



## Notice of Annual General Meeting and Explanatory Memorandum

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**Metro Mining Limited ACN 117 763 443**

Date of Meeting: 24 November 2015

Time of Meeting: 11am (Brisbane time)

Place of Meeting: BDO  
Level 10, 12 Creek Street  
Brisbane QLD 4000

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of **Metro Mining Limited ACN 117 763 443 (Metro Mining or Company)** will be held at the offices of BDO at Level 10, 12 Creek Street, Brisbane QLD 4000 on 24 November 2015, commencing at 11am (Brisbane time).

Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

The Explanatory Statement and the Proxy Form accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting.

## Agenda

The agenda for the meeting is as follows:

1. Opening of meeting
2. Consideration and discussion of Audited Financial Statements for the year ended 30 June 2015.
3. Consideration of adoption of the Remuneration Report for the year ended 30 June 2015 (see **Resolution 1**) – *advisory resolution*.
4. Re-election of Mr Lindsay Ward as a Director (see **Resolution 2**).
5. Re-election of Mr George Lloyd as a Director (see **Resolution 3**).
6. Re-election of Mr Jijun Liu as a Director (see **Resolution 4**).
7. Ratification of previous issue of Securities (see **Resolution 5**).
8. Approval for the Company to issue Options to the Directors of the Company (see **Resolutions 6, 7, 8, 9, 10 and 11**)
9. Approval for the Company to issue securities under the Employee Share Option Plan of the Company (see **Resolution 12**);
10. Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A (see **Resolution 13**) – *special resolution*.
11. Other business.
12. Close of meeting.

# Notice of Annual General Meeting

## Ordinary business

### 1. Financial Report

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Consideration and discussion of the audited Annual Financial Statements for the Company (**Financial Statements**) for the financial year ended 30 June 2015, which are being circulated to Shareholders who have elected to receive a paper copy of the Company's reports in the attached Annual Report. Shareholders who have given the Company an election to receive an electronic copy of the Company's reports and Shareholders from whom the Company has not received an election as to how they wish to receive the Company's reports can directly access the Financial Statements on the Company's website at [www.metromining.com.au](http://www.metromining.com.au) and by selecting the link titled "Investor & Media Centre> Announcements > Annual/Quarterly and Financial Reports", which was released to the ASX on 27 August 2015.

### 2. Resolution 1: Remuneration Report

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To consider and, if thought fit, pass the following advisory resolution:

*"That the Remuneration Report for the year ended 30 June 2015 be adopted".*

Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

#### **Voting Restriction pursuant to Section 250R(4) of the Corporations Act**

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy; and
- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either:
  - (1) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
  - (2) the voter is the chair of the meeting and the appointment of the chair as proxy:
    - (A) does not specify the way the proxy is to vote on the resolution; and
    - (B) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

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## Voting Intention of Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 1, subject to compliance with the Corporations Act.

### 3. **Resolution 2: Re-election of Lindsay Ward as a Director**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That, in accordance with Listing Rule 14.4 and Article 38.1(c) of the Constitution, Mr Lindsay Ward, having retired by rotation and being eligible offers himself for re-election, be appointed as a Director of the Company.”*

### 4. **Resolution 3: Re-election of Mr George Lloyd as a Director**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That Mr George Lloyd, who was appointed to the Board on 8 April 2015 and in accordance with article 36.2 of the Constitution, holds office as a casual appointee until the conclusion of the next annual general meeting, and being eligible offers himself for re-election, be re-appointed as a Director of the Company.”*

### 5. **Resolution 4: Re-election of Mr Jijun Liu as a Director**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That Mr Jijun Liu, who was appointed to the Board on 12 January 2015 and in accordance with article 36.2 of the Constitution, holds office as a casual appointee until the conclusion of the next annual general meeting, and being eligible offers himself for re-election, be re-appointed as a Director of the Company.”*

### 6. **Resolution 5: Ratification of previous issue of Securities**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue of securities in the Company to those persons listed and on such terms set out in Section 4 of the Explanatory Memorandum accompanying this Notice of Meeting (**Placees**).”*

Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

#### **Voting exclusion statement**

The Company will disregard any votes cast on this Resolution by:

- the Placees; and
- any associate of the Placees.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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## 7. **Resolution 6 – Issue of Options to Stephen Everett under Chapter 2E of the Corporations Act and LR 10.11**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 500,000 Options exercisable at \$0.15 per Option, vesting on grant of the Mining Lease for the Bauxite Hills Project and expiring 2 years from the date of issue to Mr Stephen Everett who is a Related Party of the Company as described in the Explanatory Memorandum.”*

A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the Australian Securities & Investments Commission in accordance with section 218 of the Corporations Act. Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (a) Stephen Everett; and
- (b) Any associate of Stephen Everett.

However, the Company need not disregard a vote if:

- (c) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (d) It is cast by the person chairing 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.

## 8. **Resolution 7 – Issue of Options to Philip Hennessy under Chapter 2E of the Corporations Act and LR 10.11**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 500,000 Options exercisable at \$0.15 per Option, vesting on grant of the Mining Lease for the Bauxite Hills Project and expiring 2 years from the date of issue to Mr Philip Hennessy who is a Related Party of the Company as described in the Explanatory Memorandum.”*

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (a) Philip Hennessy; and
- (b) Any associate of Philip Hennessy.

However, the Company need not disregard a vote if:

- (e) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (f) It is cast by the person chairing 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.

# Notice of Annual General Meeting

**9. Resolution 8 – Issue of Options to Lindsay Ward under Chapter 2E of the Corporations Act and LR 10.11**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 500,000 Options exercisable at \$0.15 per Option, vesting on grant of the Mining Lease for the Bauxite Hills Project and expiring 2 years from the date of issue to Mr Lindsay Ward who is a Related Party of the Company as described in the Explanatory Memorandum.”*

**Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (a) Lindsay Ward; and
- (b) Any associate of Lindsay Ward.

However, the Company need not disregard a vote if:

- (g) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (h) It is cast by the person chairing 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.

**10. Resolution 9 – Issue of Options to George Lloyd under Chapter 2E of the Corporations Act and LR 10.11**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 500,000 Options exercisable at \$0.15 per Option, vesting on grant of the Mining Lease for the Bauxite Hills Project and expiring 2 years from the date of issue to Mr George Lloyd who is a Related Party of the Company as described in the Explanatory Memorandum.”*

**Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (c) George Lloyd; and
- (d) Any associate of George Lloyd.

However, the Company need not disregard a vote if:

- (i) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (j) It is cast by the person chairing 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.

# Notice of Annual General Meeting

## 11. **Resolution 10 – Issue of Options to Jijun Liu under Chapter 2E of the Corporations Act and LR 10.11**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 500,000 Options exercisable at \$0.15 per Option, vesting on grant of the Mining Lease for the Bauxite Hills Project and expiring 2 years from the date of issue to Mr Jijun Liu who is a Related Party of the Company as described in the Explanatory Memorandum.”*

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (e) Jijun Liu; and
- (f) Any associate of Jijun Liu.

However, the Company need not disregard a vote if:

- (k) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (l) It is cast by the person chairing 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.

## 12. **Resolution 11 – Issue of Options to Dongping Wang under Chapter 2E of the Corporations Act and LR 10.11**

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To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.11 and for the purposes of Part 2E of the Corporations Act and for all other purposes the Company be authorised to issue 500,000 Options exercisable at \$0.15 per Option, vesting on grant of the Mining Lease for the Bauxite Hills Project and expiring 2 years from the date of issue to Mr Dongping Wang who is a Related Party of the Company as described in the Explanatory Memorandum.”*

### **Voting Exclusion Statement**

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- (g) Dongping Wang; and
- (h) Any associate of Dongping Wang.

However, the Company need not disregard a vote if:

- (m) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (n) It is cast by the person chairing 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.

# Notice of Annual General Meeting

13. **Resolution 12 – Approval to issue securities under the Employee Share Option Plan**

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That, for the purposes of Exception 9 of Listing Rule 7.2 and for all other purposes, the Company is authorised to issue securities under the Employee Share Option Plan (ESOP) as an exception to Listing Rules 7.1 and 7.1A, on the terms and conditions described in the Explanatory Memorandum.”*

Terms used in this Notice of Meeting are defined in Section 9 of the accompanying Explanatory Memorandum.

**Voting Exclusion Statement**

The Company will disregard any votes cast on this Resolution by:

- a Director who is eligible to participate in the ESOP; and
- any associate of such a Director.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

**Voting Restriction pursuant to Section 250BD of the Corporations Act**

As Resolution 12 is a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company (or, if the Company is a consolidated entity, for the entity), pursuant to section 250BD of the Corporations Act, a vote on Resolution 12 must not be cast by:

- (a) any member of the Key Management Personnel for the Company (or, if the Company is a consolidated entity, for the entity); or
- (b) a Closely Related Party of such Key Management Personnel,

who is appointed as a Shareholder’s proxy, on the basis of that appointment, where the Shareholder does not specify in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote on this Resolution 12 if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not specify in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, of the entity.

**Voting Intention of Chair**

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 12, subject to compliance with the Corporations Act.



# Notice of Annual General Meeting

## Special Business

14. **Resolution 13: Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A**

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

*“That, pursuant to and in accordance with Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of this Annual General Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (10% Securities).”*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on this Special Resolution by:

- (a) a person who may participate in the issue of the 10% Securities; and
- (b) a person who might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares, if the resolution is passed and
- (c) an associate of those persons.

However, the Company need not disregard a vote if:

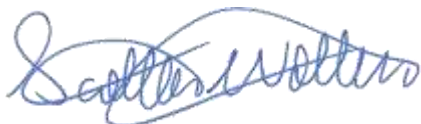
- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

## General business

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To consider any other business as may be lawfully put forward in accordance with the Constitution.

**By order of the board**



Scott Waddell  
Company Secretary

15 October 2015

# Explanatory Memorandum

## 1. Introduction

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The following information is provided to Shareholders of Metro Mining Limited ACN 117 763 443 (**Metro Mining or Company**) in connection with the business to be considered at the Annual General Meeting of Shareholders to be held at the offices of BDO, Level 10, 12 Eagle Street, Brisbane on 24 November 2015, commencing at 11am (Brisbane time).

The Notice of Meeting, which is also enclosed, sets out details of proposals concerning the thirteen (13) Resolutions to be put to Shareholders.

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 9.

## 2. Resolution 1: Adoption of Remuneration Report

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The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Financial Report.

The Report, amongst other things:

- explains the Board's policy for determining the nature and amount of remuneration of Key Management Personnel of the consolidated entity;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Key Management Personnel of the consolidated entity including details of performance related remuneration and options granted as part of remuneration; and
- details and explains any performance conditions applicable to the remuneration of Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

There are restrictions on members of the Key Management Personnel and their Closely Related Parties and their proxies voting on Resolution 1, details of which are set out in the Voting Restriction Statement included in Resolution 1 of the Notice of Meeting.

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 1 subject to compliance with the Corporations Act. In exceptional circumstances, the Chair may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## ORDINARY BUSINESS

### 3. Resolutions 2, 3 and 4: Re-election of Directors

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Article 38.1(c) of the Company's Constitution and Listing Rule 14.4 require that at each AGM, one-third of the Directors in office (excluding directors appointed to fill casual vacancies or a Managing Director) must stand for re-election, with Directors required to retire being those longest in office since their election or last re-election.

# Explanatory Memorandum

## 3.1 **Resolution 2: Re-election of Mr Lindsay Ward as a Director**

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Mr Ward retires in accordance with the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election as a Director.

Mr Ward was initially appointed as a director of the Company on 4 October 2011.

Mr Ward has over 25 years broad industry experience holding executive positions in mining, exploration, mineral processing, ports, rail, power generation, gas transmission and logistics. Mr. Ward's previous mining experience includes Mine Manager of the Yallourn Energy open cut coal mine in Victoria and senior mining engineering positions with BHP Australia Coal in Queensland and Camberwell Coal in the Hunter Valley. Mr. Ward is currently CEO of the Tasmanian Gas Pipeline, a gas transmission pipeline that links Victoria to Tasmania and transports gas throughout Tasmania. Mr Ward was previously Managing Director of Dart Mining a Melbourne based exploration company. Prior to this he was General Manager, Patrick Ports and Pacific National Bulk Rail – a business unit within Asciano Limited.

The Directors (with Mr Ward abstaining) recommend that you vote in favour of this Ordinary Resolution.

## 3.2 **Resolution 3: Re-election of Mr George Lloyd as a Director**

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Mr Lloyd was appointed as a director of the Company on 8 April 2015 as an additional Director.

Under Article 36.2 of the Constitution and Listing Rule 14.4, any Director who is appointed by the other Directors as an additional Director shall hold office only until the next following AGM of the Company and will then be eligible for re-election.

Mr Lloyd has over 30 years resource industry experience including senior executive and board member roles of listed and unlisted companies with interests in minerals, energy, industry services and corporate finance.

Mr Lloyd's extensive experience in resources includes five years as Chairman of Cape Alumina Limited. He currently serves as the Chairman of Ausenco Limited and Chairman of Pryme Energy Limited.

Prior to 2015 Mr Lloyd served as Chairman of AWR Lloyd, an Asian-based firm providing mergers and acquisitions, corporate strategy, industrial research, and investor relations advisory services to the mining and energy industries throughout Asia and Australia.

Mr Lloyd holds a Bachelor of Engineering Science Degree (Industrial Engineering) and a Master of Business Administration Degree, both from the University of NSW. He is also a graduate of the Stanford Executive Program. Mr Lloyd is a Fellow of the Australian Institute of Company Directors (AICD) and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM).

The Directors (with Mr Lloyd abstaining) recommend that you vote in favour of this Ordinary Resolution.

## 3.3 **Resolution 4: Re-election of Mr Jijun Liu as a director**

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Mr Liu was appointed as a director of the Company on 12 January 2015 as an additional Director.

Under Article 36.2 of the Constitution and Listing Rule 14.4, any Director who is appointed by the other Directors as an additional Director shall hold office only until the next following AGM of the Company and will then be eligible for re-election.

Mr Liu is the Managing Director of the China Xinfra Group Corporation Limited which controls one of the largest alumina-aluminium enterprises in China. Mr Liu is also a member of various government committees. He studied thermal power plant engineering at Shandong Power Junior College.

The Directors (with Mr Liu abstaining) recommend that you vote in favour of this Ordinary Resolution.

# Explanatory Memorandum

## 4. Resolution 5 – Ratification of previous issue of Securities

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### 4.1 Securities issued by the Company in the previous 12 months

In the previous 12 months the Company has issued securities without Shareholder approval as set out below. These securities were issued within the capacity of the Company to issue not more than 15% of its capital in any 12 months period without Shareholder approval under Listing Rule 7.1.

Pursuant to Resolution 5, the Company is seeking the ratification by the Shareholders of the issue of the securities noted below.

### 4.2 Listing Rule 7.4 – Ratification of issue of Securities

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with Listing Rule 7.4, Shareholder approval is sought under Resolution 5 to ratify the issue of the securities set out below.

If Resolution 5 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further Shareholder approval.

### 4.3 Listing Rule Information

For the purposes of Listing Rule 7.5:

(a) **Number of Securities issued**

25,000,000 fully paid ordinary Shares.

(b) **Price at which Securities issued**

8 cents per Share.

(c) **Terms of the Securities**

The Shares issued rank parri passu with all other fully paid ordinary shares on issue in the Company.

(d) **Names of the persons to whom the Securities were issued or the basis upon which those persons were determined**

The shares were issued to exempt investors under Section 708 of the Corporations Act.

(e) **Use or intended use of the funds raised**

Funds raised from the issue of the Shares from the placement and entitlement offer were to be applied to complete the feasibility study and advance the regulatory approvals required for the Bauxite Hills project, provide additional working capital and cover the costs of the issue.

By approving Resolution 5 and ratifying of the previous issue of Shares to those persons noted above will permit the Company to rely on Listing Rule 7.1 to raise further capital if required.

The Directors recommend that you vote in favour of Resolution 5.

# Explanatory Memorandum

## 5. Resolutions 6 to 11 (inclusive): Issue of Options to Directors under Chapter 2E of the Corporations Act and LR 10.11

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### 5.1 Background

The Company is seeking approval for the issue of Options to the Directors in accordance with Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

### 5.2 Option Terms

The Company proposes to issue to the Directors Options as follows:

- (a) Stephen Everett: 500,000 Options;
- (b) Philip Hennessy: 500,000 Options;
- (c) Lindsay Ward: 500,000 Options;
- (d) George Lloyd: 500,000 Options;
- (e) Jijun Liu: 500,000 Options;
- (f) Dongping Wang: 500,000 Options.

The Options will:

- (a) be exercisable at \$0.15 per Option;
- (b) vest and be capable of exercise on the date of grant of the Mining Lease for the Company's Bauxite Hills Project; and
- (c) expire 2 years from the date of issue of the Options.

The remainder of the terms of the Options to be issued to the Directors is set out in Schedule 1 to this Notice of Meeting.

### 5.3 Relevant Legislation - Chapter 2E of the Corporations Act, Listing Rule 10.11 and Listing Rule 7.1

#### ***Chapter 2E of the Corporations Act***

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met (**Shareholder Approval Exception**).

A "Related Party" is defined widely in section 228 of the Corporations Act and includes, relevantly, a director (or proposed director) of a public company, any entity that controls (or is reasonably likely to control) a public company, and any entity that is controlled by a person or entity which is otherwise a Related Party, or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company.

A "Financial Benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

# Explanatory Memorandum

## ***Listing Rule 10.11***

Listing Rule 10.11 requires that an entity must obtain the approval of Shareholders to issue Securities to a Related Party and in doing so must provide the information specified in Listing Rule 10.13, unless an exception applies.

## ***Listing Rule 7.1 - Issues exceeding 15% of capital***

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period (**15% Capacity**) without the prior approval of a majority of disinterested shareholders, or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Rule**). However, under Listing Rule 7.2 (Exception 14), if approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. Therefore the issue of the Options to the Directors under Resolutions 6 to 11 (inclusive), if passed, will not count towards the Company's 15% Capacity under Listing Rule 7.1.

## **5.4 Shareholder Approval Requirement**

Resolutions 6 to 11 (inclusive), if passed, will confer Financial Benefits and involve the issue of Options to the Directors being a Related Party of the Company.

Therefore the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and Listing Rule 10.11.

As approval is being sought under Listing Rule 10.11, in accordance with Listing Rule 7.2 (Exception 14) approval will not be required under Listing Rule 7.1. Therefore the issue of the Options to the Directors under Resolutions 6 to 11 (inclusive) will not count towards the Company's 15% Capacity under Listing Rule 7.1.

## **5.5 Information for Shareholders**

### ***Chapter 2E of the Corporations Act***

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to shareholders:

(a) **The Related Parties to whom Resolutions 6 to 11 would permit the financial benefit to be given (section 219(1)(a))**

The proposed financial benefit will be given to Mr Stephen Everett, Mr Philip Hennessy, Mr Lindsay Ward, Mr George Lloyd, Mr Jijun Liu and Mr Dongping Wang who are directors of the Company and therefore are Related Parties.

(b) **The nature of the financial benefit (section 219(1)(b))**

The nature of the proposed financial benefit to be given is the issue of 500,000 Options to each of the Related Parties as mentioned in part 5.5(a) on the terms as set out in part 5.2.

(c) **Directors' Recommendation (section 219(1)(c))**

With respect to Resolution 6, Messrs Hennessy, Ward, Lloyd, Liu and Wang recommend that Shareholders vote in favour of Resolution 6. The Directors (with the exception of Mr Everett) have formed the view that Resolution 6 be put to Shareholders for the following reasons:

- (1) the grant of the Options as proposed to Mr Everett will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and

# Explanatory Memorandum

- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Everett) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

As Mr Everett is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 7, Messrs Everett, Ward, Lloyd, Liu and Wang recommend that Shareholders vote in favour of Resolution 7. The Directors (with the exception of Mr Hennessy) have formed the view that Resolution 7 be put to Shareholders for the following reasons:

- (1) the grant of the Options as proposed to Mr Hennessy will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Hennessy) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

As Mr Hennessy is interested in the outcome of Resolution 7, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 8, Messrs Everett, Hennessy, Lloyd, Liu and Wang recommend that Shareholders vote in favour of Resolution 8. The Directors (with the exception of Mr Ward) have formed the view that Resolution 8 be put to Shareholders for the following reasons:

- (1) the grant of the Options as proposed to Mr Ward will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (2) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Ward) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

As Mr Ward is interested in the outcome of Resolution 8, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 9, Messrs Everett, Hennessy, Ward, Liu and Wang recommend that Shareholders vote in favour of Resolution 9. The Directors (with the exception of Mr Lloyd) have formed the view that Resolution 9 be put to Shareholders for the following reasons:

- (1) the grant of the Options as proposed to Mr Lloyd will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;

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- (2) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Lloyd) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

As Mr Lloyd is interested in the outcome of Resolution 9, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 10, Messrs Everett, Hennessy, Ward, Lloyd and Wang recommend that Shareholders vote in favour of Resolution 10. The Directors (with the exception of Mr Liu) have formed the view that Resolution 10 be put to Shareholders for the following reasons:

- (4) the grant of the Options as proposed to Mr Liu will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (5) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (6) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Liu) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

As Mr Liu is interested in the outcome of Resolution 10, he accordingly makes no recommendation to Shareholders in respect of this resolution.

With respect to Resolution 11, Messrs Everett, Hennessy, Ward, Lloyd and Liu recommend that Shareholders vote in favour of Resolution 11. The Directors (with the exception of Mr Wang) have formed the view that Resolution 11 be put to Shareholders for the following reasons:

- (7) the grant of the Options as proposed to Mr Wang will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- (8) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (9) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Wang) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the exercise of the Options.

As Mr Wang is interested in the outcome of Resolution 11, he accordingly makes no recommendation to Shareholders in respect of this resolution.



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## (d) **Directors' Interest and other remuneration (section 219(1)(d))**

### **Stephen Everett**

Mr Everett has a material personal interest in the outcome of Resolution 6, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Everett pursuant to Resolution 6, Mr Everett (and entities associated with him) holds 2,794,052 Shares and no Options in the Company:

Other than the Options to be issued to Mr Everett pursuant to Resolution 6, Mr Everett shall receive remuneration of \$86,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive director.

### **Philip Hennessy**

Mr Hennessy has a material personal interest in the outcome of Resolution 7, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Hennessy pursuant to Resolution 7, Mr Hennessy (and entities associated with him) holds 1,785,715 Shares and no Options in the Company:

Other than the Options to be issued to Mr Hennessy pursuant to Resolution 7, Mr Hennessy shall receive remuneration of \$55,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive director.

### **Lindsay Ward**

Mr Ward has a material personal interest in the outcome of Resolution 8, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Ward pursuant to Resolution 8, Mr Ward (and entities associated with him) holds 553,572 Shares and no Options in the Company:

Other than the Options to be issued to Mr Ward pursuant to Resolution 8, Mr Ward shall receive remuneration of \$50,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive director.

### **George Lloyd**

Mr Lloyd has a material personal interest in the outcome of Resolution 9, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Lloyd pursuant to Resolution 9, Mr Lloyd (and entities associated with him) holds 867,442 Shares and no Options in the Company:

Other than the Options to be issued to Mr Lloyd pursuant to Resolution 9, Mr Lloyd shall receive remuneration of \$45,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive director.

### **Jijun Liu**

Mr Liu has a material personal interest in the outcome of Resolution 10, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Liu pursuant to Resolution 10, Mr Liu (and entities associated with him) holds no Shares and no Options in the Company:

Other than the Options to be issued to Mr Liu pursuant to Resolution 10, Mr Liu shall receive remuneration of \$45,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive director.

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## **Dongping Wang**

Mr Wang has a material personal interest in the outcome of Resolution 11, as it is proposed that Options be issued to him.

Excluding the Options to be issued to Mr Wang pursuant to Resolution 11, Mr Wang (and entities associated with him) holds no Shares and no Options in the Company:

Other than the Options to be issued to Mr Wang pursuant to Resolution 11, Mr Wang shall receive remuneration of \$45,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as a non-executive director.

## (e) **Valuation**

The Options are not currently quoted on the ASX and as such have no market value. The Options each grant the holder on exercise of each Option a right to one ordinary Share in the Company. Accordingly, the Options may have a present value at the date of their grant.

Various factors impact upon the value of Options including:

- (1) the period outstanding before the expiry date of the Options;
- (2) the underlying price or value of the securities into which they may be converted;
- (3) the proportion of the issued capital as expanded consequent upon the exercise of the Options and the issue of the resultant Shares (i.e. whether or not the shares that might be acquired upon exercise of the Options represent a controlling or other significant interest); and
- (4) the value of the resultant shares on the exercise of the Options.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model valuation formula and the Monte Carlo simulation).

The Company has commissioned an independent valuation of the Options, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass Resolutions 6 to 11 (inclusive) and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- (1) the exercise price of the Options being \$0.15 each;
- (2) a market price of Shares of \$0.07;
- (3) expiry date of 2 years from the date of issue for the Options proposed to be issued to the Directors.
- (4) a volatility measure of 120.819%;
- (5) a risk-free interest rate of 1.80% for the Options proposed to be issued to the Directors; and
- (6) a dividend yield of 0%.

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Based on the independent valuation of the Options, the Company agrees that the total value of the Options to be issued to the Directors under Resolutions 6 to 11 (inclusive) are as follows:

- (1) Mr Everett: \$16,050;
- (2) Mr Hennessy: \$16,050;
- (3) Mr Ward: \$16,050;
- (4) Mr Lloyd: \$16,050;
- (5) Mr Liu: \$16,050; and
- (6) Mr Wang: \$16,050.

(f) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))**

There is no other information known to the Company or any of its Directors save and except as follows:

***Market Price movements:***

The Options valuation noted above is based on a market price per Share of 7 cents which is the closing trading price on 30 September 2015 which is the Trading Date immediately before the valuation was carried out.

There is a possibility that the market price of the Shares will change up to the date of the Annual General Meeting.

***Trading history***

In the 12 months prior to 30 September 2015, the Company's trading history is as follows:

- the highest trading price was \$ 0.13 on 8 July 2015;
- the lowest trading price was \$0.021 on 15 December 2014; and
- The VWAP per Share over the 12 month period prior to 30 September 2015 was \$0.058.

The trading price of the Shares on the close of trading on 14 October 2015 (being the last trading day before this Notice of Meeting was prepared for printing) was \$0.06.

***Opportunity Costs***

The opportunity costs and benefits foregone by the Company issuing the Options is the potentially dilutionary impact on the issued share capital of the Company. To the extent that the dilutionary impact caused by the issue of Options will be detrimental to the Company, this is considered to be more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms.

***Taxation Consequences***

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

AASB 2 – Share Based Payment, requires that reporting entities must recognize services acquired in a share-based payment transaction as the services are received. The issue of

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Options is in return for services provided to the Company therefore these services are to be recognised.

The value of the services acquired by the Company is to be measured at the fair value of the equity instrument granted, where fair value of the services provided cannot be estimated reliably. As the issue of Options is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the Options to be issued needs to be used as the reliable measurement of the services provided.

As the Options will not be listed on the ASX and will not be tradeable, the market value of the Options cannot be readily determined from any sales data. Therefore, an option pricing model is necessary to provide a value for the Options to be issued.

## ***Dilutionary Effect***

The effect that the issue of the Options, assuming that the conversion is effected, and that none of the existing options on issue in the Company have been exercised, is as follows:

	Current		Post Share Issue on exercise of Options	
	Securities	Percentage	Securities	Percentage
Ordinary shares - Current Shareholders (excluding Messrs Everett, Hennessy, Ward, Lloyd, Liu and Wang)	352,535,075	98.3%	352,535,075	97.5%
Ordinary shares - Messrs Everett, Hennessy, Ward, Lloyd, Liu and Wang	6,000,781	1.7%	9,000,781	2.5%
Total ordinary shares	358,535,856	100%	361,535,856	100%
Unquoted Options	10,750,000	100%	10,750,000	100%

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolutions 6 to 11 (inclusive).

## ***Listing Rule 10.13***

For the purposes of Listing Rule 10.13 and for all other purposes the following information is provided to Shareholders:

### **10.13.1 and 10.13.4: Name and relationship of the Related Party**

The Related Parties are Mr Stephen Everett, Mr Philip Hennessy, Mr Lindsay Ward, Mr George Lloyd, Mr Jijun Liu and Mr Dongping Wang who are Directors of the Company.

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(g) **10.13.2: Maximum Number of Securities to be issued (if known) or the formula for calculating the number of Securities to be issued**

The maximum number of Equity Securities to be issued are 3,000,000 Options.

(h) **10.13.3: Date by which the Securities will be issued**

The Company will issue the Options as soon as possible but in any event within one month following this Meeting.

(i) **10.13.4: Issue price and terms of the Securities**

The Options will:

- (1) be exercisable at \$0.15 per Option;
- (2) vest and be capable of exercise on the date of grant of the mining lease for the Company's Bauxite Hills Project; and
- (3) expire 2 years from the date of issue of the Options.

The remainder of the terms of the Options to be issued to the Directors is set out in Schedule 1. Any Shares issued as a result of the exercise of the Options will rank pari passu with all of the other fully paid ordinary shares on issue in the Company.

(j) **10.13.6A: Intended use of funds raised**

No funds are being raised by the issue of the Options to Directors under Resolutions 6 to 11 (inclusive).

(k) **10.13.6: Voting exclusion statement**

The relevant voting exclusion statements are set out in Resolutions 6 to 11 in the Notice of Meeting.

## **6. Resolution 12 – Approval to issue securities under the Employee Share Option Plan**

### **6.1 Introduction**

The Directors have resolved to adopt the Company's Employee Share Option Plan (**ESOP**). A summary of the terms of the ESOP is set out in Schedule 2.

The Board's objective for employee remuneration has been a reward framework that ensures reward for performance is competitive and appropriate for the results delivered. The framework aligns employee reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that employee reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

The Board has structured an employee remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

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A summary of the terms and conditions of the ESOP is contained in Schedule 2 to this Explanatory Memorandum.

Under Resolution 12, the Company is seeking Shareholder approval to issue securities in the future under the ESOP as an exception to Listing Rules 7.1 and 7.1A.

## 6.2 Listing Rules 7.1

Listing Rule 7.1, also known as the “15% rule”, limits the capacity of a company to issue Equity Securities without the prior approval of its shareholders. In broad terms, Listing Rule 7.1 provides that a company may not, in any 12 month period, issue Equity Securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period unless the issue is first approved by a majority of disinterested shareholders or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Capacity**).

## 6.3 Exception 9 of Listing Rule 7.2

An exception to Listing Rules 7.1 exists for issues under employee incentive schemes such as the ESOP. If the exception applies, then securities issued under the ESOP will not count towards the Equity Securities that the Company may issue as part of its 15% Capacity.

Pursuant to Exception 9 of Listing Rule 7.2, Options (and resultant Shares) issued under the ESOP will not fall within 15% Capacity if Shareholders have approved the employee incentive scheme within the last 3 years and the Notice of Meeting contains:

- (a) a summary of the terms of the scheme;
- (b) the number of securities issued under the scheme since the date of the last approval; and
- (c) a voting exclusion statement.

## 6.4 Approval to issue securities under the ESOP

Shareholder approval of the ESOP is required under Exception 9 of Listing Rule 7.2 so that any issue of securities under the ESOP over the next 3 years is disregarded when determining the 15% Capacity and Listing Rule 7.1A Capacity (if applicable).

For this purpose, in accordance with Exception 9 of Listing Rule 7.2, the Company advises that:

- (a) a summary of the terms and conditions of the ESOP is contained in Schedule 2 to this Explanatory Memorandum;
- (b) The following Options have been issued under the ESOP, which was last approved by shareholders on the 20 November 2012.

Recipient	Grant Date	Number of Options granted	Terms	Expiry
Directors	12 Dec 2012	2,000,000	Vest upon grant  Exercise price of \$0.235 (1,000,000 Options); and \$0.50 (1,000,000 Options)	11 July 2015
Employees	12 Jan 2015	10,750,000	Vest upon grant  Exercise price of \$0.06	12 January 2017

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<b>Total Options listed under ESOP since last Shareholder Approval</b>	<b>12,750,000</b>		
<b>Current unexpired unlisted Options on issue</b>	<b>10,750,000</b>		

- (c) because Directors are eligible to participate in the ESOP, a voting exclusion statement is included in the Notice of Meeting in relation to Directors and their associates.

## 6.5 Participation of Directors

Whilst Directors are eligible to participate under the provisions of the ESOP, no Options will be issued to Directors (or their nominees) unless further specific approval for the issue of those Options is obtained pursuant to the provisions of Listing Rule 10.14.

Due to a potential interest in the outcome of this Resolution 12, the Directors make no recommendation as to how you should vote on this Ordinary Resolution.

## 6.6 Voting restrictions

There are restrictions on voting on these resolutions by Directors and their associates and by Key Management Personnel and their Closely Related Parties. For additional details please refer to the Voting Exclusion Statements in Resolution 12 of the Notice of Meeting.

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting, including Resolution 12, subject to compliance with the Corporations Act.

## SPECIAL BUSINESS

### 7. Resolution 13: Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period

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#### 7.1 Introduction

Pursuant to Resolution 13, the Company is seeking shareholder approval to issue an additional 10% of issued capital over a 12 month period in accordance with Listing Rule 7.1A. If passed, this resolution will allow the Company to issue and allot, based on the issued capital of the Company as at 14 October 2015, up to 35,853,586 Shares (**10% Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's quoted class of Securities (calculated over the last 15 days on which trades in the quoted Securities are recorded, and immediately before the date on which the price at which the Shares are to be issued is agreed, or if not within 5 trading days of that date, the date on which the Shares are issued) (**Issue Price**).

This approval is sought pursuant to Listing Rule 7.1A which enable small and mid cap listed entities that meet the eligibility threshold and who have obtained the approval of their ordinary Shareholders by special resolution at the annual general meeting (**AGM**) to issue an additional 10% of issued capital over a 12 month period from the date of the AGM (**Additional 10% Issue**). The Additional 10% Issue under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without Shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the 10% Securities to raise funds for the Company and for non-cash consideration (further details of which are set out below).

If funds are raised from the issue of 10% Securities, those funds are intended to be used as follows:

- working capital; and
- additional exploration and / or development activities at the Company's projects.

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## 7.2 Listing Rule 7.1A – Further Information

### (a) General

#### (1) Eligibility

An entity is eligible to undertake an Additional 10% Issue if at the time of its AGM it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index (**Eligibility Criteria**).

As required by the Listing Rules, the Company's market capitalisation will be based on the closing price on the Trading Day before the AGM, and will be released by the Company to the ASX at that time. The calculation of market capitalisation will be based on the Closing Price of the Shares in the main class of Shares of the Company, on the last Trading Day on which trades in the Shares were recorded before the date of the AGM, multiplied by the number of Shares on issue (in that main class, but excluding restricted securities and securities quoted on a deferred settlement basis).

For illustrative purposes only, on 14 October 2015 the Company's market capitalisation was \$21,512,152 based on the Closing Trading Price on that date. The Company is not included in the S&P/ASX300 Index as at the time of issue of this Notice of Meeting and the Company does not expect that it will be included in the S&P/ASX300 Index at the date of the AGM.

The Company is therefore an eligible entity and, subject to Shareholder approval, able to undertake an Additional 10% Issue under Listing Rule 7.1A.

In the event that the Company no longer satisfies the Eligibility Criteria after the Company has already obtained Shareholder approval, the approval obtained will not lapse and the Company will still be entitled to undertake the Additional 10% Issue during the Issue Period (see below).

#### (2) Shareholder approval

The ability to issue the 10% Securities under the Additional 10% Issue is conditional upon and subject to the Company obtaining Shareholder approval by way of a Special Resolution at the AGM. Pursuant to Listing Rule 7.1A, no Shares will be issued in reliance on Listing Rule 7.1A until and unless this Special Resolution is passed at Annual General Meeting.

### (b) Issue Period – Listing Rule 7.1A.1

Shareholder approval of the Additional 10% Issue under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (2) the date of the approval by shareholders of a transaction under Listing Rule 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.

If approval is given for the Additional 10% Issue at the AGM on 24 November 2015 then the approval will expire, unless there is a significant change to the Company's business, on 24 November 2016.

### (c) Calculation for Additional 10% Issue – Listing Rule 7.1A.2

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:



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## **(A x D) – E**

**A** is the number of Shares on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid ordinary shares in the Company issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid ordinary shares in the Company that became fully paid in the 12 months;
- (3) plus the number of fully paid ordinary shares in the Company issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 or rule 7.4. This does not include an issue of fully paid ordinary shares in the Company under the entity's 15% placement capacity without Shareholder approval;
- (4) less the number of fully paid ordinary shares in the Company cancelled in the 12 months.

**D** is 10 percent.

**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 7.1A.3**

#### **(1) Shares**

Equity Securities issued under the Additional 10% Issue must be in the same class as an existing quoted class of Equity Securities of the Company.

As at 1 October 2015, the Company had 358,535,856 quoted Shares on issue (and no other Equity Securities which are quoted). Accordingly, the Company is only seeking approval to issue ordinary Shares (and no other class of Equity Securities) under the Additional 10% Issue in addition to its 15% capacity permitted under Listing Rule 7.1.

#### **Minimum Issue Price**

The issue price for the 10% Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Shares in the same class calculated over the 15 Trading Days immediately before:

- (A) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (B) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the 10% Securities are issued.

As required by the Listing Rules, the Company's market capitalisation based on the closing price on the Trading Day before the AGM will be released by the Company to the ASX at that time.

### **(e) Information to be given to ASX – Listing Rule 7.1A.4**

If Resolution 13 is passed and the Company issues any 10% Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the 10% Securities and the number of 10% Securities allotted to each (this list will not be released to the market); and

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- (2) the following information required by rule 3.10.5A, will be released to the market on the date of issue:
  - (A) details of the dilution to the existing holders of Shares caused by the issue;
  - (B) where the Shares are issued for cash consideration, a statement of the reasons why the Company issued the Shares as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing Shareholders would have been eligible to participate;
  - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
  - (D) any other fees or costs incurred in connection with the issue.

(f) **Listing Rule 7.1 and 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.

As at 1 October 2015, the Company had on issue 358,535,856 Shares and, on this basis, would have the capacity to issue:

- (1) 53,780,378 Equity Securities under Listing Rule 7.1; and
- (2) 35,853,586 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (as above).

## 7.3 Specific Information required by Listing Rule 7.3A

(a) **Minimum Price of securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1**

Pursuant to and in accordance with Listing Rule 7.3A.1, the 10% Securities issued pursuant to approval under Listing Rule 7.1A must be not less than 75% of the VWAP for the Company's Shares over the 15 Trading Days immediately before:

- (1) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (2) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the 10% Securities are issued.

The Company will disclose to the ASX the issue price on the date of issue of any 10% Securities.

(b) **Risk of economic and voting dilution – Listing Rule 7.3A.2**

As provided by Listing Rule 7.3A.2, if Resolution 13 is passed by Shareholders and the Company issues any 10% Securities, there is a risk of economic and voting dilution to the existing ordinary Share holders of the Company. The Company currently has on issue 358,535,856 Shares. On this basis, upon the Additional 10% Issue, the Company will have approval to issue an additional 35,853,586 Shares.

The exact number of additional Shares to be issued under the Additional 10% Issue will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 and set out above.

Any issue of 10% Securities will have a dilutive effect on existing Shareholders. There is a specific risk that:

# Explanatory Memorandum

- (1) the market price for the Company's Shares may be significantly lower on the date of the Issue than it is on the date of the AGM; and
- (2) the 10% Securities may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date,

which may have an effect on the amount of funds raised by the issue of any 10% Securities.

As required by Listing Rule 7.3A.2, Table 2 below shows the potential economic and voting dilution effect, in circumstances where Variable A (on the basis that it is the current issued capital) has doubled and the Market Price of the Shares has halved. Table 2 also shows additional scenarios in which the number of issued Shares have increased and the Market Price of the Shares has decreased.

**Table 2**

Issued Capital (Variable A)	50% decrease in Market Price 3 cents		Current Market Price 6 cents		100% increase in Market Price 12 cents	
	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised
<b>Present Issued Capital =</b> 358,535,856 Shares	35,853,586 Shares	\$1,075,608	35,853,586 Shares	\$2,151,215	35,853,586 Shares	\$4,302,430
<b>50% Increase in Capital =</b> 537,803,784 Shares	53,780,378 Shares	\$1,613,411	53,780,378 Shares	\$3,226,823	53,780,378 Shares	\$6,453,645
<b>100% Increase in Capital =</b> 717,071,712 Shares	71,707,171 Shares	\$2,151,215	71,707,171 Shares	\$4,302,430	71,707,171 Shares	\$8,604,861

## Assumptions and explanations

- The Market Price is 6 cents based on the closing price of the Shares on ASX on 14 October 2015.
- The above table only shows the dilutionary effect based on the Additional 10% Issue and not the 15% under Listing Rule 7.1
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of 10% Securities available to it under the Additional 10% Issue.
- The Issued Capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 14 October 2015.
- The issue price of the 10% Securities used in the table does not take into account the discount to the Market Price (if any).

## (c) Final date for issue – Listing Rule 7.3A.3

# Explanatory Memorandum

As required by Listing Rule 7.3A.3, the Company will only issue and allot the 10% Securities during the 12 months after the date of this AGM. The approval under Resolution 5 for the issue of the 10% 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 of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the AGM.

(d) **Purpose – Listing Rule 7.3A.4**

As noted above, the purpose for which the 10% Securities may be issued include to raise funds for the Company and for non-cash consideration (further details of which are set out below). It is intended that any funds raised from the issue of 10% Securities are to be used as follows:

- working capital; and
- additional exploration and / or development activities at the Company's projects.

(e) **Shares Issued for Non-cash consideration – Listing Rule 7.3A.4**

The Listing Rules permit the Company to issue 10% Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Shares for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Shares complies with Listing Rule 7.1A.3.

(f) **Company's Allocation Policy – Listing Rule 7.3A.5**

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

- (1) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing Shareholders can participate;
- (2) the effect of the issue of the 10% Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the 10% Securities under the Additional 10% Issue have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new Shareholder 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 Additional 10% Issue will be the vendors of the new assets or investments.

(g) **Company has previously obtained shareholder approval under listing rule 7.1A – Listing Rule 7.3A.6**

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the previous annual general meeting held on 25 November 2014 but has not issued shares under this authority.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6, regarding the equity securities issued in the previous 12 months preceding the date of the AGM (that is, since 25 November 2014):

# Explanatory Memorandum

## Listing Rule 7.3A.6(a): Total equity securities issued in previous 12 months

Number of equity securities on issue on at commencement of 12 month period	271,286,434
Equity securities issued in prior 12 month period	87,249,422
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	32.1%

## Listing Rule 7.3A.6(b): Details of equity securities issued in previous 12 months

The details of equity securities issued during the previous 12 months preceding the date of the AGM (that is since 25 November 2014), are set out in Schedule 3 of this Notice of Meeting.

### (h) Voting Exclusion Statement

A voting exclusion statement is included in this Notice. At the date of the Notice, the proposed allottees of any 10% Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue.

Where it is not known who will participate in the proposed issue (as is the case in respect of the 10% Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

### 7.4 Director Recommendation

The Board recommends that Shareholders vote in favour of this Special Resolution.

## 8. Voting entitlement

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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 11am (Brisbane Time) on Sunday 22 November 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## 9. Interpretation

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The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

**AGM** means annual general meeting;

**ASIC** means the Australian Securities & Investments Commission;

**Associated Entity** has the meaning given to that term in the Corporations Act;

**ASX** means the ASX Limited;

**Business Day** means a day on which all banks are open for business generally in Brisbane;

**Chair** means the person chairing the Meeting.

**Closely Related Party** (as defined in the Corporations Act) of a member of the Key Management

# Explanatory Memorandum

Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of the definition of closely related party;

**Company** means Metro Mining Limited ACN 117 763 443 (ASX: MMI);

**Constitution** means the constitution of the Company from time to time;

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

**Directors** means the board of directors of the Company as at the date of the Notice of Meeting;

**Eligible Entity** has the meaning given to that term in the Listing Rules;

**Equity Securities** has the meaning given to that term in the Listing Rules;

**ESOP** means the employee share option plan of the Company which is the subject of Resolution 12;

**Explanatory Memorandum** means the explanatory statement accompanying this Notice;

**Key Management Personnel** has the definition given in the Accounting Standard AASB 124 *Related Party Disclosure* as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity';

**Listing Rules** means the official listing rules of the ASX as amended from time to time;

**Market Price** has the meaning given to that term in the Listing Rules;

**Meeting** means the Annual General Meeting to be held on 24 November 2015 as convened by the accompanying Notice of Meeting;

**Notice of Meeting** or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum;

**Options** means options to acquire Shares;

**Ordinary Resolution** means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

**Related Party** has the meaning in section 228 of the Corporations Act.

**Resolutions** means the resolutions set out in the Notice of Meeting;

**Shares** means fully paid ordinary shares in the Company from time to time;

**Shareholder** means a shareholder of the Company;

**Special Resolution** means a resolution:

# Explanatory Memorandum

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act;  
and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

**Subsidiaries** has the meaning given to that term in the Corporations Act;

**Trading Day** has the meaning given to that term in the Listing Rules.

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Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to:

Scott Waddell (Company Secretary):

Post: Attn: Scott Waddell  
PO Box 10955  
Brisbane Adelaide Street QLD 4000

Tel: +617 3009 8000  
Fax: +617 3221 4811

# Explanatory Memorandum

## Schedule 1 – Options Terms

1. The Options shall be issued for no consideration;
2. The Options will:
  - (a) be exercisable at \$0.15 per Option (**Exercise Price**);
  - (b) vest and be capable of exercise on the date of grant of the Mining Lease for the Company's Bauxite Hills Project; and
  - (c) expire 2 years from the date of issue of the Options (**Expiry Date**).
3. The Options will not be transferable in whole or in part and may not be exercised by any other person (except, in the case of the Option holder's death, by his or her legal personal representative);
4. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time on or after the or after the Vesting date of the Options and on or before the Expiry Date;
5. The number of Options that may be exercised at one time must be not less than 100,000 options or a "marketable parcel of shares" as that term is defined in the Listing Rules;
6. Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
7. Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
8. Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend;
9. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - (a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
  - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
10. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- $O^n$  = the new exercise price of the Option;
- $O$  = the old exercise price of the Option;
- $E$  = the number of underlying securities into which one Option is exercisable;
- $P$  = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;



## Explanatory Memorandum

- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11. If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
12. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options;
13. The Company does not intend to apply for listing of the Options on the ASX; and
14. The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.

# Explanatory Memorandum

## Schedule 2 – Summary of key terms of ESOP

The Company has established the ESOP to assist in the retention and motivation of employees by providing them with the opportunity to acquire Shares. Under the ESOP, Options over unissued Shares and restricted shares in the Company will be offered.

The ESOP contains usual provisions dealing with matters such as the administration, variation, termination or suspension of the plan.

Other features of the ESOP are as follows:

- 2.1 The persons who are eligible to participate in the ESOP are full-time or part-time employees of Metro Mining Limited ACN 117 763 443 (the **Company**) or an associated body corporate of the Company as the Board may in its discretion determine, non-executive and executive directors, contractors who have entered into a contract with the Company for services to be provided by an individual and casual employees (**Eligible Employee**)
- 2.2 The maximum number of Options that may be offered to participants under the ESOP is 5% of the issued capital of the Company at the time. If there is to be a re-organisation of the issued shares in the Company unexercised Options will be re-organised in accordance with the requirements of ASX Listing Rules.
- 2.3 The Shares are to be issued at a price determined by the Board.
- 2.4 The Options are to be issued for no consideration. Any Option which has not been exercised by the expiry of the option period shall lapse.
- 2.5 The exercise price of an Option is to be determined by the Board at its sole discretion.
- 2.6 The Vesting Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board from time to time.
- 2.7 The Option Commencement Date will be the date to be determined by the Board prior to the issuance of the relevant Options.
- 2.8 The Option Exercise Period commences on the Option Commencement Date and ends on the earlier of:
  - (c) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than 2 years; or
  - (d) the Business Day after the expiration of three months, or any longer period which the Board may determine, after the Eligible Employee ceases to be employed by the Company or an associated body corporate of the Company; or
  - (e) the Eligible Employee ceasing to be employed by the Company or an associated body corporate of the Company due to fraud or dishonesty;
- 2.9 Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Employees of the Company or an associated body corporate of the Company. The Board is entitled to determine:
  - (f) subject to paragraph 0, the total number of Shares or Options to be offered in any 1 year to Eligible Employees;
  - (g) the Eligible Employees to whom offers will be made; and
  - (h) the terms and conditions of any Options granted, subject to the Scheme.
- 2.10 Where the Board has adopted additional guidelines to determine entitlements, the Board will make decisions under the Scheme in accordance with those guidelines as varied from time to time.

# Explanatory Memorandum

- 2.11 Participants do not participate in dividends or in bonus issues unless the Options are exercised.
- 2.12 While the Option holders do not have any participating rights in new issues of securities in the Company during the term of any Options held, the Option holders shall be afforded a period of at least 10 Business Days before the record date to determine entitlements to the issue, to exercise the Options and it shall be a condition of the Options that any entitlements to bonus issues of securities are only available to Option holders in the event of a prior exercise of the Options.
- 2.13 In the event that a rights issue is made by the Company during the term of the Options at a discount to the independently ascertained value of the Shares, then the Company shall be obliged to adjust the exercise price for the Options in accordance with a specific formula.
- 2.14 The Board has the right to vary the entitlements of all participants to take account of the effective capital reconstructions, bonus issues or rights issues, in accordance with the Listing Rules.
- 2.15 The Board may impose as a condition of any offer of Shares and Options under the Scheme any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
- 2.16 The Board may vary the Scheme (and any corresponding guidelines to determining entitlements).
- 2.17 The Scheme is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of a participant under the terms of his or her employment or arrangement.
- 2.18 The number of Shares which may be acquired on the exercise of an option and the exercise price will be adjusted, as is appropriate, following any pro-rata rights issue, reconstruction or re-organisation of the issued ordinary capital of the Company.
- 2.19 At any time from the date of an Offer until the Acceptance Date of that Offer, the Board undertakes that it shall provide information as to:
- (i) the Current Market Price of the Shares; and
  - (j) the Exercise Price of the Shares where this is calculated as at the date of the Offer,
- to any Participant by mail (or such other form of notification as agreed by the Company and the Participant) within 3 Business Days of a written request to the Company from that Participant to do so.

# Explanatory Memorandum

## Schedule 3 –DETAILS OF EQUITY SECURITIES ISSUED FOR THE PURPOSES OF LISTING RULE 7.3A.6


<b>Date of issue:</b>	15 December 2014	22 July 2015	4 September 2015	9 September 2015
<b>Number issued:</b>	17,431,565	25,000,000	15,359,723	29,458,134
<b>Class/Type of equity security:</b>	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
<b>Summary of terms:</b>	Ordinary shares rank pari passu with all existing Shares of the Company from the date of issue.	Ordinary shares rank pari passu with all existing Shares of the Company from the date of issue.	Ordinary shares rank pari passu with all existing Shares of the Company from the date of issue.	Ordinary shares rank pari passu with all existing Shares of the Company from the date of issue.
<b>Names of persons who received securities or basis on which those persons was determined:</b>	Shares issued to shareholders of Cape Alumina Ltd, upon completion of compulsory acquisition of the Cape Alumina Ltd. The Company issued 1 share for every 1.3 Cape Alumina Ltd shares	A placement of shares was issued under LR 7.1. The shares were issued to exempt investors under Section 708 of the Corporations Act.	The shares were issued under a non-renounceable rights issue to existing Shareholders on a 1 for 7 basis.	The shares were issued to exempt investors under Section 708 of the Corporations Act as underwriters of non-renounceable rights issue shortfall.
<b>Price:</b>	\$0.030	\$0.08	\$0.08	\$0.08
<b>Discount to market price (if any):</b>	N/a	17.53%	17.53%	17.53%
<b>Total cash consideration received:</b>	N/a	\$2,000,000	\$1,228,778	\$2,356,651
<b>Amount of cash consideration spent:</b>	N/a	\$1,000,000	\$500,000	Nil
<b>Use of cash consideration:</b>	N/a	\$2,000,000	\$1,228,778	\$2,356,651
<b>Intended use for remaining amount of cash (if any):</b>	N/a	working capital; and additional exploration and / or development activities at the Company's projects.	working capital; and additional exploration and / or development activities at the Company's projects.	working capital; and additional exploration and / or development activities at the Company's projects.
<b>Non-cash consideration paid:</b>	\$520,761	N/a	N/a	N/a
<b>Current value of that non-cash consideration:</b>	\$520,761	N/a	N/a	N/a




ABN 45 117 763 443


## LODGE YOUR VOTE

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

 **BY MAIL**  
Metro Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474

## LODGE MENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am on Sunday, 22 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**



## PROXY FORM

I/We being a member(s) of Metro Mining Limited and entitled to attend and vote hereby appoint:

STEP 1

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am on Tuesday, 24 November 2015 at B00, Level 10, 12 Creak Street, Brisbane QLD 4000** (the Meeting) and at any postponement or adjournment of the Meeting.

**Important for Resolutions 1 and 12:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1 and 12, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.**


STEP 2

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

#### Resolutions

Resolutions	For	Against	Abstain*	Resolutions	For	Against	Abstain*
1 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Issue of Options to George Lloyd under Chapter 2E of the Corporations Act and LR 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Lindsay Ward as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Issue of Options to Jijun Liu under Chapter 2E of the Corporations Act and LR 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr George Lloyd as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Issue of Options to Dongping Wang under Chapter 2E of the Corporations Act and LR 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-election of Mr Jijun Liu as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Approval to issue securities under the Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Ratification of previous issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Options to Stephen Everett under Chapter 2E of the Corporations Act and LR 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Issue of Options to Phillip Hennessy under Chapter 2E of the Corporations Act and LR 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Issue of Options to Lindsay Ward under Chapter 2E of the Corporations Act and LR 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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

STEP 3

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

