
BLACKSTONE MINERALS LIMITED

ACN 614 534 226

NOTICE OF GENERAL MEETING

TIME: 10:00am (WST)

DATE: 9 October 2019

PLACE: Suite 3, Level 3
24 Outram Street
WEST PERTH WA 6005

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9425 5217.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 10.00am (WST) at Suite 3, Level 3, 24 Outram Street, West Perth WA 6005 on 9 October 2019.

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 4:00pm (WST) on 7 October 2019.

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 (ie 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 (ie 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 (ie 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.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – ISSUE OF OPTIONS TO RELATED PARTY – SCOTT WILLIAMSON

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 4,000,000 Options to Mr Scott Williamson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Scott Williamson (or his nominee) or any of their associates (**Resolution 1 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 1 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 1 Excluded Party, the above prohibition does not apply if:
 - (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – ISSUE OF OPTIONS TO RELATED PARTY – HAMISH HALLIDAY

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 4,000,000 Options to Mr Hamish Halliday (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Hamish Halliday (or his nominee) or any of their associates (**Resolution 2 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 2 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (iii) a member of the Key Management Personnel; or
 - (iv) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 2 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. RESOLUTION 3 – ISSUE OF OPTIONS TO RELATED PARTY – STEPHEN PARSONS

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,500,000 Options to Mr Stephen Parsons (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Stephen Parsons (or his nominee) or any of their associates (**Resolution 3 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 3 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (v) a member of the Key Management Personnel; or
 - (vi) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 3 Excluded Party, the above prohibition does not apply if:
 - (a) the proxy is the Chair; and
 - (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

4. RESOLUTION 4 – ISSUE OF OPTIONS TO RELATED PARTY – ANDREW RADONJIC

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,500,000 Options to Mr Andrew Radonjic (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Andrew Radonjic (or his nominee) or any of their associates (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if 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, provided the Chair is not a Resolution 4 Excluded Party, 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.

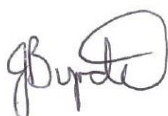
Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
(vii) a member of the Key Management Personnel; or
(viii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution. Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:
(a) the proxy is the Chair; and
(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated: 3 September 2019

By order of the Board



Jamie Byrde
Company Secretary

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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9425 5217.

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.

1. RESOLUTION 1 TO 4 – ISSUE OF OPTIONS TO RELATED PARTIES

1.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 11,000,000 Options (**Related Party Options**), comprising of 1,000,000 Tranche 1 Options, 4,500,000 Tranche 2 Options, and 5,500,000 Tranche 3 Options to Messrs Williamson, Halliday, Parsons and Radonjic (**Related Parties**) (or their nominees) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Related Party Options constitutes giving a financial benefit and Messrs Williamson, Halliday, Parsons and Radonjic are related parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to the Related Parties.

1.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related parties are Messrs Williamson, Halliday, Parsons and Radonjic and they are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is set out in the table below:

Related Party	Tranche 1 Options	Tranche 2 Options	Tranche 3 Options	Total
Scott Williamson	1,000,000	1,000,000	2,000,000	4,000,000
Hamish Halliday	-	2,000,000	2,000,000	4,000,000
Stephen Parsons	-	750,000	750,000	1,500,000
Andrew Radonjic	-	750,000	750,000	1,500,000

- (c) the Related Party Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options granted to Mr Williamson, Mr Parsons and Mr Radonjic will be issued for nil cash consideration and the Related Party Options granted to Hamish Halliday will be issued for \$0.001 cash consideration, raising \$4,000 for working capital purposes.
- (e) the terms and conditions of the Related Party Options are set out in Schedule 1;
- (f) a summary of the valuation of the Related Party Options is set out in the table below. Refer to Schedule 2 for full details of the value of the Related Party Options and the pricing methodology;

Related Party	Valuation of Related Party Options	
	Before discount	After discount
Scott Williamson	\$456,000	\$342,000
Hamish Halliday	\$456,000	\$342,000
Stephen Parsons	\$171,000	\$128,250
Andrew Radonjic	\$171,000	\$128,250
Total	\$1,254,000	\$940,500

- (g) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Scott Williamson	2,000,000	750,000 ¹
Hamish Halliday	7,481,383	Nil
Stephen Parsons	8,147,421	Nil
Andrew Radonjic	6,308,751	Nil

¹ Comprising of 750,000 Options exercisable at \$0.001 each on or before 6 November 2020 subject to vesting conditions.

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year (\$)	Previous Financial Year (\$)
Scott Williamson	246,375	258,656 ¹
Hamish Halliday	75,000	1,013,759 ¹
Stephen Parsons	43,800	978,593 ¹
Andrew Radonjic	136,875	797,259 ¹

¹ Note remuneration in prior year includes \$142,385 of salary to Mr Williamson; \$75,000 fees and salary for Mr Halliday; \$40,000 for Mr Parsons and \$122,115 for Mr Radonjic. The remaining prior year remuneration relates to the long-term incentive performance shares calculated in accordance with the Black and Scholes valuation methodology based on the share price at date of vesting.

- (i) if the Related Party Options granted to the Related Parties vest and are exercised, a total of 11,000,000 Shares would be issued. This will increase the number of Shares on issue from 152,954,766 to 163,954,766 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 6.71%, comprising 2.44% by Mr Williamson, 2.44% by Mr Halliday, 0.91% by Mr Parsons and 0.91% by Mr Radonjic.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. Shareholders should note that as at the date of this Notice, the Shares are trading on ASX at a price greater than the exercise price of the Related Party Options. However, there are vesting conditions which attach to the Related Party Options which must be satisfied before the Options can be exercised into Shares. These vesting conditions are set out in Schedule 1. If, at the time any of the Related Party Options are exercised, the exercise price of the Related Party Options is less than the price at which the Shares are trading on ASX, there will be a perceived cost to the Company. The valuation of the Related Party Options is set out in Schedule 2;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	18.0 cents	28 September 2018
Lowest	6.4 cents	3 May 2019 and 6 May 2019
Last	9.9 cents	8 August 2019

- (k) the Board acknowledges the grant of Related Party Options to Mr Hamish Halliday and Mr Stephen Parsons (**Non-Executive Directors/Corporate Consultants**) is contrary to Recommendation 8.2 of The Corporate Governance Principles and Recommendations with 2014 Amendments (3rd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to the

Non-Executive Directors and Corporate Consultants reasonable in the circumstances for the reason set out in paragraph (m);

- (l) the primary purpose of the grant of the Related Party Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors and/or Corporate Consultants. The conditions which must be satisfied before the Related Party Options can vest (and can therefore be exercised into Shares) are set out in Schedule 1;
- (m) Mr Williamson declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 1 be passed. However, in respect of Resolutions 2, 3 and 4, Mr Williamson recommends that Shareholders vote in favour of those Resolutions for the following reasons:
 - (i) the grant of Related Party Options to the Related Parties, in particular, the vesting conditions of the Related Party Options, will align the interests of the Related Parties with those of Shareholders;
 - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (n) Mr Halliday declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 2 be passed. However, in respect of Resolutions 1, 3 and 4, Mr Halliday recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m); and
- (o) Mr Parsons declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 3 be passed. However, in respect of Resolutions 1, 2 and 4, Mr Parsons recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m); and
- (p) Mr Radonjic declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 4 be passed. However, in respect of Resolutions 1, 2 and 3, Mr Radonjic recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m); and

- (q) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price, vesting conditions and expiry date of those Related Party Options; and
- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 1 to 4.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

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 Blackstone Minerals Limited (ACN 614 534 226).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

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.

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

Optionholder means a holder of an Option or Related Party Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Related Party Option means an Option granted pursuant to Resolutions 1 to 4 with the terms and conditions set out in Schedule 1.

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.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF RELATED PARTY OPTIONS

1. Entitlement

Mr Hamish Halliday's related party options (**Option**) has an issue price payable on granting of the option of \$0.001 each. The related party options granted to Mr Williamson, Mr Parsons and Mr Radonjic are issued for nil value. Each option entitles the holder to subscribe for one Share upon exercise of the Option at the exercise price.

2. Exercise Price

Subject to paragraph (8) the amount payable upon exercise of each Option will be \$0.001 (**Exercise Price**).

3. Expiry Date

Each Option will expire at 5:00pm (WST) on 30 September 2024 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

4. Exercise Period

Options issued will vest and be exercisable subject to the following vesting conditions:

	Vesting Conditions
Tranche 1	Subject to the employee or director remaining employed or appointed by the Company for a period of 24 months of continuous service after the issue of the Options.
Tranche 2	Subject to the Company securing a strategic partner and substantial shareholder of 5% or more of the ordinary issued share capital of the Company either via a new issue of ordinary shares or a transfer of ordinary shares already on issue. A strategic partner is defined as a joint venture partner, off take partner, strategic alliance partner or a party to an earn in agreement in relation to the Company's Ta Khoa Nickel Project.
Tranche 3	Subject to the Company achieving a volume weighted average share price of at least \$0.20 calculated over any 10 trading day period after the issue of the Options.

The Options are exercisable at any time after vesting on or prior to the Expiry Date (**Exercise Period**) after which the Options will lapse.

5. Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

6. Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

7. Timing of issue of Shares on exercise

Within 10 Business Days after the Exercise Date, the Company will:

- (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

8. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

9. Quotation of Shares issued on exercise

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

10. Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

11. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

12. Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

13. Unquoted

The Company will not apply for quotation of the Options on ASX.

14. Transferability

The Options are non-transferable.

15. Taxation

Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to the Options unless the Offer provides otherwise.

SCHEDULE 2 – VALUATION OF RELATED PARTY OPTIONS

13 August 2019

The Directors
Blackstone Minerals Limited
Suite 3, Level 3
24 Outram Street
WEST PERTH WA 6005

Dear Sirs,

At the request of Jamie Byrde on behalf of Blackstone Minerals Limited (“**Blackstone**” or “**the Company**”) on 1 August 2019, Stantons International Securities Pty Ltd hereby sets out our technical valuation for the following options, to be granted to the four directors of Blackstone, namely Mr Scott Williamson, Mr Hamish Halliday, Mr Stephen Parsons and Mr Andrew Radonjic.

- Tranche 1 Options** – 1,000,000 unlisted share options to be granted on shareholder approval, with an exercise price of 0.1 cents and an expiration date of 30 September 2024. The options will vest on a service condition of 24 months of acting as a director of the Company.
- Tranche 2 Options** – 4,500,000 unlisted share options to be granted on shareholder approval, with an exercise price of 0.1 cents and an expiration date of 30 September 2024. The options will vest subject to the Company securing a strategic partner and substantial shareholder of 5% or more of the ordinary issued share capital of the Company either via a new issue of ordinary shares or a transfer of ordinary shares already on issue. A strategic partner is defined as a joint venture partner, off take partner, strategic alliance partner or a party to an earn in agreement in relation to the Company’s Ta Khoa Nickel Project.
- Tranche 3 Options** – 5,500,000 unlisted share options to be granted on shareholder approval, with an exercise price of 0.1 cents and an expiration date of 30 September 2024. The options will vest subject to the Company achieving a volume weighted average share price of at least 20 cents over any ten-day period after the issue of the options.

The options will be granted to the respective directors as follows:

Option holder	Tranche 1 options	Tranche 2 options	Tranche 3 options	Total
Scott Williamson	1,000,000	1,000,000	2,000,000	4,000,000
Hamish Halliday	-	2,000,000	2,000,000	4,000,000
Stephen Parsons	-	750,000	750,000	1,500,000
Andrew Radonjic	-	750,000	750,000	1,500,000
Total	1,000,000	4,500,000	5,500,000	11,000,000

We note that there are no additional vesting conditions attached to the options other than the holder continues to act as a director of the Company.

As the options are being granted to directors, who are considered related parties, shareholder approval is required for the grant of the options. This valuation is to be included in the Explanatory Statement of a Notice of Meeting to be provided to shareholders.

The options have been valued for financial reporting purposes in accordance with *AASB 2: Share Based Payments* (“**AASB 2**”).

Option Valuation

In arriving at our option valuations, we note the following.

1. The Black Scholes option valuation methodology has been used. This methodology has been used with the expectation that the majority of the options will be exercised towards the end of their term.
2. The options will be granted on shareholder approval. For the purposes of this valuation, we have assumed the grant date as the date of this report. The closing price of Blackstone shares as at the close of business on 12 August 2019 was 11.5 cents, which we have used as the deemed spot price for the valuation purposes. The actual spot price will be the ASX traded share price on the date of grant, which is considered to be the date of shareholder approval. This will be the date of the scheduled shareholders meeting, 30 September 2019.
3. We have used the five-year Australian Government bond rate as a proxy for the risk free rate, being approximately 0.69% as at 12 August 2019.
4. We have assumed that no dividends are expected to be declared or paid by the Company during the term of the options.
5. We note the historical volatility factor for Blackstone shares over the 12 month period to 12 August 2019 was 102.62% and we have used this as the expected volatility factor in the Black Scholes model.
6. The vesting conditions attached to the Tranche 1 and 2 Options are considered to be non-market based vesting conditions.

In accordance with AASB 2.19, non-market vesting conditions are not taken into account for assessing the fair value at the measurement date. As per AASB 2.19 and 2.20, they should be assessed separately, and recognised by adjusting the number of options based on the best available estimate of the number of options that are expected to vest, according to the probability of meeting the vesting conditions. If subsequent information indicates that the number of options expected to vest differs from previous estimates, then this value should be revised.

At the date of grant, under AASB 2, the estimated number of options expected to vest should be recognised (expensed) over the period from the date of grant to the expected date of the vesting conditions being achieved.

7. The vesting conditions attached to the Tranche 3 Options are considered to be market based vesting conditions. As per AASB 2, the initial valuation should take into account the probability of the vesting condition being met as at the date of grant. Therefore, a discount factor is applied to these tranches of options to take into account the probability that the vesting condition is not met.
8. The discount factor for the market based vesting conditions has been estimated by a probability proxy that the Blackstone share price will reach at least a 20 cent value 5 years from 12 August 2019, assuming that returns follow a normal probability distribution. 20 cents represents a 73.91% increase on the initial price of 11.5 cents. Therefore, we have considered the probability that the returns over the 5 year period will be greater than 73.91%. The assumption that the annual volatility is 102.62% is equivalent to a five year expected volatility factor of 229.47%. Furthermore, we have assumed an annual expected mean return of 10% per annum, equivalent to an expected return of 61% over 5 years.

Using a normal probability distribution and the above assumptions, the probability of a 5 year return exceeding 73.91% is estimated to be 47.77%.

We note the approach above is an imperfect proxy, as it only considers the required return being achieved on the expiration date, whereas in reality a 10 day volume weighted average share price needs to be achieved, and can be done so at any time prior to the expiration

date. On balance we have chosen to apply a 50% discount factor to the undiscounted fair value of the options with market based vesting conditions.

9. We note that under AASB 2, as the initial valuation of these options accounts for the market based vesting condition, the fair value at the date of grant is not altered in the future irrespective of changes in probability of meeting the vesting condition. Also, the Company cannot reverse any recognised expenses in the future should the performance condition not be met.
10. The valuations noted below are not necessarily the market prices that the options could be traded at and are not necessarily the appropriate values for taxation purposes. Recipients of the options should seek their own advice as to the tax treatments of receiving the options.

Based on the above, our assessed value of the option issues are as follows:

Option holder	Option class	No of options	Term of options	Share price on issue (\$)	Exercise price (\$)	Volatility (%)	Risk free rate (%)	Discount factor (%)	Fair value (\$)
Scott Williamson	Tranche 1	1,000,000	5 year	0.115	0.001	102.62	0.69	N/A	0.114
Scott Williamson	Tranche 2	1,000,000	5 year	0.115	0.001	102.62	0.69	N/A	0.114
Scott Williamson	Tranche 3	2,000,000	5 year	0.115	0.001	102.62	0.69	50	0.057
Hamish Halliday	Tranche 2	2,000,000	5 year	0.115	0.001	102.62	0.69	N/A	0.114
Hamish Halliday	Tranche 3	2,000,000	5 year	0.115	0.001	102.62	0.69	50	0.057
Stephen Parsons	Tranche 2	750,000	5 year	0.115	0.001	102.62	0.69	N/A	0.114
Stephen Parsons	Tranche 3	750,000	5 year	0.115	0.001	102.62	0.69	50	0.057
Andrew Radonjic	Tranche 2	750,000	5 year	0.115	0.001	102.62	0.69	N/A	0.114
Andrew Radonjic	Tranche 3	750,000	5 year	0.115	0.001	102.62	0.69	50	0.057

Should you wish to discuss the above, do not hesitate to contact the undersigned.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



James Turnbull

BLACKSTONE MINERALS LIMITED

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All Correspondence to:
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E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

«EFT_REFERENCE_NUMBER»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

«Company_code» «Sequence_number»

SAMPLE ONLY

Code:

BSX

Holder Number:

«HOLDER_NUM

PROXY FORM

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

**VOTE
ONLINE**

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

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

The meeting chairperson

OR

SAMPLE ONLY

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00am WST on Wednesday 9 October 2019 at Suite 3, Level 3, 24 Outram Street, West Perth WA 6005 and at any adjournment of that meeting.

SECTION B: Voting Directions

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

RESOLUTION

1. Issue of Options to Related Party - Scott Williamson
2. Issue of Options to Related Party - Hamish Halliday
3. Issue of Options to Related Party - Stephen Parsons
4. Issue of Options to Related Party - Andrew Radonjic

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

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

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

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 10:00am WST on Monday 7 October 2019.

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BSX

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My/Our contact details in case of enquiries are:

Name:

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Number:

(

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1. NAME AND ADDRESS

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

2. APPOINTMENT OF A PROXY

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

3. DIRECTING YOUR PROXY HOW TO VOTE

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

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

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

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

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

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

6. LODGEMENT OF PROXY

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

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online	www.securitytransfer.com.au
Postal Address	PO BOX 52 Collins Street West VIC 8007
Street Address	Suite 913, Exchange Tower 530 Little Collins Street Melbourne VIC 3000
Telephone	1300 992 916
Facsimile	+61 8 9315 2233
Email	registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

