



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

**ANNUAL GENERAL MEETING OF MHM METALS LIMITED
TO BE HELD AT THE MANTRA HOTEL
451 LITTLE BOURKE STREET, MELBOURNE
THURSDAY, 29 NOVEMBER 2012
COMMENCING AT 10.30 AM**

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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 Mantra Hotel, 451 Little Bourke Street, Melbourne on Thursday, 29 November 2012 at 10.30 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 2012 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 2012 Annual Report which accompanies this Notice be adopted by shareholders'

Note: In accordance with section 250R(3) of the Corporations Act 2001, 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 Philip Andrew Thick as a Director

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

“That Mr Philip Andrew Thick, 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 Mr Franklyn Roger Brazil as a Director

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

“That Mr Franklyn Roger Brazil, 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.”

5. Resolution 4 – Re-election of Mr Paul James Lappin as a Director

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

“The Mr Paul James Lappin, 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, by re-elected as a Director’.

6. Resolution 5 - Grant of Options to Managing Director – Mr Philip Andrew Thick

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 500,000 Unlisted Options to Mr Philip Andrew Thick (each to subscribe for one fully paid ordinary Share in the capital of the Company) at an exercise price of \$1.00 and an expiration date of 18 July 2017 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. 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



Annabelle Brooks

Company Secretary

DATED: 25 October 2012

MHM METALS LIMITED
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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 two consecutive annual general meetings, 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.

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

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 Philip Andrew Thick as a Director

Mr Philip Andrew Thick, 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 Mr Franklyn Roger Brazil as a Director

Mr Franklyn Roger Brazil, 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.

5. Resolution 4 – Re-election of Mr Paul Lappin as a Director

Mr Paul James Lappin, 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.

6. Resolution 5 – Grant of options to Managing Director

6.1 Details of proposed grant of options to Managing Director

The Company proposes to grant 500,000 unlisted options to the Managing Director of the Company, Philip Andrew Thick, in line with the announcement on Mr Thick's remuneration package made to the market on 19 July 2012.

The proposed grant of unlisted options to the Managing Director is intended to:

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

The options to be issued are in addition to the fee and remuneration package payable to the Managing Director by the Company.

The number of options proposed to be granted to the Managing Director reflects the level of commitment to be provided by the Managing Director to the Company. The number of options

proposed to be granted to the Managing Director also reflects the value the Board feels that the Managing Director brings to the enhancement of the Company.

6.2 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, the Managing Director is a related party and the issue or grant of options to the Managing Director 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 Managing Director:

- a) The Managing Director is a related party of the Company to whom the proposed Resolution 5 would permit the financial benefit to be given;
- b) The nature of the financial benefit to be given to Mr Philip Andrew Thick is the grant of 500,000 unlisted options;
- c) The unlisted options will be granted for no cash consideration;
- d) As at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Shares	130,218,145
Options	6,890,000

If shareholders approve resolution 5 in this Notice and the unlisted options are issued as contemplated by this Notice, the issued capital of the Company would be as follows:

Capital	Number
Shares	130,218,145
Options	7,390,000

If shareholders approve the grant of 500,000 unlisted options to the Managing Director and all of those options are exercised, the effect will be to dilute the shareholding of existing members by approximately 0.36% based on the number of shares in the Company as at the date of this Notice and assuming all options are exercised.

- e) As at the date of this Notice, the Directors hold the following securities in the Company, representing 8.02% 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 Paul Lappin	Nil	Nil	Nil
Mr Franklyn Brazil	Nil	10,811,717	Nil
Mr Philip Thick	180,000	Nil	Nil

If shareholders approve all Resolutions contained in this Notice, all Shares are issued and the options are granted as contemplated by this Notice, the Directors will hold the following securities in the Company, representing 8.35% 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 Paul Lappin	Nil	Nil	Nil
Mr Franklyn Brazil	Nil	10,811,717	Nil
Mr Philip Thick	180,000	Nil	500,000

- f) Details of the Director's remuneration for the financial year ended 30 June 2012 are as follows:

Director	Cash salary and fees (\$)	Superannuation (\$)	Share and Options based payments (\$)	Total (\$)
Mr Paul Lappin*	Nil	Nil	Nil	Nil
Mr Franklyn Basil*	Nil	Nil	Nil	Nil
Mr Phil Thick	1,793	706	Nil	2,499
Mr Basil Conti**	33,838	26,160	89,043	149,041
Mr Frank Rogers**	354,128	27,371	111,304	492,803
Mr Ben Mead**	259,998	15,000	111,304	386,302
Mr Simon Wells**	245,378	16,200	125,471	387,049

*Directors appointed post 30 June 2012

** Directors who have now resigned as Directors of the Company

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 \$63,723 to Harden East & Conti for business and taxation services. Harden East & Conti is a company associated with Mr Conti.
- ii) During the period the Group paid \$889,652 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.
- g) 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.
- h) During the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the shares was \$1.17 on 14/11/2011 and the lowest trading price of the shares was \$0.255 on 11/09/2012. The market price of the Company's shares over the 5 day trading on ASX up to and including 11/09/2012 has been between a minimum of \$0.255 per share to a maximum of \$0.275 per share. On 11/09/2012 the last trading day before this Notice was lodged with ASIC, the shares closed at a price of \$0.26 per share. Shares haven't traded since that date following the Company entering voluntary suspension.
- i) The primary purpose of the grant of options to the Managing Director is to provide an incentive and reward to the Managing Director. Given this purpose, the Board does not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options proposed by Resolution 5.
- j) The grant of options to the Managing Director is a more cost effective incentive for the Company as opposed to the payment of cash consideration;
- k) Mr Thick has a material interest in the outcome of Resolution 5 as the recipient of the options proposed to be granted.
- l) None of the Directors wish to make a recommendation to shareholders about Resolution 5.
- m) The Company has no directors other than the Directors;
- n) A valuation of the options proposed to be granted to the Managing Director is set out below.
- o) Additional information in relation to Resolution 5 is set out in this Explanatory Memorandum. Shareholders should therefore read the Explanatory Memorandum in its entirety before making a decision on how to vote on Resolution 5.

- p) The Company will incur no liabilities or cost in respect of the proposed grant of the options to the Managing Director 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 Managing Director. At the rates applying at the date of this Notice, these fees would be approximately \$1,500 plus GST per exercise. However, these fees will not be payable in relation to Resolution 5 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 *Payroll 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 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.
- q) 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 Resolution 5 other than as stated in this Explanatory Memorandum.

6.3 Valuation of Options

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

- Share price on date of issue: \$0.42
- Share price volatility: 110%
- Risk free rate of return: 2.42%
- Dividend yield: 0%

Based on the assumptions outlined above, if the share price on the date of issue assumption was \$0.42 and the resulting exercise price set at \$1.00 per Option, the Black-Scholes pricing model attributes a theoretical value of \$0.29 per Option. This values the Options to be granted to Mr Philip Andrew Thick at \$145,070.

6.4 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.

The Managing Director is a director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for the Managing Director to acquire Options, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

6.5 Listing Rule Disclosure Requirements

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolutions 5:

- (a) Mr Thick is the Managing Director of the Company;
- (b) The maximum number of Options that may be granted to Mr Thick under Resolution 5 is 500,000;
- (c) If approved, the Options will be granted on the next business day following the meeting;
- (d) The exercise price of the Options will be \$1.00.
- (e) 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;
- (f) The expiry date of the Options will be 5 years from the date on which the Options are granted;
- (g) The Company will not provide any loans to the Managing Director for the purposes of enabling him to exercise the Options granted to him under Resolution 5.

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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 2012. 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.

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