
POTASH WEST NL

ABN 62 147 346 334

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9:00am WST

DATE: Monday, 12 November 2012

PLACE: "150 East Riverside"
150 Great Eastern Highway
Ascot WA 6104

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 (08) 9479 5386.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Potash West NL which this Notice of Annual General Meeting relates to will be held at 9:00am WST on Monday, 12 November 2012 at "150 East Riverside", 150 Great Eastern Highway, Ascot, Western Australia.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the 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.

New Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes 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
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- 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 question that the resolution be passed; and
- either of the following applies:
 - if a record of attendance is made for the meeting - the proxy is not recorded as attending the meeting;
 - 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Potash West NL will be held at the "150 East Riverside", 150 Great Eastern Highway, Ascot, Western Australia at 9:00am WST on Monday, 12 November 2012.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 5:00pm WST on Saturday, 10 November 2012.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Reports and Accounts

To receive the financial report of the Company for the year ended 30 June 2012, together with the directors' report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING)

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

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the Company to adopt the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2012."

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 any 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 described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ADRIAN GRIFFIN

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 14.4 and for all other purposes, Adrian Griffin, being a Director, retires by rotation and, being eligible, is hereby re-elected as a Director.”

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES TO SOPHISTICATED 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 7.4 and for all other purposes, the Company ratifies the allotment and issue of 7,333,333 Shares at a price of 22.5 cents per Share to Sophisticated Investors on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution 3 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – 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 for all other purposes, approval is given for the issue and allotment of Equity Securities totaling up to 10% of the number of ordinary Shares on issue by way of placements over a 12 month period, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2; and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by any person who may participate in the issue of Equity Securities under this Resolution and any person who might gain an advantage, other than an advantage solely in the capacity of an ordinary security holder, from the passing of Resolution 4 and any associates of those persons.

However the Company need not disregard a vote if:

- (a) 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
- (b) 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.

5. RESOLUTION 5 – APPROVAL OF GRANT OF OPTIONS TO PATRICK MCMANUS

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

“That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 750,000 Director Options to Patrick McManus on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Patrick McManus or any of his associates. 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 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.

6. RESOLUTION 6 – APPROVAL OF GRANT OF OPTIONS TO ADRIAN GRIFFIN

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

“That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 200,000 Director Options to Adrian Griffin on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Adrian Griffin or any of his associates. 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 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.

7. RESOLUTION 7 – APPROVAL OF GRANT OF OPTIONS TO GEORGE SAKALIDIS

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

“That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 200,000 Director Options to George Sakalidis on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by George Sakalidis or any of his associates. 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 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.

8. RESOLUTION 8 – APPROVAL OF GRANT OF OPTIONS TO GARY JOHNSON

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

"That, for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 200,000 Director Options to Gary Johnson on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Gary Johnson or any of his associates. 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 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.

9. RESOLUTION 9 – APPROVAL TO INCREASE NON-EXECUTIVE DIRECTOR REMUNERATION

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

"That, for the purposes of ASX Listing Rule 10.17 and for all other purposes, the Company approves an increase in the maximum aggregate amount that may be paid to non-executive Directors as remuneration for their services in each financial year from \$120,000 to \$200,000 which may be divided among those non-executive Directors in the manner determined by the Board from time to time."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director and any of their associates. 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 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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
 - (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.
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DATED: 10 OCTOBER 2012

BY ORDER OF THE BOARD

**AMANDA WILTON-HEALD
COMPANY SECRETARY
POTASH WEST NL**

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EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of the Company to be held at "150 East Riverside", 150 Great Eastern Highway, Ascot, Western Australia at 9:00am WST on Monday, 12 November 2012.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

FINANCIAL STATEMENTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The audited financial statements for the year ended 30 June 2012 included a qualified audit report. The basis for the qualified audit opinion was the material uncertainty regarding the Company's ability to continue as a going concern. Please refer to the annual report for the year ended 30 June 2012 for further details.

1. RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

1.1 General

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 Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2013 annual general meeting, 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 of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2013 annual general meeting. All of the Directors who were in office when the Company's 2013 Directors' report 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 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 the financial year ending 30 June 2012.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

1.2 Proxy Restrictions

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any 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 described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

2. RESOLUTION 2 – RE-ELECTION OF ADRIAN GRIFFIN

ASX Listing Rule 14.4 provides that, a director of an entity must not hold office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

A retiring Director is eligible for re-election. The Directors to retire at any annual general meeting must be 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 must (unless they otherwise agree among themselves) be determined by lot.

Adrian Griffin retires and seeks re-election in accordance with ASX Listing Rule 14.4. Details regarding Adrian Griffin are set out in the Company's 2012 Annual Report.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF SHARES TO SOPHISTICATED INVESTORS

3.1 Background to Resolution 3

Between 20 and 29 June 2012 the Company issued a total of 7,333,333 Shares to sophisticated investors at a price of \$0.225 each to raise a total of \$1,650,000 before costs.

Approval is now sought to ratify the issue of 7,333,333 Shares to sophisticated investors.

3.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any Equity Securities, or other securities with rights to conversion to equity (such as an Option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1

Approval is sought under Resolution 3 to allow the Company to ratify the issue and allotment of the 7,333,333 Shares not previously approved by Shareholders pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 3 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 7,333,333 Shares;
- (b) the Shares were issued and allotted between 20 and 29 June 2012;
- (c) the Shares were allotted for cash consideration of \$0.225 each, to raise a total of \$1,650,000 before costs;
- (d) the issued Shares are fully paid ordinary shares and rank equally with the existing Shares on issue;
- (e) the allottee of the Shares were Sophisticated Investors, who were not related parties of the Company; and
- (f) the funds raised will be used to:
 - (i) put in place patents and other protections for the processes developed as part of the Company's studies into process development of the Dandaragan Trough glauconite project in Western Australia;
 - (ii) further the exploration and development activities on pending acquisitions; and
 - (iii) further the working capital of the Company.

3.3 Directors' Recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 3. The Board believes that the ratification of the Share issue the subject of Resolution 3 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 3 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

4. RESOLUTION 4 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

4.1 General

ASX Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval to allow it to issue Equity Securities totalling up to 10% of its issued capital over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**).

An eligible entity for the purposes of Listing Rule 7.14 is an entity that is not included in the SRP/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

If Shareholders approve Resolution 4, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 4.2 below).

The effect of Resolution 4 will be to allow the Directors to issue Equity Securities totalling up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during a period of 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.

Resolution 4 is 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 4 for it to be passed.

The Board believes that Resolution 4 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this resolution.

4.2 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 in addition to those under the eligible entity's 15% annual placement capacity.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The only Equity Securities that the Company currently has on issue are its 83,795,833 Shares.

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

$$(A \times B) - C$$

Where:

- A** = the number of Shares on issue 12 months before the date of issue or agreement:
- (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 Rules 7.1 and 7.4;
 - (iv) less the number of Shares cancelled in the previous 12 months.
- B** = 10%.

- C = 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.

4.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 4:

(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 4.3(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),

or such longer period if allowed by ASX (**10% Placement Capacity Period**).

(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 4 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 the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Number of Shares issued under 10% Placement Capacity	Funds raised based on issue price of \$0.125 (50% decrease in current issue price)	Funds raised based on issue price of \$0.250 (Current issue price)	Funds raised based on issue price of \$0.375 (50% increase in current issue price)
83,795,833 (Current)	8,379,583	\$1,047,448	\$2,094,896	\$3,142,344
125,693,750 (50% increase)*	12,569,375	\$1,571,172	\$3,142,344	\$4,713,516
167,591,666 (100% increase)*	16,759,167	\$2,094,896	\$4,189,792	\$6,284,688

*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 25 September 2012.
2. The issue price set out above is the closing price of the Shares on the ASX on 25 September 2012.
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.
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 decide to issue Equity Securities under the 10% Placement Capacity to raise funds for the purpose of increasing the JORC compliant resource at its Dandaragan Trough Project.

(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 has not previously obtained approval under ASX Listing Rule 7.1A.

4.4 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 Resolution 4.

5. RESOLUTIONS 5, 6, 7 AND 8 – APPROVAL OF GRANT OF OPTIONS TO DIRECTORS

5.1 Background to Resolutions 5, 6, 7 and 8

The Company seeks Shareholder approval for the issue of 1,350,000 Options to the Directors of the Company (**Director Options**), being Patrick McManus, Adrian Griffin, George Sakalidis and Gary Johnson (**Directors**).

George Sakalidis and Gary Johnson are Non-Executive Directors of the Company. Adrian Griffin is the Non-Executive Chairman of the Company and Patrick McManus is the Managing Director of the Company. The issue of the Director Options pursuant to Resolution 6 is subject to the re-election of Adrian Griffin as a Director pursuant to Resolution 2.

The Director Options are to be issued for the purpose of aligning the interests of the Directors with those of Shareholders and to secure the ongoing commitment of the Directors to the continued growth of the Company.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied in connection with the proposed issue of Director Options. These are summarised below.

5.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the company.

If Resolutions 5, 6, 7, and 8 are passed, Director Options will be issued to the Directors, who are related parties of the Company. Accordingly, approval for the issue of Director Options is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Directors as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to the Directors will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 5, 6, 7, and 8:

- (a) the maximum number of Director Options to be issued by the Company is:
 - (i) 750,000 to Patrick McManus;
 - (ii) 200,000 to Adrian Griffin;
 - (iii) 200,000 to George Sakalidis; and
 - (iv) 200,000 to Gary Johnson;
 - (b) the Director Options will be issued not later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;
 - (c) the Director Options will be issued for no cash consideration;
 - (d) the Director Options will be issued on the terms set out in Annexure A to this Explanatory Statement;
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- (e) no funds will be raised from the issue of the Director Options as the purpose of the issue is to give the Directors an incentive to provide dedicated and ongoing services to the Company. All funds raised in the event of exercise of the Director Options will be applied towards working capital. However, there is no guarantee that any of the Director Options will be exercised at any future time; and
 - (f) the valuation of the exercise price of the Director Options used in this explanation is theoretical as the actual exercise price will be calculated by:
 - (i) dividing the dollar value of the ordinary shares traded by the volume of shares traded in the 10 day period prior to the date of the Company's Annual General Meeting to establish the VWAP; and
 - (ii) applying a premium of 43% to that VWAP to determine the exercise price.

5.3 Section 208 of the Corporations Act

For a public company to give a financial benefit to a related party of the public company, the public company 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.

In the current circumstances, the issue of the Director Options to the Directors constitutes a "financial benefit" as defined in the Corporations Act. Further, the Directors are "related parties" of the Company as defined under the Corporations Act. Accordingly, the proposed issue of Director Options to the Directors will constitute the provision of a financial benefit to related parties of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of a financial benefit to a related party may not apply in the current circumstances. The Directors have determined to seek Shareholder approval under Section 208 of the Corporations Act to permit the issue of the Director Options to the Directors.

5.4 Sections 217 to 227 of the Corporations Act

Pursuant to Sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to the Directors:

- (a) the related parties to whom a financial benefit will be given are Patrick McManus, Adrian Griffin, George Sakalidis and Gary Johnson;
 - (b) the nature of the financial benefit is the issue of 1,350,000 Director Options. The Director Options will be issued for no cash consideration and will be subject to the terms set out in Annexure A to this Explanatory Statement;
-

- (c) the Directors make the following recommendations in relation to the proposed issue of Director Options to the Directors:
- (i) the Directors (other than Patrick McManus), who do not have a material personal interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5 as they are of the view that the issue of 750,000 Director Options to Patrick McManus is an appropriate form of remuneration to provide him with an incentive to maximise returns to Shareholders. The Directors (other than Patrick McManus) considered Patrick McManus' experience, the market price of the Shares when the resolution was passed by the Board and current market practice when determining the number and exercise price of the Director Options to be issued to Patrick McManus. Patrick McManus declined to make a recommendation in relation to Resolution 5 due to the fact that he has a material personal interest in its outcome;
 - (ii) the Directors (other than Adrian Griffin), who do not have a material personal interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6 as they are of the view that the issue of 200,000 Director Options to Adrian Griffin is an appropriate form of remuneration to provide him with an incentive to maximise returns to Shareholders. The Directors (other than Adrian Griffin) considered Adrian Griffin's experience, the market price of the Shares when the resolution was passed by the Board and current market practice when determining the number and exercise price of the Director Options to be issued to Adrian Griffin. Adrian Griffin declined to make a recommendation in relation to Resolution 6 due to the fact that he has a material personal interest in its outcome;
 - (iii) the Directors (other than George Sakalidis), who do not have a material personal interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7 as they are of the view that the issue of 200,000 Director Options to George Sakalidis is an appropriate form of remuneration to provide him with an incentive to maximise returns to Shareholders. The Directors (other than George Sakalidis) considered George Sakalidis' experience, the market price of the Shares when the resolution was passed by the Board and current market practice when determining the number and exercise price of the Director Options to be issued to George Sakalidis. George Sakalidis declined to make a recommendation in relation to Resolution 7 due to the fact that he has a material personal interest in its outcome;
-

- (iv) the Directors (other than Gary Johnson), who do not have a material personal interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8 as they are of the view that the issue of 200,000 Director Options to Gary Johnson is an appropriate form of remuneration to provide him with an incentive to maximise returns to Shareholders. The Directors (other than Gary Johnson) considered Gary Johnson's experience, the market price of the Shares when the resolution was passed by the Board and current market practice when determining the number and exercise price of the Director Options to be issued to Gary Johnson. Gary Johnson declined to make a recommendation in relation to Resolution 8 due to the fact that he has a material personal interest in its outcome;
- (d) the Directors are paid the following amounts per annum for their services to the Company:
- (i) Patrick McManus is currently paid \$275,000 per annum (inclusive of superannuation);
 - (ii) Adrian Griffin is currently paid \$85,000 per annum (inclusive of superannuation);
 - (iii) George Sakalidis is currently paid \$45,000 per annum (inclusive of superannuation); and
 - (iv) Gary Johnson is currently paid \$45,000 per annum (inclusive of superannuation);
- (e) the Directors have the following relevant interests in the Shares of the Company:
- (i) Patrick McManus currently has an interest in 1,715,000 Shares;
 - (ii) Adrian Griffin currently has an interest in 3,455,261 Shares;
 - (iii) George Sakalidis currently has an interest in 700,517 Shares; and
 - (iv) Gary Johnson currently has an interest in 250,000 Shares.
- There are currently 83,795,833 Shares on issue in the Company;
- (f) the Directors have the following relevant interests in Options of the Company:
- (i) Patrick McManus currently has an interest in 500,000 Options exercisable at \$0.28 and expiring on 30 November 2014;
 - (ii) Adrian Griffin currently has an interest in 250,000 Options exercisable at \$0.28 and expiring on 30 November 2014;
 - (iii) George Sakalidis currently has an interest in 250,000 Options exercisable at \$0.28 and expiring on 30 November 2014; and
 - (iv) Gary Johnson currently has an interest in 250,000 Options exercisable at \$0.28 and expiring on 30 November 2014;
-

- (g) if Shareholders approve the issue of Director Options to the Directors, and all of the Director Options are exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 1.61% on an undiluted basis and based on the number of Shares on issue as at the date of this Notice. The market price for Shares during the term of the Director Options would normally determine whether or not the Directors exercise the Director Options. If, at the time any of the Director Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. The highest, lowest and last trading price of Shares on ASX since the last Annual General Meeting are as set out below:

	Date	Price
Highest	15 February 2012	\$0.33
Lowest	19 to 21 December 2011, 3 to 7 September, 10 September 2012	\$0.18
Last	25 September 2012	\$0.25

- (h) the ASIC, in reviewing documents lodged under Section 218 of the Corporations Act relating to the giving of financial benefits to related parties of public companies, requires explanatory information regarding the value of the options proposed to be granted. The value of the Director Options has been calculated by BDO Kendalls Corporate Finance (WA) Pty Ltd using the Black & Scholes pricing model and is set out in section 5.5 below; and
- (i) additional information in relation to Resolutions 5, 6, 7, and 8 is set out throughout this Explanatory Statement. Shareholders should therefore read the Notice and Explanatory Statement in its entirety before making a decision as to how to vote on Resolutions 5, 6, 7, and 8.

5.5 Valuation of the Director Options

The Director Options have been valued using the Black & Scholes pricing model and based upon the following assumptions:

- (a) the Director Options expire 3 years from the date of grant;
- (b) the exercise price of each Director Option is the price that is 43% above the 10 day VWAP immediately prior to the grant date. For the purpose of this Notice, an exercise price of \$0.343 has been used. The VWAP has been calculated by dividing the dollar value of the ordinary shares traded by volume of shares traded in the 10 day period up to and including 21 September 2012, using data that has been obtained from Bloomberg;
- (c) a volatility factor of 95% based on the historical volatility of the Company's Share price;
- (d) a risk free interest rate of 2.58% based on the Commonwealth Government Securities rate as at 21 September 2012; and
- (e) the valuation date for the Director Options was 21 September 2012 and the Share price on that date was \$0.24.

The exercise price of the Director Options used in this valuation is theoretical as the actual exercise price will be calculated by dividing the dollar value of the ordinary shares traded by the volume of shares traded in the 10 day period immediately prior to the grant date to obtain the VWAP and then adding a premium of 43%.

Based on the above, the 1,350,000 Director Options proposed to be issued to the Directors pursuant to Resolutions 5, 6, 7, and 8 have been valued at:

- (a) \$136,500, in relation to the Director Options issued to Patrick McManus;
- (b) \$36,400, in relation to the Director Options issued to Adrian Griffin;
- (c) \$36,400, in relation to the Director Options issued to George Sakalidis;
and
- (d) \$36,400, in relation to the Director Options issued to Gary Johnson.

6. RESOLUTION 9 – APPROVAL TO INCREASE NON-EXECUTIVE DIRECTOR REMUNERATION

6.1 General

Resolution 9 seeks the approval of Shareholders to increase the maximum aggregate annual amount that may be paid to non-executive Directors as remuneration for their services.

6.2 ASX Listing Rule 10.17

ASX Listing Rule 10.17 provides that an entity must not increase the total amount of Director's fees payable by it or any of its child entities without the approval of Shareholders. This rule does not apply to the salaries of executive Directors.

The current maximum aggregate amount payable to non-executive Directors in any year is \$120,000. This resolution seeks the approval of Shareholders to increase the maximum aggregate annual remuneration for all non-executive Directors to \$200,000.

If this resolution is passed, the Company will have the capacity to pay the non-executive Directors up to \$200,000 per annum in aggregate, although it is not proposed at this stage that this capacity will be used in full.

The Company has been fortunate with the technical expertise and experience of the Directors it has been able to attract. With the increasing demands placed on directors of public companies generally, and the additional burdens and obligations imposed on companies under ASX Corporate Governance guidelines, the time and effort that is required to be put in by the non-executive Directors is increasing. The increase in aggregate remuneration payable to non-executive Directors for this extra time and effort, and also to appoint additional non-executive Directors who the other Directors think can deliver additional skills to the Board.

The Directors believe that the proposed increase in aggregate remuneration is appropriate for the Company and is in line with the remuneration paid by similar companies.

The Board recommends that Shareholders vote in favour of Resolution 9.

ANNEXURE A - TERMS AND CONDITION OF DIRECTOR OPTIONS

1. Each Director Option entitles the holder to acquire one fully paid ordinary share in the Company (**Share**).
2. No cash consideration is payable for the issue of the Director Options.
3. Each Director Option has an exercise price that is 43% above the volume weighted average market price of the Company's Shares, calculated over the 10 day period immediately prior to the grant date (**Exercise Price**).
4. The Director Options may be exercised, in whole or in part parcels, at any time until 3 years from the date of grant. The Director Options vest immediately upon being granted. Each Director Option may be exercised by forwarding to the Company at its principal office a duly completed exercise notice, together with payment of the Exercise Price for each Director Option exercised. The Director Options will lapse at 5.00pm WST on the date of expiration, being 3 years from the date of grant.
5. The Director Options are not transferable.
6. The Director Options shall not entitle the holder to participate in new issues of securities. However, the holder shall be given notice of any proposed pro rata issue to be made available to shareholders at least nine (9) business days prior to and inclusive of the record date of that issue (to determine entitlements to the issue) to enable them to exercise the Director Options in order to participate in the issue.
7. Shares issued on the exercise of Director Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of a Director Option will rank equally with the then issued ordinary shares of the Company in all respects. The Company will, pursuant to the exercise of a Director Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.
8. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
9. If there is a bonus issue to shareholders, the number of Shares over which the Director Option is exercisable will be increased by the number of Shares which the holder of the Director Option would have received if the Director Option had been exercised before the record date for the bonus issue.
10. In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Director Options will be reduced in accordance with Listing Rule 6.22.

GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

2012 Annual Report means the Company's annual report for the year ended 30 June 2012, which can be downloaded from the Company's website at potashwest.com.au.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 724 791).

ASX Listing Rules or **Listing Rules** means the official Listing Rules of ASX.

Board means the Board of Directors of the Company.

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).

Company or **Potash West** means Potash West NL (ABN 62 147 346 334).

Constitution means the Company's constitution.

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

Directors mean the current directors of the Company.

Director Options means the options issued in accordance with Resolutions 6, 7, 8 and 9 on the terms set out in Annexure A.

Equity Securities has the meaning given in the Listing Rules.

Explanatory Statement means the explanatory statement to this Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Meeting means the meeting convened by the Notice.

Notice means the notice of meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share.

POTASH WEST NL
ABN 62 147 346 334
Proxy Form

Remuneration Report means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2012 Annual Report.

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

Shareholder means a shareholder of the Company.

Sophisticated Investor means an investor as defined in Section 708(8) of the Corporations Act.

VWAP means the volume weighted average price of the Shares.

WST means Western Standard Time.

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**POTASH WEST NL
ABN 62 147 346 334
Proxy Form**

**APPOINTMENT OF PROXY
POTASH WEST NL
ABN 62 147 346 334**

ANNUAL GENERAL MEETING

I/We
of

being a member of Potash West NL entitled to attend and vote at the Annual General Meeting, hereby
Appoint

Name of proxy

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at "150 East Riverside", 150 Great Eastern Highway, Ascot, Western Australia at 9:00am WST on Monday, 12 November 2012, 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 – Adrian Griffin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Prior Issue of Shares to Sophisticated Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval for Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Grant of Options to Patrick McManus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Grant of Options to Adrian Griffin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Grant of Options to George Sakalidis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Grant of Options to Gary Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval to Increase Non-Executive Director Remuneration	<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.

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

Important for Resolution 1

If a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of such a member is your proxy you must direct your proxy how to vote on Resolution 1 unless that person is also the Chair in which case you must, in the absence of a direction how to vote, expressly authorise the Chair to exercise the proxy by marking the box below.

I/we direct the Chair to vote in accordance with his voting intentions on Resolution 1 (except where I/we have indicated a different voting intention above) and acknowledge 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 you do not mark this box, and you have not directed your proxy 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.

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Proxy Form

Signature of Member(s): _____ Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

E-mail Address: _____ Consent for contact by e-mail YES NO

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ABN 62 147 346 334
Proxy Form Instructions

1. A shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a shareholder of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - Directors of the company;
 - a Director and a company secretary of the company; or
 - for a proprietary company that has a sole Director who is also the sole company secretary – that Director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole company secretary of the company must state that next to his or her signature.

4. 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. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form enclosed and either:
 - (a) send the proxy form by post to Potash West NL, PO Box 588, Belmont, Western Australia 6984; or
 - (b) send the proxy form by facsimile to the Company on facsimile number (08) 9475 0847,so that it is received not later than 5:00pm WST on Saturday, 10 November 2012.

Proxy forms received later than this time will be invalid.