

DATED THE

DAY OF

2012

**Bullantco Pty Ltd**  
**(formerly called ANCOA NL – ABN 85 145 460 304)**  
**(Pledgor)**

- AND -

**Straits Mineral Investments Pty Ltd**  
**(Noteholder)**

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**MEMORANDUM OF PLEDGE**

**DATED**

**2012**

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**THIS MEMORANDUM** is made on the \_\_\_\_\_ day of \_\_\_\_\_ 2012.

**BETWEEN:**

**Bullantco NL** (ACN 145 460 304) (**PLEDGOR**)

**-AND-**

**STRAITS MINERAL INVESTMENTS PTY LTD**, ACN 124 028 271 (**Noteholder**)

**RECITALS:**

- A. The Noteholder is the holder of [insert number of] Notes.
- B ANCOA NL [(formerly called Emu Nickel NL – ]ABN 50 127 291 927 (**ANCOA**) is the Issuer of the Notes and is indebted to the Noteholder in respect of the face value [(\$30,000,000)] of the Notes together with all moneys that become due by ANCOA to the Noteholder under and in accordance with the Note Terms (the **Debt**).
- B. In consideration of the Noteholder taking the Notes from ANCOA at the request of Pledgor, Pledgor hereby guarantees the observance and performance by ANCOA of its obligations and liabilities under the Notes and grants this Pledge as security for the Debt.

**1. PLEDGE OF SHARES**

- 1.1. PLEDGOR pledges to the Noteholder, as security for the due and punctual performance of ANCOA's obligations and liabilities under the Notes:
  - 1.1.1. the Pledged Assets and the certificates representing the Pledged Assets;
  - 1.1.2. to have and to hold the Pledged Assets, together with all rights, title, interest, privileges and preferences appertaining or incidental thereto, upon the terms and conditions contained in this Memorandum.

**2. INTERPRETATION & DEFINITIONS**

- 2.1. Recital B is hereby given operative effect.
- 2.2. For the purposes of this Memorandum:
  - 2.2.1. **continuance of default** means either (i) ANCOA has failed to remedy an Event of Default in respect of which a notice to remedy the same has been given under Condition 8 of the Note Terms and the time constraint within which to remedy that Event of Default as per Condition 8 of the Note Terms has elapsed; or (ii) Pledgor has failed to remedy any default hereunder in respect of which a notice to remedy the same has been given by the Noteholder to Pledgor and Pledgor fails to remedy the same within 5 Business Days thereafter;
  - 2.2.2. **Debt** means all moneys (including interest) owing by ANCOA in respect of the Notes held by the Noteholder;
  - 2.2.3. **Event of Default** bears the meaning given in the Note Terms;

- 2.2.4. **Notes** means the number of [\$0.425] cent face value convertible loan notes issued by ANCOA to the Noteholder on the Note Terms, as set out in Recital A;
- 2.2.5. **Note Terms** means the terms of issue of the Notes, as set out in a Deed Poll issued by ANCOA on or about [INSERT COMPLETION DATE].;
- 2.2.6. **Pledged Assets** means the entire issued capital of Hillgrove Mines Pty Ltd, ACN 102 660 506 (being 1000 ordinary shares);
- 2.2.7. **Transfers** means the transfers of the Pledged Assets contemplated by clause 3.1;
- 2.2.8. the word “include” is not a word of limitation as is the case in respect of like work or derivatives thereof;
- 2.2.9. words importing the singular number shall include the plural number and vice versa;
- 2.2.10. words importing one gender shall include every gender;
- 2.2.11. any reference to any of the parties by their defined terms includes that party's executors, administrators and permitted assigns, or being a company, its successors and permitted assigns;
- 2.2.12. reference to an Item is a reference to an Item in the Schedule to this Memorandum;
- 2.2.13. the head notes are for reference purposes only;
- 2.2.14. reference to a person includes a corporation and vice versa.

### **3. PLEDGED ASSETS**

- 3.1. The Pledged Assets shall be held in the name of PLEDGOR, but transfers of the Pledged Assets duly signed by PLEDGOR and in registrable form save the name of the transferee shall be left blank and the transfers will not have been signed by the transferee (being the **Transfers**) shall be delivered to the Noteholder to be held by the Noteholder as security to be held by it on and subject to the terms of this Memorandum.

### **4. PLEDGOR TO ENJOY PLEDGED ASSETS**

- 4.1. At any time prior to the occurrence of an Event of Default (if it is not remedied in accordance with the Note Terms):
  - 4.1.1. PLEDGOR shall be entitled to exercise any and all voting rights relating to the Pledged Assets or any part thereof for any purpose not inconsistent with the terms of this Memorandum PROVIDED HOWEVER that PLEDGOR shall not be permitted to exercise or refrain from exercising any such right or power if, in the judgment of the Noteholder, such action would have a material adverse effect on the value of the Pledged Assets or any part thereof AND PROVIDED FURTHER that PLEDGOR shall give the Noteholder at least five days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising any such right where the vote relates to any matter not being in the nature of ordinary business to be dealt with at an annual general meeting;
  - 4.1.2. PLEDGOR shall be entitled to receive and retain any or all cash dividends and interest payable on the Pledged Assets, but any dividends in the form of issue of bonus shares, distributions of property, returns of capital or other returns made on or in respect of the Pledged Assets and any and all cash and other property received in payment of the principal of or in redemption of or in

exchange for any Pledged Assets (whether at maturity, upon call for redemption or otherwise) shall be and become part of the Pledged Assets and PLEDGOR shall give the Noteholder immediate notice in writing of same, and, if same is received by PLEDGOR, PLEDGOR shall forthwith deliver same to the Noteholder (accompanied by proper instruments of assignment executed by PLEDGOR in accordance with the Noteholder's instructions) which property shall form part of the Pledged Assets.

- 4.2. During the continuance of default, Pledgor:
  - 4.2.1. may only exercise voting rights in respect of the Pledged Assets in a manner approved by the Noteholder;
  - 4.2.2. shall receive all dividends (limited however to the extent of the Debt) paid in respect of the Pledged Assets in trust for the Noteholder and those dividends shall, to that extent, thereupon become vested in the Noteholder free and clear of any claim of Pledgor.
- 4.3. It shall not be incumbent on the Noteholder to vote at any meeting of shareholders or to exercise any rights in respect of the Pledged Assets or to sell the Pledged Assets notwithstanding at any time or from time to time there is reason to believe that the Pledged Assets shall become or the Pledged Assets do become depreciated in value or valueless unless the Noteholder shall see fit and the Noteholder shall not be answerable or responsible for any loss occasioned by any delay or omission in any such respect.

## **5. DEFAULT**

- 5.1. At any time during the continuance of default, the Noteholder shall be entitled to exercise the rights and remedies available under the Note Terms and the following rights and remedies:
  - 5.1.1. to become absolutely entitled to exercise the power of sale over the Pledged Assets;
  - 5.1.2. to procure that itself or its nominee is registered as the holder of the Pledged Assets in total (or if applicable, part) satisfaction of the Debt;
  - 5.1.3. to sell or effect the transfer of the Pledged Assets or any part thereof in such manner and on such terms and conditions as the Noteholder shall deem appropriate but subject to duties similar to those that would apply, mutatis mutandis, if the Pledged Assets were land being sold in exercise of a power of sale under a mortgage;
  - 5.1.4. to appropriate the whole or any part of the proceeds of sale therefrom (after deduction of all costs and expenses incurred by the Noteholder in connection with such sale) in total (or if applicable, part) satisfaction of the Debt and in such order of payment as to principal, interest, costs, charges and fees as the Noteholder shall deem appropriate;
  - 5.1.5. to take any action and execute any instrument whether in its name or in the name of PLEDGOR (as attorney for the Pledgor under a power of attorney hereby granted by the Pledgor to the Noteholder to entitle the Noteholder to take the actions on its behalf as contemplated by this clause), in connection with and for the purpose of carrying out the powers contained in Clauses 5.1.1, 5.1.4, 5.1.3 and 5.1.4.

## **6. FURTHER ASSURANCE**

- 6.1. Upon an Event of Default, PLEDGOR shall do such further acts and things, and execute and deliver such additional conveyances, assignments, agreements and instruments as the

Noteholder may at any time request in connection with the administration or enforcement of this Memorandum or related to the Pledged Assets or any part thereof or in order better to assure and confirm to the Noteholder its rights, powers and remedies hereunder.

- 6.2. PLEDGOR hereby affirms that the board of directors of Hillgrove Mines Pty Ltd, ACN 102 660 506 or any registrar of the Pledged Assets shall be entitled to accept the provisions hereof as conclusive evidence of the right of the Noteholder to effect any transfer pursuant to the terms hereof notwithstanding any other notice or direction to the contrary heretofore or hereafter given by PLEDGOR or any other person to any issuers or obligors or to any such registrar.

## **7. NEGATIVE PLEDGE**

- 7.1. PLEDGOR will not, other than in the ordinary course of business, sell, transfer, assign, mortgage, charge, encumber or otherwise dispose of or deal with the Pledged Assets without the previous written consent of the Noteholder such consent not to be unreasonably withheld.
- 7.2. Notwithstanding clause 7.1, Hillgrove Mines Pty Ltd (**HMPL**) shall be at liberty to sell assets surplus to its requirements and the rights of the Noteholder hereunder shall be subordinated in favour of any security to the provider of finance to ANCOA, Pledgor or HMPL where such financing in aggregated does not exceed the greater of either of: (i) 50% of the fair market enterprise value of HMPL; or (ii) \$20,000,000.
- 7.3. The parties intend that this Memorandum confer upon the Noteholder (as between themselves Noteholders will rank in point of priority equally) priority over all unsecured debtors of PLEDGOR, save only that PLEDGOR shall be entitled to create a limited subordination of the rights of the Noteholder(s) under this Memorandum (in accordance with clause 7.4 below) in favour of any financier(s) taking security from PLEDGOR over the Pledged Assets to the extent that the amount thereby secured is less than 50% of the fair market value of the Pledged Assets or \$20 million.
- 7.4. Whenever the doing of anything by PLEDGOR is dependent upon the consent of the Noteholder, the Noteholder may withhold its consent or give it conditionally or unconditionally in its absolute discretion PROVIDED THAT the Noteholder must:
- 7.4.1. do everything which either of ANCOA or PLEDGOR reasonably requests to enable either ANCOA or Pledgor to raise finance and create encumbrances as and to the extent contemplated by clause 7.3 (including entering deeds of priority (on terms acceptable to the Noteholder(s) acting reasonably) in favour of one or more financiers in respect of one or more transactions to enable such financiers to take such charges, mortgages or other security from ANCOA as they see fit) or aid in the exercise of any power by any such financier under any such security including executing any document, or delivering to any such financier any documents;
- 7.4.2. use its best endeavours to assist any such financier to obtain security from ANCOA to the extent and for the purpose so contemplated.

## **8. GOVERNING LAW AND JURISDICTION**

- 8.1. This Memorandum shall be governed by and construed in accordance with the law for the time being in force in Western Australia and ANCOA agrees to submit to the non-exclusive jurisdiction of the Courts thereof.

## **9. ACKNOWLEDGMENT**

- 9.1. The pledge of the Pledged Assets is created by this Memorandum to secure the Debt. It is intended by the deposit of the Pledged Assets to create an equitable mortgage in respect

thereof. PLEDGOR acknowledges and warrants that the Pledged Assets are not presently subject to any other security interests and will be a continuing security to the Noteholder for payment of the Debt.

- 9.2 Notwithstanding clause 9.1, if requested by the Noteholder, PLEDGOR must take all action necessary to allow the Noteholder to perfect this deed under the Personal Property Securities Act 2009 (C'th) (**PPS Act**) and waives any right to receive any notices from the Noteholder under the PPS Act.

## **10. SUBSTITUTE SECURITY**

- 10.1. At any time following an Event of Default but prior to the Noteholder exercising its rights under clause 5, ANCOA may as of right exercise the right of redemption by paying the Noteholder the Debt in full.

- 10.2. ANCOA may tender alternate security for the Debt in the form of:

- 10.2.1. a guarantee from a reputable financial institution approved by the Noteholder (such approval not to be unreasonably withheld);
- 10.2.2. a charge over cash in an amount sufficient to cover outstanding principle and interest payments under the Notes;

and in either such event PLEDGOR shall be released from its obligations under this Pledge and the Noteholder will forthwith return to PLEDGOR all instruments and things delivered by PLEDGOR to the Noteholder hereunder.

- 10.3. The value of the securities referred to in clause 10.2 shall be reasonably commensurate with the aggregate of the face value and interest service obligation applicable to the outstanding Notes and as Notes are converted or redeemed the substitute securities shall be partially discharged upon reasonable request in that regard being made of the Noteholder.

## **11. NOTE TERMS - ASSIGNMENT**

- 11.1 If the Noteholder at any time proposes to transfer all of the Notes, the Noteholder must transfer its security interest under this document to any transferee of its Notes, and the Pledgor agrees to immediately enter into such documents with the transferee as the Noteholder may reasonably request in order that the benefit of this Pledge is transferred to such transferee at the same time as it transfers any Notes, and such transfer shall be in accordance with the transfer mechanism set out in the Note Terms.

- 11.2 If the Noteholder at any time proposes to transfer a portion only of the Notes:

- 11.2.1 the Noteholder may require that its security interest in a pro-rata portion of the Pledged Assets is transferred to the transferee of that portion of the Notes, and the Pledgor agrees to immediately enter into such documents with the transferee as the Noteholder may reasonably request in order that the benefit of a Pledge over that pro-rata portion of Pledged Assets is transferred to such transferee; and

- 11.2.2 the Pledgor must immediately upon request by the Noteholder enter into a deed of variation of this document with the Noteholder (in such form as the Noteholder reasonably requests), to reflect the pro-rata reduction in the number of Pledged Assets the subject of this Pledge (with the reduction of Pledged Assets equal to the Pledged Assets pledged in favour of the transferee in accordance with clause 11.2.1),

and such transfer shall be in accordance with the transfer mechanism set out in the Note Terms.

**IN WITNESS WHEREOF** Bullantco NL has executed this Deed on the date first hereinbefore mentioned.

Signed for and on behalf of )  
**BULLANTCO PTY LTD** in accordance )  
with Section 127 of the Corporations Act )

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Signature of Director

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Signature of \*Director/\*Secretary

Signed for and on behalf of )  
**STRAITS MINERAL** )  
**INVESTMENTS PTY LTD** )  
in accordance with Section 127 of the )  
Corporations Act

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Signature of Director

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Signature of \*Director/\*Secretary