

HAMMER METALS LTD

ACN 095 092 158

NOTICE OF GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

IMPORTANT INFORMATION

*This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.*

*If you wish to discuss any aspect of this document with the Company please contact
Mr Mark Pitts on telephone (+61 8) 9316 9100.*

HAMMER METALS LIMITED
ACN 095 092 158

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of Hammer Metals Limited will be held at 52 Ord Street, West Perth, Western Australia at 9am (WST) on 11 September 2015 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

AGENDA

RESOLUTION 1 – RATIFICATION OF PLACEMENT SHARE ISSUE – LISTING RULE 7.1A

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

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 4,260,000 Shares on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – RATIFICATION OF THE ATTACHING OPTION ISSUE – LISTING RULE 7.1

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

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 2,130,000 Attaching Options on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 3 – RATIFICATION OF THE NOTE OPTION ISSUE – LISTING RULE 7.1

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

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 5,416,666 Note Options on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 4 – RATIFICATION ISSUE OF CONVERTIBLE NOTE TO DEUTSCHE ROHSTOFF AG

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

“That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of one unsecured Convertible Note with a face value of \$650,000 to Deutsche Rohstoff AG on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5 – ISSUE OF SECURITIES TO A DIRECTOR - MR RUSSELL DAVIS

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

“That, for the purpose of Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 1,250,000 Shares and 625,000 Attaching Options to Mr Russell Davis (a Director), or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company, and any associate of these persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 6 – ISSUE OF SECURITIES TO A DIRECTOR - MR ALEXANDER HEWLETT

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

“That, for the purpose of Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 333,334 Shares and 166,667 Attaching Options to Mr Alexander Hewlett (a Director), or his nominee, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who is to receive securities in relation to the Company, and any associate of these persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 7 – APPROVAL FOR ISSUE OF OPTIONS

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

“That, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders approve the allotment and issue of 500,000 Advisor Options to Rock the Polo Pty Ltd (or its nominee) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution is passed, and any associates of such a person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED THIS 11th DAY OF AUGUST 2015

BY ORDER OF THE BOARD



MARK PITTS
COMPANY SECRETARY

Notes:**Definitions**

Terms which are used in this Notice and which are defined in Section 5 of the Explanatory Memorandum have the meanings ascribed to them therein.

Note

If you have recently changed your address or if there is any error in the name and address used for this notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

Proxies

A Shareholder who is entitled to vote at this Meeting has a right to appoint a proxy and should use the proxy form enclosed with this notice. The proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of this appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a Shareholder at the meeting is suspended if the Shareholder is present at the meeting.

The proxy form must be signed and dated by the Shareholder or the Shareholder's attorney. Joint Shareholders must each sign.

Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received:

- at Suite 8, 7 The Esplanade, Mount Pleasant, Western Australia, 6153; or
- on facsimile number (+61 8) 9 316 5475,

not later than 9am (WST) on 9 September 2015.

Pursuant to regulation 7.11.37 of the Corporations Regulations, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the share register at 5pm (WST) on 9 September 2015.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one.

Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

HAMMER METALS LIMITED
ACN 095 092 158

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening a General Meeting of Shareholders of Hammer Metals Limited to be held at 52 Ord Street, West Perth, Western Australia at 9 am (WST) on 11 September 2015. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Certain terms used in the Notice and Explanatory Memorandum are defined in Section 5.

1. RESOLUTIONS 1 & 2 – RATIFICATION OF THE ISSUE OF PLACEMENT SHARES AND OPTIONS

1.1 Background

On 31 July 2015, the Company announced that it had issued 4,260,000 Shares to sophisticated investors at an issue price of \$0.06 to raise \$255,600 (before costs) (“**Placement**”). The Shares the subject of the Placement were issued together with a free Attaching Option (exercisable at \$0.10, expiring 30 July 2017) on the basis of one free Attaching Option for every two Shares subscribed for. Ratification of the issue of the Attaching Options is sought by Resolution 2.

1.2 Listing Rules Chapter 7

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1) and 10% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1A)

Listing Rule 7.2 sets out the exceptions to Listing Rules 7.1 and 7.1A. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 and Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rules 7.1 or 7.1A) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1 or 7.1A (as the case may be).

By ratifying the issue of the Shares and Attaching Options the subject of Resolutions 1 and 2, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, and the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

Resolutions 1 and 2 are ordinary resolutions.

1.3 Resolution 1 - Information Required by Listing Rule 7.5

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

- (a) 4,260,000 Shares were issued at an issue price of \$0.06 per Share;
- (b) The Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) The Shares were issued to investors who were eligible to be made offers without disclosure under an exemption under section 708 of the Corporations Act.
- (d) The funds raised from the issue (being in total \$255,600 (before costs)) will be used to fund planned exploration programs and its Mount Isa Projects in Queensland, Australia and for working capital purposes.

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

1.3 Resolution 2 - Information Required by Listing Rule 7.5

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

- (a) 2,130,000 free Attaching Options were issued;
- (b) The Attaching Options were issued to Shareholders who subscribed for the Shares the subject of Resolution 1.
- (c) The Attaching Options are exercisable for \$0.10 on or before 30 July 2017 and otherwise on the terms and conditions set out in Schedule 1.
- (d) The Attaching Options were free attaching options, and as such, no funds will be raised from the issue thereof.

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

2. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTE AND NOTE OPTIONS TO DEUTSCHE ROHSTOFF AG

2.1 Background

As announced on 27 July 2015, the Company has agreed terms for a convertible loan of \$650,000 from its largest shareholder, Deutsche Rohstoff AG (“DRAG”), a German resources company listed on the Frankfurt Stock Exchange.

The Company has issued a Convertible Note to DRAG and also issued 5,416,666 Attaching Options on the same terms as the Placement.

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

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

Should an election to convert all or part of the loan be made any such conversion is subject to shareholder approval if required.

Shareholder approval is sought by Resolution 3 for the issue of the Note Options to DRAG.

Shareholder approval is sought by Resolution 4 for the issue of the Convertible Note to DRAG.

2.2 Listing Rules Chapter 7

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1) and 10% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1A)

Listing Rule 7.2 sets out the exceptions to Listing Rules 7.1 and 7.1A. It provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 and Listing Rule 7.1A (and provided that the previous issue did not breach Listing Rules 7.1 or 7.1A) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1 or 7.1A (as the case may be).

By ratifying the issue of the Note Options and the Convertible Note the subject of Resolutions 3 and 4, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1, and the 10% placement capacity under Listing Rule 7.1A, without the requirement to obtain prior Shareholder approval.

For the purposes of Chapter 7 of the Listing Rules only, and pursuant to Listing Rule 7.2 Exemption 4, approval is not required for the issue of Shares on the conversion of the Convertible Note as the Company complied with the Listing Rules when it issued the Convertible Note.

2.3 Resolution 3 - Information Required by Listing Rule 7.5

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

- (a) 5,416,666 Note Options were issued;
- (b) The Note Options were issued to Deutsche Rohstoff AG.
- (c) The Note Options are exercisable for \$0.10 on or before 30 July 2017 and otherwise on the terms and conditions set out in Schedule 1.
- (d) The Note Options were issued in consideration of Deutsche Rohstoff AG making the loan of \$650,000 to the Company, and as such, no funds will be raised from the issue thereof.

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

2.4 Resolution 4 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Convertible Note the subject of Resolution 4:

- (a) One (1) Convertible Note with a face value of \$650,000 was issued to Deutsche Rohstoff AG, in consideration of a loan of \$650,000.
- (b) The Convertible Note was issued on 31 July 2015. The issue of Shares upon conversion of the Convertible Note may occur progressively, depending on when and if the Convertible Notes are converted either by the Company or DRAG in accordance with the terms and conditions of the Convertible Note.
- (c) The Convertible Note was issued on the terms and conditions summarised in Schedule 2.
- (d) The Shares issued on the conversion of the Convertible Note will be fully paid ordinary shares in the Company issued on the same terms and conditions as the Company's existing Shares.
- (e) The funds raised from the issue of the Convertible Note (being \$650,000 (before costs)) will be used to fund planned exploration programs and its Mount Isa Projects in Queensland, Australia and for working capital purposes.

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

3. RESOLUTIONS 5 & 6 – ISSUE OF SECURITIES TO DIRECTORS

3.1 Background

In addition to the Shares and Attaching Options the subject of Resolutions 1 and 2, it is proposed that Messrs Russell Davis and Alexander Hewlett will participate in a placement on the same terms and conditions as the other subscribers under the Placement summarised in Section 1.1.

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

3.2 Listing Rules Chapter 10

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party.

Furthermore, Shareholder approval of the issue of securities to Directors under Listing Rule 10.11 means that the issue of securities to the Directors will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

The Directors consider that participation in the Director Placement will be on arms' length terms as the placement to the Directors will be made on the same terms to all other parties who participate in the Placement (as summarised in Section 1.1), regardless of whether they are associated with the Company or not. Accordingly, the proposed participation by the Directors in the Director Placement falls within the "arm's length terms" exemption provided by Section 210 of the Corporations Act to the requirement to obtain shareholder approval under Chapter 2E of the Corporations Act.

3.3 Information Required by Listing Rule 10.13 – Resolution 5

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of securities the subject of Resolution 5:

- (a) The Shares and Attaching Options the subject of Resolution 5 will be issued to Mr Russell Davis (or his nominee) in the following maximum proportions;
 - (i) Shares – 1,250,000.
 - (ii) Attaching Options – 625,000.
- (b) The Shares the subject of Resolution 5 will be issued at an issue price of \$0.06;
- (c) The Attaching Options will be issued for nil cash consideration and are exercisable for \$0.10 on or before 30 July 2017 and otherwise on the terms and conditions set out in Schedule 1.
- (d) The Shares and Attaching Options the subject of Resolution 5 will be issued no later than 1 month after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date;
- (e) The Shares the subject of Resolution 5 are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) The funds raised from the issue (being in total \$75,000 (before costs)) will be used will be used to fund planned exploration programs and its Mount Isa Projects in Queensland, Australia and for working capital purposes.

The Chairman intends to vote all available proxies in favour of Resolution 5.

3.4 Information Required by Listing Rule 10.13 – Resolution 6

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of securities the subject of Resolution 6:

- (a) The Shares and Attaching Options the subject of Resolution 6 will be issued to Mr Alexander Hewlett (or his nominee) in the following maximum proportions;
 - (iii) Shares – 333,334.
 - (iv) Attaching Options – 166,667.
- (b) The Shares the subject of Resolution 6 will be issued at an issue price of \$0.06;
- (c) The Attaching Options will be issued for nil cash consideration and are exercisable for \$0.10 on or before 30 July 2017 and otherwise on the terms and conditions set out in Schedule 1.
- (d) The Shares and Attaching Options the subject of Resolution 6 will be issued no later than 1 month after the date of the Meeting (or such other later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that allotment will occur on the same date;

- (e) The Shares the subject of Resolution 6 are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) The funds raised from the issue (being in total \$20,000 (before costs)) will be used will be used to fund planned exploration programs and its Mount Isa Projects in Queensland, Australia and for working capital purposes.

The Chairman intends to vote all available proxies in favour of Resolution 6.

4. RESOLUTION 7 – APPROVAL FOR ISSUE OF OPTIONS

4.1 Background

The Company agreed with a corporate adviser to issue 500,000 Advisor Options in consideration of assistance provided with respect to the Placement summarised in Section 1.1.

The issue of the Advisor Options is subject to the receipt of the Shareholder approval sought by Resolution 7.

4.2 Listing Rules Chapter 7

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue.

By approving the issue of Advisor Options, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

In the event that Shareholder approval is not obtained for the issue of the Advisor Options, the issue of the Advisor will reduce the capacity for the Company to issue further securities without first having to seek Shareholder approval.

Resolution 7 is an ordinary resolution.

4.3 Resolution 7 - Information Required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of Advisor Options the subject of Resolution 7:

- (a) 500,000 Advisor Options are proposed to be issued;
- (b) The Attaching Options are to be issued to Rock the Polo Pty Ltd (or its nominee).
- (c) The Advisor Options will each be issued for nil in cash consideration, and are exercisable for \$0.10 on or before 6 August 2017 and otherwise on the terms and conditions set out in Schedule 1.
- (d) The Advisor Options will be issued as soon as practicable after the Meeting, and in any event, within 3 months of the date of the Meeting.
- (e) It is anticipated that all of the Advisor Options will be issued on the same date;
- (f) The Advisor Options were issued in consideration of certain corporate advisory services provided to the Company, and as such, no funds will be raised from the issue thereof.

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

5. DEFINITIONS

In this Notice and Explanatory Memorandum:

“Advisor Options” means the Options the subject of Resolution 7 exercisable for \$0.10 on or before 6 August 2017 and otherwise on the terms and conditions set out in Schedule 1;

“ASIC” means the Australian Securities and Investments Commission;

“Attaching Option” means the Options exercisable for \$0.10 on or before 30 July 2017 and otherwise on the terms and conditions set out in Schedule 1;

“ASX” means ASX Limited ACN 008 624 691;

“Board” means the board of Directors;

“Business Day” has the meaning given to it in the Listing Rules;

“Chairman” means the chairman of the Board;

“Company” means Hammer Metals Limited (ACN 095 092 158);

“Constitution” means the constitution of the Company;

“Conversion Date Share Price” means the 5 day VWAP up to, and including, the Business Day immediately prior to the date on which a conversion notice is provided by the Company or DRAG;

“Convertible Note” means the convertible note issued to DRAG on the principal terms and conditions set out in Schedule 2;

“Corporations Act” means the Corporations Act 2001 (Cth);

“Director” means a director of the Company;

“Director Placement” means the placement of Shares and Attaching Options to be made to Russell Davis and Alexander Hewlett on the same terms and the placement summarised in Section 1.1;

“Explanatory Memorandum” means this Explanatory Memorandum;

“Listing Rules” means the official listing rules of the ASX;

“Maturity Date Share Price” means the 5 day VWAP up to, and including, the Business Day immediately prior to the Maturity Date;

“Minimum Interest” means an amount of \$65,000 less any interest payments actually made to DRAG in accordance with the Convertible Note;

“Note Options” means the Options issued to DRAG exercisable for \$0.10 on or before 30 July 2017 and otherwise on the terms and conditions set out in Schedule 1;

“Notice” and **“Notice of Meeting”** means the notice of meeting to which this Explanatory Memorandum is attached;

“Official List” means the official list of ASX;

“Option” means an option to acquire one Share and **“Optionholder”** has a corresponding meaning;

“Placement” has the meaning contemplated by Section 1.1;

“Resolution” means a resolution set out in this Notice;

“Schedule” means a schedule to this Notice and Explanatory Memorandum;

“Section” means a section of this Explanatory Memorandum;

“Share” means an ordinary fully paid ordinary share in the capital of the Company and **“Shareholder”** has a corresponding meaning;

“Trading Day” has the meaning ascribed to that term in the Listing Rules;

“VWAP” has the meaning ascribed to the term “volume weighted average market price” in the Listing Rules;

“WST” means Western Standard Time.

SCHEDULE 1 – TERMS AND CONDITIONS OF ATTACHING OPTIONS, NOTE OPTIONS AND ADVISOR OPTIONS

A summary of the terms and conditions of the Attaching Options and Note Options (referred to as “Options” in this Schedule) are set out below:

The Options entitle the holder to subscribe for Shares on the following terms:

- (a) Each Option entitles the holder to subscribe for and be allotted one Share at an exercise price of \$0.10.
- (b) The Options are exercisable at any time prior to 5.00 pm WST on the date being 24 months from the date of issue by notice in writing to the Company accompanied by payment of the exercise price.
- (c) Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable.
- (d) Shares will be allotted and issued pursuant to the exercise of Options following receipt of a properly executed notice of exercise of the Options and payment of the requisite application monies.
- (e) Shares issued upon exercise of the Options will rank equally in all respects with the other quoted Shares then on issue. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options, subject to the requirements of the Listing Rules.
- (f) 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 or made to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes for determining entitlements to any such issue, the record date will be the date as is prescribed by the Listing Rules. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (g) In the event of any new or bonus issues, there are no rights to a change in the exercise price or the number of underlying securities over which the Options can be exercised.
- (h) In the event of any re-organisation (including a consolidation, sub-division, reduction or return) of the issued capital of the Company on or prior to the expiry date, the rights of the optionholder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of re-organisation.
- (i) The Company will as required by the Listing Rules send notice to the optionholders stating the name of the optionholder, the number of the Options held and the number of Shares to be issued on exercise of the Options, the exercise price, the due date for payment, and the consequence of non-payment.

SCHEDULE 2 – TERMS AND CONDITIONS OF CONVERTIBLE NOTE

The key terms of the Convertible Notes include:

- (a) The Convertible Note is unsecured.
- (b) The Convertible Note has a term of 24 months expiring on 27 July 2017 (“**Maturity Date**”).
- (c) The Convertible Note bears interest at a rate of 10% per annum payable half yearly in arrears, and the Company has the absolute discretion to determine whether interest is paid in cash or via the issue of Shares at 6 cents per Share.
- (d) In the event that conversion of a Convertible Note requires Shareholder approval (including for the avoidance of doubt as a result of section 606 of the Corporations Act after taking into account the operation of section 611(9) of the Corporations Act), the Company will call a Meeting to seek any required Shareholder approval and for all purposes as soon as practicable after the date a conversion notice is given.
- (e) In the event that Shareholder approval for the issue of securities to the Lender upon at the Meeting is required and is not received, the Lender, at its election, is entitled to demand redemption of the Convertible Note.
- (f) The Lender is not entitled to demand repayment of the loan in any circumstances before the Maturity Date, except where (e) or where there is an event of default, such events set out below:
 - I. a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of the Company;
 - II. a liquidator or provisional liquidator is appointed in respect of the Company;
 - III. any investigation into the affairs or particular affairs of any the Company is directed or commenced under the Corporations Law;
 - IV. the Company ceases to be listed on ASX;
 - V. the Company defaults in fully performing, observing and fulfilling any provision of this document, provided that in the case of a default capable of remedy, that default has not been remedied within 30 Business Days of the occurrence of such default; or
 - VI. at any time it is unlawful for the Company to perform any of its material obligations under this document.
- (g) Before the Maturity Date, subject to the Conversion Date Share Price being at or above 6 cents, either the Company or DRAG may elect to convert all of part of the loan into Shares at the price of 6 cents.
- (h) At the Maturity Date, if the Maturity Date Share Price is less than 6 cents, only the Company may elect to convert all of part of the loan into Shares at the price of 6 cents.
- (i) At the Maturity Date, if the Maturity Date Share Price is not less than 6 cents, either the Company or DRAG may elect to convert all of part of the loan into Shares at the price of 6 cents.
- (j) In the event that the Company redeems or converts the Convertible Note in full within 12 months of the drawdown, the Company will pay the Minimum Interest. In the event that the Company partly redeems or converts the Convertible Note within 12 months of the drawdown, the Company will pay the Minimum Interest on a pro rata basis.
- (k) The Convertible Note will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Note into Shares.
- (l) If the Company reorganises its share capital in any way (including consolidation, subdivision, bonus issue, reduction or return) (**Reorganisation Event**) while the Convertible Note is on issue, the number of Shares issued on conversion after the Reorganisation Event will be:

- I. adjusted so that the entitlement of the Shares issued upon conversion of the Convertible Note to participate in profits and assets of the Company will be the same as the entitlement of the Shares into which the Convertible Note would have been converted had there been no Reorganisation Event; and
- II. otherwise reorganised in accordance with the Listing Rules so DRAG will not receive a benefit that the holders of Shares do not receive and vice versa.

HAMMER METALS LIMITED
ACN 095 092 158
PROXY FORM

The Secretary
Hammer Metals Limited
Suite 3
827 Beaufort Street
Mount Lawley WA 6050

Fax Number: +61 8 9315 5475

I/We _____

of _____

being a shareholder/(s) of Hammer Metals Limited hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at 52 Ord Street, West Perth, Western Australia at 9.00am (WST) 11 September 2015, and at any adjournment thereof in respect of []% of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company. If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is []%. (An additional proxy form will be supplied by the Company on request.)

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a Resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

		For	Against	Abstain
RESOLUTION 1	RATIFICATION OF PLACEMENT SHARE ISSUE – LISTING RULE 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 2	RATIFICATION OF THE ATTACHING OPTION ISSUE – LISTING RULE 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 3	RATIFICATION OF THE NOTE OPTION ISSUE – LISTING RULE 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 4	RATIFICATION ISSUE OF CONVERTIBLE NOTE TO DEUTSCHE ROHSTOFF AG	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 5	ISSUE OF SECURITIES TO A DIRECTOR - MR RUSSELL DAVIS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 6	ISSUE OF SECURITIES TO A DIRECTOR - MR ALEXANDER HEWLETT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESOLUTION 7	ISSUE OF OPTIONS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxies given by a natural person must be signed by each appointing shareholder or the shareholder's attorney duly authorised in writing. Proxies given by companies must be executed in accordance with section 127 of the Corporations Act or signed by the appointor's attorney duly authorised in writing. The Chairman intends to vote all undirected proxies in favour of each Resolution.

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

As witness my/our hand/s this day of 2015

If a natural person:

SIGNED by:

Signature

Signature (if joint holder)

If a company:

Executed in accordance with section 127 of the
Corporations Act

Signature of Director

Signature of Director / Secretary