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**HAMMER METALS LIMITED**  
**ABN 87 095 092 158**

**NOTICE OF GENERAL MEETING**

**Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia  
at 10:00 am (WST) on Friday, 10 June 2016**

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## HAMMER METALS LIMITED

ABN 87 095 092 158

### NOTICE OF GENERAL MEETING

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Notice is given that a General Meeting of Shareholders of Hammer Metals Limited ("Company") will be held at Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia, at 10:00 am (WST) on Friday, 10 June 2016.

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

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#### RESOLUTION 1- RATIFICATION OF PLACEMENT 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 issue of 13,816,277 Shares on the terms and conditions set out in the Explanatory Memorandum."*

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#### RESOLUTION 2 – RATIFICATION OF PLACEMENT SHARE ISSUE – 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 issue of 10,383,723 Shares on the terms and conditions set out in the Explanatory Memorandum."*

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#### RESOLUTION 3 – RATIFICATION OF 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 issue of 543,151 Shares on the terms and conditions set out in the Explanatory Memorandum."*

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#### RESOLUTION 4 – GRANT OF OPTIONS TO 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 purposes of Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 4,000,000 Options to Mr Russell Davis (a Director), or his nominee, on the terms and conditions set out in the Explanatory Memorandum".*

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**RESOLUTION 5 – GRANT OF OPTIONS TO 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 Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 4,000,000 Options to Mr Alexander Hewlett (a Director), or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”*

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**RESOLUTION 6 – GRANT OF OPTIONS TO MR SIMON BODENSTEINER**

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

*“That, for the purpose of Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 500,000 Options to Mr Simon Bodensteiner (a Director), or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”*

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**RESOLUTION 7 – GRANT OF OPTIONS TO 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 Section 208 of the Corporations Act, Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 500,000 Options to Mr Nader El Sayed (a Director), or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”*

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**RESOLUTION 8 – ADOPTION OF HAMMER METALS OPTION INCENTIVE PLAN**

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 7.2, Exception 9(b) and for all other purposes, approval is given for the grant of options (and the issue of shares on conversion of those options) and to the terms of the Option Incentive Plan (Including any termination benefits which may be given under the Option Incentive Plan) as set out in the Explanatory Memorandum.”*

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**DATED this 12<sup>th</sup> day of May 2016**

**BY ORDER OF THE BOARD**



**HAMMER METALS LIMITED  
MARK PITTS  
COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at Suite 8, 7 The Esplanade Mt Pleasant, Western Australia, at 10:00 am (WST) on Friday, 10 June 2016.

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

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### 1. RESOLUTIONS 1 & 2 – RATIFICATION OF PLACEMENT SHARE ISSUE

#### Background

On 13 April 2016, the Company announced that it had issued 24,200,000 Shares to sophisticated investors at an issue price of \$0.04 to raise \$968,000 (before costs) ("Placement"). The Company issued the Shares under its placing capacity pursuant to listing rule 7.1 and 7.1A. Ratification of the issue is sought by Resolutions 1 and 2.

#### Listing Rules Chapter 7

Listing Rule 7.1 provides that without Shareholder approval, a company must not issue or agree to issue new equity securities constituting more than 15% of its total issued capital within a 12 month period (excluding any issue of equity securities approved by Shareholders and other various permitted exceptions which are not relevant for current purposes).

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 Placement Capacity, provided that, at the time the issue was made, the issue was made within the Company's existing Placement Capacity.

By ratifying the issue of the Shares the subject of Resolutions 1 and 2, 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 the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

Resolutions 1 and 2 are ordinary resolutions.

#### Resolution 1 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Resolution 1:

- (a) 13,816,277 Shares were issued at an issue price of \$0.04 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the issue (being in total \$552,651 (before costs)) will be used to fund planned exploration programs at its Mount Isa Projects in Queensland, Australia and for working capital purposes.

The Chairman intends to vote all available proxies in favour of Resolution 1.

## Resolution 2 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Resolution 2:

- (a) 10,383,723 Shares were issued at an issue price of \$0.04 per share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the issue (being in total \$415,349 (before costs)) will be used to fund planned exploration programs at its Mount Isa Projects in Queensland, Australia and for working capital purposes.

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

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## 2. RESOLUTION 3 – RATIFICATION OF THE ISSUE OF SHARES

### Background

As announced on 18 March 2016, the Company issued 543,151 shares in lieu of interest payable and in accordance with the terms of a convertible loan of \$650,000 from its largest shareholder Deutsche Rohstoff AG ("DRAG"), a German resources company listed on the Frankfurt Stock Exchange.

The loan has a maturity date of 27 July 2017 with interest accruing at 10% per annum.

The conversion price is set at 6 cents and the loan is convertible by either DRAG or the Company at any time before the Maturity Date subject to the Company's Share price being at or above 6 cents and subject to a minimum of 12 months interest being paid.

Shareholder approval was sought and obtained at a General Meeting held on 11 September 2015 for the issue of the Convertible Note to DRAG.

### Listing Rules Chapter 7

Listing Rule 7.1 provides that without Shareholder approval, a company must not issue or agree to issue new equity securities constituting more than 15% of its total issued capital within a 12 month period (excluding any issue of equity securities approved by Shareholders and other various permitted exceptions which are not relevant for current purposes).

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 Placement Capacity, provided that, at the time the issue was made, the issue was made within the Company's existing Placement Capacity.

By ratifying the issue of the Shares the subject of Resolution 3, 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 the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

### Resolution 3 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Shares the subject of Resolution 3:

- (a) 543,151 Shares were issued at an issue price of \$0.06 per share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to the Company's largest shareholder, Deutsche Rohstoff AG, a German resources company listed on the Frankfurt Stock Exchange, in accordance with the terms of a Convertible Note;
- (d) The Shares were issued in lieu of interest owing on the Convertible Note, no funds were raised from the issue.

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

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### 3. RESOLUTIONS 4, 5, 6 & 7 – ISSUE OF SECURITIES TO DIRECTORS

#### Background

The Company is proposing to issue Options to Mr Russell Davis (Executive Chairman), Mr Alex Hewlett (Executive Director) and Mr Simon Bodensteiner 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 June 2020 and an exercise price equal to 6 cents. The 5 day VWAP at the date of this Notice is \$0.055.

#### Reasons shareholder approval is required

Notwithstanding the potential for the benefit being provided being seen as reasonable in the circumstances, the Board has taken the view that it is prudent to seek shareholder approval under Section 208. 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.

**Technical Information required by Listing Rule 10.13**

- (a) The Director Options will be issued to Messrs Russell Davis; Alex Hewlett; Simon Bodensteiner 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 4,000,000 Director Options;
- (c) The maximum number of Director Options to be issued to Mr Hewlett (or his nominee) is 4,000,000 Director Options;
- (d) The maximum number of Director Options to be issued to Mr Bodensteiner (or his nominee) is 500,000 Director Options;
- (e) The maximum number of Director Options to be issued to Mr El Sayed (or his nominee) is 500,000 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.
- (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, Bodensteiner and El Sayed are exercised, the following represents the maximum amounts which will be raised respectively:
  - Davis – 4,000,000 multiplied by the exercise price of 6 cents or \$240,000.
  - Hewlett – 4,000,000 multiplied by the exercise price of 6 cents or \$240,000.
  - Bodensteiner – 500,000 multiplied by the exercise price of 6 cents or \$30,000.
  - El Sayed – 500,000 multiplied by the exercise price of 6 cents or \$30,000.

**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, Simon Bodensteiner and Nader El Sayed, all of whom are Directors.

***The nature of the financial benefit***

The financial benefit proposed to be given is:

- (a) 4,000,000 Director Options to Mr Davis (or his nominee); and
- (b) 4,000,000 Director Options to Mr Hewlett (or his nominee).
- (c) 500,000 Director Options to Mr Bodensteiner (or his nominee); and
- (d) 500,000 Director Options to Mr El Sayed (or his nominee).

If the Director Options issued to Mr Davis (or his nominee) are all exercised for cash consideration, payment of 4,000,000 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 for cash consideration, payment of 4,000,000 multiplied by the exercise price of the Director Options will be made.

If the Director Options issued to Mr Bodensteiner (or his nominee) are all exercised for cash consideration, payment of 500,000 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 for cash consideration, payment of 500,000 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 4 is 4,000,000 Director Options.

Mr Hewlett's interest in the outcome of Resolution 5 is 4,000,000 Director Options.

Mr Bodensteiner's interest in the outcome of Resolution 6 is 500,000 Director Options.

Mr El Sayed's interest in the outcome of Resolution 7 is 500,000 Director Options.

**Relevant Director's remuneration package**

Mr Davis currently receives an amended annual remuneration (exclusive of superannuation) of \$72,000<sup>1</sup>. Mr Davis received \$210,830 and \$117,666 respectively from the Company in the two preceding financial years.

Mr Hewlett currently receives an amended annual remuneration (exclusive of superannuation) of \$72,000<sup>1</sup>. Mr Hewlett received \$219,995 and \$146,665 respectively from the Company in the two preceding financial years.

Mr Bodensteiner currently receives annual remuneration (exclusive of superannuation) of \$20,000. Mr Bodensteiner was appointed on 8 September 2015.

Mr El Sayed currently receives annual remuneration (exclusive of superannuation) of \$20,000. Mr El Sayed received \$30,000 pa from the Company in the two preceding financial years.

<sup>1</sup> Note: Amendments made to remuneration for Messrs Davis and Hewlett effective 1 January 2016.

**Related party's existing interest**

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

Director	Shares	Options
Mr Davis	7,650,000	3,600,000 <sup>1</sup> 2,000,000 <sup>2</sup> 625,000 <sup>3</sup>
Mr Hewlett	5,525,476	2,100,000 <sup>1</sup> 2,000,000 <sup>2</sup> 166,667 <sup>3</sup>
Mr Bodensteiner	10,568	-
Mr El Sayed	19,500	1,000,000 <sup>1</sup>

1. Exercisable on or before 30/6/2017 by payment of \$0.20
2. Exercisable on or before 30/11/2017 by payment of \$0.135
3. Exercisable on or before 30/7/2017 by payment of \$0.10

### **Dilution**

The maximum dilutive effect if all Director Options are exercised (and assuming no other Options are exercised and no other Shares are issued) will be 15% on Shareholders.

### **Trading history**

In the last 12 months before the date of this Notice, the highest, lowest and latest trading prices (as at 11 May 2016 and on a post-consolidation basis) of the listed Shares on ASX are as set out below:

	Shares (ASX: HMX)
Highest (15 May 2015)	\$0.11
Lowest (12 September 2015)	\$0.04
Latest (11 May 2016)	\$0.054

### **Valuation of financial benefit**

The value of the financial benefits to be provided to Messrs Davis, Hewlett, Bodensteiner 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
<b>Mr Russell Davis</b>	4,000,000 Director Options	\$137,045
<b>Mr Alex Hewlett</b>	4,000,000 Director Options	\$137,045
<b>Mr Simon Bodensteiner</b>	500,000 Director Options	\$17,130
<b>Mr Nader El Sayed</b>	500,000 Director Options	\$17,130
<b>Totals</b>	<b>9,000,000 Director Options</b>	<b>\$308,350</b>

The value of each financial benefit has been calculated based on the following assumptions:

1. Issued for an issue price of Nil
2. The valuation date was 11 May 2016.
3. The Black and Scholes option valuation methodology was used as the basis for the calculation.
4. The Share price as at the valuation date was \$0.054.
5. Exercise price 6 cents.
6. The risk free interest rate used was 2.25%.
7. A volatility factor of 90% was used.
8. There are no vesting conditions.
9. The expected dividend yield is 0%.
10. The value of each Director Option is \$0.034.
11. 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.

### **Terms and Conditions of Options**

The terms and conditions of the Director Options proposed to be granted are set out in Annexure A. The Options will also have the benefit of a cashless exercise facility on upto 50% of the total Options issued as set out in the Annexure.

The cashless exercise provisions are consistent with those provisions the subject of the Hammer Metals Limited Option Incentive Plan referred to in Resolution 8, with

the exception that the election may only be applied to 50% of the Options. Should the Directors elect to utilize the cashless exercise provisions this would result in a lesser number of shares to be issued, and a reduction in the funds receivable by the Company, on the exercise of the Options.

	<b>Total Director Options</b>	<b>Available for Cashless Exercise</b>	<b>Balance of Director Options</b>
<b>Mr Russell Davis</b>	4,000,000	2,000,000	2,000,000
<b>Mr Alex Hewlett</b>	4,000,000	2,000,000	2,000,000
<b>Mr Simon Bodensteiner</b>	500,000	250,000	250,000
<b>Mr Nader El Sayed</b>	500,000	250,000	250,000
<b>Totals</b>	<b>9,000,000</b>	<b>4,500,000</b>	<b>4,500,000</b>

***Directors' recommendation and basis of recommendation***

The number of Director Options to be issued to each Director (i.e. 4 million each to the Executive Directors and 500,000 each to the Non-Executive Directors) has been determined having given consideration to the input and value the Directors provide to the Company, their respective remuneration packages, and also, the level of incentive being provided to each Director by virtue of their respective Director Option packages.

The Directors are committed to the success of the Company and to this end have voluntarily taken reductions in executive salary and in non-executive fees during the past twelve months.

Given the speculative nature of the Company's activities and the small management team responsible for its running, 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.

Because Directors are related parties of the Company, Shareholder approval for the purpose of Listing Rule 10.11 is required before any Shares or Attaching Options can be issued to the Directors.

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.

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.

Simon Bodensteiner 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.

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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 Chairman intends to vote all available proxies in favour of Resolution 4 to 7.

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#### **4. RESOLUTION 8 – ADOPTION OF HAMMER METALS OPTION INCENTIVE PLAN**

The Directors seek authorisation to issue securities under an option plan known as "the Hammer Metals Limited Option Incentive Plan" ("Plan") in accordance with Listing Rule 7.2, Exception 9(b). The Plan has been formulated to comply with ASIC Class Order 03/184 which gives disclosure relief from the need to prepare a prospectus for offers of securities under compliant employee share and option schemes.

Under Listing Rule 7.1, companies are generally restricted from issuing more than 15% of their issued share capital in any 12 month period without shareholder approval. There are a number of exceptions to this restriction, including Exception 9 in Listing Rule 7.2, which allows the Company to issue securities under an employee incentive scheme without those securities being counted towards the Company's 15% capacity if, within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme. Resolution 8 seeks this approval.

At this stage it is not the Company's intention to issue options to Directors under the Plan.

##### ***Reasons for the Plan***

Success for the Company and its Shareholders depends greatly on the people employed by the Company. To maintain and improve performance the Company has an on-going need both to motivate and retain an excellent and dedicated team, and to attract new and high quality employees.

The Company has not previously had an Option Plan but believes that the current stage of the Company's development together with the recent revision of relevant taxation laws in Australia have provided a good basis for implementing such a Plan.

The Board believes that the Plan will provide an effective means to motivate and retain our team, and to attract new and high quality employees.

- \* encourage management to focus on creating Shareholder value;
- \* link employee reward with the achievement of the long term performance of the Company;
- \* encourage valued employees to remain with the Company by giving them the opportunity to participate in the creation of a valuable personal asset – i.e. a financial stake in the Company; and
- \* enable the Company to attract, as required, individuals of high calibre to bring expertise to the organisation.

##### ***Summary of the rules of the Plan***

- \* Participation

Persons eligible to participate in the Plan are Directors, Employees and other permitted persons of the Company or a related body corporate ("Eligible Person"). The Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. In

making that determination the Directors must consider, where appropriate, matters including record of employment, length of service and seniority.

\* Offer of Options

Each offer made by the Board must specify:

- i. the number and the exercise price of the Options;
- ii. that the Eligible Person may accept the whole or any lesser number of Options offered;
- iii. the period within which the offer may be accepted; and
- iv. the Exercise Conditions.

The offer document must also include a copy of the Plan and an undertaking that the Company will provide current share information if requested by an Eligible Person within a reasonable period of that request. The offer document will also be provided to ASIC, if required, within 7 days after provision of this material to an Eligible Person.

\* Acceptance

An Eligible Person must, within the period specified in the offer either:

- i. accept the whole or any lesser number of Options offered by notice in writing; or
- ii. nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing.

\* Number of Options that may be issued under the Plan

ASIC Class Order 03/184 provides relief from the requirement to issue a prospectus in relation to securities issued under an employee incentive scheme provided that the Company does not issue Options in excess of 5% of the total number of issued Shares at the time of the offer. For the purposes of this 5% limit ASIC includes (subject to certain exceptions):

- i. all Shares which might be issued pursuant to the exercise of an Option or a Performance Right under the offer in question;
- ii. the number of Shares that would be issued if Options or Performance Rights issued or granted under the Plan were exercised; and
- iii. the number of Shares in the same class issued during the previous five years pursuant to an employee share scheme.

\* Price

Options are issued under the Plan for nil or nominal consideration.

\* Exercise of Options

Subject to a number of factors, including the Company's securities trading policy (as published on the Company's website), Options may be exercised at any time during the period commencing on the issue date and ending on the Expiry Date.

Unless the 'cashless exercise election' is effected, a Notice of Exercise is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date and subject to the options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.

\* Cashless Exercise Election

In lieu of paying the aggregate Exercise Price to purchase Shares, the Participant may elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):

$$A = \frac{B(C - D)}{C}$$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the optionholder;

B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;

C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and

D = the Exercise Price.

\* Restrictions

Unless otherwise decided by the Board:

- i. Any Options issued pursuant to the Plan will automatically lapse:
  - a. if the Eligible Person to which they were issued is dismissed from employment with the Company for a number of reasons including wilful misconduct bringing disrepute on the Company, incompetence in the performance of duties after prior written warning or fraud or dishonesty; and
  - b. if an Option is not validly exercised on or before the Expiry Date.
- ii. If prior to the satisfaction of the Exercise Conditions of Options an Eligible Person who holds Options ceases to be an Eligible Person due to retirement, disability, redundancy or death, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options within 3 months of the date of retirement, redundancy, death or disability or such longer period that the Board determines. If an Eligible Person ceases to be an Eligible Person for any other reason, his or her Options or Performance Rights will automatically lapse.
- iii. If an Eligible Person who holds Options ceases to be an Eligible Person at any time after an Option has become exercisable, if the Eligible Person ceases to be an Eligible Person due to retirement, disability, redundancy or death, such Eligible Person, or if appropriate, his or her Permitted Nominee may exercise any such Options at any time prior to the Expiry Date. If an Eligible Person ceases to be an Eligible Person for any other reason, that Eligible Person is entitled to exercise any such Option within 3 months of ceasing to be an Eligible Person or such longer period as the Board determines.

The Options and the Performance Rights are not transferable except with the Board's approval.

\* Change of control

At any time following the public announcement of a proposal which the Board reasonably believes may lead to a Change of Control Event (i.e. an

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unconditional takeover bid, a Shareholder or Shareholders becoming entitled to replace all or a majority of the Board or an application to convene a scheme meeting) the Board may give the relevant option holders notice that some or all of the Options held may be exercised. All exercisable Options which are not exercised before expiry of the notice period given by the Board (set out above) will lapse at the end of that notice period.

\* Administration

The Board in its absolute discretion will administer the Plan in accordance with terms and conditions set out in the Plan rules.

**Listing Rules Disclosure**

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- \* a summary of the rules of the Plan is set out above;
- \* this is the first approval sought under Listing Rule 7.2, Exception 9(b) with respect to the Plan.
- \* a voting exclusion statement has been included for the purposes of Resolution 8.

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**5. ENQUIRIES**

Shareholders are required to contact the Company Secretary on (61 8) 9316 9100 if they have any queries in respect of the matters set out in these documents.

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**6. VOTING BY PROXY**

**Entitlement to vote**

**Voting Entitlement**

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at close of business (5pm WST) on 8 June 2016. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

**Proxies**

Members are advised that:

- each member has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint either 1 or 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for 2 proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

- (a) by post to Hammer Metals Limited, Suite 8, 7 The Esplanade Mt Pleasant, Western Australia, 6153;
- (b) deliver to the Company Secretary at Level 1, Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia, 6153; or
- (c) by facsimile to the Company on facsimile number (61 8) 9315 5475, so that it is received not later than 10:00 am (WST) on 8 June 2016.

**Proxy forms received later than this time will be invalid**

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a body corporate, in a manner permitted by the Corporations Act. In the case of Shares jointly held by two or more persons, at least one joint holder must sign the proxy form. A proxy form is attached to this Notice.

**Voting Prohibition Statements**

*Resolutions 1, 2 and 3*

A vote on Resolutions 1, 2 and 3 must not be cast (in any capacity) by a person who participated in the relevant 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.

*Resolutions 4, 5, 6 and 7*

The Company will disregard any votes cast on Resolutions 4, 5, 6, or 7 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 4, 5, 6, or 7 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 4, 5, 6, or 7 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 4 to 7 (inclusive). Shareholders may also choose to direct the Chair to vote against any of Resolutions 4 to 7 (inclusive) or to abstain from voting.

*Resolution 8*

A vote on Resolution 8 must not be cast (in any capacity) by a person who is eligible to participate in an issue under the Plan, 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.

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## GLOSSARY

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Stock Exchange Limited;

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

"**Board**" means the board of Directors of the Company from time to time;

"**Company**" or "**Hammer**" or "**HMX**" means Hammer Metals Limited (ACN 095 092 158);

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Constitution**" means the Company's constitution

"**Director**" means a director of the Company and, where the context required;

"**Director Options**" means the Options the subject of Resolutions 4 to 7 (inclusive) proposed to be issued on the terms and conditions set out in Schedule A;

"**Explanatory Statement**" means the Explanatory Statement accompanying this Notice of Meeting;

"**Listing Rules**" means the official listing rules of the ASX;

"**Notice of Meeting**" means the Notice of General Meeting accompanying this Explanatory Memorandum;

"**Option**" means options to acquire HMX Shares as set out in Annexure A and as referred to in the Option Incentive Plan as described in this Explanatory Statement;

"**Share**" means a fully paid ordinary share in the Capital of the Company;

"**WST**" means Western Standard Time

## ANNEXURE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS THE SUBJECT OF RESOLUTIONS 4, 5, 6, AND 7

A summary of the terms and conditions of the Director Options the subject of Resolutions 4, 5, 6, and 7 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 of 6 cents.
- b) The Director Options are exercisable at any time prior to 5.00 pm WST time on 30 June 2020 by notice in writing to the Company accompanied by:
- (i) A properly executed Notice of Exercise;
  - (ii) payment of the exercise price;
  - (iii) subject to clause (c), payment to the Company of an amount equal to the Exercise Price multiplied by the number of options which are being exercised unless there is no exercise price payable in respect of the options to be exercised. Unless clause (c) applies, the notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque) by the Expiry Date and subject to the options the subject of the notice vesting in accordance with any Exercise Conditions stipulated in these terms and conditions.
- c) In lieu of paying the aggregate Exercise Price to purchase Shares under clause (b)(ii) the Optionholder may, at the Board's sole and absolute discretion, and in respect of 50% of the total number of Options to be exercised, elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula (a Cashless Exercise):
- $$A = \frac{B(C - D)}{C}$$
- where:
- A = the number of Shares (rounded down to the nearest whole number) to be issued to the optionholder;
  - B = the number of Shares otherwise issuable upon the exercise of the Options or portion of the Options being exercised;
  - C = the Market Value of one Share determined as of the date of delivery to the Company Secretary; and
  - D = the Exercise Price.
- d) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Director Options are not transferable.
- e) Shares will be allotted and issued pursuant to the exercise of Director Options within 10 business days following receipt of a properly executed notice of exercise of the Director Options.
- f) 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.

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- g) 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.
  - h) 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. Except that the exercise price of an Option may be reduced in accordance with the ASX listing rules in the event that a pro-rata issue is made to the holders of the underlying securities in the Company.
  - i) 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.
  - j) 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.
  - k) The Company will not apply for quotation of the Options on ASX.
  - l) Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to the Plan except to the extent an Offer provides otherwise.

# PROXY FORM

APPOINTMENT OF PROXY - HAMMER METALS LIMITED - ABN 87 095 092 158

## GENERAL MEETING

I/We

being a Member of Hammer Metals Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 10:00 am (WST), on 10 June 2016 at Suite 8, 7 The Esplanade, Mt Pleasant, Western Australia and at any adjournment thereof.

### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Ratification of Placement Share Issue (Listing Rule 7.1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of Placement Share Issue (Listing Rule 7.1A)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Ratification of Share Issue (Listing Rule 7.1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of grant of options to Mr Russell Davis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval of grant of options to Mr Alex Hewlett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Approval of grant of options to Mr Simon Bodensteiner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval of grant of options to Mr Nader El Sayed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Approval of grant of Options under Option Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**THE CHAIRMAN INTENDS TO VOTE ALL UNDIRECTED PROXIES IN FAVOUR OF EACH RESOLUTION EVEN IF THAT RESOLUTION IS CONNECTED DIRECTLY OR INDIRECTLY WITH THE REMUNERATION OF A MEMBER OF KEY MANAGEMENT PERSONNEL.**

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

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

By:

#### Individuals and joint holders

  
Signature  
Signature  
Signature

#### Companies (affix common seal if appropriate)

  
Director  
Director/Company Secretary  
Sole Director and Sole Company Secretary

**HAMMER METALS LIMITED**  
**ABN 87 095 092 158**

**Instructions for Completing 'Appointment of Proxy' Form**

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

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

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the proxy form and send the proxy form:
  - (a) by post to Hammer Metals Limited  
Suite 8, 7 The Esplanade  
Mt Pleasant  
Western Australia, 6153;
  - (b) deliver to the attention of the Company Secretary at Level 1, Suite 8, 7 The Esplanade,  
Mt Pleasant, Western Australia, 6153; or
  - (c) by facsimile to the Company on facsimile number (61 8) 9315 5475,

so that it is received not later than 10:00 am (WST) on 8 June 2016.

**Proxy forms received later than this time will be invalid.**