SXX (which owns 19.75% of DTR) and the DTR Directors are considered related parties of DTR.
- 29 Whilst there is no specific requirement for an IER under the Corporations Act, under s257D(2) of the Corporations Act the company must include with the notice of the meeting a statement setting out all information known to the company that is material to the decision of how to vote on the resolution.

ASX Listing Rules

- 30 ASX Listing Rule 10.1 prohibits a company from acquiring a “substantial asset” from, or disposing of a “substantial asset” to (amongst other persons) a “related party” without the approval of its non-associated shareholders.

⁶ SXX currently has a 19.75% interest in DTR.

- 31 An asset is considered a “substantial asset” if its value, or the value of the consideration for it, is 5% or more of the equity interests of the company as set out in the latest accounts provided to the ASX under the ASX Listing Rules.
- 32 As the price being paid by DTR for Gunnison exceeds 5% of DTR’s net assets of \$3.8 million as at 30 June 2016, ASX Listing Rule 10.10 requires the notice of meeting sent to shareholders to include an IER, stating whether the transaction is “fair and reasonable” to the non-associated shareholders.

Scope

- 33 Given the above, the Directors of DTR have requested that LEA prepare an IER stating whether, in LEA’s opinion:
- (a) the Proposed Transaction (being the acquisition of Gunnison from SXX) is fair and reasonable to DTR shareholders other than SXX
 - (b) the proposed Share Issue to SXX and DTR’s Directors is fair and reasonable to DTR shareholders not associated with SXX and DTR’s Directors.
- 34 This report has been prepared to assist the Directors of DTR in making their recommendation to the shareholders of DTR not associated with SXX and the Directors, and to assist those shareholders to assess the merits of the proposal.
- 35 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Proposed Transaction and related Share Issue should be based on each shareholder’s assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction and Share Issue, or matters dealt with in this report, DTR shareholders should seek independent professional advice.

Basis of assessment

- 36 In preparing our report we have given due consideration to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111.

Acquisition of Gunnison

- 37 The ASX Listing Rule requirements for acquisition and disposal of assets to related parties are triggered by circumstances that give rise to the potential for conflicts of interest⁷.
- 38 Pursuant to RG 111, the Proposed Transaction is “fair” if the value of the assets acquired is equal to or greater than the consideration to be paid.
- 39 Pursuant to RG 111 the Proposed Transaction is “reasonable” if it is fair. The Proposed Transaction may also be reasonable if, despite not being “fair” but after considering other significant factors, the expert considers that there are sufficient reasons for shareholders to approve the proposal.

⁷ Paragraph 31 of ASX Guidance Note 24 – *Acquisition and disposal of assets between related parties: Listing Rules 10.1 – 10.10*.

Share Issue

- 40 RG 111 requires that the “fairness” of the Share Issue be assessed by comparing the controlling interest value in DTR shares prior to the Share Issue with the minority interest (or portfolio value) of DTR shares following completion of the Share Issue.
- 41 In order for the Share Issue to be “fair” under RG 111, the minority interest or portfolio value of DTR shares after the Share Issue must be equal to or greater than the controlling interest value of DTR shares prior to the Share Issue.
- 42 Pursuant to RG 111, the Share Issue is reasonable if it is fair. A transaction may also be reasonable if, despite not being fair, the expert believes that there are sufficient reasons for shareholders to approve the Share Issue in the absence of a superior funding proposal.

Limitations and reliance on information

- 43 Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 44 Our report is also based upon financial and other information provided by or on behalf of DTR. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction and Share Issue are fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. None of these additional tasks have been undertaken.
- 45 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

Reliance on technical expert

- 46 The primary assets of DTR comprise exploration tenements. For the purposes of considering the Share Issue, DTR commissioned Minnelex Pty Ltd (Minnelex) to provide us with its independent opinion on the value of DTR’s exploration tenements.
- 47 LEA has reviewed and relied on the work undertaken by Minnelex in forming its opinion on the Share Issue.

II Profile of DTR

Overview

48 DTR is an ASX listed Australian based mineral exploration company with exploration projects in the Republic of Fiji and Australia. The Company's business plan is to focus on the exploration and development of these projects, and to pursue base metals opportunities (notably copper and zinc) in Australia and the South Pacific. A summary of DTR's projects is provided below.

Udu project

49 The Udu polymetallic project, located in Fiji, hosts an inferred resource of 4.5 million tonnes at 1.2% copper, 3.9% zinc, 29 grams per tonne (g/t) silver and 0.3g/t gold⁸. DTR's tenements at Udu are prospective for porphyry occurrences. Data and information on these prospects and a conceptual framework for future low cost exploration to enhance the existing resource base have been evaluated. DTR is in a position to provide potential joint venture partners with access to a considerable database.

Mt Augustus project

50 DTR acquired the Mt Augustus sedimentary copper project pursuant to the acquisition of 100% of Golden Phoenix Resources Limited (GPR) in October and November 2015⁹. The project is situated in the Gascoyne region of Western Australia and comprises four granted exploration licenses which cover separate copper geochemical anomalies¹⁰ within the Proterozoic Bangemall Basin.

Financial performance

51 As DTR is a mineral exploration company, the Company's only revenue in FY15 and FY16 was interest income. As a result, losses of \$4.5 million¹¹ and \$0.6 million were reported in FY15 and FY16 respectively.

Financial position

52 The financial position of DTR based on the financial statements as at 30 June 2016, together with the comparative position as at 31 December 2015, was as follows:

⁸ The inferred resource has been determined in accordance with JORC 2012 Guidelines.

⁹ The acquisition resulted in the issue of 25.0 million DTR shares as consideration to Golden Phoenix Resources Limited shareholders.

¹⁰ As defined by the Geological Survey of Western Australia geochemical data.

¹¹ This included a \$3.9 million impairment of capitalised exploration expenditure.

Financial position – DTR⁽¹⁾		
	31 Dec 2015	30 Jun 2016
	Reviewed	Audited
	\$000	\$000
Cash and cash equivalents	157.6	72.4
Trade and other receivables	49.3	28.3
Financial assets	20.5	20.4
Plant and equipment	11.4	5.7
Exploration and evaluation expenditure	4,544.5	4,556.3
Total assets	4,783.3	4,683.0
Trade and other payables	476.0	602.3
Loans from related parties	191.0	279.5
Total liabilities	667.0	881.8
Net assets	4,116.3	3,801.2

Note:

1 Rounding differences exist.

53 The carrying value of exploration and evaluation expenditure of \$4.56 million relates to the Udu project tenements in Fiji and the Mt Augustus project tenements in Western Australia. As discussed below, for the purpose of this report, these tenements have been subject to an independent technical valuation undertaken by Minnelex.

54 Loans from related parties comprise:

DTR – related party loans		
	31 Dec 2015	30 Jun 2016
	Reviewed	Audited
	\$000	\$000
SXX ⁽¹⁾	191.0	244.5
Mr Mark Johnson ⁽²⁾	-	35.0
Total	191.0	279.5

Note:

1 SSX holds a 19.75% interest in the issued share capital of DTR and has Board representation.

2 Mr Mark Johnson is the Chairman of DTR and holds an interest of 26.25% in the issued share capital of the Company.

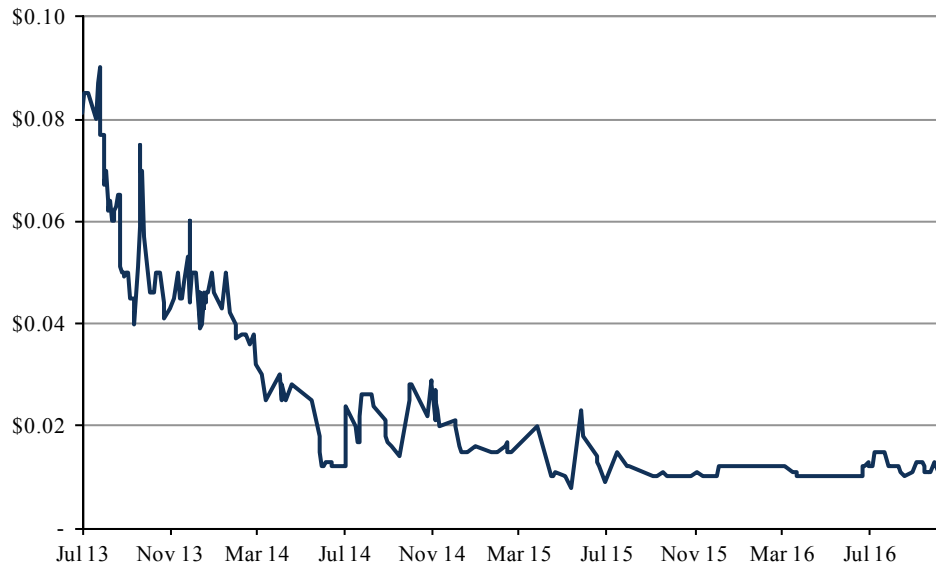
Share capital

55 DTR currently has 101.3 million ordinary shares on issue, of which 91.3 million are quoted on the ASX. As noted above, substantial shareholdings are held by Mr Mark Johnson (with 26.25% of the shares on issue) and SXX (with 19.75% of the shares on issue).

Share market trading

56 The following chart illustrates the movement in the share price of DTR from 1 July 2013 to 17 October 2016:

DTR – share price history
1 July 2013 to 17 October 2016



Source: Bloomberg.

- 57 The share price of DTR has declined significantly since July 2013, which can be attributed to factors including declines in commodity prices generally, together with the early stage exploration status of the tenements.
- 58 Over the last 12 months shares in DTR have traded in the range of \$0.010 to \$0.015 per share. Shares in DTR last traded at \$0.011 per share on 17 October 2016.

Liquidity in DTR shares

- 59 The liquidity in DTR shares based on trading on the ASX over the 12 month period prior to 17 October 2016 is set out below:

DTR – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS⁽¹⁾ outstanding 000	Implied level of liquidity Period⁽²⁾ %	Annual⁽³⁾ %
1 month	18 Sep 16	17 Oct 16	726	101,300	0.7	8.6
3 months	18 Jul 16	17 Oct 16	2,028	101,300	2.0	8.0
6 months	18 Apr 16	17 Oct 16	4,014	101,300	4.0	7.9
1 year	18 Oct 15	17 Oct 16	11,880	101,296	11.7	11.7

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- 60 Consistent with its status as a junior exploration company and having regard to the substantial shareholdings noted above, shares in DTR are thinly traded (i.e. they are relatively illiquid).

III Valuation of DTR prior to the Proposed Transaction and Share Issue

Valuation methodology

- 61 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 62 In assessing the value of DTR shares prior to the Proposed Transaction and Share Issue, we note that the Company has not yet established a profitable earnings stream or positive operating cash flows. Accordingly, we have had regard to the following valuation methodologies:
- (a) value of net assets, based on the independent technical valuation of the tenements undertaken by Minnelex
 - (b) recent share market trading on the ASX.

Value of net assets

- 63 The latest financial position of DTR is set out in Section III of our report. We have adjusted the reported net assets to reflect the independent valuation of DTR's exploration tenements determined by Minnelex, as shown below:

DTR – Value of net assets			
	Carrying value ⁽¹⁾	Low ⁽²⁾	High ⁽³⁾
	\$000	\$000	\$000
Cash and cash equivalents	72.4	72.4	72.4
Trade and other receivables	28.3	28.3	28.3
Financial assets	20.4	20.4	20.4
Plant and equipment	5.7	5.7	5.7
Exploration and evaluation expenditure	4,556.3	3,409.0	5,225.0
Total assets	4,683.0	3,535.9	5,351.8
Trade and other payables	602.3	602.3	602.3
Loans from related parties	279.5	279.5	279.5
Total liabilities	881.8	881.8	881.8
Net assets	3,801.2	2,654.0	4,470.0

Note:

- 1 Carrying values are as at 30 June 2016 have been audited.
- 2 Reflects adjustment to the carrying value of exploration and evaluation expenditure to the low range of the Minnelex valuation of the Udu and Mt Augustus exploration tenements as set out in Section III.
- 3 Reflects adjustment to the carrying value of exploration and evaluation expenditure to the high range of the Minnelex valuation of the Udu and Mt Augustus exploration tenements as set out in Section III.

Minnelex valuation

- 64 For the purpose of the acquisition of GPR in November 2015, DTR commissioned Minnelex to undertake an independent valuation of the tenement portfolio of both Udu and Mt Augustus. The respective valuations were based on information supplied to Minnelex by DTR and GPR.
- 65 LEA has reviewed the Minnelex reports on the Udu and Mt Augustus tenement portfolios. In this regard we note that in undertaking the valuations, Minnelex had regard to factors including:
- (a) the early stage nature of the respective tenements
 - (b) the location of the projects, including proximity to both other mine operations or projects¹² and required infrastructure
 - (c) the inferred status of the resource at the Udu project, together with the further work required to elevate the resource to a position where an economic assessment of its potential could be undertaken
 - (d) the prevailing metal prices for the minerals identified by resource drilling / delineation to date
 - (e) the impact on value of the current depressed investor sentiment towards the mining sector generally, in particular as regards early stage exploration projects
 - (f) past expenditure on the respective tenements, including the extent to which this was considered to be effective as regards the prospectivity of the tenements

¹² The location to an adjacent project was particularly relevant to a consideration of the value of the Mt Augustus project held by GPR.

(g) as considered applicable, recent transactions in respect of other early stage exploration projects targeting similar minerals to DTR and GPR.

66 Minnelex has been further commissioned by DTR to review its independent valuation of the Udu and Mt Augustus tenement portfolios for the purpose of the Proposed Transaction and Share Issue. We note that the review did not involve additional field work being performed by Minnelex.

67 The review conducted by Minnelex concluded:

- (a) that the current valuation of the Mt Augustus project was lower than in November 2015 due to the removal of an exploration licence from the tenement (which had been relinquished)
- (b) that the valuation of the Udu project was materially lower than in November 2015, primarily due to significant adverse changes in zinc and copper prices.

68 Based on the above, Minnelex determined values for the respective tenement portfolios as follows:

Tenement portfolios – Minnelex valuation			
	Low \$000	High \$000	Preferred \$000
Udu	3,000	4,400	3,500
Mt Augustus	409	825	617
Total	3,409	5,225	4,117

Value per share

69 As at 17 October 2016, DTR had 101.3 million shares on issue. Accordingly, the value of DTR (on a 100% controlling interest basis) ranged from \$0.026 to \$0.044 per DTR share.

DTR share market trading

70 Recent share market trading in DTR shares, which reflects portfolio (or minority) interests in DTR, is shown below:

DTR – share price history					
Time period up to and including 17 October 2016	Low \$	High \$	VWAP \$	Number traded (000)	Value traded (\$000)
1 month	0.011	0.013	0.0117	726	8
3 months	0.010	0.015	0.0115	2,028	23
6 months	0.010	0.015	0.0110	4,014	44

Source: Bloomberg and LEA analysis.

71 With respect to the above we note that share market trading in DTR shares during the six month period up to and including 17 October 2016 has been infrequent, with only a limited number (and value) of DTR shares being traded during that period. Accordingly, we do not

consider that the listed market price of DTR shares is an appropriate reference point upon which to assess the value of DTR shares on a 100% controlling interest basis.

Conclusion

72 Given the above, we have adopted a value for DTR shares (on a 100% controlling interest basis) of \$0.026 to \$0.044 per share, equivalent to the adjusted net asset value per share.

IV Assessment of the Proposed Transaction

Consideration payable by DTR

Key terms

73 On 19 October 2016, DTR announced that it intended to acquire 100% of the shares in Gunnison from SXX. The consideration for the acquisition of the shares in Gunnison comprises:

- (a) \$250,000 in cash (payable to SXX); and
- (b) the issue of 25 million options to SXX exercisable at \$0.04 per share on or before 31 October 2019.

74 In addition:

- (a) DTR will reimburse SXX for the transaction costs incurred by SXX in connection with the proposed acquisition by Gunnison of the Gold Links Mine in Colorado and a 50 tpd ore processing mill which is located some 100 kilometres from the Gold Links Mine. These transaction costs are estimated at approximately \$100,000.
- (b) it is proposed that DTR issue 25 million shares and 10 million options (exercisable at \$0.04 per share on or before 31 October 2019) to Mr Michael Silver or his nominee in connection with his role in identifying and securing the Gold Links Mine and processing mill.

Value of consideration payable by DTR

75 Based on the above, the total value of the consideration payable by DTR is as follows:

Consideration payable by DTR		
	Low \$000	High \$000
Cash	250	250
Value of 35 million options exercisable at \$0.04 per share ⁽¹⁾	53	67
Value of 25 million shares at \$0.01 per share ⁽²⁾	250	250
Reimbursement of SXX transaction costs	100	100
Total consideration	653	667

Note:

- 1 We have assessed the value of the options at 0.15 cents to 0.19 cents per option using the Binomial and Black-Scholes option pricing models. The assumptions adopted in our valuation are discussed in Appendix C.
- 2 DTR has announced that it intends to raise \$1.85 million in cash at a price of \$0.01 per share. We consider this to be the best evidence of the current value of the shares given the need for DTR to raise further equity capital.

Value of Gunnison

Key terms of acquisition

- 76 Gunnison was incorporated by SXX on 20 September 2016. The paid up capital is \$100 and all its shares are currently owned by SXX. The company was incorporated for the sole purpose of acquiring the Gold Links Mine and the 50 tpd mill.
- 77 On 20 September 2016, Gunnison entered into an agreement to acquire 100% of the membership interests in:
- (a) CRG Mining LLC (CRG), which owns the Gold Links Mine in Colorado; and
 - (b) SLV Minerals LLC (SLV), which owns a 50 tpd ore processing mill near the mine.
- 78 The purchase price payable by Gunnison is as follows:
- (a) US\$200,000 in cash on completion (Upfront Consideration)
 - (b) US\$3 million to be paid no later than two years after completion of the acquisition (Deferred Consideration)
 - (c) royalty payments of US\$100 per ounce of gold produced from any mining operations conducted on the tenements up to a maximum of US\$7 million (Royalty Payments). The Royalty Payments are payable following the payment of the Deferred Consideration, and are subject to a minimum annual royalty payment (which is payable even if no production occurs) over the subsequent four years of US\$2 million per annum or the difference between the US\$7 million maximum Royalty Payment and the amount of Royalty Payments already made.
- 79 In addition, royalties are payable to the landowner which are indexed to the gold price, but capped at 7% if the gold price exceeds US\$5,500 per ounce. The current net smelter royalty is 1.25% based on a gold price of US\$1,250 per ounce.

Value of Gunnison

- 80 As at the date of this report, Gunnison has net assets of A\$100 and contractual commitments relating to its proposed acquisition of CRG and SLV. Both CRG and SLV will, subject to completion, be acquired from third parties unrelated to SXX and DTR.
- 81 At the date of this report there is no evidence to indicate that the value of Gunnison differs materially from its net asset value of A\$100 (which reflects these transactions). This is primarily because:
- (a) whilst SXX and DTR management consider that the tenements to be acquired are prospective for gold, no significant exploration on the tenements has been undertaken in recent years
 - (b) the areas covered by the tenements do not currently contain any Joint Ore Reserves Committee reserves or resources. Further evaluation of the tenements is therefore required in order to confirm the prospectivity of the area
 - (c) the tenements to be acquired by Gunnison are based on arm's length transactions.

Fair and reasonable opinion

Fairness

- 82 Pursuant to RG 111, the Proposed Transaction is “fair” if the value of the assets acquired is equal to or greater than the consideration to be paid.
- 83 As the Proposed Transaction involves DTR paying consideration for Gunnison which exceeds Gunnison’s current market value by around A\$0.66 million, in our opinion, the Proposed Transaction is not fair when assessed under the guidelines set out in RG 111.

Reasonableness

- 84 Pursuant to RG 111, the Proposed Transaction may be reasonable if, despite not being “fair” but after considering other significant factors, the expert considers that there are sufficient reasons for shareholders to approve the proposal.
- 85 In considering whether the terms of the Proposed Transaction are reasonable we note that:
- (a) the Upfront Consideration payable by Gunnison for CRG and SLV of US\$200,000, together with the fees payable by DTR to SXX (A\$250,000 plus the value of options granted), is relatively modest compared to the potential increase in value which could be derived should significant economic recoverable gold be discovered
 - (b) the acquisition of CRG and SLV by Gunnison has been structured to minimise the costs and potential losses incurred by Gunnison in the event that an economically recoverable gold resource is not discovered. This is because the vendor’s only recourse for payment of the Deferred Consideration and Royalty Payments is Gunnison¹³, which is unlikely to have any significant value if drilling is undertaken before payment of these amounts becomes due and is unsuccessful in identifying a potentially economically recoverable gold resource
 - (c) the payments set out in paragraph 74 (being the reimbursement of expenses incurred by SXX and the fees payable to Mr Michael Silver or his nominee in connection with his role in identifying and securing the Gold Links Mine and processing mill) would need to be paid in any event on the assumption that DTR shareholders wish to proceed with the acquisition of Gunnison
 - (d) the total fees payable to SXX in connection with the Proposed Transaction (i.e. A\$250,000 plus the value of the options being issued) reflect, in economic substance, the cost for DTR to “buy into” the tenements, and provide a return to SXX for its time and effort associated with securing the investment opportunity. Should DTR shareholders not approve the Proposed Transaction we understand that SXX will proceed with exploration of the tenements without DTR’s involvement
 - (e) the Proposed Transaction is consistent with DTR’s principal activity and investment strategy (which is to invest in mining exploration projects)
 - (f) the Proposed Transaction increases the scale of DTR and spreads exploration risk

¹³ We understand that DTR will not be providing any guarantee to the vendors of CRG and SLV with respect to payment of the Deferred Consideration or Royalty Payments.

- (g) the exercise price of the options to be issued to SXX and Mr Michael Silver (or his nominee) is four times higher than the price at which DTR intends to raise \$1.85 million in new equity capital.

86 Given the above, in our opinion, the terms of the Proposed Transaction are reasonable.

Post announcement share trading

87 Post the announcement of the Proposed Transaction we also note that the share price of DTR has increased (albeit on small volumes). This indicates that investors have (prima facie) reacted positively to the Proposed Transaction.

88 However, DTR shareholders should be aware that the Proposed Transaction involves the acquisition of early stage gold exploration tenements (and a small processing mill). Such investments are, by their nature, very high risk and there is no guarantee that economically recoverable gold resources will be identified.

V Assessment of the Share Issue

Scope

89 We have been asked to opine on whether the following share issues (collectively referred to in this report as the Share Issue) are fair and reasonable to the non-associated shareholders of DTR:

- (a) the issue of 40 million shares in DTR to SXX at a price of \$0.01 per DTR share in order to convert a loan of \$400,000 that was advanced by SXX to DTR into equity
- (b) the conversion of amounts owing by DTR to DTR's Directors¹⁴ (totalling up to \$160,000) into a maximum of 16 million DTR shares at \$0.01 per share
- (c) the issue of 100 million new DTR shares to SXX at a price of \$0.01 per share.

Fairness

90 RG 111 requires that the "fairness" of the Share Issue be assessed by comparing the controlling interest value in DTR shares prior to the Share Issue with the minority interest (or portfolio value) of DTR shares following completion of the Share Issue.

Value of DTR shares before the Proposed Transaction and Share Issue

91 As set out in Section III, we have assessed the value of DTR shares (on a 100% controlling interest basis) prior to the Proposed Transaction and Share Issue at \$0.026 to \$0.044 per share.

Value of DTR shares after the Share Issue

92 We set out below the impact of the Share Issue (and the proposed share issue to third party investors) on the 100% controlling interest value of DTR shares:

Impact of Share Issue on the controlling interest value of DTR ⁽¹⁾			
	Shares on issue (million)	Value of DTR (\$000)	Value per share (mid-point) (cents)
Value prior to Share Issue ⁽²⁾	101.3	3,562	3.5
Impact of Share Issue:			
SXX debt conversion	40.0	400	
Director debt conversion	16.0	160	
Issue to SXX	100.0	1,000	
Placement to other investors ⁽⁴⁾	85.0	850	
Issue of shares to Michael Silver (or nominee) ⁽³⁾	25.0	-	
Value post Share Issue	367.3	5,972	1.6
Reduction in underlying value per share			1.9

¹⁴ Including entities associated with DTR's directors.

Note:

- 1 It should be noted that the above table does not take into account the value implications of the Proposed Transaction (which is discussed in Section IV).
 - 2 Based on the independent value of DTR's existing tenements as valued by Minnelex (refer Section III).
 - 3 These shares are to be issued in connection with his role in identifying and securing the Gold Links Mine and processing mill
 - 4 Mr Mark Johnson (DTR's Chairman) will acquire 15 million of these shares.
-

Listed market price post Share Issue

- 93 Notwithstanding the above, following the completion of the Share Issue, in our view, DTR shares are likely to trade (on a minority interest or listed market basis) around \$0.01 per share. This is consistent with:
- (a) the recent price at which DTR shares have traded on the ASX prior to the announcement of the Proposed Transaction and Share Issue; and
 - (b) the proposed placement price to SSX and other investors (of \$0.01 per share).

Fairness

- 94 In order for the Share Issue to be "fair" under RG 111, the listed market value of DTR shares (on a portfolio basis) after the Share Issue must be equal to or greater than the controlling interest value of DTR shares prior to the Share Issue.
- 95 As the listed market price of DTR shares is expected to be materially below the controlling interest value of DTR shares prior to the Share Issue, the Share Issue is not fair under RG 111.

Reasonableness

- 96 Pursuant to RG 111, a transaction may also be reasonable if, despite not being fair, the expert believes that there are sufficient reasons for shareholders to approve the Share Issue.
- 97 In our opinion, the Share Issue is reasonable. We have formed this view for the following reasons.

Financial position of DTR

- 98 As at 30 June 2016, DTR had \$279,528 in loans payable maturing in one year (all of which are due to related parties) and only \$72,363 in cash. The Company also had a significant working capital deficiency of approximately \$761,000.
- 99 Due to the nature of DTR's operations as a mineral exploration company, the Company does not earn any revenue in the regular course of business and has consequently reported a net loss after tax in the previous two financial years. DTR has also had negative operating cash flows as a result of not earning any revenue (other than interest income).

100 Given the above, the ability of DTR to remain a going concern (and fund future exploration activity) is heavily dependent on the Company's ongoing ability to raise equity funding in the future. As noted above, the proposed Share Issue will reduce the indebtedness of the Company and raise further additional equity capital for the Company.

Issue price

101 We note that the price at which shares are being issued under the Share Issue is identical to the price at which DTR is also raising new equity capital from third party investors. Given the circumstances of DTR, in our view, it would be unreasonable to expect that the Share Issue should be priced at a higher value than the price being paid by new investors.

Other matters

102 The following table illustrates the impact the Share Issue (as well as other share issues) is likely to have on the ownership of DTR:

DTR – Share Issue impact on share ownership					
	Current position (millions)	Impact of Share Issue (millions)	Position after Share Issue (millions)	Placement to third party investors ⁽¹⁾ (millions)	Position after Share Issue and placement (millions)
SSX shareholding	20.0	140.0	160.0	-	160.0
Other shareholdings	81.3	16.0	97.3	110.0	207.3
Total shares on issue	101.3	156.0	257.3	110.0	367.3
<i>SSX shareholding (%)</i>	<i>19.75%</i>		<i>62.18%</i>		<i>43.56%</i>
<i>Other shareholdings (%)</i>	<i>80.25%</i>		<i>37.82%</i>		<i>56.44%</i>

Note:

1 Includes 25 million shares being issued to Mr Michael Silver (or his nominee) in connection with his role in identifying and securing the Gold Links Mine and processing mill. In addition, DTR intends to raise \$0.85 million from the issue of 85 million shares at 1 cent per share from other investors.

103 As highlighted above, the voting interest of SXX in DTR will increase to 43.56% as a result of the Share Issue (and other proposed share issues). As such, the voting interests of existing DTR shareholders will be significantly diluted pursuant to the Share Issue. However, given the current financial position of DTR, this dilution is likely to occur in any alternative funding transaction.

Conclusion

104 Based on the above, we have concluded that the Share Issue is not fair, but is reasonable to the non-associated shareholders in DTR in the absence of a superior funding proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001* (Cth) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to DTR shareholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fixed fee of \$20,000 plus GST and disbursements.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports to shareholders.
- 2 This report was prepared by Mr Martin Holt and Mr Craig Edwards, who are both authorised representatives of LEA. Mr Holt and Mr Edwards have over 30 years and over 22 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Independent Directors of DTR to accompany the Explanatory Memorandum to be sent to DTR shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable to DTR shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Holt nor Mr Edwards have any interest in the outcome of the Proposed Transaction. LEA is entitled to receive a fixed fee for the preparation of this report. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with DTR or GPR prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, DTR agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of DTR which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Appendix C

Valuation of options

Methodology

- 1 There are a number of accepted valuation methodologies available with which to value options over shares in a company. The two most commonly used of these models are the Black-Scholes option valuation model and the Binomial option pricing model. These models value an option based on a model (log normal variation) of the behaviour of the value of the asset (shares) over which options are held. The value of an option is then calculated as an output of the following fundamental determinants of option value:
 - (a) the current market value of the underlying asset (share)
 - (b) the exercise price of the option
 - (c) the time to expiry of the option
 - (d) the prevailing level of the risk-free interest rate
 - (e) the expected volatility of the value of the underlying asset (share) over the period until the expiry of the option
 - (f) the level of dividends expected to be paid on the asset (share) in the period until the expiry of the option and their timing.
- 2 The Black-Scholes option valuation model is not designed to take into account dividends expected to be received on the underlying shares. However, as DTR is unlikely to pay a dividend prior to the expiry of the options, we have considered the value of the options under both the Black-Scholes model and the Binomial option pricing model.
- 3 We comment below on each of the fundamental determinants of an option's value.

Determinants of Value

The current market value of the underlying asset

- 4 The underlying asset of the options is un-issued DTR shares. This is because, for every option exercised, the holder will receive one new ordinary share in DTR. For the purposes of determining the value of the options issued we have adopted a value for DTR shares equal to \$0.01 per share. This is equal to the price at which DTR intends to raise new equity capital (which is the best indicator of current value given the need for DTR to raise equity).

The exercise price and expiry date of the options

- 5 The options are American style options in that they are exercisable any time prior to expiry at a price of \$0.04 per share. The expiry date is 31 October 2019.

The risk-free interest rate

- 6 The risk-free rate used to value an option is generally defined to be the interest rate on government bonds of a maturity equivalent to the term of the option. This rate is used to take into account the fact that a call option holder will not have to pay the exercise price until the call option (being the right, but not the obligation to buy an asset at a specified price) is

Appendix C

exercised, and the fact that the present value of the exercise price is therefore less than the exercise price due to the time value of money. Instead, the call option holder can invest the cash which he would otherwise need to exercise the option “risk-free” until expiry or exercise of the option.

- 7 For the purposes of our valuation we have adopted a risk-free rates of 1.74%, being the yield at the close of business on 14 October 2016 on the Australian Government bond with a maturity date that provides the closest approximation to the expiry date of the options being valued (being the three year government bond rate).

Volatility

- 8 Option pricing models require estimation of the future volatility of the underlying asset price (in this case shares in DTR).

- 9 Volatility is a measure of the level of fluctuation in the value of the underlying asset. The volatility is measured as the standard deviation of the underlying asset’s returns. The more volatile the underlying asset’s returns (i.e. the more the asset’s returns fluctuate) the higher the value of the option. This is because the more volatile the underlying asset’s returns, the greater the value associated with the outcomes where the option is in the money, i.e. share price exceeds exercise price at expiry.

- 10 In order to estimate the future volatility of a share, its historical volatility is often used as a guide to the future volatility over the term of the option. This approach is necessary as it is often not possible to measure future volatility. In the case of DTR there are no listed options which can be used to directly observe implied volatility (expected by option buyers and sellers). Accordingly, we have estimated volatility by reference to the volatility of DTR’s historical share prices and the volatility of ASX listed companies in the metals and mining sector which have market capitalisations of less than \$5 million:

Historical volatility rates	
	Volatility % p.a.
DTR	114
Listed companies in metals and mining sector ⁽¹⁾	103

Note:

- 1 Average for 203 ASX listed companies operating in the metals and mining sector which had market capitalisations less than \$5 million on 30 June 2016.

Source: SIRCA and LEA analysis.

- 11 Given the above, for the purposes of our valuation we have adopted a volatility rate of 95% to 105% per annum.

Dividends

- 12 As discussed above, it is unlikely that DTR will pay a dividend prior to the expiry of the options. We have therefore assumed that no dividend will be paid by DTR before the expiry date of the options.

Appendix C

Discount for lack of marketability

- 13 The Black-Scholes option pricing model assumes that there are no restrictions on the transferability or negotiability of options.
- 14 While the options are assignable to third parties (subject to any mandatory escrow restrictions required by the ASX in respect of the options to be issued to SXX), from a practical perspective it would be very difficult to sell the options as they are significantly “out of the money” and are not listed on any stock exchange. As a result the holder is likely to have to exercise the options in order to crystallise any value from them. However, the value of DTR shares would need to increase significantly before the options would be worth exercising. Consequently, in our opinion, it is appropriate to apply a significant discount to reflect the options’ lack of marketability.
- 15 Having regard to the empirical evidence in the United States of America and Australia on discounts for lack of marketability, the term of the options and the increase in share price required before the options will be exercised, we have applied a discount for lack of marketability of 50%.

Valuation

- 16 Based on the above, the value of the options is as follows:

Value per option (cents)	Low	High
Black-Scholes model	0.31	0.38
Binomial model	0.30	0.37
Adopted (before discount)	0.30	0.38
Less lack of marketability discount	(0.15)	(0.19)
Value of options	0.15	0.19

Appendix D

Glossary

Term	Meaning
A\$	Australian dollars
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
CRG	CRG Mining LLC
DCF	Discounted cash flow
Deferred Consideration	US\$3 million
DTR	Dateline Resources Limited
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
g/t	Grams per tonne
GPR	Golden Phoenix Resources Limited
Gunnison	Gunnison Gold Pty Limited
IER	Independent expert's report
LEA	LonerGAN Edwards & Associates Limited
Minnelex	Minnelex Pty Ltd
Mr Baghdadi	Mr Stephen Baghdadi
Mr Johnson	Mr Mark Johnson
Proposed Transaction	Acquisition of 100% of Gunnison
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Royalty Payments	US\$100 per ounce of gold produced (subject to a minimum annual royalty and a maximum total royalty of US\$7 million)
Share Issue	The share issues referred to in paragraphs 1(b), 1(c) and 1(d)(i) of this report
SLV	SLV Minerals LLC
SXX	Southern Cross Exploration NL
tpd	Tonnes per day
Upfront Consideration	US\$200,000
US\$	United States dollars
VWAP	Volume weighted average price
WANOS	Weighted average number of outstanding shares

