

# GENERAL MINING CORPORATION LIMITED

ACN 125 721 075

## INFORMATION MEMORANDUM

including

### NOTICE OF ANNUAL GENERAL MEETING, EXPLANATORY STATEMENT AND PROXY FORM

TO ASSIST SHAREHOLDERS IN THEIR CONSIDERATION OF RESOLUTIONS TO BE PUT AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT LEVEL 2, 50 KINGS PARK ROAD, WEST PERTH WA 6005 ON THURSDAY, 18 NOVEMBER 2010 AT 10.00AM WST

#### ***THIS DOCUMENT IS IMPORTANT***

*If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.*

FOR THOSE SHAREHOLDERS WHO HAVE ELECTED TO RECEIVE A PRINTED COPY OF THE ANNUAL REPORT, THE 2010 ANNUAL REPORT ACCOMPANIES THIS NOTICE. THE REPORT IS ALSO AVAILABLE ON THE COMPANY'S WEBSITE:  
**[www.generalmining.com](http://www.generalmining.com)**

# GENERAL MINING CORPORATION LIMITED

ACN 125 721 075

## NOTICE OF MEETING

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Notice is hereby given that the Third Annual General Meeting of Shareholders will be held at Level 2, 50 Kings Park Road, West Perth WA 6005 on Thursday, 18 November 2010 at 10.00am WST for the purpose of transacting the following business:-

### ORDINARY BUSINESS

#### Accounts

To receive and consider the Financial Report for the financial period ended 30 June 2010.

#### Directors

To consider and if thought fit to pass the following resolutions as ordinary resolutions:-

- 1 To elect Mr Michael Wright, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- 2 To elect Mr Craig Readhead, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.

#### Remuneration Report

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

- 3 To receive and adopt the remuneration report for the financial year ended 30 June 2010.

*The vote on this resolution is advisory only.*

#### Auditor

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

- 4 To appoint Stantons International Audit and Consulting Pty Ltd trading as Stantons International as auditors of the Company.

### SPECIAL BUSINESS

#### Authority to issue incentive options to Dr Boris Matveev

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

- 5 That, pursuant to and in accordance with Listing Rules 10.11 and for all other purposes, Shareholders approve and authorise the Directors to issue to Dr Boris Matveev, or his nominee, 1,500,000 Incentive Options with an exercise price of \$0.20 expiring 30 June 2012 on the terms and conditions outlined in the Explanatory Statement.

**Voting Exclusion**

The Company will disregard any votes cast on this resolution by Dr Matveev or an associate of that person, who may participate in the issue of Incentive Options and anyone who might obtain a benefit, (except a benefit solely in their capacity as holder of ordinary securities), if the resolution is passed.

However, the Company will not disregard a vote if:

- a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

Dated this 11th day of October 2010

By order of the Board of Directors

Karen E V Brown

**Joint Company Secretary**

# EXPLANATORY STATEMENT

## Introduction

This Explanatory Statement has been prepared for the information of Shareholders of the Company to better understand the resolutions to be put to the Annual General Meeting to be held on 18 November 2010 at 10.00am WST.

## Accounts

The Corporations Act requires the financial statements and the reports of the Directors and Auditor be laid before the Annual General Meeting. There is no requirement for shareholders to approve those reports. However, in accordance with the Corporations Act, shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions or make comments about those reports. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the independent audit report.

## Directors – Resolutions 1 and 2

### Michael Wright

In accordance with the Constitution, Mr Wright retires as a director of the Company and, being eligible, offers himself for re-election.

Mr Wright's appointment to the Board on 26 February 2008 was confirmed by shareholders at the 2008 Annual General Meeting.

He has had over 25 years experience in the resources industry, particularly in the management of listed resource companies in the gold, minerals and oil and gas sectors. During that time he has held positions with Herald Resources Ltd, Laurel Bay Petroleum, Occidental Oil, the Griffin Coal Group, Arthur Andersen and others. An executive director of Herald Resources from 1993 until September 2008, Mr Wright had overseen the development of six mines since joining that company. As part of that process, he was also instrumental in some of the early resource loans and innovative hedging arrangements in their infancy in Australia.

Mr Wright is non-executive Chairman of the Board.

### Craig Readhead, B Juris Llb

In accordance with the Constitution, Mr Readhead retires as a director of the Company and, being eligible, offers himself for re-election.

Mr Readhead's appointment to the Board on 28 August 2007 was confirmed by shareholders at the 2008 Annual General Meeting.

He holds the degrees of Bachelor of Law and Bachelor of Jurisprudence from the University of Western Australia. He has spent the last 29 years practicing in the resources law area and was a partner of a major Perth Law firm before forming his own practice 11 years ago. He is now a partner of the law firm Allion Legal. Mr Readhead has had a significant role in the development of a number of mining projects within Australia, Africa and South East Asia.

Mr Readhead is a director of a number of listed and unlisted companies. He is non-executive chairman of Heron Resources Limited, Galaxy Resources Limited, Frankland River Olive Company Limited and Beadell Resources Limited. He is also non-executive director of Mt Gibson Iron Limited and India Resources Limited.

Mr Readhead is a non-executive Director of the Company

## Remuneraton Report - Resolution 3

The Corporations Act requires listed companies to put a resolution to shareholders to adopt the Company's remuneration report. The vote on this resolution is advisory only and does not bind the Directors or the Company. Nevertheless, the outcome of the vote will be considered by the Remuneration and Nomination Committees when evaluating the remuneration arrangements of the Company.

The Remuneration Report is set out on pages 12 to 18 of the 2010 Annual Report. This report describes the principles used to determine the nature and amount of remuneration and sets out the remuneration arrangements for each Director.

Shareholders will be given a reasonable opportunity for discussion of the Remuneration Report at the Annual General Meeting.

## **Auditor Appointment– Resolution 4**

Due to an internal restructure of Stantons International Pty Ltd (trading as Stantons International), a new authorised audit company, Stantons International Audit and Consulting Pty Ltd trading as Stantons International, has been incorporated. In accordance with the Corporations Act 2001 there is a requirement for shareholders to approve the appointment of Stantons International Audit and Consulting Pty Ltd trading as Stantons International as the auditor of the Company.

## **Authority to Issue Incentive Options to Dr Boris Matveev - Resolution 5**

Resolution 5 seeks Shareholder Approval pursuant to Listing Rule 10.11 for the issue of Incentive Options to Dr Boris Matveev as the incentive component of his contract of employment as managing director of General Mining Corporation Limited commencing 1 January 2010.

Dr Matveev currently receives the following remuneration package:

Salary package inclusive of all statutory entitlements (including superannuation) \$220,000pa

In addition, Dr Matveev is entitled to reimbursement of all reasonable travelling, accommodation and other expenses that a director properly incurs in attending meetings of Directors or any committees of Directors, in attending meetings of Members and in connection with the business of the Company. Other than as set out in this Notice, Dr Matveev does not receive any other emoluments.

The Company is a small listed company, which has been exploring its potash, iron, gold, base metals and other metals and minerals prospects in Mongolia and Western Australia with the view to the eventual development and mining of mineral resources. The Company has limited funds, most of which are allocated to specific exploration activities. As a result, the Board has chosen to issue Incentive Options to Dr Matveev as a key component of his remuneration in order to attract and retain his services and to provide incentive linked to the performance of the Company.

There are no additional performance criteria on the Incentive Options as, given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of Dr Matveev and the performance and value of the Company are closely related. As such, the Incentive Options issued will generally only be of benefit if Dr Matveev performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Incentive Options.

Listing Rule 10.11 requires shareholder approval for the proposed issue of Incentive Options. Listing Rule 10.11 provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company to a related party. As Dr Matveev is a related party of the Company and none of the exceptions contained in Listing Rule 10.12 apply, Shareholder approval is required in accordance with Listing Rule 10.11.

Approval has not been sought under Chapter 2E of the Corporations Act 2001 as the issue of the Incentive Options is the result of negotiations between the Board and Dr Matveev and are part of Dr Matveev's remuneration package.

As Shareholder approval is being sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

## **Specific information required by ASX Listing Rule 10.13**

For the purposes of Shareholder approval of the securities issue and the requirements of Listing Rule 10.13, information is provided as follows:

- 1) the Incentive Options are to be issued to Dr Boris Matveev, or his nominee;
- 2) the maximum number of securities the Company can issue under Resolution 4 is 1,500,000 Incentive Options (and 1,500,000 ordinary fully paid shares on exercise);
- 3) The Company will issue the Incentive Options no later than 1 month after the date of the Meeting (or such longer period of time as ASX in its discretion allows);
- 4) the Incentive Options will be issued for no consideration;
- 5) upon exercise of the Incentive Options, the Shares will be issued on a one for one basis on the same terms as the Company's then existing Shares;

- 6) a voting exclusion statement is included in the Notice; and
- 7) no funds will be raised from the issue of the Incentive Options as they are being issued as an incentive to perform.

**Terms and conditions of the options are:**

- a) Each option entitles the holder to subscribe for one fully paid ordinary share in the Company.
- b) The options are exercisable at \$0.20 (**Exercise Price**).
- c) The options will expire 30 June 2012 (**Expiry Date**).
- d) The options may be exercised at any time between the respective the Issue Date and Expiry Date wholly or in part by delivering a duly completed form of notice of exercise together with payment of the relevant exercise moneys to the Company.
- e) The options are not transferable and no application will be made to Australian Securities Exchange (**ASX**) for quotation of the options. However, the Company will make application for official quotation of Shares issued on the exercise of the options.
- f) All shares issued upon exercise of the options will rank pari passu in all respects with the Company's then existing fully paid ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the options.
- g) There are no participating 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. However, the Company will send a notice to each holder of options at least six business days before the record date. This will give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
- h) If there is a bonus issue (**Bonus Issue**) to the holders of ordinary shares in the Company, the number of shares over which the option is exercisable will be increased by the number of shares which the holder would have received if the option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue as the date of issue of the Bonus Shares.
- i) There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the options.
- j) If prior to the expiry dates, there is a reorganisation of the issued capital of the Company, options are to be treated in the manner set out in the Listing Rules of ASX.

**Valuation**

The Black and Scholes option pricing model (the "**B&S Model**") has been applied in providing valuation information in respect to the Options to be issued to Mr Beament.

The B&S Model is based on a number of assumptions, including an assumption that the Options being valued are American call options, in that they can be exercised on or before the expiry date (subject to the vesting conditions). In addition, the B&S Model assumes that there is a liquid market for the Options. Because the B&S Model assumes a liquid market, the amount calculated by the B&S Model represents a maximum theoretical value. In assessing the indicative fair value of the Options, no discount factors have been applied to take into account that the Options are unlisted.

The following values have been calculated for the Options using the B&S Model based on the following assumptions and variables:

**Assumptions**

- that the Options are American call options (i.e. they can be exercised at any time during the period);
- there are no transaction costs, Options and Shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying Shares do not currently pay a dividend; and
- Share prices behave in a manner consistent with a random walk in continuous time.

**Variables**

- Share price of \$0.185 (based on the Company's closing share price on 11 October 2010)
- a risk free interest rate of 4.5% based on the Reserve Bank of Australia's cash rate;
- expiry date of 30 June 2012;
- exercise price of \$0.20; and
- discount of 30% for non-tradeable status of the share options.

Any change in the variables applied in the B&S Model between the date of the valuation and the date the Options are granted would have an impact on their value.

The Company believes that a volatility factor of 70% based on the Company's historical volatility is the most appropriate indicator of future price volatility. Applying the volatility factor of 70%, the indicative value of the Options proposed to be issued to the Director is as follows:

	<b>Number of Options</b>	<b>Value per Option \$</b>	<b>Total value \$</b>
Incentive Options	1,500,000	0.044	66,000

**PROXY APPOINTMENT FORM**  
**GENERAL MINING CORPORATION LIMITED**  
 ACN 125 721 075

**Enquiries**  
 (within Australia) 9227 1186  
 (outside Australia) +618 9227 1186

[Shareholder name]

[Shareholder address]

I/We, as named above, being a member/s of General Mining Corporation Limited and entitled to attend and vote hereby appoint

..... of .....

Name of proxy Address of proxy

or if that person fails to attend or, if no person is named, the Chairman of the meeting to attend, act generally and vote as directed below, or, if no directions are given, as the proxy or the Chairman sees fit, at the general meeting of the Company to be held on 18 November 2010 at 10.00am WST, and at any adjournment.

**Appointing a second proxy**

If appointing a second proxy, state the percentage of your voting rights applicable to the proxy appointed by this form. %

**Voting directions to your proxy – please mark ✕ to indicate your directions**

Business Item	For	Against	Abstain*
1 Re-election of M Wright as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of C Readhead as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Auditor appointment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Incentive Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular item of business, you are directing your proxy not to vote on that item on a show of hands or on a poll and your shares will not be counted in computing the required majority on a poll.

**Signatures of individual member, joint individual member, attorney or company member**

Member, Attorney or Joint Member

Sole director and sole company secretary

Director

Director/Company secretary (delete one)

\_\_\_\_\_

Contact name

\_\_\_\_\_

Contact daytime telephone

\_\_\_\_/\_\_\_\_/\_\_\_\_

Date

## INSTRUCTIONS FOR COMPLETION OF PROXY APPOINTMENT FORM

### Appointment of proxy

If you are entitled to vote at the meeting you have a right to appoint a proxy and should use this Proxy Appointment Form. The proxy need not be a member of the Company and can be an individual or a body corporate.

If you wish to appoint someone other than the Chairman of the meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you leave the box blank, or your named proxy does not attend the meeting, the Chairman of the meeting will be your proxy and vote on your behalf.

Your proxy's authority to speak and vote for you at the meeting is suspended if you are present at the meeting.

### Register "snapshot"

As permitted by the Corporations Act, the Company has determined that, for the purposes of the meeting, all securities of the Company will be taken to be held by the persons who held them as registered members at 5.30pm WST on 16 November 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### Voting directions to your proxy

You may direct your proxy how to vote by marking **X** in 1 of the 3 boxes opposite each item of business. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item by inserting the percentage of your voting rights applicable to the proxy appointed by this Proxy Appointment Form in the appropriate box. If you do not mark any of the boxes relating to the items of business, your proxy will vote as he or she chooses. If you mark more than 1 box relating to the same item of business any vote by your proxy on that item will be invalid.

### Appointing a second proxy

If you are entitled to cast 2 or more votes you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you wish to appoint a second proxy, an additional Proxy Appointment Form may be obtained by telephoning the Company or you may copy this form. Both Proxy Appointment Forms should be lodged together.

If you appoint 2 proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, section 249X of the *Corporations Act 2001* (Cth) will take effect so that each proxy may exercise half of the votes (ignoring fractions).

If you appoint 2 proxies, neither proxy will have a right to vote on a show of hands.

If you appoint another member as your proxy, that person will have only 1 vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

### Signing instructions

This Proxy Appointment Form must be signed and dated by the member or the member's attorney. Any joint member may sign.

If this form is signed by an attorney and you have not previously lodged the power of attorney with the Company for notation, please attach a certified copy of the power of attorney to this form when you return it.

If the member is a company that has a sole director or a sole director who is also the sole company secretary, this form must be signed by that person. Otherwise, this form must be signed by 2 directors or 1 director and a company secretary. Please indicate the office held by signing in the appropriate place.

### Lodgement of Proxy Appointment Form

Proxy Appointment Forms and proxy appointment authorities, for example, the original or a certified copy of the power of attorney (if the Proxy Appointment Form is signed by an attorney) must be received:

- at 129 Edward Street, Perth WA 6000; or
- by fax, on fax number +61 8 9227 8178,

**not later than 10.00am WST on 16 November 2010.**

Documents received after that time will not be valid for the scheduled meeting.

### Privacy

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you (including your name, address and details of the shares you hold) to be included in the Company's public register of members. This information must continue to be included in the public register if you cease to hold shares. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000* (Cth). Information is collected to administer your shareholding which may not be possible if some or all of the information is not collected. Your information is collected by Advanced Share Registry Services on behalf of the Company.

## GENERAL MINING CORPORATION LIMITED

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Perth WA 6000

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Perth WA 6849

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