

HAMMER METALS LIMITED
ACN 095 092 158

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY MEMORANDUM

IMPORTANT INFORMATION

*This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.*

*If you wish to discuss any aspect of this document with the Company please contact
Mr Mark Pitts on telephone (+61 8) 9316 9100.*

The Annual Report is available online at www.hammermetals.com.au

HAMMER METALS LIMITED
ACN 095 092 158

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Hammer Metals Limited will be held at 52 Ord Street, West Perth, Western Australia at 9am (WST) on 28 November 2014 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

AGENDA

ORDINARY BUSINESS

FINANCIAL & OTHER REPORTS

To receive and consider the financial report for the year ended 30 June 2014 and the accompanying Directors' Report, Directors' Declaration, and Auditor's Report.

RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

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

“That the Remuneration Report that forms part of the Directors' Report for the financial period ended 30 June 2014, be adopted.”

The Remuneration Report is set out in the Directors' Report in the Annual Report. Please note that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion

In accordance with sections 250R and 250BD of the Corporations Act 2001, the Company will disregard any votes cast on this Resolution by any Key Management Personnel (“**KMP**”) and a closely related party of a KMP. However, the Company need not disregard a vote if it is cast by a KMP or a closely related party of a KMP as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a chairperson of the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides, or it is cast by a chairperson of the Meeting as proxy for a person who is entitled to vote, the proxy is undirected and the proxy form expressly authorises the chairperson to vote the proxy on this Resolution.

KMPs and their closely related parties will commit an offence under the Corporations Act if they vote in relation to this Resolution in breach of the voting restrictions.

RESOLUTION 2 – RE-ELECTION OF MR RUSSELL DAVIS

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

“That Mr Russell Davis, having retired in accordance with clause 7.3(f) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.”

RESOLUTION 3 – RE-ELECTION OF MR NADER EL SAYED AS A DIRECTOR

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

“That Mr Nader El Sayed, having retired in accordance with clause 7.3(b) the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.”

SPECIAL BUSINESS

RESOLUTION 4 - APPROVAL OF 10% PLACEMENT FACILITY

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

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed by Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person (and any associates of such person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. 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.

RESOLUTION 5 – ISSUE OF OPTIONS TO A DIRECTOR - MR RUSSELL DAVIS

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

“That, for the purpose of Listing Rule 10.11, and Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 2,000,000 Director Options to Mr Russell Davis (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”

A Voting Exclusion Statement for Resolution 5 is set out below Resolution 8.

RESOLUTION 6 – ISSUE OF OPTIONS TO A DIRECTOR - MR ALEXANDER HEWLETT

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

“That, for the purpose of Listing Rule 10.11, and Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 2,000,000 Director Options to Mr Alexander Hewlett (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”

A Voting Exclusion Statement for Resolution 6 is set out below Resolution 8.

RESOLUTION 7 – ISSUE OF OPTIONS TO A DIRECTOR - MR PATRICK JOHN CORR

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

“That, for the purpose of Listing Rule 10.11, and Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 1,000,000 Director Options to Mr Patrick John Corr (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”

A Voting Exclusion Statement for Resolution 7 is set out below Resolution 8.

RESOLUTION 8 – ISSUE OF OPTIONS TO A DIRECTOR - MR NADER EL SAYED

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

“That, for the purpose of Listing Rule 10.11, and Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 1,000,000 Director Options to Mr Nader El Sayed (or his nominee) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice”

Voting Exclusion Resolutions 5, 6, 7 and 8:

The Company will disregard any votes cast on Resolutions 5, 6, 7, or 8 respectively by the relevant Director and any person who is to receive the securities the subject of the relevant Resolution; any person who might obtain a benefit if the relevant Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons respectively.

Notwithstanding the above, the Company will not disregard a vote on Resolution 5, 6, 7, or 8 respectively 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 the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a restricted voter who is appointed as a proxy will not vote on Resolution 5, 6, 7, or 8 respectively if the appointment does not specify the way the proxy is to vote on the Resolution, unless the proxy is the Chair of the Meeting and the appointment authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Shareholders should note that the Chairman intends to vote any undirected proxies in favour of Resolutions 5 to 8 (inclusive). Shareholders may also choose to direct the Chair to vote against any of Resolutions 5 to 8 (inclusive) or to abstain from voting.

RESOLUTION 9 – RATIFICATION OF PRIOR SHARE ISSUE – LISTING RULE 7.1

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

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the allotment and issue of 2,126,671 Shares on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. 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.

RESOLUTION 10 – RATIFICATION OF THE ISSUE OF PLACEMENT SHARES – LISTING RULE 7.1A

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

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the allotment and issue of 6,861,640 Shares on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. 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.

RESOLUTION 11 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO EMPLOYEES AND CONSULTANTS

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 7.4 and for all other purposes, Shareholders ratify the issue of 2,300,000 unlisted Options to certain employees and consultants of the Company, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on Resolution 11 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if the vote 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 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 13th DAY OF OCTOBER 2014
BY ORDER OF THE BOARD



Mark Pitts
Company Secretary

Notes:**Definitions**

Terms which are used in this Notice and which are defined in Section 9 of the Explanatory Memorandum have the meanings ascribed to them therein.

Note

If you have recently changed your address or if there is any error in the name and address used for this notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

Proxies

A Shareholder who is entitled to vote at this Meeting has a right to appoint a proxy and should use the proxy form enclosed with this notice. The proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of this appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a Shareholder at the meeting is suspended if the Shareholder is present at the meeting.

The proxy form must be signed and dated by the Shareholder or the Shareholder's attorney. Joint Shareholders must each sign.

Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received:

- at Suite 8, 7 The Esplanade, Mount Pleasant, Western Australia, 6153; or
- on facsimile number (+61 8) 9 315 5475,

not later than 9am (WST) on 26 November 2014.

Pursuant to regulation 7.11.37 of the Corporations Regulations, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the share register at 5 pm (WST) on 26 November 2014.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one.

Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

HAMMER METALS LIMITED
ACN 095 092 158

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening the Annual General Meeting of Shareholders of Hammer Metals Limited to be held at 52 Ord Street, West Perth, Western Australia at 9am (WST) on 28 November 2014. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Certain terms used in the Notice and Explanatory Memorandum are defined in Section 9.

1. FINANCIAL AND OTHER REPORTS

As required by section 317 of the Corporations Act, the financial report for the year ended 30 June 2014 and the accompanying Directors' Report, Directors' Declaration and Auditor's Report will be laid before the Meeting.

Neither the Corporations Act nor the Company's Constitution requires a vote on the reports. However, Shareholders will have an opportunity to ask questions about the report at the Annual General Meeting. Shareholders will also be given a reasonable opportunity to ask the Auditor questions about the auditor's report and audit conduct. Written questions may be submitted 5 business days prior to the Meeting addressed to the Chairman and sent to the Company's registered office, about the management of the Company, or addressed to the Company's auditor and sent to the Company's registered office about audit conduct, accounting policies used by the Company and auditor independence. General questions about the management of the Company will also be taken.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about Board Policy for determining the nature and amount of remuneration of the Company's Directors and senior executives;
- a description of the relationship between remuneration policy and the Company's performance;
- a summary of performance conditions, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each executive and non-executive Directors, and Key Management Personnel.

The Remuneration Report, which is part of the 2014 Annual Report, has been sent to Shareholders (except those who have made an election not to receive the Annual Report). Copies of the 2014 Annual Report are available by contacting the Company's Share Registry or visiting the Company's web site (www.hammermetals.com.au).

The Meeting presents an opportunity to discuss the Remuneration Report for Shareholders who are interested in doing so. The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Shareholders are informed that under recent reforms to the Corporations Act, if 25% or more of the vote on this Resolution are against adopting the Remuneration Report, the Company will be required to consider and report to Shareholders in the next Remuneration Report on what action is proposed to be (if any) or has been taken in response to Shareholder concerns, and if no action is proposed to be taken, the Board's reasons for this.

Shareholders also need to be aware that as a result of the legislation which became effective on 1 July 2011 a “two strikes” process will apply to the results of voting in relation to this Resolution. This means that if the resolution proposing adoption of the Remuneration Report receives a “no” vote of over 25% of votes cast by those attending in person or by proxy and permitted to vote, at two successive annual general meetings, then at the Company’s 2015 annual general meeting, an extra resolution must be put to the meeting proposing that another general meeting should be held within 90 days of the second annual general meeting. A simple majority of over 50% of the votes cast at the 2015 annual general meeting is required to pass this extra resolution. If the resolution is passed, within 90 days another general meeting must be held at which all the Directors, except the Managing Director and any new Directors appointed since the date of the 2015 annual general meeting, will be required to resign and offer themselves for re-election. These provisions are colloquially referred to as the “two strikes rule” and the “spill resolution” to be put to the “spill meeting”.

If at the spill meeting, the resolutions are all passed against re-electing the relevant Directors, the legislation includes a mechanism to ensure the Board continues with the statutory required minimum of 3 Directors. After the Managing Director, the remaining two positions will be filled by the Directors whose re-election resolutions at the spill meeting received the highest percentage of votes in favour of re-election. If the number of votes is the same for two Directors, the Managing Director and any other Director whose re-election has been confirmed at this spill meeting, can choose who is to become the third Director, with such appointment to be confirmed by shareholders at the 2016 annual general meeting. The ramifications of this mechanism being invoked include that the Company would not be in compliance with its corporate governance policies as a result of not having three independent directors on the Company’s audit committee or any other committees requiring independent directors.

Furthermore, depending on the outcome of voting at the subsequent annual general meeting, Shareholders may be obliged to consider a resolution to requiring the full Board (excluding the Managing Director) to seek re-election.

The Chairman intends to vote all available proxies in favour of adopting the Remuneration Report. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the proxy form the Shareholder is considered to have provided the Chairman with express authorisation for the Chairman to vote the proxy in accordance with the Chairman’s intentions.

3. RESOLUTION 2 - RE-ELECTION OF MR RUSSELL DAVIS AS A DIRECTOR

Resolution 2 deals with the re-election of Mr Russell Davis who retires in accordance with clause 7.4(g) of the Company’s Constitution and Listing Rule 14.4, and being eligible, has offered himself for re-election.

Mr Davis is a geologist with over 30 years’ technical and corporate experience in the mineral resources business. He holds a Bachelor of Science with Honours from the University of Queensland, a Graduate Diploma of Applied Finance and Investment from the Securities Institute and an MBA from Deakin University. Mr Davis is currently a non-executive Director of Gold Road Resources Limited.

All the Directors except for Mr Davis recommend that Shareholders vote in favour of Resolution 2.

The Chairman intends to vote all available proxies in favour of Resolution 2.

4. RESOLUTION 3 - RE-ELECTION OF MR NADER EL SAYED AS A DIRECTOR

Resolution 3 deals with the re-election of Mr Nader El Sayed who retires by rotation as required by the Company’s Constitution and the Listing Rules and being eligible, has offered himself for re-election.

Nader El Sayed holds a Bachelor of Commerce (Banking & Finance), Masters (Accounting) and is member of Australian Institute of Chartered Accountants. Nader is currently the Chief Executive Officer

of Multiplant Holdings, a mining and civil services business based in Western Australia. Nader's previous roles include holding a senior management position with KPMG providing assurance, capital markets and other advisory services to key Australian and international resource companies. Nader brings a wealth of risk management, corporate governance, strategic and financial experience to the Board.

All the Directors except for Mr Nader El Sayed recommend that Shareholders vote in favour of Resolution 3.

The Chairman intends to vote all available proxies in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL OF 10% PLACEMENT FACILITY

5.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (“**10% Placement Facility**”). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 5.2(c) below).

The primary purpose for the 10% Placement Facility is to enable the Company to raise additional capital without additional regulatory impediments and to pursue possible future investment opportunities that may arise.

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

5.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one class of quoted Equity Securities, being Shares (having the ASX code HMX).

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the

annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$(A \times D) - E$

- A** is the number of shares on issue 12 months before the date of issue or agreement:
- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (B) plus the number of partly paid shares that became fully paid in the 12 months;
 - (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
 - (D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

- D** is 10%
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 82,147,825 Shares and has a capacity to issue:

- (i) 3,576,507 Equity Securities under Listing Rule 7.1; and
- (ii) prior to Shareholder approval being sought under Resolution 4, NIL Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 5.1 (c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days 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 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

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

5.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company’s 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

5.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company’s Equity Securities over the 15 Trading Days, on which trades in those securities 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 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders’ voting power in the Company will be diluted as shown in Table A (below). There is a risk that:
 - (i) the market price for the Company’s Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company’s Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset.

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

Table A shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary

securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

TABLE A

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.06 50% decrease in issue price	\$0.12 Issue price	\$0.24 100% increase in issue price
Current Variable "A" 82,147,815 Shares	10% voting dilution	8,214,781 Shares	8,214,781 Shares	8,214,781 Shares
	Funds raised	\$492,886	\$985,773	\$1,971,547
50% Increase in current Variable "A" 123,221,722 Shares	10% voting dilution	12,322,172 Shares	12,322,172 Shares	12,322,172 Shares
	Funds raised	\$739,330	\$1,478,660	\$2,957,321
100% Increase in current Variable "A" 164,295,630 Shares	10% voting dilution	16,429,563 Shares	16,429,563 Shares	16,429,563 Shares
	Funds raised	\$985,773	\$1,971,547	\$3,943,095

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) No Options (including any Options under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example at 10%.
- (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (v) The table shows only the effect of the issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes the issue of Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The Issue Price is \$0.12, being the closing price of Shares on ASX on 9 October 2014.
 - (viii) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or without approval under Listing Rule 7.1.
 - (ix) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or without approval under Listing Rule 7.1, and the total number of Shares on issue and approved or deemed approved at the date hereof for the purpose of Listing Rule 7.1 is 82,147,815.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (e) The Company has obtained Shareholder approval under Listing Rule 7.1A at its 2013 Annual General Meeting.

The Company issued any 6,861,640 Equity Securities under Listing Rule 7.1A during the preceding 12 months. However, during the preceding 12 month period a total of 53,849,989 (on a

post consolidation basis) Shares were issued, which based on the number of Equity Securities currently on issue comprises 43.1% of the Company's Shares. Information relating to the issue of Equity Securities in the preceding 12 months is set out in Table B below.

TABLE B

Date of Appendix 3B	Number of Equity Securities	Class of Equity Securities and summary of terms	Names of recipients or basis on which recipients determined	Issue price of Equity Securities and discount to Market Price¹ on the trading day prior to the issue	If issued for cash – the total consideration, what it was spent on and the intended use of any remaining funds If issued for non-cash consideration – a description of the consideration and the current value of the consideration
22/11/2013	2,161,817,000 (Pre consolidation)	Fully paid ordinary shares	Issued in consideration for acquisition of Hammer Metals Pty Ltd	Deemed issue price of \$0.001. Market price on date prior to issue was \$0.001	2,161,817,000 shares issued in consideration for the acquisition of all the issued ordinary shares in Hammer Metals Pty Ltd. Value at date of issue \$2,161,817. Value as at the date of this notice based on the value of the shares \$2,594,180.
22/11/13	1,080,000,000 (pre-consolidation)	Options exercisable for \$0.20 on or before 30 June 2017.	Issued in consideration for acquisition of Hammer Metals Pty Ltd	Issue for nil cash in consideration of the all options on issue in the Hammer Metals Pty Ltd. Market price on date prior to issue was \$0.001	1,080,000,000 Options issued in consideration for the acquisition of all the options in Hammer Metals Pty Ltd. Value at date of issue \$734,400. Value as at the date of this Notice is \$63,621.
22/11/2013	1,240,000,000 (Pre consolidation)	Fully paid ordinary shares	Issued in consideration for the acquisition of Mt Dockerell Mining Pty Ltd from Santana Minerals Limited	Deemed issue price of \$0.001. Market price on date prior to issue was \$0.001	1,240,000,000 shares issued as part of the consideration for the acquisition of all the issued ordinary shares in Mt Dockerell Mining Pty Ltd. Value at date of issue \$1,240,000. Value as at the date of this Notice based on the value of the shares \$1,488,000.
22/11/2013	800,000,000 (Pre-consolidation)	Preference Shares	Issued in consideration for the acquisition of Mt Dockerell Mining Pty Ltd from Santana Minerals Limited	Deemed issue price of \$0.001. Market price on date prior to issue was \$0.001	800,000,000 Preference Shares issued as part of the consideration for the acquisition of all the issued ordinary shares in Mt Dockerell Mining Pty Ltd. Value at date of issue \$800,000. Value as at the date of this Notice based on the value of the shares \$960,000.
22/11/2013	49,790,703 (Pre consolidation)	Fully paid ordinary shares	Conversion of Preference shares held by Santana Minerals Limited	Ordinary shares issued on a 1 for 1 basis with converted preference shares in accordance with their terms, price deemed at \$0.001. Market price on date prior to issue was \$0.001	Ordinary shares issued in consideration for the conversion of preference shares in accordance with their terms. Value as at the date of this Notice \$61,534
25/11/2013	200,000,000 (Pre-consolidation)	Options exercisable for \$0.20 on or before 30 June 2017	Messrs Patrick Corr and Nader El Sayed (both Directors) pursuant to Shareholder approval obtained on 19 November 2013.	Issued for nil in cash consideration. Market price on date prior to issue was \$0.001	These options were issued for nil in cash consideration and were valued at \$136,000 on the date of issue. Value as at the date of this Notice is \$117,817.

30/12/2013	22,942,577 (Pre consolidation)	Fully paid ordinary shares	Issued to former director Mr G Balfe in accordance with the terms of an unsecured loan agreement.	Issued at a deemed issue price of \$0.00142 cents per share. Market price on date prior to issue was \$0.001	22,942,577 shares issued at a price of \$0.00142 per share in lieu of an amount of \$32,578 being the outstanding principal and interest on an unsecured loan. Value as at the date of this Notice based on the value of the shares \$27,531.
24/2/2014	466,666,664 (Pre consolidation)	Fully paid ordinary shares	Issued to related sophisticated investors	Issued at \$0.0015. Market price on date prior to issue was \$0.002	\$700,000 in cash, the funds raised were used to fund planned exploration on projects in Mt Isa and Mt Morgan (Queensland). At the date of this notice there are no remaining funds.
25/2/2014	119,568,780 (Pre consolidation)	Fully paid ordinary shares	Conversion of Preference shares held by Santana Minerals Limited	Ordinary shares issued on a 1 for 1 basis with converted preference shares in accordance with their terms, price deemed at \$0.001. Market price on date prior to issue was \$0.002	Ordinary shares issued in consideration for the conversion of preference shares in accordance with their terms. Value as at the date of this Notice \$143,482
28/5/2014	2,116,674 (post-consolidation)	Unlisted Options exercisable for \$0.30 on or before the date being 24 months from the date of issue.	Issued to Shareholders who subscribed for Shares under the placement referred to in the Appendix 3B dated 24/2/14 who were registered as Shareholders in the Company's share registry on the date being three months following the issue date of the Shares the subject of that placement.	These Options were issued for nil in cash consideration as they were issue as free attaching loyalty Options. The market price of Shares on the date prior to issue was \$0.12	These options were issued for nil in cash consideration as attaching loyalty options and were valued at \$131,542 on the date of issue. The value of these Options as at the date of this Notice is \$106,061.
26/5/2014	1,000,000 (Post-consolidation)	Unlisted options exercisable for \$0.20 on or before 26 May 2017.	Certain employees of the Company.	These Options were issued for nil in cash consideration as they were issue as incentives to certain employees of the Company. The market price of Shares on the date prior to issue was \$0.12.	These options were issued for nil in cash consideration and were valued at \$71,086 on the date of issue. Value as at the date of this Notice is \$58,908.
28/5/2014	99,423 (Post-Consolidation)	Fully paid ordinary shares	Issued in lieu of consulting fees	Deemed issue price of \$0.181, market price on date prior to issue \$0.12	Ordinary shares issued in consideration for the payment of consulting fees. Value as at the date of this Notice \$11,930
10/9/2014	8,888,888 (Post-consolidation)	Fully paid ordinary shares	Issued to related sophisticated investors	Issued at \$0.135. Market price on date prior to issue was \$0.145	\$1,200,000 in cash, the funds raised were used to fund planned exploration on projects in Mt Isa and Mt Morgan (Queensland). \$1,106,000 remains to be spent as at the date of this notice.

10/9/2014	2,253,820 (Post-consolidation)	Fully paid ordinary shares	Conversion of Preference shares held by Santana Minerals Limited	Ordinary shares issued on a 1 for 1 basis with converted preference shares in accordance with their terms, price deemed at \$0.001. Market price on date prior to issue was \$0.002	Ordinary shares issued in consideration for the conversion of preference shares in accordance with their terms. Value as at the date of this notice \$270,458
10/9/14	1,300,000 (Post-consolidation)	(a) 1,000,000 20c Consultant Options (b) 300,000 30c Consultant Options	Certain consultants of the Company.	These Options were issued for nil in cash consideration as they were issue as incentives to certain consultants of the Company. The market price of Shares on the date prior to issue was \$0.15	These options were issued for nil in cash consideration and were valued as follows on the date of issue. (a) \$93,572 (b) \$24,741 Value as at the date of this Notice (a) \$61,367 (b) \$15,857

(e) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Board believes that the Additional 10% Placement Facility is beneficial for the Company as it will give the Company the flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Board unanimously recommends that Shareholders approve Resolution 4.

The Chairman intends to vote all available proxies in favour of Resolution 4.

6. RESOLUTIONS 5, 6, 7 AND 8 – ISSUE OF OPTIONS TO DIRECTORS OF THE COMPANY

6.1 Background

The Company is proposing to issue Director Options to Mr Russell Davis (Executive Chairman), Mr Alex Hewlett (Executive Director) and Mr Patrick Corr and Mr Nader El Sayed (both Non-Executive Directors) as a component of their remuneration, in order to retain their services, keep cash payments to a minimum and to provide incentives linked to the performance of the Company.

Given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the Directors and the performance and value of the Company are closely related. As such, the Director Options proposed to be granted will generally only be of benefit if the Directors perform to the level whereby the value of the Company increases sufficiently to warrant exercising those Director Options.

The Director Options will have an expiry date of 30 November 2017 and an exercise price equal to 150% of the VWAP of the Company shares for the 5 Trading Days prior to the date of issue of the Director Options. The 5 day VWAP at the date of this Notice is \$0.11, and as such, if this VWAP remains the same during the 5 Trading Days preceding the issuance of the Director Options, the exercise price of the Director Options would be \$0.165. The actual VWAP for the 5 Trading Days immediately preceding the issuance of the Director Options may be higher or lower, and therefore, the exercise price of the Director Options will be determined accordingly.

6.2 Reasons shareholder approval is required

Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party unless one of the exceptions to Section 208 applies or shareholders have approved the giving of that benefit to the related party.

A “financial benefit” is defined in the Corporations Act in broad terms and includes a public company, issuing securities, and buying an asset from a related party.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- (a) obtain the approval of members in the way set out in Section 217 and 227; and
- (b) give the benefit within 15 months after the approval.

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party.

Furthermore, Shareholder approval of the issue of the Director Options under Listing Rule 10.1 means that the grant of the Director Options will not reduce the Company’s 15% placement capacity under Listing Rule 7.1.

6.3 Technical Information required by Listing Rule 10.13

- (a) The Director Options will be issued to Messrs Russell Davis; Alex Hewlett; Patrick Corr and Nader El Sayed (or their nominees), all of whom are Directors;
- (b) The maximum number of Director Options to be issued to Mr Davis (or his nominee) is 2,000,000 Director Options;
- (c) The maximum number of Director Options to be issued to Mr Hewlett (or his nominee) is 2,000,000 Director Options;
- (d) The maximum number of Director Options to be issued to Mr Corr (or his nominee) is 1,000,000 Director Options;
- (e) The maximum number of Director Options to be issued to Mr El Sayed (or his nominee) is 1,000,000 Director Options;
- (f) The Director Options will be issued not later than 1 month after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date being the date following the Meeting.
- (g) The Director Options will be issued on the terms and conditions set out in Schedule A;
- (h) The Director Options will be issued for nil cash consideration. Accordingly, no funds will be raised from the issue of the Director Options. If the all of Director Options issued to Messrs Davis, Hewlett, Corr and El Sayed are exercised, the following amounts will be raised respectively:
 - Davis – 2 million multiplied by the exercise price of the Director Options exercised by Mr Davis.
 - Hewlett - 2 million multiplied by the exercise price of the Director Options exercised by Mr Davis.
 - Corr - 1 million multiplied by the exercise price of the Director Options exercised by Mr Davis.
 - El Sayed - 1 million multiplied by the exercise price of the Director Options exercised by Mr Davis.

6.4 Section 219 of the Corporations Act

The related party to whom the resolutions would permit the financial benefit to be given.

The related parties to whom a financial benefit will be given are Messrs Russell Davis, Alex Hewlett, Patrick Corr and Nader El Sayed, all of whom are Directors.

The nature of the financial benefit

The financial benefit proposed to be given is:

- (a) 2,000,000 Director Options to Mr Davis (or his nominee); and
- (b) 2,000,000 Director Options to Mr Hewlett (or his nominee).
- (c) 1,000,000 Director Options to Mr Corr (or his nominee); and
- (d) 1,000,000 Director Options to Mr El Sayed (or his nominee).

If the Director Options issued to Mr Davis (or his nominee) are all exercised, payment of 2 million multiplied by the exercise price of the Director Options will be made.

If the Director Options issued to Mr Hewlett (or his nominee) are all exercised, payment of 2 million multiplied by the exercise price of the Director Options will be made.

If the Director Options issued to Mr Corr (or his nominee) are all exercised, payment of 1 million multiplied by the exercise price of the Director Options will be made.

If the Director Options issued to Mr El Sayed (or his nominee) are all exercised, payment of 1 million multiplied by the exercise price of the Director Options will be made.

Directors' interest in the outcome

Mr Davis's interest in the outcome of Resolution 5 is 2,000,000 Director Options.

Mr Hewlett's interest in the outcome of Resolution 6 is 2,000,000 Director Options.

Mr Corr's interest in the outcome of Resolution 7 is 1,000,000 Director Options.

Mr El Sayed's interest in the outcome of Resolution 8 is 1,000,000 Director Options.

Relevant Director's remuneration package

Mr Davis currently receives annual remuneration (exclusive of superannuation) of \$220,000. Mr Davis received \$117,666 from the Company in the two preceding financial years.

Mr Hewlett currently receives annual remuneration (exclusive of superannuation) of \$220,000. Mr Hewlett received \$146,665 from the Company in the two preceding financial years.

Mr Corr currently receives annual remuneration (exclusive of superannuation) of \$30,000. Mr Corr received \$30,000 from the Company in the two preceding financial years.

Mr El Sayed currently receives annual remuneration (exclusive of superannuation) of \$30,000. Mr El Sayed received \$30,000 from the Company in the two preceding financial years.

Related party's existing interest

The following tables sets out Director interests as at the date of this Notice:

Director	Shares	Options¹
Mr Davis	5,000,000	3,600,000
Mr Hewlett	4,647,142	2,100,000
Mr Corr	70,000	1,000,000
Mr El Sayed	-	1,000,000

1. Options exercisable for \$0.20 on or before 30 June 2017.

Dilution

The dilution effect if all Director Options are exercised (and assuming no other Options are exercised and no other Shares are issued) will be 3% on Shareholders.

Trading history

In the last 12 months before the date of this Notice, the highest, lowest and latest trading prices (as at 13 October 2014 and on a post-consolidation basis) of the listed Shares on ASX are as set out below:

	Shares (ASX: MDS)
Highest (4 April 2014)	\$0.23
Lowest (9 July 2014)	\$0.095
Latest (13 October 2014)	\$0.11

Valuation of financial benefit

The value of the financial benefits to be provided to Messrs Davis, Hewlett, Corr and El Sayed is set out in the table below, it has been calculated by management using a Black and Scholes model:

	Financial Benefit	Value of Financial Benefit
Mr Russell Davis	2,000,000 Director Options	\$135,322
Mr Alex Hewlett	2,000,000 Director Options	\$135,322
Mr Patrick Corr	1,000,000 Director Options	\$67,661
Mr Nader El Sayed	1,000,000 Director Options	67,661
Totals	6,000,000 Director Options	\$405,966

1. Issued for an issue price of Nil
2. The valuation date was 13 October 2014.
2. The Black and Scholes option valuation methodology was used as the basis for the calculation.
3. The Share price as at the valuation date was \$0.11.
4. Exercise price 16.5 cents (assumed). This may vary based on the 5 day VWAP for the period immediately preceding the issue of the Director Options.
4. The risk free interest rate used was 2.7%.
5. A volatility factor of 110% was used.
6. There are no vesting conditions.
7. The expected dividend yield is 0%.
8. The value of each Director Option is \$0.07
9. The value obtained via the Black and Scholes option valuation method is not the valuation that would be obtained pursuant to the relevant Australian tax legislation.

Directors' recommendation and basis of recommendation

Each of the Directors abstain from making a recommendation in respect of the Resolutions that relate to the issue of Director Options to themselves (or their nominees).

Russell Davis recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the basis that the Director Options are to be issued as an incentive to

that Director, and in order to retain their valuable services and provide incentives linked to the performance of the Company.

Also, given the speculative nature of the Company's activities and the small management team responsible for its running, Mr Davis considers (in relation to the issue of Director Options to the other Directors) that the performance of the Directors and the performance and value of the Company are closely related. As such, the Director Options will generally only be of benefit if the Directors perform to the level whereby the value of the Company increases sufficiently to warrant exercising those Director Options.

Alexander Hewlett recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the same basis as Mr Davis' recommendation.

Patrick Corr recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the same basis as Mr Davis' recommendation.

Nader El Sayed recommends that Shareholders vote in favour of the Resolutions relating to the issue of Options to each other Director on the same basis as Mr Davis' recommendation.

The number of Director Options to be issued to each Director (i.e. 2 million each to the Executive Directors and 1 million each to the Non-Executive Directors) has been determined having given consideration to the input and value the Directors provide to the Company, and also, the level of incentive being provided to each Director by virtue of their respective Director Option packages.

The Chairman intends to vote all available proxies in favour of Resolution 5 to 8.

7. RESOLUTIONS 9 & 10 – RATIFICATION OF PRIOR SHARE ISSUES

7.1 Background

On 28 May 2014, the Company issued 99,423 Shares at a deemed issue price of 18.1 cents per Share (market price at the time was 12 cents per share) in lieu of consulting fees ("**Consultant Issue**").

On 12 September 2014 the Company announced to ASX that it had successfully completed a placement of 8,888,888 at 13.5 cents per Share to raise \$1.2 million (before costs) ("**Placement**").

The Company issued these Shares without prior Shareholder approval out of its 15% annual placement capacity under Listing Rule 7.1 and its additional 10% placement capacity under Listing Rule 7.1A. Resolutions 9 and 10 seek Shareholder approval for the ratification of these Share issues.

Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be ratified by shareholders, in order to refresh the Company's Placement Capacity, provided that, at the time the issue was made, the issue was made within the Company's existing placement capacities pursuant to Listing Rule 7.1 and 7.1A.

By ratifying these issues the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 and up to the 10% annual placement capacity set out in Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

7.2 Technical Information required by Listing Rule 7.5 – Resolution 9 – Listing Rule 7.1

Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to Listing Rule 7.4 for the purpose of Resolution 9:

- (a) A total of 2,126,671 Shares the subject of Resolution 9 were issued (99,243 comprising the Consultant Issue and 2,027,428 as part of the Placement) ;

- (b) The Shares comprising the Consultant Issue were issued for a deemed issue price of 18.1 cents per Share;
- (c) The Shares comprising part of the Placement were issued for an issue price of 13.5 cents per Share;
- (d) All of the Shares the subject of the Consultant Issue and the Placement rank equally with existing Shares on issue;
- (e) The Shares the subject of the Consultant Issue were issued to certain consultants to the Company, none of whom are related parties of the Company;
- (f) The Shares the subject of the Placement were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act, some of whom were clients of DJ Carmichael.
- (g) The Consultant Issue was made in lieu of consulting fees totalling \$18,000. As such, no additional cash was raised from the issue of those Shares.
- (h) The 2,027,428 Shares issued as part of the Placement, and the subject of Resolution 9, raised \$273,702 (before costs), this amount will be applied towards the exploration, drilling, evaluation, feasibility studies and general working capital for the Company's projects.

The Chairman intends to vote all available proxies in favour of Resolution 9.

7.3 Technical Information required by Listing Rule 7.5 – Resolution 10 – Listing Rule 7.1A

Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval pursuant to Listing Rule 7.4 for the purpose of Resolution 10:

- (a) A total of 6,861,640 Shares the subject of Resolution 10 were issued as part of the Placement;
- (b) The Shares the subject of Resolution 10 comprising part of the Placement were issued for an issue price of 13.5 cents per Share;
- (c) All of the Shares the subject of the Placement rank equally with existing Shares on issue;
- (d) The Shares the subject of the Placement were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act, some of whom were clients of DJ Carmichael.
- (e) The 6,861,640 Shares issued as part of the Placement, and the subject of Resolution 10, raised \$926,321 (before costs). This amount will be applied towards the exploration, drilling, evaluation, feasibility studies and general working capital for the Company's projects.

The Chairman intends to vote all available proxies in favour of Resolution 10.

8. RESOLUTION 11 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO EMPLOYEES AND CONSULTANTS

8.1 Background

On 26 May 2014, the Company issued 1,000,000 unlisted Options to employees of the Company. On 10 September 2014, the Company issued 1,300,000 unlisted Options to consultants and contractors.

Details of the Option issues the subject of Resolution 11 are set out below:

- 1,000,000 unlisted Options issued 26 May 2014 to contract employees to provide an incentive aligned to the performance of the Company. These Options are exercisable by payment of 20 cents each on or before 26 May 2017 (“**20 Cent Employee Options**”);
- 1,000,000 unlisted Options issued 10 September 2014 issued to consultants as part fee for services provided to the Company. These Options are exercisable by payment of 20 cents each on or before 11 September 2017 (“**20 Cent Consultant Options**”);
- 300,000 unlisted Options issued to contractors in lieu of fees for services provided to the Company. These Options are exercisable by payment of 30 cents each on or before 11 September 2016 (“**30 Cent Consultant Options**”).

The Company issued the Options the subject of Resolution 11 without prior Shareholder approval out of its 15% annual placement capacity under ASX listing Rule 7.1. Resolution 11 seeks Shareholder approval for the ratification of these Option issues.

Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be ratified by shareholders, in order to refresh the Company’s placement capacity, provided that, at the time the issue was made, the issue was made within the Company’s existing placement capacity pursuant to Listing Rule 7.1.

By ratifying these issues the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

8.2 Technical Information required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to shareholders for the purpose of obtaining shareholder approval for the purposes of Resolution 11 pursuant to Listing Rule 7.4:

- (a) the total number of equity securities granted was 2,300,000 unlisted Options;
- (b) the unlisted Options were issued for nil in cash consideration and are exercisable as follows:
 - 1 million 20 Cent Employee Options exercisable by payment of 20 cents each on or before 26 May 2017, and otherwise on the terms and conditions set out in Schedule B;
 - 1 million 20 Cent Consultant Options exercisable by payment of 20cents each on or before 11 September 2017, and otherwise on the terms and conditions set out in Schedule C; and
 - 300,000 30 Cent Consultant Options exercisable by payment of 30 cents each on or before 11 September 2016, and otherwise on the terms and conditions set out in Schedule D.
- (c) the Options were issued to certain employees, consultants and contractors of the Company, none of whom were related parties of the Company;
- (d) The Options were issued in lieu of fees, or to provide an incentive aligned to the performance of the Company to the recipients. No funds were raised from the issue as the Options were issued for nil in cash consideration.

The Chairman intends to vote all available proxies in favour of Resolution 11.

9. DEFINITIONS

In this Notice and Explanatory Memorandum:

“10% Placement Facility” has the meaning given to it in Section 5.1;

“10% Placement Period” has the meaning given to it in Section 5.2(f);

“20 Cent Consultant Options” means the Options the subject of Resolution 11 issued on the terms set out in Schedule C;

“20 Cent Employee Options” means the Options the subject of Resolution 11 issued on the terms set out in Schedule B;

“30 Cent Consultant Options” means the Options the subject of Resolution 11 issued on the terms set out in Schedule D;

“ASIC” means the Australian Securities and Investments Commission;

“ASX” means ASX Limited ACN 008 624 691;

“Board” means the board of Directors;

“Business Day” has the meaning given to it in the Listing Rules;

“Chairman” means the chairman of the Board;

“Company” means Hammer Metals Limited (ACN 095 092 158);

“Constitution” means the constitution of the Company;

“Consultant Issue” has the meaning contemplated by Section 7.1;

“Corporations Act” means the Corporations Act 2001 (Cth);

“Director” means a director of the Company;

“Director Options” means the Options the subject of Resolutions 5 to 8 (inclusive) proposed to be issued on the terms and conditions set out in Schedule A;

“Equity Securities” has the same meaning as in the Listing Rules;

“Explanatory Memorandum” means this Explanatory Memorandum;

“Listing Rules” means the official listing rules of the ASX;

“Notice” and **“Notice of Meeting”** means the notice of meeting to which this Explanatory Memorandum is attached;

“Official List” means the official list of ASX;

“Option” means an option to acquire one Share and **“Optionholder”** has a corresponding meaning;

“Placement” has the meaning contemplated by Section 7.1;

“Resolution” means a resolution set out in this Notice;

“Schedule” means a schedule to this Notice and Explanatory Memorandum;

“Section” means a section of this Explanatory Memorandum;

“Share” means an ordinary fully paid ordinary share in the capital of the Company and **“Shareholder”** has a corresponding meaning;

“Trading Day” has the meaning ascribed to that term in the Listing Rules;

“VWAP” has the meaning ascribed to the term “volume weighted average market price” in the Listing Rules;

“WST” means Western Standard Time.

SCHEDULE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS THE SUBJECT OF RESOLUTIONS 5, 6, 7 AND 8

A summary of the terms and conditions of the Director Options the subject of Resolutions 5, 6, 7 and 8 are set out below:

The Director Options entitle the holder to subscribe for Shares on the following terms:

- (a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price being 150% of the VWAP of the Company's shares for the 5 Trading Days prior to the issue date of the Director Option.
- (b) The Director Options are exercisable at any time prior to 5.00 pm WST time on 30 November 2017 by notice in writing to the Company accompanied by payment of the exercise price.
- (c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Director Options are freely transferable.
- (d) Shares will be allotted and issued pursuant to the exercise of Director Options following receipt of a properly executed notice of exercise of the Director Options and payment of the requisite application monies.
- (e) Shares issued upon exercise of the Director Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Director Options, subject to the requirements of the Listing Rules.
- (f) There are no participating rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered or made to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Director Options can be exercised.
- (h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- (i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Director Options held and the number of Shares to be issued on exercise of the Director Options, the exercise price, the due date for payment, and the consequence of non-payment.

SCHEDULE B – TERMS AND CONDITIONS OF 20 CENT EMPLOYEE OPTIONS

A summary of the terms and conditions of the 20 Cent Employee Options the subject of Resolution 11 are set out below (for the purpose of this Schedule the 20 Cent Employee Options shall be referred to as “Options”):

The Options entitle the holder to subscribe for Shares on the following terms:

- (a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price of \$0.20.
- (b) The Options are exercisable at any time prior to 5.00 pm WST time on 26 May 2017 by notice in writing to the Company accompanied by payment of the exercise price.
- (c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable.
- (d) Shares will be allotted and issued pursuant to the exercise of Options following receipt of a properly executed notice of exercise of the Options and payment of the requisite application monies.
- (e) Shares issued upon exercise of the Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options, subject to the requirements of the Listing Rules.
- (f) 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 or made to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Options can be exercised.
- (h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- (i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Options held and the number of Shares to be issued on exercise of the Options, the exercise price, the due date for payment, and the consequence of non-payment.

SCHEDULE C – TERMS AND CONDITIONS OF 20 CENT CONSULTANT OPTIONS

A summary of the terms and conditions of the 20 Cent Consultant Options the subject of Resolution 11 are set out below (for the purpose of this Schedule the 20 Cent Employee Options shall be referred to as “Options”):

The Options entitle the holder to subscribe for Shares on the following terms:

- (a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price of \$0.20.
- (b) The Options are exercisable at any time prior to 5.00 pm WST time on 11 September 2017 by notice in writing to the Company accompanied by payment of the exercise price.
- (c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable.
- (d) Shares will be allotted and issued pursuant to the exercise of Options following receipt of a properly executed notice of exercise of the Options and payment of the requisite application monies.
- (e) Shares issued upon exercise of the Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options, subject to the requirements of the Listing Rules.
- (f) 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 or made to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Options can be exercised.
- (h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- (i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Options held and the number of Shares to be issued on exercise of the Options, the exercise price, the due date for payment, and the consequence of non-payment.

SCHEDULE D – TERMS AND CONDITIONS OF 30 CENT CONSULTANT OPTIONS

A summary of the terms and conditions of the 30 Cent Consultant Options the subject of Resolution 11 are set out below (for the purpose of this Schedule the 30 Cent Employee Options shall be referred to as “Options”):

The Options entitle the holder to subscribe for Shares on the following terms:

- (a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price of \$0.30.
- (b) The Options are exercisable at any time prior to 5.00 pm WST time on 11 September 2016 by notice in writing to the Company accompanied by payment of the exercise price.
- (c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable.
- (d) Shares will be allotted and issued pursuant to the exercise of Options following receipt of a properly executed notice of exercise of the Options and payment of the requisite application monies.
- (e) Shares issued upon exercise of the Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options, subject to the requirements of the Listing Rules.
- (f) 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 or made to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Options can be exercised.
- (h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- (i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Options held and the number of Shares to be issued on exercise of the Options, the exercise price, the due date for payment, and the consequence of non-payment.

HAMMER METALS LIMITED
ACN 095 092 158
PROXY FORM

The Secretary
Hammer Metals Limited
Suite 8, 7 The Esplanade,
Mount Pleasant, WA 6153

Fax Number: +61 8 9315 5475

I/We _____

of _____

being a shareholder/(s) of Hammer Metals Limited hereby appoint _____

of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at 52 Ord Street, West Perth, Western Australia at 9.00am (WST) on Friday, 28 November 2014, and at any adjournment thereof in respect of []% of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%. (An additional proxy form will be supplied by the Company on request.)

Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), **I/we expressly authorise** the Chairman to exercise my/our proxy on Resolution 1 (except where we have indicated a different voting intention) even though this resolution is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a Resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Russell Davis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Nader El Sayed as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options to a Director – Mr Russell Davis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to a Director – Mr Alex Hewlett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Options to a Director – Mr Patrick John Corr	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Options to a Director – Mr Nader El Sayed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Ratification of prior issue of Shares – Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Ratification of prior issue of Shares – Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Ratification of prior issue of Options to Employees and Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

