



**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY STATEMENT
AND PROXY FORM**

**ANNUAL GENERAL MEETING OF MHM METALS LIMITED
TO BE HELD AT THE SALAMANCA INN
12 GLADSTONE STRET, HOBART, TASMANIA
TUESDAY, 29 NOVEMBER 2011
COMMENCING AT 10.00 AM**

MHM METALS LIMITED
ABN 41 124 212 175
Level 1, 20 Kings Park Road West Perth WA 6005
Phone: 03 6229 9955 Fax: 03 6229 8430 email: info@mhmmetals.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of MHM Metals Limited will be held at the Salamanca Inn, 12 Gladstone Street, Hobart, Tasmania on Tuesday, 29 November 2011 at 10.00 am

The Explanatory Memorandum which accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered and contains a glossary of defined terms for terms that are not defined in full in this Notice of Meeting.

AGENDA

ORDINARY BUSINESS

1. Financial Reports

To receive and consider the Financial Statements of the Company for the year ended 30 June 2011 and the Report of the Directors and Auditors.

2. Resolution 1 – Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution as a non-binding resolution:

'That, for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes, the Remuneration Report contained in the 2011 Annual Report which accompanies this Notice be adopted by shareholders'

Note: In accordance with section 250R(3) of the Corporations Act 2011, this resolution is advisory only and does not bind the Directors of the Company.

Voting Prohibition Statement

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

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

However, a person described above may vote on this Resolution if:

- (a) The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) The vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

3. Resolution 2 – Re-election of Mr. Simon Wells as a Director

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

“That Mr Simon Wells, having been appointed by the Board since the last annual general meeting, who retires in accordance with the Constitution of the Company and, being eligible, offers himself for election, be re-elected as a Director.”

4. Resolution 3 – Re-election of Dr. Neil Allen as a Director

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

“That Dr. Neil Allen, who retires in accordance with Article 15.4 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

5. Resolution 4 – Grant of Options to Directors – Mr Frank Rogers

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

“That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 250,000 Options to Mr Frank Rogers (each to subscribe for one fully paid ordinary Share in the capital of the Company) at an exercise price 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted on the terms and conditions set out in the Explanatory Memorandum”.

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by a 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.
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6. Resolution 5 – Grant of Options to Directors – Mr Benjamin Mead

“That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 250,000 Options to Mr Benjamin Mead (each to subscribe for one fully paid ordinary Share in the capital of the Company) at an exercise price 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted on the terms and conditions set out in the Explanatory Memorandum”.

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by a 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.
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7. Resolution 6 – Grant of Options to Directors – Mr Simon Wells

“That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 250,000 Options to Mr Simon Wells (each to subscribe for one fully paid ordinary Share in the capital of the Company) at an exercise price 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted on the terms and conditions set out in the Explanatory Memorandum”.

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by a 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.

8. Resolution 7 – Grant of Options to Directors – Mr Basil Conti

“That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 200,000 Options to Mr Basil Conti (each to subscribe for one fully paid ordinary Share in the capital of the Company) at an exercise price 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted on the terms and conditions set out in the Explanatory Memorandum”.

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by a 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.

9. Resolution 8 – Grant of Options to Directors – Dr Neil Allen

“That, for the purposes of subsection 208(1) of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve and authorise the grant of up to 200,000 Options to Dr Neil Allen (each to subscribe for one fully paid ordinary Share in the capital of the Company) at an exercise price 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted on the terms and conditions set out in the Explanatory Memorandum”.

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However, the Company need not disregard a vote if it is cast by a director as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or it is cast by a 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.

10. General Business

To transact any other business as may be brought before the meeting in accordance with the Constitution of the Company, the Corporations Act 2001, or otherwise.

BY ORDER OF THE BOARD



Richard Rybak
Company Secretary
DATED: 31/10/2011

MHM METALS LIMITED
ABN 41 124 212 175
Level 1, 20 Kings Park Road West Perth WA 6005
Phone: 03 6229 9955 Fax: 03 6229 8430 email: info@mhmmetals.com

EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. Financial Reports

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011, together with the declaration of the directors, the director's report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at: www.mhmmetals.com

2. Resolution 1 – Adoption of Remuneration Report

General

The Corporations Act requires that at a listed company's annual general meeting the Directors put a resolution to shareholders that the remuneration report is adopted.

The Remuneration Report is set out in the Company's Annual Report which:

- Outlines the Board's policy for determining the nature and amount of remuneration of Directors, the company secretary and other managers of the Company; and
- Discusses the relationship between the Board's remuneration policy and the Company's performance; and
- Details and explains any performance condition applicable to the remuneration of a Director, secretary or senior manager; and
- Details the remuneration (including options) of each Director and senior Executive of the Company for the year; and
- Summarises the terms of any contract under which any Director or the company secretary is engaged, including the period of notice required to terminate the contract and any termination payments provided for under the contract.

The vote on the resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25 % of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of the Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Director's report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

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

Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

Definitions

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) A spouse or child of the member;
- (b) A child of the member's spouse;
- (c) A dependent 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 dealing with the entity;

- (e) A company the member controls; or
- (f) A person prescribed by the *Corporations Regulations 2001* (Cth)

Remuneration Report means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 30 June 2011.

3. Resolution 2 – Re-election of Mr. Simon Wells as a Director

Mr. Simon Wells, having been appointed by the Board since the last annual general meeting, retires in accordance with the Constitution of the Company and, being eligible, offers himself for election.

4. Resolution 3 – Re-election of Dr. Neil Allen as a Director

In accordance with clause 15.4 of the Constitution, at every annual general meeting, one third of the Directors must retire from office and are eligible for re-election. In accordance with clause 15.7, the managing director is not taken into account in determining the retirement by rotation of Directors. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment, or 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, by agreement.

Accordingly, Dr. Neil Allen retires and offers himself for re-election as a Director.

5. Resolutions 4, 5, 6, 7 and 8 – Grant of Options to Mr Frank Rogers, Mr Benjamin Mead, Mr Simon Wells, Mr Basil Conti and Dr Neil Allen

5.1 Details of proposed grants

The Company proposes to grant Options to each of the five directors of the Company, Mr Frank Rogers, Mr Benjamin Mead, Mr Simon Wells, Mr Basil Conti and Dr Neil Allen in accordance with the terms of the Company's Employee Share Option Plan ("Plan". The terms of the Plan were summarised in the Company's prospectus dated 5 October 2007 and the full terms were disclosed to the market on 12 December 2007. A summary of the terms of the Plan is set out in Annexure A.

The proposed grant of Options to the Directors is intended to:

- (a) Provide an appropriate and adequate incentive to the Directors;
- (b) Ensure that the Company may retain the services of the Directors; and
- (c) Reinforce the commitment of the Directors to the Company.

The Options to be issued are in addition to the fee and remuneration package payable to the Directors by the Company.

The Board acknowledges the grant of Options to the Directors that are non-executive Directors is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and

Recommendations. However, the Board considers that the grant of Options to those Directors reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves.

The Directors will only benefit from a grant of Options under the Plan when there is an improvement in the Company's share price following the date on which they were granted Options.

Resolutions 4, 5, 6, 7 and 8 seek shareholder approval for grant of Options to Directors as follows:

Name of Directors	Number of Options to be Granted
Mr Frank Rogers	250,000
Mr Benjamin Mead	250,000
Mr Simon Wells	250,000
Mr Basil Conti	200,000
Dr Neil Allen	200,000

The number of Options to be granted to the Directors reflects the level of commitment provided or to be provided by each Director to the Company, taking into account the responsibilities of each Director and the time commitments required from each Director. The number of Options proposed to be granted to the Directors also reflects the value the Board feels that each Director brings to the enhancement of the Company.

The exercise price of the Options under the Plan will be 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted. The Options will be exercisable on or before 29 November 2016 and will otherwise be issued on the terms set out in Annexure B.

5.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions of the provisions; or
- (b) Prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each Director is a related party and the issue or grant of Options to the Directors constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Options to the Directors:

- (a) The Directors are each related parties of the Company to whom proposed Resolutions 4, 5, 6, 7 and 8 would permit the financial benefit to be given;
- (b) The nature of the financial benefit to be given to Mr Rogers is the grant of 250,000 Options;
- (c) The nature of the financial benefit to be given to Mr Mead is the grant of 250,000 Options
- (d) The nature of the financial benefit to be given to Mr Well is the grant of 250,000 Options
- (e) The nature of the financial benefit to be given to Mr Conti is the grant of 200,000 Options
- (f) The nature of the financial benefit to be given to Dr Allen is the grant of 200,000 Options
- (g) The Options will be granted under the Plan, the terms of which are summarised in Annexure A;
- (h) The Options will be granted for no cash consideration;
- (i) As at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Shares	102,334,203
Options	32,890,192

If Shareholders approve all resolutions in this Notice and all Shares and Options are issued as contemplated by this Notice, the issued capital of the Company would be as follows:

Capital	Number
Shares	102,334,203
Options	34,040,192

If Shareholders approve the grant of 1,150,000 Options in total to the Directors and all of those Options are exercised, the effect will be to dilute the shareholding of existing members by

approximately 0.84% based on the number of shares in the Company as at the date of this Notice and assuming all existing Options are exercised.

- (j) As at the date of this Notice, the Directors holding the following securities in the Company representing 19.55% of the issued capital on a fully diluted basis:

Director	Number of Shares Directly Held	Number of Shares indirectly held	Number of Options held directly or indirectly
Mr Frank Rogers	270,000	10,631,256	8,512,503
Mr Benjamin Mead	40,001	1,900,000	3,020,001
Mr Simon Wells	-	-	250,000
Mr Basil Conti	-	456,250	682,500
Dr Neil Allen	425,001	-	250,000

If Shareholders approve all Resolutions contained in this Notice, all Shares are issued and all Options are granted as contemplated by this Notice, the Directors will hold the following securities in the Company, representing a 5 of the issued capital of the Company on a fully diluted basis:

Director	Number of Shares Directly Held	Number of Shares indirectly held	Number of Options held directly or indirectly
Mr Frank Rogers	270,000	10,631,256	8,762,503
Mr Benjamin Mead	40,001	1,900,000	3,270,001
Mr Simon Wells	-	-	500,000
Mr Basil Conti	-	456,250	882,500
Dr Neil Allen	425,001	-	450,000

- (k) Details of the Director's remuneration for the financial year ended 30 June 2011 are as follows:

Director	Cash salary and fees (\$)	Superannuation (\$)	Share and Options based payments (\$)	Total (\$)
Mr Frank Rogers	500,000	27,000	69,307	596,307
Mr Benjamin Mead	400,000	18,000	69,307	487,307
Mr Simon Wells*	38,750	3,488	37,957	80,195
Mr Basil Conti	33,838	26,160	23,102	83,100
Dr Neil Allen	27,523	2,477	23,102	53,102

* Mr Wells was appointed as a Director on the 31st March 2011.

In addition, the following amounts were paid to companies associated with the Directors in the 15 months before the date of this Notice of meeting:

- i) During the period the Group paid \$116,328 to Harden East & Conti Pty Ltd for business and taxation services. Harden East & Conti Pty Ltd is a company associated with Mr Conti.
 - ii) During the period the Group paid \$1,549,638 to Project Development Corporation Pty Ltd in respect to the upgrade of the Moolap based processing plant and related expenditure. Project Development Corporation Pty Ltd is a company associated with Mr Rogers.
- (l) The market price for underlying Shares during the term of the Options would normally determine whether or not the Directors would exercise the Options. If, at the time any of the Options are exercised, the price of the underlying Shares is higher than the exercise price of the Options, there may be a perceived cost to the Company;
- (m) During the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$1.50 on the 20th April 2011 and the lowest trading price of the Shares was \$0.525 on the 26th September 2011. The market price of the Company's Shares over the 5 day trading on ASX up to and including has been between a minimum of \$0.625 per Share to a maximum of \$0.775 per share. On the 26th October 2011, the last trading day before this Notice was lodged with ASIC, the Shares closed at a price of \$0.735 per Share.
- (n) The primary purpose of the grant of Options to Directors under the Plan is to provide an incentive and reward to the Directors. Given this purpose, the Board does consider that there is any opportunity cost or benefit foregone to the Company in granting the Options proposed by Resolutions 4, 5, 6, 7 and 8;
- (o) The grant of Options to the Directors is a more cost effective incentive for the Company as opposed to the payment of cash consideration;
- (p) Mr Rogers has a material interest in the outcome of Resolution 4; Mr Mead has a material interest in the outcome of Resolution 5; Mr Wells has a material interest in the outcome of Resolution 6; Mr Conti has a material interest in the outcome of Resolution 7; and Dr Allen has a material interest in the outcome of Resolution 8 as the recipients of the Options proposed to be granted.
- (q) None of the Directors wish to make a recommendation to Shareholders about Resolutions 4, 5, 6, 7 and 8 because each has an interest in the outcome of those Resolutions;
- (r) The Company has no directors other than the Directors;
- (s) A valuation of the Options proposed to be granted to the Directors is set out below;
- (t) Additional information in relation to Resolutions 4, 5, 6, 7 and 8 is set out throughout this Explanatory Memorandum. Shareholders should therefore read the Explanatory Memorandum in its entirety before making a decision on how to vote on Resolutions 4, 5, 6, 7 and 8;

- (u) The Company will incur no liabilities or costs in respect of the proposed grant of the Options to Directors other than:
- (I) The fees payable to ASX for quotation of the Shares that may be issued upon exercise of the Options to be granted to the Directors. At the rates applying at the date of this Notice, these fees would be approximately \$1,500.00 plus GST per exercise. However, these fees will not be payable in relation to Resolutions 4, 5, 6, 7 and 8 until the Options have been exercised;
 - (II) A value equal to the market value of the underlying Shares that could be acquired by exercising the Options as at the day on which the Options are granted, minus the lowest amount that must be paid to exercise the Options to acquire those Shares, will be included as wages for the purposes of the *Pay-roll Tax Act 2002 (WA)*, *Pay-roll Tax Assessment Act 2002 (WA)* and the *Taxation Administration Act 2003 (WA)*. If this value in addition to other wages paid or payable by the Company during a month is in excess of the monthly pay-roll tax threshold, the Company may be required to register for pay-roll tax in the relevant jurisdiction. If this value in addition to other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
- (v) Neither the Board nor the Company is aware of any other information that would be reasonably required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4, 5, 6, 7 and 8 other than as stated in this Explanatory Memorandum.

5.3 Valuation of Options

The value of the Options to be granted to the Directors has been calculated using the Black-Scholes pricing model and based on the following assumptions:

- Share price on date of issue: \$0.735
- Share price volatility: 110%
- Risk free rate of return: 3.92%
- Dividend yield: 0.00%

Based on the assumptions outlined above, if the share price on the date of issue assumption was \$0.735 and the resulting exercise price set at \$1.25 per Option, the Black-Scholes pricing model attributes a theoretical value of \$0.546 per Option. This values the Options to be granted to Mr Rogers, Mr Mead and to Mr Wells at \$136,500 each and the Options to be granted to Mr Conti and Dr Allen at \$109,200 each.

5.4 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolution is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) Director;
- (b) An associate of a Director;
- (c) A person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Each of the Directors is a director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for the Directors to acquire Options under the Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

5.5 Listing Rule Disclosure Requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 4, 5, 6, 7 and 8:

- (a) Mr Rogers, Mr Mead, Mr Wells, Mr Conti and Dr Allen are Directors;
- (b) The maximum number of Options that may be granted to Mr Rogers under Resolution 4 is 250,000, to Mr Mead under Resolution 5 is 250,000, to Mr Wells under Resolution 6 is 250,000, to Mr Conti under Resolution 7 is 200,000 and to Dr Allen under Resolution 8 is 200,000.
- (c) Since the inception of the Plan Options have been granted under the Plan to Directors;
- (d) Directors, full time and part time employees of and consultants to the Company or any of its subsidiaries may participate in the Plan;
- (e) If approved, the Options will be granted on the next business day following the meeting;
- (f) The exercise price of the Options will be 70% above the weighted average trading price of Shares on ASX during the 5 day trading period immediately before the date on which the Options are granted.
- (g) The Options will be granted for no consideration and accordingly, there will be no funds raised pursuant to the grant of the Options. Further funds may be raised on the eventual exercise of the Options, however there is no guarantee that the Options will be exercised at any time. Any funds raised from the exercise of the Options will be used for the purpose of providing working capital to the Company;

- (h) The expiry date of the Options will be 5 years from the date on which the Options are granted;
- (i) The Company will not provide any loans to the Directors for the purposes of enabling them to exercise the Options granted to them under Resolutions 4, 5, 6, 7 and 8
- (j) A summary of the terms of the Plan is set out in Annexure A to this Explanatory Memorandum and a summary of the terms of the Options is set out in Annexure B to this Explanatory Memorandum.

Annexure A

Summary of Employee Share Option Plan

The following is a summary of the terms of the MHM Metals Limited Employee Share Option Plan ("Plan"), a copy of which may be obtained from the Company. In the event of any inconsistency between the terms of the Plan and the summary set out below, the terms of the Plan will prevail.

1. Participants in the Plan

The Board may offer free Options to persons ("Eligible Persons") who are:

- Full time or part time employees of the Company (including a person engaged by the Company under a consultancy agreement); or
- Directors of the Company or any subsidiary of the Company,

Based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such an offer, the Eligible Person may nominate a nominee acceptable to the Board to be issued with Options.

2. Number of Options

The maximum number of Options issued under the Plan at any one time is 5% of the total number of Shares on issue in the Company.

3. Terms of Option

Each Option entitles the holder, on exercise, to one ordinary fully paid share ("Share") in the Company.

There is no issue price for the Options. The exercise price for the Options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five business days prior to the date of issue or such other period as determined by the Board (in its discretion).

Shares issued on exercise of Options will rank equally with other ordinary Shares of the Company.

Options may not be transferred other than to an associate (as defined in the Corporations Act) of the holder. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.

An Option may only be exercised after that Option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period (if any). An Option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares in the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

4. Future Issues of Shares

There are no participating rights or entitlements inherent in the Options and option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 business days after the issue is announced. Option holders shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each option holder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him or her upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the option holder may subscribe pursuant to the exercise of those Options immediately before the record date for determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue will rank pari passu in all respects with the other Shares issued upon exercise of the Options.

5. Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each option holder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of this Listing Rules.

6. Taxation

Under current taxation laws any taxation liability in relation to the Options, or the Shares issued on exercise of the Options will fall on the participants. The Company will not be liable for fringe benefits tax in relation to Options or Shares issued under the Plan.

7. Participation by Directors

Although Directors are eligible to be offered Options under the Plan, this first requires specific Shareholder approval due to the requirements of the Listing Rules and the Corporations Act.

Annexure B

Terms of Options

The Options are issued under the terms of the MHM Metals Limited Employee Option Plan ("Plan"). The full terms of the Options are set out in the Plan, a copy of which may be obtained from the Company. The following is a summary of those terms. In the event of any inconsistency between the terms of the Plan and the summary set out below, the terms of the Plan will prevail.

1. Each Option entitles the holder, on exercise, to one fully paid ordinary share in the Company ("Share").
2. Shares issued on exercise of Options will rank equally with other fully paid ordinary Shares of the company.
3. An Option may only be exercised after that Option has vested, after any conditions associated with the exercise of the Option are satisfied and before its expiry date. The Board may determine the vesting period (if any). On the grant of an Option the Board may in its absolute discretion impose other conditions on the exercise of an Option.
4. An Option will lapse upon the first to occur of its expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.
5. If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's Shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur) then the Board may declare an option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they lapse.
6. Options may not be transferred other than to a nominee of the holder. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.
7. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 business days after the issue is announced.
8. If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each option holder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him or her upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the option holder may subscribe pursuant to the exercise of those Options immediately before

the record date for determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).

9. In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each option holder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

MHM METALS LIMITED
ABN 41 124 212 175
Level 1, 20 Kings Park Road West Perth WA 6005
Phone: 03 6229 9955 Fax: 03 6229 8430 email: info@mhmmetals.com

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting Eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4.00 pm (WST) (7.00 pm Hobart time) on 27 November 2011. Transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Voting in Person

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- Return the proxy form (by post or delivery) to the Company's registrar, Security Transfer Registrars Pty Ltd, at PO Box 535 Applecross WA 6942, or Alexandra House, Suite 1, 770 Canning Highway, Applecross WA 6153
- Send the proxy form by facsimile transmission to the Company on 08 9315 2233 (international: +61 8 9315 2233)

not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual or body corporate named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder or his / her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy may, but need not be, a Shareholder of the Company.

In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

Your Proxy Form is enclosed.

New section 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these

changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- If proxy holders vote, they must cast all directed proxies as directed; and
- Any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie. as directed); and
- If the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- If the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (ie: as directed); and
- If the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie: as directed)

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- An appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- The appointed proxy is not the chair of the meeting; and
- At the meeting, a poll is duly demanded on the resolution; and
- Either of the following applies:
 - a) The proxy is not recorded as attending the meeting;
 - b) The proxy does not vote on the resolution

The Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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Instructions for Completing 'Appointment of Proxy' Form

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

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

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.