

# Notice of Annual General Meeting

Metals X Limited ACN 110 150 055

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Date of Meeting: Thursday, 24 November 2016

Time of Meeting: 11.00am (Perth Time)

Place of Meeting: QV1 Conference Centre (Function Room), Level 2,  
250 St Georges Terrace, Perth WA 6000

# Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of **Metals X Limited ACN 110 150 055 (Metals X or Company)** will be held at 11.00am (Perth time), on Thursday, 24 November 2016 at QV1 Conference Centre (Function Room) Level, 2, 250 St Georges Terrace Perth, Western Australia 6000.

## Agenda

### Ordinary business

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#### Financial Reports

To receive and consider the Financial Statements, Directors' Report and Auditors' Report for Metals X and its controlled entities for the financial year ended 30 June 2016.

Note: There is no requirement for shareholders to approve these reports.

#### 1. Resolution 1 - Remuneration Report

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

"That, the Remuneration Report for the year ended 30 June 2016 (as disclosed In the 2016 Annual Report) is adopted."

*Voting Exclusion: Refer section 3 of the Explanatory Memorandum for details of the voting exclusions.*

#### 2. Resolution 2 - Re-election of Warren Hallam as director

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

"That Warren Hallam, a Director retiring from office by rotation, and in accordance with Rule 3.6 of the Company's Constitution, being eligible, is re-elected as a Director of the Company."

#### 3. Resolution 3 - Re-election of Simon Heggen as director

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

"That Simon Heggen, a Director retiring from office by rotation, and in accordance with Rule 3.6 of the Company's Constitution, being eligible, is re-elected as a Director of the Company."

#### 4. Resolution 4 - Ratification of the Issue of Shares under the Placement

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, the prior allotment and issue of 68,000,000 fully paid ordinary shares at an issue price of \$1.48 per share to the Placement Recipients, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting, be approved and ratified."

*Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by the Placement Recipients and any associate of such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

# Notice of Annual General Meeting

## 5. Resolution 5 - Approval of Employee Share and Option Plan

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

“That, the Employee Share and Option Plan (**ESOP**), which is summarised in the attached Explanatory Memorandum, be approved and that for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, the issue of securities under the ESOP within three (3) years from the date of this resolution be an exception to Listing Rules 7.1 and 7.1A.”

*Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of such a Director.*

## 6. Resolution 6 - Approval for Issue of Securities to Peter Cook under the ESOP

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

“That, subject to the passing of Resolution 5, for the purposes of Listing Rule 10.14 and sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the Company to issue to Mr Cook (or his nominees) 2,000,000 Employee Options in the Company pursuant to the ESOP on the terms and conditions set out in the Explanatory Memorandum.”

*Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by any director of the Company who is eligible to participate in the ESOP and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. Refer section 7 of the Explanatory Memorandum for details of the voting exclusion.*

## 7. Resolution 7 - Approval for Issue of Securities to Warren Hallam under the ESOP

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

“That, subject to the passing of Resolution 5, for the purposes of Listing Rule 10.14 and sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the Company to issue to Mr Hallam (or his nominees) 2,000,000 Employee Options in the Company pursuant to the ESOP on the terms and conditions set out in the Explanatory Memorandum.”

*Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by any director of the Company who is eligible to participate in the ESOP and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. Refer section 7 of the Explanatory Memorandum for details of the voting exclusion.*

# Notice of Annual General Meeting

## Other Business

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To consider any other business that may be brought before the Meeting in accordance with the Company's Constitution.

## Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Annual General Meeting.

## Snap Shot Time

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time, not more than 48 hours before the Meeting, at which a "snap shot" of Shareholders will be taken for the purposes of determining Shareholders' entitlements to vote at the Meeting.

The Directors have determined that all Shares of the Company on the register as at 5.00pm (Perth time) on 22 November 2016 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

## Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form for the Meeting provides further details on appointing proxies and lodging the Proxy Form. Proxies must be returned by 11.00am (Perth time) on 22 November 2016.

## Voting by Proxy

A Shareholder can direct its proxy to vote for, against or abstain from voting on each resolution by marking the appropriate box in the Voting Directions section of the proxy form. If a proxy holder votes, they must cast all votes as directed. Any directed proxies that are not voted will automatically default to the Chairman, who must vote the proxies as directed.

If the Chairman is to act as your proxy in relation to the meeting (whether by appointment or by default) and you have not given directions on how to vote by marking the appropriate box in the Voting Directions section of the proxy form, the Chairman intends to vote all valid undirected proxies in respect of each of the Resolutions in favour of the relevant resolution.

If you are in any doubt as to how to vote, you should consult your professional adviser.

## Corporate Representative

If a representative of a Shareholder corporation is to attend the Meeting, a "Corporate Representative Certificate" should be completed and produced prior to the meeting. Please contact the Company's Share Registry for a pro forma certificate if required.

By Order of the Board of Directors  
**Metals X Limited**

  
Fiona Van Maanen  
Company Secretary  
17 October 2016

# Explanatory Memorandum

## 1. Introduction

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This Explanatory Memorandum is provided to shareholders of **Metals X Limited ACN 110 150 055 (Metals X or Company)** to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at QV1 Conference Centre (Function Room), Level 2, 250 St Georges Terrace, Perth WA 6000 on Thursday, 24 November 2016 commencing at 11.00am (Perth time).

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 8.

## 2. Consider the Company's annual report

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The Corporations Act requires the Financial Statements, Directors' Report and Auditor's Report of the Company for the year ended 30 June 2016 to be tabled at the Annual General Meeting (**AGM**).

Shareholders will be given an opportunity to ask questions of the Directors and the Company's Auditors in relation to the accounts of the Company at the AGM.

## 3. Resolution 1 – Approval of the Remuneration Report

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### 3.1 Background

The Annual Report for the year ended 30 June 2016 contains a Remuneration Report that sets out the details of the remuneration of all Directors and Executives during the financial year. In addition, it describes the Board's remuneration policy.

The Chairman of the meeting will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the Remuneration Report at the meeting. In addition, shareholders will be asked to vote on the Remuneration Report.

The Board submits the Remuneration Report to Shareholders for their consideration and adoption by way of a non-binding resolution as required by the Corporations Act.

The resolution is advisory only and does not bind the Company or its Directors. The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report when reviewing the Company's Remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director and CEO) must go up for re-election.

### 3.2 Voting Restrictions

The Company will disregard any votes cast on Resolution 1 by a member of the Key Management or a Closely Related Party of such a member. However, these persons may cast a vote on Resolution 1 if:

- (a) the person does so as a proxy;
- (b) the vote is not cast on behalf of a member of the Key Management or a Closely Related Party of such a member; and  
either
  - (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution: or

# Explanatory Memorandum

- (ii) the proxy 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.

Any undirected proxies held by the Chairman will be voted in favour of Resolution 1.

The Company encourages all Shareholders to cast their vote in relation to Resolution 1.

## 4. Resolutions 2 and 3 – Re-election of Warren Hallam and Simon Heggen as a Director

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### 4.1 Background

In accordance with ASX Listing Rule 14.4 and Rule 3.6 of the Company's Constitution, at every Annual General Meeting, one third of the Directors (other than the Managing Director or any alternate Director) for the time being, or if their number is not a multiple of three, then such number as is appropriate to ensure that no Director holds office for more than three years, must retire from office and are eligible for re-election. The Directors to retire are to be those who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time and unless mutually agreed, by lot.

### 4.2 Re-election of Warren Hallam

Mr Hallam retires from office in accordance with this requirement and submits himself for re-election.

Mr Hallam is a Metallurgist (B. App Sci (Metallurgy)) and a Mineral Economist (MSc (Min. Econ)) and holds a Graduate Diploma in finance. He has considerable technical and commercial experience within the resources industry. He was appointed as a director of Aziana Limited on 30 May 2011 and resigned 11 April 2014.

Mr Hallam has been a director of the Company since 1 March 2005.

### 4.3 Re-election of Simon Heggen

Mr Heggen retires from office in accordance with this requirement and submits himself for re-election.

The Board appointed Mr Heggen on 25 October 2012.

Mr Heggen holds Bachelor of Economics and Bachelor of Laws Degrees from the Australian National University and has around 30 years proven experience in strategic planning, corporate development, M&A and corporate finance within the Resources sector. Mr Heggen is Chairman of the Company's Audit Committee and also serves on the Remuneration & Nomination Committee.

During the past three years he has served as a director of the following public listed company:

- RNI NL (Appointed 31 October 2015).

### 4.4 Directors' recommendation

The Directors (other than Mr Hallam and Mr Heggen in the case of the Resolution applicable to their own re-election) recommend that shareholders vote in favour of Resolutions 2 and 3.

# Explanatory Memorandum

## 5. Resolution 4 – Ratification of Issue of Placement Shares

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### 5.1 Background

On 4 August 2016 the Company announced that it had completed an institutional placement to raise approximately A\$100.6 million (**Placement**) by the issue of 68,000,000 fully paid ordinary shares at an issue price of \$1.48 per share (**Placement Shares**).

The issue of Placement Shares represented approximately 12.9% of the fully diluted shares the Company had on issue at the time of the announcement.

The Placement Shares have been issued to the Placement Recipients under the Company's existing 15% placement capacity prior to the date of the Meeting and as such, are not subject to Shareholder's prior approval under Listing Rule 7.1. Resolution 4 seeks Shareholder approval under Listing Rule 7.4 to ratify the issue of the Placement Shares. Shareholder ratification will enable the Company to issue Shares in the next 12 months under its 15% placement capacity without the need to seek prior shareholder approval.

### 5.2 ASX Listing Rules 7.1 and 7.4

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

Ratification by the Shareholders of the Company is now sought pursuant to Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without Shareholder approval.

The effect of this Resolution 4 is that the Company, for the purposes of Listing Rule 7.1 will be able to refresh its 15% placement capacity with effect from the date of the Annual General Meeting.

### 5.3 Technical Information required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to Shareholders in relation to the Shares the subject of Resolution 4:

- (a) the total number of Shares which have been issued, by the Company on or about 9 August 2016 is 68,000,000;
- (b) the issue price of each Share is \$1.48;
- (c) the Placement Shares have been issued on the same terms as, and will rank equally with, all fully paid ordinary shares in the Company on issue;
- (d) the Placement Shares have been allotted to the Placement Recipients, being sophisticated and professional investors;
- (e) no Placement Recipient is a related party of the Company;
- (f) the net funds raised from the issue of the Placement Shares will be utilised by the Company to provide funding for development of several of the Company's projects in both the gold and base metals divisions and to provide additional working capital; and
- (g) a voting exclusion statement is included in the Notice of Meeting.

### 5.4 Directors Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 4.

# Explanatory Memorandum

## 6. Resolution 5 - Approval of Employee Share Option Plan

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### 6.1 Introduction

The Company proposes to adopt an employee share and option plan (**ESOP**) pursuant to which issued capital of the Company may be made available to directors, senior management and staff as a form of longer term equity incentive.

If Resolution 5 is passed, the ESOP will enable the Company to issue options to employees and officers of the Company (**Employee Options**) and to issue Shares to those employees and officers if they choose to exercise their Employee Options. In the case of a director, no Employee Options may be issued to the director without express shareholder approval of the numbers and terms of the Employee Options.

### 6.2 ASX Listing Rule 7.1

Listing Rule 7.1 is summarised above in section 5.2.

An exception to Listing Rule 7.1 is set out in Listing Rule 7.2 (Exception 9) which provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the three years before the date of issue, shareholders have approved this issue as an exception to Listing Rule 7.1.

Shareholder approval is sought to adopt the ESOP in accordance with Listing Rule 7.2 (Exception 9) and to enable the Company to subsequently grant Employee Options under the plan without having to obtain shareholder approval each time the company wishes to issue securities which exceed the 15% limit contained in Listing Rule 7.1 and do not otherwise fall within one of the nominated Listing Rule exemptions.

The maximum number of Employee Options that can be issued under the ESOP (and any other equity incentive plan of the Company) is not to be in excess of 5% of the total number of shares on issue.

### 6.3 Material terms of the ESOP

A summary of the ESOP is set out in Schedule 1 to this Notice of Meeting. A copy of the full terms of the ESOP may be obtained upon request to the Company Secretary.

### 6.4 Specific Information required by Listing Rule 7.2

- (a) The material terms of the ESOP are summarised in Schedule 1;
- (b) This is the first approval sought under Listing Rule 7.2 (Exception 9) with respect to the ESOP;
- (c) No securities have previously been issued under the ESOP. Resolutions 6 and 7 seek approval to issue securities to Mr Peter Cook and Mr Warren Hallam under the ESOP; and
- (d) A voting exclusion statement is included in the Notice of Meeting.

### 6.5 Directors recommendation

The Directors recommend that shareholders vote in favour of this Resolution 5 because it considers the issue of securities under the ESOP will constitute an effective incentive to eligible participants to improve the performance of the Company. Additionally, the Company believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue securities that is afforded to it by Listing Rule 7.1.



# Explanatory Memorandum

## 7. Resolutions 6 and 7 - Issue of Employee Options to Directors – Peter Cook and Warren Hallam

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### 7.1 General

Resolution 6 seeks Shareholder approval in accordance with Listing Rule 10.14 and sections 200B and 200E of the Corporations Act for the grant of 2,000,000 Employee Options to Mr Cook (or his nominees) under the ESOP. Resolution 7 seeks Shareholder approval in accordance with Listing Rule 10.14 and sections 200B and 200E of the Corporations Act for the grant of 2,000,000 Employee Options to Mr Hallam (or his nominees) under the ESOP.

The Board considers that this grant of Employee Options to the Company's two executive directors, Mr Cook and Mr Hallam, would be a cost effective and efficient reward and incentivise Mr Cook's and Mr Hallam's continued performance.

In determining the remuneration package for Mr Cook and Mr Hallam, including the proposed issue of Employee Options under the ESOP, the Board considered the role, the business challenges facing the Company and market practice for the remuneration of officers in positions of similar responsibility.

If Mr Cook or Mr Hallam ceases employment as a result of an Uncontrollable Event (refer Schedule 1 summary attached, meaning employment ceases by reason of death, serious injury, disability or illness, forced early retirement, retrenchment, redundancy or such other circumstances which the board determines is an uncontrollable event), the Board has discretion to allow the early vesting of Employee Options which remain at that time subject to any vesting conditions or hurdles. The Board also has this discretion if Mr Cook or Mr Hallam ceases employment as a result of a Controllable Event (refer Schedule 1 summary attached, being events other than Uncontrollable Events).

Refer to Schedule 1 for a summary of the key terms the ESOP and to, the extent applicable, a summary of the terms and conditions of the Employee Options.

The Chairman intends to exercise all available proxies in favour of Resolutions 6 and 7. If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though Resolutions 6 and 7 are connected directly or indirectly with the remuneration of a Director.

The issue of Employee Options to Mr Cook under Resolution 6, is subject to the outcome of the Demerger Resolution contained in the Company's Notice of Extraordinary General Meeting (**EGM**). If the EGM is held prior to the Company's AGM and the Demerger Resolution is passed, Resolution 6 will be removed and not put to shareholders. If the EGM is held after the Company's AGM, the Employee Options will not be issued until shareholders have voted on the Demerger Resolution (unless withdrawn). The Employee Options will only be issued to Mr Cook if the Demerger Resolution is not approved. If the Demerger Resolution is approved, the Employee Options to Mr Hallam the subject of Resolution 7 will be issued after the Demerger has been implemented. Resolutions 6 and 7 are also subject to the outcome of Resolution 5 and will not be put to Shareholders if Resolution 5 is not passed.

### 7.2 Corporations Act

Under Section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by shareholders or an exemption applies. Section 200B of the Corporations Act applies to managerial or executive officers of the Company or any of its subsidiaries, which includes Mr Cook and Mr Hallam. The term benefit has a wide operation and includes the early vesting of the Employee Options under the rules of the ESOP. This approval is sought in case any vesting occurs in connection with any future retirement of Mr Cook or Mr Hallam from office. Neither Mr Cook nor Mr Hallam has expressed any intention to retire from office in the foreseeable future (other than in the case of Mr Cook to accept a role as the managing director of Westgold Resources Limited in the event that the Demerger Resolution is passed, in which case Mr Cook will not receive the Employee Options in Metals X the subject of Resolution 6).

# Explanatory Memorandum

It is proposed, therefore, that Resolutions 6 and 7 will also approve, under section 200E of the Corporations Act, any 'termination benefit' that may be provided to Mr Cook and Mr Hallam under the ESOP in relation to the Employee Options to be granted to them, in addition to any other termination benefits that may be provided to Mr Cook and Mr Hallam as otherwise permitted under the Corporations Act. The termination benefit that may be given under the ESOP is the early vesting of the Employee Options if Mr Cook and Mr Hallam cease employment with the Company due to death, serious injury, disability or illness, forced early retirement, retrenchment, redundancy or such other circumstances with the approval of the Board. The value of the 'benefit' cannot yet be determined as it will be dependent on the number of Employee Options that are subject to any early vest and the Company's share price at that time.

Pursuant to Chapter 2E of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

Section 211 of the Corporations Act provides an exception for a benefit that comprises remuneration to an officer of a public company where such remuneration is reasonable in the circumstances of the company and that officer's particular circumstances (i.e. having regard to the responsibilities of or involved in such office). Accordingly, the Company considers that the exception in section 211 of the Corporations Act applies to the proposed issue of Employee Options to both Mr Cook and Mr Hallam.

## 7.3 Listing Rule 10.14

In accordance with Listing Rule 10.14, the Company must not permit a Director and any of his associates to acquire securities under an employee incentive scheme unless it obtains shareholder approval.

Pursuant to Listing Rule 7.2, exception 14, as shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required.

## 7.4 Specific information required by Listing Rule 10.15

Information is provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- (a) Mr Cook and Mr Hallam are related parties of the Company by virtue of being Directors;
- (b) the maximum number of Employee Options to be issued to Mr Cook and Mr Hallam is 2,000,000 and 2,000,000 respectively; the Employee Options will be granted for nil cash consideration, accordingly no funds will be raised on issue;
- (c) the Employee Options exercise price will be 125% of the volume weighted average price of the Company's fully paid ordinary shares on ASX over the 20 trading days immediately preceding the day on which the Board resolves to offer the Employee Options<sup>1</sup>;
- (d) as the ESOP is proposed to be adopted for the first time, pursuant to Resolution 5, no securities have been issued under the ESOP to date;

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<sup>1</sup> If the Demerger Resolution is approved, Mr Hallam will be offered his Employee Options at least 20 trading days after the Demerger becomes effective.

## Explanatory Memorandum

- (e) the persons referred to in Listing Rule 10.14 who are entitled to participate in the plan are all Directors, being, as at the date of the Notice, Messrs Peter Cook, Warren Hallam, Peter Newton, Simon Heggen and Xie Penggen;
- (f) a voting exclusion statement is included in the Notice;
- (g) no loans are being provided in respect of the issue of the Employee Options to Mr Cook and Mr Hallam;
- (h) the Company will grant the Employee Options to Mr Cook and Mr Hallam no later than 12 months after the date of the Meeting or such longer period of time as ASX allows;
- (i) the terms and conditions of the Employee Options are set out in Schedule 1, save that the exercise price is as per clause 7.4(c) above, the Employee Options will vest and become exercisable one year after the issue date and all Employee Options will expire if unexercised on 30 November 2019.
- (j) Mr Cook currently has 19,078,943 Metals X Share (fully diluted, which includes 709,092 performance rights issued under the Company's Long Term Incentive Performance Rights Plan) and Mr Hallam currently has 2,121,209 Metals X Share (fully diluted, which includes 507,867 performance rights issued under the Company's Long Term Incentive Performance Rights Plan);
- (k) if the Employee Options which are proposed to be issued pursuant to Resolutions 6 and 7 are exercised, a total of 4,000,000 Shares would be issued. This will increase the number of Shares on issue (on a fully diluted basis) from 609,340,903 to 613,340,903 (assuming no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.66%;
- (l) the market price for Shares during the term of the Employee Options would normally determine whether or not the Employee Options are exercised. If, at any time any of the Employee Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Employee Options, there may be a perceived cost to the Company;
- (m) under the accounting standard AASB 2 share based payments, the Company will recognise an expense in the income statement based on the fair value of the Employee Options over the period from the date of issue to the vesting date. The total of the fair value of the Employee Options issued is \$1,710,205 at the date of the Notice (refer to section 7.5 for valuation details);
- (n) the remuneration from the Company to Mr Cook and Mr Hallam based on the Remuneration Report disclosed in the 2016 Annual Report when added to the fair value of the Employee Options is as follows:

| Name          | Salary and Fees    | Superannuation  | Non-Monetary Benefits | Long Service Leave | Share Based Payments | Value of Employee Options to be issued | Total Remuneration |
|---------------|--------------------|-----------------|-----------------------|--------------------|----------------------|--|--------------------|
| Peter Cook    | \$599,803          | \$2,994         | \$5,536               | \$29,939           | \$124,842            | \$855,103                              | <b>\$1,618,217</b> |
| Warren Hallam | \$468,701          | \$34,999        | \$6,265               | \$14,990           | \$88,772             | \$855,103                              | <b>\$1,468,830</b> |
| <b>Total</b>  | <b>\$1,068,504</b> | <b>\$37,993</b> | <b>\$11,801</b>       | <b>\$44,929</b>    | <b>\$213,614</b>     | <b>\$1,710,205</b>                     | <b>\$3,087,046</b> |

- (o) the trading history of the Shares on ASX in the 12 months before the date of this Notice is as follows: at the time of preparing this Notice of Annual General Meeting, the closing price of the Company's shares on the ASX was \$1.355. The price of the Company's shares quoted on the ASX over the past 12 months has ranged from a high of \$1.930 on 4 August 2016 to a low of \$0.855 on 3 December 2015;
- (p) the primary purpose of the grant of the Employee Options to Mr Cook and to Mr Hallam is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of Mr Cook and Mr Hallam as Directors;

# Explanatory Memorandum

- (q) Mr Cook declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution 6 on the basis that Mr Cook is to be granted Employee Options in the Company should Resolution 6 be passed (subject to commentary above in section 7.1). Mr Hallam declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution 7 on the basis that Mr Hallam is to be granted Employee Options in the Company should Resolution 7 be passed.

## 7.5 Valuation of Options

In determining the value of the Employee Options for illustrative purposes in this Explanatory Memorandum, the Company has made the following assumptions:

- (a) a share price of \$1.43 is used, based on 125% of the weighted average closing sale price of the Company's fully paid ordinary shares on ASX over the 20 trading days up to 29 September 2016.
- (b) the exercise price of the option is \$1.79, being 125% of the assumed share price of \$1.43.
- (c) price volatility of the Company's Shares is approximately 53% which is based on the Company's share trading on the ASX over the past 12 months.
- (d) the average current risk free rate is 1.58% (based on the 3 year RBA bond rate).
- (e) all options will be exercisable one year after grant date. and
- (f) all options will expire if unexercised on 30 November 2019.

Based on these assumptions and using the Black and Scholes option valuation model, the Company estimates that the options to be issued to Mr Cook and Mr Hallam are valued at approximately \$0.428 each.

On that basis, the implied value of the options proposed to be issued to each Director (or his nominee) is as follows:

| Name          | Value \$  |
|---------------|-----------|
| Peter Cook    | \$855,103 |
| Warren Hallam | \$855,103 |

## 8. Interpretation

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

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange;

**Board** means the board of directors of the Company;

**Closely Related Party** (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or the member's spouse;
- (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;
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this definition;

**Company** means Metals X Limited;

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

# Explanatory Memorandum

**Corporations Act** means the *Corporations Act 2001* (Cth) as amended, varied or replaced from time to time;

**Demerger Resolution** means the resolution contained in the Company's notice of EGM relating to the proposed demerger of gold assets by Metals X Limited through an in specie distribution of shares in a subsidiary to Metals X shareholders by way of an equal capital reduction;

**Director** means a director of the Company;

**EGM** means the extraordinary general meeting of the Company to be held in or about late November 2016 to consider the Demerger Resolution;

**Employee Options** means 4,000,000 options to be issued to Mr Cook and Mr Hallam under the ESOP, the subject of Resolutions 6 and 7.

**ESOP** means the employee share option plan the subject of Resolution 5.

**Explanatory Memorandum** means this explanatory memorandum accompanying the Notice of Meeting;

**Key Management Personnel** has the definition given in the accounting standards 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 Rule** means the official listing rules of the ASX as amended from time to time;

**Meeting** or **Annual General Meeting** means the annual general meeting to be held on Thursday, 24 November 2016;

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

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

**Placement** has the meaning given in section 5.1;

**Placement Recipients** means those persons who received Placement Shares pursuant to the Placement;

**Placement Shares** has the meaning given in section 5.1;

**Resolution** means a resolution proposed at the Meeting;

**Share** means an ordinary fully paid share in the issued capital of the Company;

**Shareholder** means a holder of Shares in the Company.

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Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Fiona Van Maanen (**Company Secretary**):

Level 3, 18 - 32 Parliament Place  
West Perth WA 6005

(08) 9220 5700

# Schedule

## Schedule 1 – Summary of Material Terms of Metals X’s Employee Share Option Plan

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The key terms of the ESOP are summarised below:

- (a) The ESOP is to extend to eligible persons or eligible associate (as the case may be) of Metals X or an associated body corporate of Metals X as the board of Metals X may in its discretion determine.
- (b) The total number of securities which may be offered by Metals X under the ESOP shall not at any time exceed 5% of Metals X’s total issued shares when aggregated with the number of securities issued or that may be issued as a result of offers made at any time during the previous 3 year period under:
  - (1) an employee incentive scheme covered by ASIC CO 14/1000; or
  - (2) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
- (c) The shares are to be issued at a price determined by the Metals X board.
- (d) The options are to be issued for no consideration and may be issued subject to such Performance Hurdle (if any) as determined by the Metals X board at its sole discretion.
- (e) The exercise price of an option is to be determined by the Metals X board at its sole discretion.
- (f) The option commencement 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 Metals X board prior to the issuance of the relevant options.
- (g) The option period commences on the option commencement date and ends on the earlier of:
  - (1) the expiration of such period nominated by the Metals X board at its sole discretion at the time of the grant of the option but being not less than two years;
  - (2) if an eligible person’s employment or engagement with Metals X or an associated body corporate ceases because of an Uncontrollable Event, the earlier of:
    - (A) the expiry of the option period; or
    - (B) six months (or such other period as the Metals X board shall, in its absolute discretion, determine) from the date on which the eligible person ceased that employment or engagement;
  - (3) if an eligible person’s employment or engagement with Metals X or an associated body corporate ceases because of a Controllable Event:
    - (A) the expiry of the option period; or
    - (B) three months (or such other period as the Metals X board shall, in its absolute discretion, determine) from the date on which the eligible person ceased that employment or engagement; or
  - (4) the Metals X board determining in its absolute discretion that the eligible person ceasing to be employed or engaged by Metals X or an associated body corporate of Metals X due to fraud, dishonesty or being in material breach of their obligations to Metals X or an associated body corporate.
- (h) If an eligible person’s employment or engagement with the Company ceases because of an Uncontrollable Event the Metals X Board in its absolute discretion may determine to reduce, vary or waive any Performance Hurdle that has not been satisfied as at the date of the Uncontrollable Event so that the options subject to the Performance Hurdle may be exercised and, unless so determined by the Metals X Board in its absolute discretion. if an eligible person’s employment or engagement with the Company ceases because of a Controllable Event, options the subject of any unsatisfied Performance Hurdle shall lapse as at the date of the Controllable Event.
- (i) Eligibility to participate is determined by the Metals X board. Eligibility is restricted to eligible persons (or their eligible associates where applicable) of Metals X or an associated body corporate of Metals X. The Metals X board is entitled to determine:
  - (1) subject to paragraph (b) above, the total number of shares and options to be offered in any one year to eligible persons or eligible associates;

# Schedule

- (2) the eligible persons to whom offers will be made; and
  - (3) the terms and conditions of any shares and options granted, subject to the ESOP.
- (j) In respect of options, option holders do not participate in dividends or in bonus issues unless the options are exercised.
  - (k) Option holders do not have any right to participate in new issues of securities in Metals X made to shareholders generally. Metals X 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 ASX Listing Rules.
  - (l) In the event of a pro rata issue (except a bonus issue) made by Metals X during the term of the options Metals X may adjust the exercise price for the options in accordance with the formula in the terms of the ESOP.
  - (m) The Metals X board has the right to vary the entitlements of participants to take account of the effect of capital reorganisations, bonus issues or rights issues.
  - (n) The terms of the options shall only be changed if holders (whose votes are not to be disregarded) of shares in Metals X 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, unless so permitted by ASX.
  - (o) The Metals X board may impose as a condition of any offer of shares and options under the ESOP any restrictions on the transfer or encumbrance of such shares and options as it determines.
  - (p) The Metals X board may vary the ESOP.
  - (q) The ESOP is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of an eligible person under the terms of his or her employment or arrangement.
  - (r) 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:
    - (1) the current market price of the shares; and
    - (2) the acquisition price of the shares or options offered where this is calculated by reference to a formula, as at the date of the offer,to any participant within 3 Business Days of a written request to Metals X from that participant to do so.
  - (s) Any offer made pursuant to this ESOP will specify whether subdivision 83A-C of the applicable Tax Laws applies to that offer such that any tax payable by a participant under the offer will be deferred to the applicable deferred taxing point described in that subdivision.

In this ESOP:

**Controllable Event** means cessation of employment or engagement other than by an Uncontrollable Event.

**Performance Hurdle** means criterion, condition or other requirement that must be satisfied.

**Uncontrollable Event** means:

- (a) death, serious injury, disability or illness which renders the Eligible Person incapable of continuing their employment or engagement (or providing the services the subject of the engagement) with the Company or Associated Body Corporate;
- (b) forced early retirement, retrenchment or redundancy; or
- (c) such other circumstances which results in an Eligible Person leaving the employment of or ceasing their engagement with the Company or Associated Body Corporate and which the Board determines is an Uncontrollable Event.

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# METALS X LIMITED

ACN: 110 150 055

REGISTERED OFFICE:  
LEVEL 3  
18-32 PARLIAMENT PLACE  
WEST PERTH WA 6872

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«EFT\_REFERENCE\_NUMBER»

«Company\_code» «Sequence\_number»

«Holder\_name»  
«Address\_line\_1»  
«Address\_line\_2»  
«Address\_line\_3»  
«Address\_line\_4»  
«Address\_line\_5»

SHARE REGISTRY:  
Security Transfer Australia Pty Ltd  
**All Correspondence to:**  
PO BOX A2020  
South Sydney NSW 1235  
Suite 511, The Trust Building  
155 King Street  
Sydney NSW 2000 AUSTRALIA  
T: +61 3 9628 2200 F: +61 8 9315 2233  
E: registrar@securitytransfer.com.au  
W: www.securitytransfer.com.au

Code:

Holder Number:

## PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

|                    |   |                                       |
|--------------------|---|---------------------------------------|
| <b>VOTE ONLINE</b> | Lodge your proxy vote securely at <a href="http://www.securitytransfer.com.au">www.securitytransfer.com.au</a>  | <input type="text" value="«ONLINE»"/> |
|                    | 1. Log into the Investor Centre using your holding details.<br>2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area. |                                       |

### SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson **OR**

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 11:00am WST on Thursday 24 November 2016 at QV1 Conference Centre (Function Room), Level 2, 250 St Georges Terrace, Perth WA 6000 and at any adjournment of that meeting.

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

| RESOLUTION  | For                      | Against                  | Abstain*                 |
|---|--------------------------|--------------------------|--------------------------|
| 1. Remuneration Report  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Re-election of Warren Hallam as director                         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Re-election of Simon Heggen as director                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Ratification of the Issue of Shares under the Placement          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Approval of Employee Share and Option Plan                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Approval for Issue of Securities to Peter Cook under the ESOP    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Approval for Issue of Securities to Warren Hallam under the ESOP | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. \* 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.

### SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

|  |                      |                            |
|--|----------------------|----------------------------|
| Individual or Security Holder          | Security Holder 2    | Security Holder 3          |
| <input type="text"/>                   | <input type="text"/> | <input type="text"/>       |
| Sole Director & Sole Company Secretary | Director             | Director/Company Secretary |

Proxies must be received by Security Transfer Australia Pty Ltd no later than 11:00am WST on Tuesday 22 November 2016.



My/Our contact details in case of enquiries are:

Name:

Number:

(  )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

### 4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) 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 contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities 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 of your votes; and
- b) Return both forms in the same envelope.

### 5. SIGNING INSTRUCTIONS

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

**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney you must have already lodged this document with the Company's share 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 may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

### 6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

#### Security Transfer Australia Pty Ltd

**Online** [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

**Postal Address** PO BOX A2020  
South Sydney NSW 1235

**Street Address** Suite 511, The Trust Building  
155 King Street  
Sydney NSW 2000 AUSTRALIA

**Telephone** +61 3 9628 2200

**Facsimile** +61 8 9315 2233

**Email** [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

