

# **West Australian Metals Ltd**

ACN 001 666 600

## **INFORMATION MEMORANDUM TO SHAREHOLDERS**

### **NOTICE OF GENERAL MEETING**

INCLUDING

### **EXPLANATORY STATEMENT**

and

### **PROXY FORM**

<b>Date of Meeting:</b>	<b>Wednesday, 10th June 2009</b>
<b>Time of Meeting:</b>	<b>10.30 am WST</b>
<b>Place of Meeting:</b>	<b>The Celtic Club 48 Ord Street West Perth, WA, 6005</b>

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### IMPORTANT NOTICE

THE RESOLUTIONS PROPOSED FOR THIS MEETING ARE OF FUNDAMENTAL IMPORTANCE TO THE FUTURE OF YOUR COMPANY. IT IS RECOMMENDED THAT SHAREHOLDERS READ THIS INFORMATION MEMORANDUM IN FULL, AND IF THERE IS ANY MATTER THAT YOU DO NOT UNDERSTAND, YOU SHOULD CONTACT YOUR FINANCIAL ADVISER, STOCKBROKER OR SOLICITOR FOR ADVICE.

## SECTION 1

### PURPOSE OF THIS INFORMATION MEMORANDUM

#### 1. INTRODUCTION

The Memorandum must be read in full in conjunction with the Notice and all accompanying documents to make an informed decision regarding those resolutions.

#### 2. RESOLUTIONS

This Memorandum contains information concerning the resolutions set out in the Notice.

The resolutions deal with the following specific matters:

- (a) Resolution 1 – Appointment of Neil Biddle as a Director
- (b) Resolution 2 – Appointment of Graham Woolford as a Director
- (c) Resolution 3 – Ratification of Issue of Convertible Notes
- (d) Resolution 4 – Ratification of Issue of Options to Chief Executive Officer
- (e) Resolution 5- Placement Authority – Shares
- (f) Resolution 6 – Issue of Options to Mr Graham Woolford
- (g) Resolution 7 – Issue of Options to Mr Neil Biddle
- (h) Resolution 8 – Adoption of New Constitution

## TIME AND PLACE OF MEETING AND HOW TO VOTE

### VENUE

The General Meeting of the shareholders of West Australian Metals Ltd will be held at:

#### **The Celtic Club**

**48 Ord Street**

**West Perth, WA, 6005**

**Commencing 10.30 am (Perth Time)**

**on Wednesday, 10th June 2009**

### HOW TO VOTE

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

### VOTING IN PERSON

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10.30am.

### VOTING BY PROXY

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

- send the proxy by facsimile to the Company's Share Registry, Advanced Share Registry Services on facsimile number (08) 9389 7871 (International: +61 8 9389 7871); or
- deliver / post to the Company's Share Registry, Advanced Share Registry Services at 150 Stirling Highway, Nedlands, Western Australia, 6009

so that it is received not later than 10:30am (Perth Time) on Monday, 8th June 2009.

A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.

**Your proxy form is enclosed.**

### VOTING EXCLUSION

Where a voting exclusion applies, 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.

### SNAPSHOT DATE

In accordance with regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 10.30am (WST) on 8 June 2009.

## SECTION 2

### NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the General Meeting of the shareholders of West Australian Metals will be held in The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005 on Wednesday, 10th June 2009 at 10.30 am WST.

#### RESOLUTIONS

##### Resolution 1 – Appointment of Director (Mr Neil Biddle)

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

*“That Mr Neil Biddle who retires, (having been appointed in accordance with clause 3.3 of the Company’s Constitution as a director of the Company to fill a casual vacancy) and, being eligible offers himself for election, is hereby re-appointed a director of the Company”.*

**Short Explanation:** The Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by this Constitution. Any Director so appointed holds office only until the next following annual general meeting unless appointed by shareholders.

**Voting Exclusions:** There are no voting exclusions.

##### Resolution 2 – Appointment of Director (Mr Graham Woolford)

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

*“That Mr Graham Woolford who retires, (having been appointed in accordance with clause 3.3 of the Company’s Constitution as a director of the Company to fill a casual vacancy) and, being eligible offers himself for election, is hereby re-appointed a director of the Company”.*

**Short Explanation:** The Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by this Constitution. Any Director so appointed holds office only until the next following annual general meeting unless appointed by shareholders.

**Voting Exclusions:** There are no voting exclusions.

##### Resolution 3 - Ratification of an Issue of Convertible Notes

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

*“That in accordance with Listing Rule 7.4 of the Listing Rules of ASX, shareholders ratify the allotment and issue of 51 Convertible Notes to the allottees set out in the Explanatory Statement and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Under the Listing Rules, the Company may seek shareholder ratification of an issue of equity securities to allow it the flexibility to make further issues of equity securities up to the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by any person who participated in the issue, or any associate of those persons. However, the entity need not disregard a vote if:

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

#### **Resolution 4 - Ratification of an Issue of 3,000,000 Options to Chief Executive Officer**

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

*"That in accordance with Listing Rule 7.4 of the Listing Rules of ASX, shareholders ratify the allotment and issue of 3,000,000 Options to subscribe for fully paid shares in the capital of the Company to Mr John Young on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the Listing Rules, the Company may seek shareholder ratification of an issue of equity securities to allow it the flexibility to make further issues of equity securities up to the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by any person who participated in the issue, or any associate of those persons. However, the entity need not disregard a vote if:

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

#### **Resolution 5 - Placement Authority – Shares**

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

*"That, for the purposes of Listing Rule 7.1 of ASX and for all other purposes, approval is given for the Company to issue and allot at the Directors' discretion up to a maximum of 50,000,000 Shares in the capital of the Company at not less than eighty (80%) percent of the average market price over the last 5 days on which sales in the securities were recorded before the day on which the issue is made but in any event not later than three (3) months after the date of this Meeting and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the Listing Rules, the Company is required to seek shareholder approval prior to making a placement of securities in excess of the threshold of 15% of its total equity securities in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusions:** The Company will disregard any votes cast on this resolution by a person who might participate in this issue and any person who may obtain a benefit, except a benefit solely in the capacity of a shareholder if the resolution is passed, and any associate of those persons. However, the entity need not disregard a vote if:

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

### **Resolution 6 – Issue of Options to Mr Graham Woolford**

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

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 and for all other purposes, approval is given for the grant of 3,000,000 Options to Mr Graham Woolford (or his nominee) to subscribe for fully paid ordinary shares in the Company on the terms and conditions set out in the Explanatory Statement accompanying and forming part of this Notice of General Meeting.*

**Short Explanation:** Pursuant to Listing Rule 10.11 an entity must not issue nor agree to issue securities to a related party without first obtaining shareholder approval, subject to certain exceptions. Furthermore, Chapter 2E of the Corporations Act prohibits the giving of a financial benefit to a related party without the prior approval of shareholders, subject to certain exceptions.

As approval is being sought pursuant to Listing Rule 10.11, approval for the issue is not required under Listing Rule 7.1. Please refer to the Explanatory Statement for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Graham Woolford and any of his associates.

However, the entity need not disregard a vote if:

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

### **Resolution 7 – Issue of Options to Mr Neil Biddle**

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

*“That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11 and for all other purposes, approval is given for the grant of 6,000,000 Options to Mr Neil Biddle (or his nominee) to subscribe for fully paid ordinary shares in the Company on the terms and conditions set out in the Explanatory Statement accompanying and forming part of this Notice of General Meeting.*

**Short Explanation:** Pursuant to Listing Rule 10.11 an entity must not issue nor agree to issue securities to a related party without first obtaining shareholder approval, subject to certain exceptions. Furthermore, Chapter 2E of the Corporations Act prohibits the giving of a financial benefit to a related party without the prior approval of shareholders, subject to certain exceptions.

As approval is being sought pursuant to Listing Rule 10.11, approval for the issue is not required under Listing Rule 7.1. Please refer to the Explanatory Statement for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Neil Biddle and any of his associates.

However, the entity need not disregard a vote if:

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

**Resolution 8 – Adoption of New Constitution**

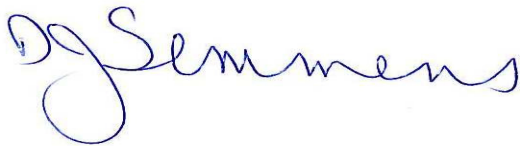
To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

*“That pursuant to and in accordance with section 136(2) of the Corporations Act 2001, the Company repeal its existing Constitution and in its place adopt a new Constitution in the form tabled at the General Meeting”*

**Short Explanation:** A Company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders.

**Voting Exclusions:** There are no voting exclusions.

By order of the Board

A handwritten signature in blue ink that reads "D Semmens". The signature is written in a cursive style with a large, looped initial "D".

David Semmens  
Company Secretary

Dated 11th day of May 2009



## SECTION 3

### EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of shareholders in West Australian Metals Ltd in connection with the business to be conducted at the General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005 on Wednesday, 10 June 2009 at 10.30am (WST).

This Explanatory Statement should be read in conjunction with the accompanying Notice of General Meeting set out in Section 2 of this Information Memorandum.

#### RESOLUTION 1 – APPOINTMENT OF DIRECTOR

Re-appointment of Mr. Neil Biddle as a Director.

Mr Neil Biddle who, having been appointed in accordance with clause 3.3 of the Company's Constitution as a director of the Company to fill a casual vacancy, offers himself for election as a director of West Australian Metals Limited.

Mr Biddle is a geologist and a Corporate Member of the Australasian Institute of Mining and Metallurgy. He has over 20 years senior management experience in listed mining and exploration companies and is presently a Director of Batavia Mining Limited and a Director of TNG Ltd, both ASX listed companies.

The Board supports the appointment of Mr Biddle.

#### RESOLUTION 2 – APPOINTMENT OF DIRECTOR

Re-appointment of Mr. Graham Woolford as a Director.

Mr Graham Woolford who, having been appointed in accordance with clause 3.3 of the Company's Constitution as a director of the Company to fill a casual vacancy offers himself for election as a director of West Australian Metals Limited.

Mr Woolford holds a Master of Business Administration from Oxford University and has over 30 years experience in business development in South-East Asia, the Middle East, Africa and Australia, encompassing mergers, joint ventures and green fields projects. He brings senior management and marketing skills to the Company as well as skills in capital raising and corporate governance.

Over the last two years he has held positions in two ASX listed companies as Non-executive Chairman of Corvette Resources Limited and Non-executive Director of Tianshan Goldfields Limited.

He is a member of the Australian Institute of Company Directors and Australian Institute of Management.

The Board supports the appointment of Mr Woolford.

#### RESOLUTION 3 – RATIFICATION OF AN ISSUE OF CONVERTIBLE NOTES

##### Background

In accordance with Listing Rule 7.4 of the Listing Rules of ASX, shareholder ratification is sought for the allotment and issue of 51 convertible notes issued to the allottees set out in this Explanatory Statement.

##### Listing Rule Requirements

Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of equity securities representing more than 15% of the issued capital of that company in any 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without approval under Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

Shareholder ratification for the Convertible Note issues is now sought pursuant to Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

Where one seeks to invoke the operation of Listing Rule 7.4, Listing Rule 7.5 requires certain information be provided in the notice of meeting.

For the purposes of Listing Rule 7.5, the following information is provided in relation to this resolution:

- (a) there were 51 Convertible Notes;
- (b) the issue price of the Convertible Notes was \$50,000 each;
- (c) the Convertible Notes mature 12 months from the date of issue;
- (d) interest of 8% pa paid on maturity or conversion;
- (e) the Conversion Price is 7 cents per share;
- (f) the Convertible Notes are unsecured;
- (g) the shares issued as a result of conversion are voluntarily escrowed for a period of one year from the date of issue. The voluntary escrow of the shares issued upon conversion will be cancelled if:
  - a) The Volume weighted average trading price of WME's shares listed on the Australian Securities Exchange being at a minimum price of \$0.22 for a period of five (5) consecutive trading days; or
  - b) WME raises no less than \$2,000,000 in any single capital raising (not including any amounts raised from the issue of any convertible notes) at any time prior to the maturity date.
- (h) the Shares issued on conversion of the Convertible Notes rank pari passu with all existing Shares in the capital of the Company;
- (i) standard events of default apply;
- (j) the allottees of the Convertible Notes are tabulated below:

<b>Allottee Name</b>	<b>Convertible Notes Issued</b>
Batavia Mining Limited (28 Notes issued on 5 March 2009; 14 Notes issued on 25 March 2009)	42
SA Capital Funds Management Limited <SACFM No 1 Fund A/C> (4 Notes issued on 5 March 2009)	4
Theodore Tindaro & Yvonne Margaret Marchese aff TYM Superfund (4 notes issued on 5 March 2009)	4
Monacan Nominees Pty Ltd (1 Note issued on 5 March 2009)	1
Total	51

- (k) the monies raised from the Convertible Note issue are being used to provide funds for the ongoing exploration and evaluation of the Company's 80% owned Marenica Uranium Project in Namibia, the evaluation of new opportunities, the corporate and administrative activities of the Company, working capital and to meet the costs of the issue.

#### **RESOLUTION 4 – RATIFICATION OF ISSUE OF OPTIONS TO CHIEF EXECUTIVE OFFICER**

The Company issued 3,000,000 Options to Mr. John Young on 8<sup>th</sup> April 2009. Mr. Young is the Chief Executive Officer of the Company, and the Options issued form part of the remuneration package agreed to by the Company upon Mr. Young's appointment.

#### **Listing Rule Requirements**

Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. This rule provides that where a company in general meeting ratifies the previous issue of securities made without approval under Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

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

Where one seeks to invoke the operation of Listing Rule 7.4, Listing Rule 7.5 requires certain information be provided in the notice of meeting.

For the purposes of Listing Rule 7.5, the following information is provided in relation to this resolution:

- (a) there were 3,000,000 Options issued;
- (b) the Options are exercisable at 15 cents each on or before 30 June 2010;
- (c) the issue price of the Options was nil as they were issued as part of Mr Young's remuneration;
- (d) Shares issued upon exercise of the Options rank pari passu with all existing Shares in the capital of the Company. The terms and conditions of the Options are set out in Appendix A; and
- (e) no funds were raised from the issue of the Options.

## **RESOLUTION 5 – PLACEMENT AUTHORITY – SHARES**

### **Background**

It is proposed that shareholders grant approval pursuant to Listing Rule 7.1 to allot and issue, at the Directors discretion, up to 50,000,000 Shares in the capital of the Company.

The purpose of the issue is to fund the Company's ongoing exploration and evaluation programmes, fund the evaluation and acquisition of new opportunities, fund the corporate and administrative activities of the Company and to provide working capital.

The Shares to be issued will rank equally in all respects with the Company's existing issued Shares.

### **Listing Rule Requirements**

Rule 7.1 of the Listing Rules provide that a listed entity may not issue equity securities in any twelve month period which, when aggregated with the number of fully paid Shares on issue, exceeds 15 per cent of the number of fully paid Shares on issue at the beginning of the twelve month period, except with the prior approval of shareholders of the Company in General Meeting, subject to certain exceptions.

The securities proposed to be issued pursuant to Resolution 5, when combined with other offers of securities that have been made by the Company in the last twelve months, exceed the 15% threshold referred to above.

In compliance with Listing Rule 7.3 shareholders are advised as follows:

- (a) The maximum number of securities to be allotted will be 50,000,000 Shares in the capital of the Company;
- (b) The issue will occur within three months of the date of the Meeting;
- (c) The Shares will be issued at an issue price of not less than eighty (80%) per cent of the average market price over the last five (5) days on which sales in the Shares were recorded before the day on which the issue is made;
- (d) The identity of any proposed allottees of the securities the subject of Resolution 5 are not yet known to the Company, but will be sophisticated or professional investors who are able to invest in the Company without the issue of a disclosure document. The allottees will be determined at the

Directors discretion. No related party or any associate of a related party will participate in the placement.

- (e) The Shares will rank pari passu on allotment and issue with the existing Shares in the Company.
- (f) The funds raised by reason of the allotment or allotments will be used to fund the Company's ongoing exploration and evaluation programmes, fund the evaluation and acquisition of new opportunities, fund the corporate and administrative activities of the Company and provide working capital:
- (g) The allotment will occur progressively within three months after the resolution is passed.

## **RESOLUTIONS 6 & 7 – ISSUE OF OPTIONS TO NON EXECUTIVE DIRECTORS**

The Company proposes to issue a total of 3,000,000 Options to Mr Graham Woolford (non-executive chairman), and a total of 6,000,000 Options to Mr Neil Biddle (non-executive director).

Approval is being sought to grant Options to the Directors to secure the ongoing commitment of the Directors to the continued growth of the Company. The above approvals are sought for the purposes of:

- (a) Chapter 2E of the Corporations Act 2001, which governs the giving of financial benefits to directors and other "related parties" of a company; and
- (b) ASX Listing Rule 10.11 which provides that, subject to certain exceptions, a company listed on ASX cannot issue or grant securities to a director without shareholder approval.

The Board considers that in view of the financial, legal and other responsibilities assumed by directors of public companies, the payment of monetary fees alone is not an adequate reward and does not provide an adequate incentive to enable the Company to attract and keep board members of the requisite level of experience and qualifications. The Board considers that equity participation by way of the grant of Options to members of the Board is appropriate for these purposes.

In determining the number of Options to be granted to the Directors, consideration was given to the relevant experience and role of each of the Directors, their respective overall remuneration terms and the current market price of the Company's Shares.

The proposed terms and conditions of the Options are set out in Appendix A.

### **Listing Rule 10.11**

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. The Directors are considered related parties of the Company by virtue of the fact that they are Directors of the Company.

Approval pursuant to Listing Rule 7.1 is not required in order to grant the Options to the Directors as approval is being obtained under ASX Listing Rule 10.11. The grant of the Options will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

The following information is provided to shareholders for the purpose of Listing Rule 10.13:

- (a) the Options will be issued to Mr Graham Woolford and Mr Neil Biddle, who are non-executive Directors of the Company, or their nominees.
- (b) the maximum number of Options to be granted under Resolutions 6 and 7 is 9,000,000. Mr Graham Woolford will receive 3,000,000 Options if Resolution 6 is passed and Mr Neil Biddle will receive 6,000,000 Options if Resolution 7 is passed.
- (c) the Options will be granted not more than one month after the date of the General Meeting (or such later date as approved by ASX) and it is anticipated that the Options will be issued and allotted on one date;
- (d) the Options will be issued for nil monetary consideration as part of the Directors' remuneration and as an incentive. The Options have an exercise price of \$0.15 and will expire on 30 June 2010, the full terms and conditions of the Options are set out in Appendix A;

- (e) no funds will be raised from the grant of Options as they are being issued for the purposes of rewarding and incentivising the Directors.

### Related Party Transactions

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

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

For the purposes of Chapter 2E, each of the Directors of the Company are considered to be related parties of the Company.

Resolutions 6 and 7 each provide for the grant of Options to a Director of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

### The related parties to whom the proposed resolutions would permit the financial benefit to be given:

Mr Graham Woolford  
Mr Neil Biddle

### The nature of the financial benefit

The proposed financial benefit to be given is the grant of Options to the Directors in the numbers given above for no monetary consideration. The Options have an exercise price of \$0.15 and will expire on 30 June 2010. The full terms and conditions of the Options are set out in Appendix A.

### Valuation of Options

The Company obtained an independent valuation of the Options proposed to be issued.

### Inputs and Assumptions

The valuation exercise has been performed so as to provide a valuation as at 23 April 2009. The valuation does not take into account events subsequent to 23 April 2009.

The options are American Call Options that can be exercised at any time from being issued, unlike a European Option that can only be exercised on expiry; our assessment has been undertaken using the Binomial Options Pricing Model. The value of an option calculated using the Binomial Model is a function of a number of variables. Our assessment of the value of the options granted has been prepared based on the variables in the following table:

Scenario	Underlying Share Price (\$)	Expected Issue Date	Expected Vesting date	Expected Expiration date	Exercise price (\$)
Options	0.135	10 June 2009	10 June 2009	30 June 2010	0.15

Scenario	Underlying Share Price (\$)	Volatility Factor %	Risk Free Rate %	Dividend Yield %	Expected Life of Option (years)
Options	0.135	141.57	2.74	0.00	1.07

### Key Assumptions

1. The underlying share price is based on the last sale price of a West Australian Metals share as at 22 April 2009, being \$0.135;
2. The expected issue date of the Options is 10 June 2009;
3. The expected expiry dates for the Options is 30 June 2010;
4. The exercise price of the Options is \$0.15;
5. It is expected that the Options will be held to expiry;
6. There are no vesting conditions.
7. A volatility factor of 141.57% (in determining a volatility factor for West Australian Metals, Somes and Cooke took into account West Australian Metals Limited ASX trading data for a period commencing 20 March 2008 to 22 April 2009);
8. The risk free rates are the implied yield on Treasury Fixed Coupon Bonds, at 22 April 2009, continuously compounded, approximating to the expected lives of the Options; and
9. The expected dividend yield is 0%.

### Valuation

The valuation based on the above assumptions is as follows:

Scenario	Underlying Share Price (\$)	Exercise Price of Options (\$)	Expected lives of the Options (years)	No of Options Issued	Value of Each option (\$)	Total Value of options to be issued (\$)
Options – Neil Biddle	0.135	0.15	1.07	6m	0.0701	420,600
Options – Graham Woolforc	0.135	0.15	1.07	3m	0.0701	210,300

On the basis of this calculation, the total financial benefit to be given to the Directors, if Resolutions 6 and 7 is approved, would amount to:

Mr G Woolford	\$210,300
Mr N Biddle	\$420,600

### Directors' recommendation

All the Directors were available to consider the proposed Resolutions 6 and 7.

Mr Sanders recommends the issue of Options to Mr Biddle and Mr Woolford for the reasons set out above.

Mr Biddle and Mr Woolford each have an interest in the outcome of the proposed resolution under which they are to be issued Options, which interest is the potential issue of Options. Accordingly, they do not make a recommendation to shareholders concerning the proposed resolutions 6 and 7.

### Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors

The proposed Resolutions 6 and 7 would result in the grant of 9,000,000 Options. As at the date of this Notice, the Company had on issue 332,183,752 ordinary shares, and 17,820,000 options with various exercise prices and expiry dates and 51 Convertible Notes with a face value of \$50,000 each and a conversion price of \$0.07.

If all Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing shareholders by approximately 2.71% (based on the number of Shares currently on issue). The market price of the Company's Shares during the period of the Options will normally determine whether or not Option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the Options.

The highest price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was \$0.345 which occurred on 2<sup>nd</sup> June 2008 and the lowest price of Shares in the Company trading on ASX during the past 12 months was \$0.051 which occurred on 10<sup>th</sup> October 2008. The most recent closing price of shares in the Company trading on the ASX prior to the date of this Explanatory Statement was \$0.155, which occurred on 1<sup>st</sup> May 2009.

The Directors currently receive the following remuneration and other financial benefits from the Company:

	<b>Salary &amp; Fees</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$
Mr G Woolford	54,000	-	54,000
Mr N Biddle*	48,000	60,000	108,000

\*Mr Biddle receives a fee of \$5,000 per month for the provision of marketing and promotional services. The fee has been agreed by the Company to be paid for a 12 month term.

Other than as set out above, the Directors receive no other emoluments from the Company.

The shares and options currently held by the Directors are set out below:

	<b>Direct</b>	<b>Indirect</b>
	<b>Ordinary Shares</b>	<b>Ordinary Shares</b>
Mr G Woolford	3,500,000	-
Mr N Biddle	-	282,250

There is a potential opportunity cost for the Company in allowing the Directors to be granted the Options. The cost is the loss of the potential for the Company to issue options with similar terms to the Options for cash consideration, and/or the potential to issue Shares at a price in excess of the exercise price of the Options. The Directors are unable to quantify the potential value of this opportunity cost with any reliability. Nevertheless, the Directors consider the opportunity cost and the potential financial loss is outweighed by the benefit to the Company of retaining cash reserves while still sufficiently remunerating the Directors for work to be undertaken and providing an incentive, and in attracting and ensuring the ongoing commitment of quality Board candidates.

It is not considered that from an economic and commercial point of view there are any other costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by the Company resulting from the issue of the Options pursuant to Resolutions 6 and 7.

Apart from the information set out in this Explanatory Statement there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolutions 6 and 7.

## **RESOLUTION 8 – ADOPTION OF NEW CONSTITUTION**

The Company is seeking to adopt a new constitution to take account of recent changes to the ASX Listing Rules and the Corporations Act.

Since the adoption of the Company's current constitution in 2001, there have been a number of significant amendments to the ASX Listing Rules and the Corporations Act, which need to be incorporated into the Company's constitution. Given the large number of proposed changes which would need to be made throughout the existing constitution, it is more appropriate to adopt a new constitution than to put forward a resolution proposing amendments to the Company's existing constitution. ASX has reviewed the proposed new constitution and confirmed that it is not inconsistent with the ASX Listing Rules. A copy of the proposed new constitution is available for review by shareholders at the office of the Company. A copy will be available for inspection at the General Meeting.

## **Glossary of Defined Terms**

"ASX" means ASX Limited.

"Board" means the board of Directors of the Company.

"Company" and "West Australian Metals" means West Australian Metals Ltd (ACN 001 666 600).

"Convertible Notes" means convertible notes convertible into Shares at a conversion price of 7 cents at any time within 12 months after issue.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Directors" means the Directors of the Company.

"Explanatory Statement" means the explanatory statement set out in Section 3 of this Memorandum.

"General Meeting" and "Meeting" means the meeting convened by the Notice.

"Listing Rules" means the Official Listing Rules of ASX.

"Notice" means the notice of meeting set out in Section 2 of this Information Memorandum.

"Option" means an option to subscribe for and be issued one Share that is exercisable at 15 cents on or before 30 June 2010 the full terms and conditions of which are set out in Appendix A

"Share" means a fully paid ordinary share in the capital of the Company.

"WST" means Western Standard Time.



## APPENDIX A

### **Terms and Conditions of Options**

1. Each Option entitles the holder to subscribe for and be allotted one Share, at an exercise price of 15 cents per Share ("**Exercise Price**") on or before the Expiry Date of 30<sup>th</sup> June 2010.
2. The Company must, as soon as it is reasonably practicable to do so, allot shares on exercise of the Options in accordance with the Listing Rules and register the holder as a shareholder in the register of members in respect of the Shares so allotted. No Option may be exercised if to do so would contravene the Corporations Act or the Listing Rules.
3. An Option is exercisable by the holder lodging a notice of exercise of option together with, subject to the Options terms, the Exercise Price for each Share to be issued on exercise, at the Company's registered office. The exercise of some Options only does not affect the holders right to exercise other Options at a later time. Remittances must be made payable to the Company and cheques should be crossed "not negotiable".
4. An Option not exercised by the Expiry Date lapses. There is no obligation to exercise the Options.
5. The Options are non-transferrable.
6. The Company must apply to the ASX for official quotation of the Shares issued on any exercise of an Option.
7. Shares issued on any exercise of an Option will rank pari passu with all existing Shares from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.
8. There are no participating rights or entitlements inherent in the Options and the holder 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 of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give the holder the opportunity to exercise Options prior to the date for determining entitlements to participate in any such issue.
9. There will be no change to the Exercise Price of an Option in the event of the Company making a pro rata issue of Shares or other securities to shareholders (other than a bonus issue).
10. If there is a bonus issue to shareholders ("**Bonus Issue**"), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
11. The rights of the holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation. The Company must give notice to the holder of any adjustment to the number of Shares that the holder is entitled to subscribe for or be issued on exercise of the Option or the exercise price per Share in accordance with the Listing Rules.

# PROXY FORM

## APPOINTMENT OF PROXY

**WEST AUSTRALIAN METALS LTD**  
**ACN 001 666 600**

## GENERAL MEETING

I/We

being a Member of West Australian Metals Ltd entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on Wednesday, 10th June 2009 at 10.30am (WST) and at any adjournment thereof.

### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 Appointment of Neil Biddle as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Appointment of Graham Woolford as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Ratification of issue of Options to CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Placement Authority - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of options to Mr Graham Woolford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Issue of options to Mr Neil Biddle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Adoption of new Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If the Chairman is appointed as your proxy or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on any resolution he has an interest in the outcome of and your votes will not be counted in calculating the required majority if a poll is called on any such resolution.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

Signed this \_\_\_\_\_ day of

**Individuals and joint holders**

  
Signature  
Signature  
Signature

2009

**Companies (affix common seal if appropriate)**

  
Director  
Director/Company Secretary  
Sole Director and Sole Company Secretary

# WEST AUSTRALIAN METALS LTD

ACN 001 666 600

## 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. 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.
6. To vote by Proxy, please complete and sign the Proxy Form as soon as possible and either:
  - send the proxy by facsimile to the Company's Share Registry, Advanced Share Registry Services Ltd on facsimile number (08) 9389 7871 (International: +61 8 9389 7871); or
  - deliver / post to the Company's Share Registry, Advanced Share Registry Services Ltd at 150 Stirling Highway, Nedlands, Western Australia, 6009,

so that it is received not later than 10.30am (WST), Monday 8th June 2009.