

Notice of Annual General Meeting and Explanatory Memorandum

Mt Isa Metals Limited

ABN 59 120 212 017

Date of Meeting: 24 November 2010

Time of Meeting: 10.00am (EST/Brisbane time)

Place of Meeting: Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000



Notice is given that the Annual General Meeting of shareholders of Mt Isa Metals Limited ABN 59 120 212 017 (**Company**) will be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000, on 24 November 2010 at 10.00am (EST/Brisbane time).

Agenda

ORDINARY BUSINESS

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2010.

1. Resolution One – Re-election of Mr Michele Muscillo as a Director

To consider and, if thought fit, pass the following Ordinary Resolution, without amendment:

"That Mr Michele Muscillo who retires in accordance with Rule 38.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

2. Resolution Two - Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2010 (as set out in the Directors Report) is adopted."

The vote on Resolution Two is advisory only and does not bind the Directors of the Company.

3. Resolution Three – Issue of Options to John Bovard

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

"That in accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX (**Listing Rules**) and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 500,000 options to subscribe for ordinary shares in the Company (**Shares**) exercisable at a premium of 50% to the closing price of Shares on ASX on the trading day prior to the Meeting (**Exercise Price**) each and expiring on 23 November 2013 (**Options**) to Mr John Bovard, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum."

4. Resolution Four – Issue of Options to Peter Spiers

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

"That in accordance with the provisions of Listing Rule 10.11 of the Listing Rules and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 1,000,000 Options to Mr Peter Spiers, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum."

5. Resolution Five – Issue of Options to Nicholas Mather

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

“That in accordance with the provisions of Listing Rule 10.11 of the Listing Rules and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 500,000 Options to Mr Nicholas Mather, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

6. Resolution Six – Issue of Options to Michele Muscillo

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

“That in accordance with the provisions of Listing Rule 10.11 of the Listing Rules and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 500,000 Options to Mr Michele Muscillo, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

NOTES:

A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.

A detailed summary of the proposed terms of the Options outlined in Resolutions three, four, five and six is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT:

The Company will disregard any votes cast on:

- Resolution 3 by Mr John Bovard and any associate of Mr John Bovard;
- Resolution 4 by Mr Peter Spiers and any associate of Mr Peter Spiers;
- Resolution 5 by Mr Nicholas Mather and any associate of Mr Nicholas Mather;
- Resolution 6 by Mr Michele Muscillo and any associate of Mr Michele Muscillo.

However, the Company 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 the direction on the proxy form to vote as the proxy decides.

7. Resolution Seven - Issue of Placement Fee Options

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

"That in accordance with the provisions of Listing Rule 7.4 and for all other purposes, Shareholders ratify the previous issue of a total of 2,500,000 unlisted options to subscribe for Shares exercisable at \$0.25 each on or before 21 October 2013 (**Placement Fee Options**) as follows:

- (a) 2,000,000 Placement Fee Options to Bizzell Capital Partners Pty Ltd ACN 083 214 537 (**Bizzell Capital Partners**), or their nominee; and
- (b) 500,000 Placement Fee Options to Tenstar Trading Limited (**Tenstar**), or their nominee,

on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

NOTES:

A detailed summary of the proposed terms of the Placement Fee Options is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- Bizzell Capital Partners or Tenstar; and
- any associate of Bizzell Capital Partners or Tenstar.

However, the Company 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 the direction on the proxy form to vote as the proxy decides.

8. Resolution Eight- Issue of Shares pursuant to Underwriting Agreement

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

"That in accordance with the provisions of Listing Rule 7.4 and for all other purposes, Shareholders ratify the previous issue of 6,000,000 Shares (**Placement Shares**) at an issue price of \$0.15 cents each to clients of Bizzell Capital Partners pursuant to the terms of the Underwriting Agreement entered into between the Company and Bizzell Capital Partners dated 7 September 2010 and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

NOTES:

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- any proposed recipient of the Placement Shares; and
- any associate of any proposed recipient of the Placement Shares.

However, the Company 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 the direction on the proxy form to vote as the proxy decides.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

Specific comments relating to the Resolutions are set out in the Explanatory Memorandum.

By order of the Board
DP Cornish, Company Secretary
26 October 2010

Explanatory Memorandum

Introduction

This Explanatory Memorandum is provided to shareholders of Mt Isa Metals Limited ABN 59 120 212 017 (Company) to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000 on 24 November 2010 commencing at 10.00am (EST/Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 7.

1. Consider the Company's Annual Report

The Corporations Act requires the financial report, the directors' report and the auditor's report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the financial report, the directors' report or the auditor's report. The Company's Annual Report is placed before the shareholders for discussion. No voting is required for this item.

2. Resolution One – Re-Election of Mr Michele Muscillo as a Director

Mr Muscillo retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

Mr Muscillo is a Partner specialising in corporate law with HopgoodGanim Lawyers. He was admitted as a Solicitor in 2004 and has a practice focusing almost exclusively on mergers and acquisitions, and capital raising.

He has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal.

In his role with HopgoodGanim Lawyers, Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions. Michele's experience brings to the Board expertise on corporate regulation, governance and compliance matters.

Mr Muscillo is the Chairman of the Audit and Risk Management Committee.

The Directors (with Mr Muscillo abstaining) recommend that you vote in favour of this Ordinary Resolution.

3. Resolution Two - Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Annual Report is available to download on the Company's website, www.mtisametals.com.au. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

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

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors of the Company.

4. Resolutions Three, Four, Five and Six – Issue of Options to Directors

4.1 Introduction

The Directors have resolved to refer to members for approval of the issue of 1,000,000 Options to Mr Peter Spiers, and 500,000 Options to each of Mr Bovard, Mr Mather and Mr Muscillo, each a Director of the Company, or their respective nominee, exercisable at a premium of 50% to the closing price of Shares on ASX on the trading day prior to the Meeting (**Exercise Price**) each and expiring on 23 November 2013 (**Director Options**). The Director Options will vest immediately upon issue (**Vesting Date**).

The terms of the Director Options are set out in more detail below.

Approval for the issue of the Director Options is sought in accordance with the provisions of Listing Rule 10.11 and Chapter 2E of the Corporations Act. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

4.2 Option Terms

A summary of the material terms of the Director Options is set out below:

- The securities to be issued to each option holder are options to subscribe for fully paid Shares.
- The Director Options are to be issued for no consideration.
- The exercise price of each Option is a premium of 50% to the closing price of Shares on ASX on the trading day prior to the Meeting (**Exercise Price**).
- The Director Options will vest immediately upon issue (**Vesting Date**).
- The Director Options will expire and be forfeited (if the Director Options have not already been forfeited) on the earlier of (**Expiry Date**):

(a) 23 November 2013;

(b) the date being 3 months after the relevant Director ceases to be a Director of the Company.

- Shares issued on exercise of the Director Options will rank pari passu with all existing Shares from the date of issue.
- The Director Options may be exercised wholly or in part by notice in writing to the Company received at any time on or before the Expiry Date together with a cheque for the Exercise Price of the Option multiplied by the number of Shares in respect of which Director Options are being exercised.
- The Director Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Director Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Director Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Director Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Director Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Option holder which are not conferred on Shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Director Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Director Options had been exercised before the record date for the bonus issue.
- If, during the life of any Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

$$N + 1$$

where

O^1 = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of underlying securities into which one Option is exercisable

P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date

S = the subscription price for a security under the pro-rata issue

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)

N = the number of securities with rights or entitlements that must be held to receive a right to one new security

- The terms of the Director Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Director Options shall not be changed to reduce the Exercise Price, increase the number of Director Options or change any period for exercise of the Director Options.

For the purposes of the terms of the Director Options:

- **associate** has the meaning given to that term in the Corporations Act.
- **relevant interest** has the meaning given to that term in the Corporations Act.

4.3 Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of the various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A “related party” for the purposes of the Corporations Act is defined widely and includes a director of a public company.

A “financial benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed resolutions, if passed, will confer financial benefits to Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, or their respective nominee, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason and for all other purposes the following information is provided to Shareholders.

(a) The related party to whom Resolutions Three, Four, Five and Six would permit the financial benefit to be given

Each of Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, being Directors of the Company (or their nominees).

(b) The nature of the financial benefit

The nature of the proposed financial benefit to be given is:

- The issue of 500,000 Options to Mr Bovard, 1,000,000 Options to Mr Spiers, and 500,000 Options to each of Mr Mather and Mr Muscillo, or their respective nominees, as referred to in

Resolutions Three, Four, Five and Six;

- The Director Options shall be issued for no cash consideration; and
- The Director Options shall be exercisable into fully paid Shares at an exercise price being a premium of 50% to the closing price of Shares on ASX on the trading day prior to the Meeting (**Exercise Price**) each expiring on 23 November 2013.

(c) Directors' recommendation

With respect to Resolution Three, Mr Spiers, Mr Mather and Mr Muscillo recommend that Shareholders vote in favour of this Resolution. As Mr Bovard is interested in the outcome of Resolution Three, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution Four, Mr Bovard, Mr Mather and Mr Muscillo recommend that Shareholders vote in favour of this Resolution. As Mr Spiers is interested in the outcome of Resolution Four, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution Five, Mr Bovard, Mr Spiers and Mr Muscillo recommend that Shareholders vote in favour of this Resolution. As Mr Mather is interested in the outcome of Resolution Five, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution Six, Mr Bovard, Mr Spiers and Mr Mather recommend that Shareholders vote in favour of this Resolution. As Mr Muscillo is interested in the outcome of Resolution Six, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

The reasons for the above recommendations include:

- the issue of the Director Options will provide the Directors with reward and incentive for future services they will provide to the Company to further the progress of the Company;
- the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could issue the Director Options to a third party.

(d) Recipients' interest and other remuneration

Resolution Three - Mr John Bovard

Mr John Bovard has a material personal interest in the outcome of Resolution Three, as it is proposed that the Bovard Options be issued to him (or his nominee) as set out in Resolution Three.

Excluding the Bovard Options, Mr John Bovard (and entities associated with him) holds 400,000 Shares and 200,000 options to subscribe for Shares, exercisable at \$0.25 on or before 20 August 2011.

Other than the Bovard Options to be issued to Mr Bovard (or his nominee) pursuant to Resolution Three, Mr Bovard currently receives director's remuneration of \$50,000 (including superannuation) per annum from the Company for his services as Non-Executive Chairman of the Company.

Resolution Four - Mr Peter Spiers

Mr Peter Spiers has a material personal interest in the outcome of Resolution Four, as it is proposed that the Spiers Options be issued to him (or his nominee) as set out in Resolution Four.

Excluding the Spiers Options, Mr Peter Spiers (and entities associated with him) holds 89,287 Shares and the following options to subscribe for Shares:

- 47,619 exercisable at \$0.20 each on or before 31 May 2012
- 3,700,000 exercisable at \$0.20 each on or before 20 August 2011

Other than the Spiers Options to be issued to Mr Spiers (or his nominee) pursuant to Resolution Four, Mr Spiers currently receives director's remuneration of \$350,000 (plus superannuation) per annum for his services as Managing Director of the Company. In addition, Mr Spiers received a bonus in respect of the 2010 financial year of \$60,000 and is entitled, in accordance with his employment contract and subject to satisfying certain key performance criteria, to a bonus of 30% of his base salary for the 2011 financial year.

Resolution Five - Mr Nicholas Mather

Mr Nicholas Mather has a material personal interest in the outcome of Resolution Five, as it is proposed that the Mather Options be issued to him (or his nominee) as set out in Resolution Five.

Excluding the Mather Options, Mr Nicholas Mather (and entities associated with him) holds 969,646 Shares and the following options to subscribe for Shares:

- 190,478 exercisable at \$0.20 each on or before 31 May 2010
- 500,000 exercisable at \$0.25 each on or before 20 August 2011

Other than the Mather Options to be issued to Mr Mather (or his nominee) pursuant to Resolution Five, Mr Mather currently receives director's remuneration of \$40,000 (including superannuation) per annum for his services as a Non-Executive Director of the Company.

Resolution Six - Mr Michele Muscillo

Mr Michele Muscillo has a material personal interest in the outcome of Resolution Six, as it is proposed that the Muscillo Options be issued to him (or his nominee) as set out in Resolution Six.

Excluding the Muscillo Options, Mr Michele Muscillo (and entities associated with him) holds 31,250 Shares and 500,000 options to subscribe for Shares, exercisable at \$0.25 on or before 20 August 2011.

Other than the Muscillo Options to be issued to Mr Muscillo (or his nominee) pursuant to Resolution Six, Mr Muscillo currently receives director's remuneration of \$40,000 (including superannuation) per annum for his services as a Non-Executive Director of the Company.

Directors' Interests in Shares

If all of the Director Options issued are exercised by Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, or their respective nominees, the following will be the effect on their holdings in the Company and the dilutionary impact on current Shareholders of the Company:

Shareholder	Current Share Holding	% of Total Share Capital (137,163,741 Shares on issue)	Shares held Upon Exercise of Options ^{1, 2, 3}	% of Total Share Capital (139,663,741 Shares on issue) ^{1, 2, 3}
Current Shareholders (other than Directors)	135,673,558	98.91%	135,673,558	97.15%
Mr John Bovard	400,000	0.29%	900,000	0.64%
Mr Peter Spiers	89,287	0.07%	1,089,287	0.78%
Mr Nicholas Mather	969,646	0.71%	1,469,646	1.05%
Mr Michele Muscillo	31,250	0.02%	531,250	0.38%
Total	137,163,741	100.00%	139,663,741	100.00%

Notes:

1. Assuming that no other Shares are issued.
2. Assuming each of Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo or their nominees exercise all of their Director Options.
3. Assuming neither Mr Bovard, Mr Spiers, Mr Mather nor Mr Muscillo exercise the current options to subscribe for Shares held by them (or their associates) as noted above.

There are currently 13,119,045 options to subscribe for Shares on issue (**Current Options**). In the event that all Current Options and all Director Options issued to Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, or their respective nominees, are exercised the following will be the effect on the Directors' holdings in the Company and the dilutionary impact on current Shareholders of the Company:

Director (and entities associated with Directors)	Current Share Holding	% of Total Share Capital (137,163,741 on issue)	Shares held Upon Exercise of all Current Options and Director Options ^{1, 2, 3}	% of Total Share Capital (152,782,786 Shares on issue) ^{1, 2, 3}
Current Shareholders (other than Directors)	135,673,558	98.91%	143,654,506	94.03%
Mr John Bovard	400,000	0.29%	1,100,000	0.72%
Mr Peter Spiers	89,287	0.07%	4,836,906	3.17%
Mr Nicholas Mather	969,646	0.71%	2,160,124	1.41%
Mr Michele Muscillo	31,250	0.02%	1,031,250	0.67%
Total	137,163,741	100.00%	152,782,786	100.00%

Notes:

1. Assuming that no other Shares are issued.
2. Assuming each of Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, or their respective nominees, exercise all of their Options.
3. Assuming all Current Options are exercised, including those Current Options held by Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo.

(e) Valuation

The Director Options are not currently quoted on the ASX and as such have no market value. The Director Options each grant the holder a right to subscribe for one Share upon exercise of the Option and payment of the Exercise Price. Accordingly, the Director Options may have a present value at the date of their issue.

The Director Options may acquire future value dependent upon the extent to which the Shares exceed the exercise price of the Director Options during the term of the Director Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated).

The Company sought an independent valuation of the Director Options from Harris Black. The method used to value the options was the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- The exercise price of the Director Options being a premium of 50% to the closing price of Shares on ASX on the trading day prior to the Meeting (**Exercise Price**);
- The Share price at the time of issue of the Director Options, which is expected to be \$0.40 per Share;
- The Director Options vesting immediately (**Vesting Date**).
- The Expiry Date being 23 November 2013;
- A volatility measure of 71.807%;
- A risk-free interest rate of 5.02%; and
- A nil dividend yield,
(**assumed data**).

Some relatively minor variables were included in the calculation to estimate the value of Director Options as "American style" options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices "European style" options (being exercisable only on this exercise date).

Based on this information, the Company has adopted an indicative value for the Director Options of \$0.159 each.

On that basis, the respective value of the Director Options to be issued pursuant to Resolutions Three, Four, Five and Six are as follows:

- Mr John Bovard or his nominee - \$79,500
- Mr Peter Spiers or his nominee - \$159,000
- Mr Nicholas Mather or his nominee - \$79,500
- Mr Michele Muscillo or his nominee - \$79,500

(f) Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of its Directors that is reasonably required by Shareholders to make a decision with respect to the Resolutions save and except as follows:

Market Price Movement

The Option valuation noted above assumes a market price of the Shares on the date of issue of \$0.40 per share, being the most recent market price of the Shares prior to the date of this report. There is a possibility that the market price of the Shares on the date of issue of the Director Options will be different to this and that the market price of the Shares will change up to the date of the Meeting.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Director Options to Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, or their respective nominee, is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Director Options are exercised). Until exercised, the issue of the Director Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms.

It is also considered that the potential increase in the value of the Director Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the issue of the Director Options. No GST will be payable by the Company in respect of the issue of the Director Options (or if it is then it will be recoverable as an input credit).

AASB 2 “Share Based Payments” requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of comprehensive income. Where the issue date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions One, Two, Three and Four.

Dilutionary effect

If all of the Director Options granted are exercised by Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, the following will be the dilutionary effect on the current issued capital of the Company:

Shareholders	Current Share Capital		Share Capital Upon Exercise	
Current Shareholders*	135,673,558	98.91%	135,673,558	97.15%
Mr Bovard	400,000	0.29%	900,000	0.64%
Mr Spiers	89,287	0.07%	1,089,287	0.78%
Mr Mather	969,646	0.71%	1,469,646	1.05%
Mr Muscillo	31,250	0.02%	531,250	0.38%
Total*	137,163,741	100.00%	139,663,741	100.00%

Notes:

1. *Assuming that no other Shares are issued.*
2. *Assuming each of Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo or their nominees exercise all of their Director Options.*
3. *Assuming neither Mr Bovard, Mr Spiers, Mr Mather nor Mr Muscillo exercise the current options to subscribe for Shares held by them (or their associates) as noted above.*

Trading History

A table of the trading history of the Shares for the preceding 12 month period is as follows:

Current Price	\$0.4000
12 month VWAP	\$0.2234
12 month high	\$0.4450
12 month low	\$0.1000

Note: Current price and calculations based on the Share price as of 15 October 2010.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of Shareholders to an issue of securities to a related party. Each of Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, being a Director of the Company, is a related party of the Company. Accordingly, because the issue of the Director Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required. For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum total number of Options to be issued to Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo, or their respective nominee, is 2,500,000 Options (being 500,000 Options to Mr Bovard, 1,000,000 Options to Mr Peter Spiers, and 500,000 Options to each of Mr Mather and Mr Muscillo, or their nominee).
- Subject to Shareholder approval being obtained a letter of offer for the issue of the Director Options will be sent to Mr Bovard, Mr Spiers, Mr Mather and Mr Muscillo (respectively) (**Offer**). Subject to each Directors acceptance of the Offer, the Director Options are intended to be

issued as soon as possible following the Meeting, but in any event, no later than one (1) month after the date of the Meeting.

- The Director Options are being issued for nil consideration.
- No funds are being raised by the issue of the Director Options.

5. Resolution Seven - Issue of Placement Fee Options

5.1 Introduction

Pursuant to Resolution Seven, the Company is seeking shareholder ratification for the issue of 2,500,000 Options issued in connection with the Entitlement Offer.

As described in Section 7.2 of the Prospectus, Bizzell Capital Partners was entitled to be issued 2,000,000 Options in connection with its role as underwriter of the Company's Entitlement Offer, subject to the terms of the Underwriting Agreement.

As set out in Section 7.3 of the Prospectus, Tenstar was also entitled to 500,000 Options upon the terms of an agreement entered into with the Company, pursuant to which Tenstar committed to procure applications for a portion of the institutional component of the Entitlement Offer.

5.2 Option Terms

A summary of the material terms of the Options is set out below:

- The securities to be issued to each option holder are options to subscribe for fully paid Shares.
- The Options are to be issued for no consideration.
- The exercise price of each Option is 25 cents each (**Exercise Price**).
- The Options will vest immediately upon issue (**Vesting Date**).
- The Options will expire and be forfeited (if the Options have not already been forfeited) on 23 November 2013 (**Expiry Date**).
- Shares issued on exercise of the Options will rank pari passu with all existing Shares from the date of issue.
- The Options may be exercised wholly or in part by notice in writing to the Company received at any time on or before the Expiry Date together with a cheque for the Exercise Price of the Option multiplied by the number of Shares in respect of which Options are being exercised.
- The Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.

- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Option holder which are not conferred on Shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue.
- If, during the life of any Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where

O^1 = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of underlying securities into which one Option is exercisable

P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date

S = the subscription price for a security under the pro-rata issue

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)

N = the number of securities with rights or entitlements that must be held to receive a right to one new security

- The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

5.3 Listing Rule 7.4

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders (**15% Rule**).

The Company has already issued the 2,500,000 Options. This issue has reduced the Company's capacity to make further issues under the 15% Rule. Accordingly, the Directors are seeking shareholder ratification to the issue of Options in accordance with Listing Rule 7.4. The effect of the shareholders ratifying the issue of these additional Options will be that the issue will not be counted as part of the 15% Rule, and the

Company will therefore retain a greater proportion of the 15% Rule for any subsequent requirements that may arise.

In accordance with Listing Rule 7.5, the Company advises as follows:

- The number of Options issued is 2,500,000.
- The recipients of the Options are:
 - Bizzell Capital Partners – 2,000,000 Options;
 - Tenstar - 500,000 Options.
- No funds will be raised by the issue of the Options.

6. Resolution Eight –Issue of Shares pursuant to Underwriting Agreement

Resolution 8 seeks shareholder ratification for the issue of 6,000,000 Shares to clients of Bizzell Capital Partners, pursuant to the terms of the Underwriting Agreement (**Placement Shares**).

As described in Section 3.6 of the Prospectus, the Underwriting Agreement provides that Bizzell Capital Partners had the right, but not the obligation, to complete a placement of Shares at the same price as under the Entitlement Offer (\$0.15 each) on conclusion of the Entitlement Offer.

Bizzell Capital Partners exercised that right and accordingly, the Company has issued the Placement Shares.

Shareholder approval is therefore being sought in accordance with Listing Rule 7.4 in respect of the issue of the Placement Shares, to preserve the maximum flexibility for the Company under the 15% Rule.

In accordance with Listing Rule 7.5, the Company advises as follows:

- The number of Placement Shares issued is 6,000,000.
- The recipients of the Placement Shares were clients of Bizzell Capital Partners, the Underwriter to the Entitlement Offer.
- The Placement Shares were issued at the same price as under the Entitlement Offer (\$0.15 each) and in total \$900,000 was raised by the Company. These funds will be used for the purposes described in the Prospectus, namely exploration in respect of the Company's West African tenements and working capital.
- The Placement Shares will rank equally with all other Shares on issue.

7. Interpretation

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ACN 008 624 691.

Board means the board of directors of the Company.

Bizzell Capital Partners means Bizzell Capital Partners Pty Ltd;

Company means Mt Isa Metals Ltd ABN 59 120 212 017.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Director Options means the Options to be issued under Resolutions Three to Six.

Directors means the directors of the Company.

Entitlement Offer means the 1 for 4 non-renounceable accelerated entitlement offer pursuant to the Prospectus.

Listing Rules means the listing rules of the ASX.

Market Price has the meaning given to that term in the Listing Rules.

Meeting means the Annual General Meeting of the Company to be held on 24 November 2010.

Notice means this notice of meeting.

Prospectus means the Prospectus issued by the Company on 9 September 2010 in respect of the Entitlement Offer.

Resolution means a resolution to be proposed at the Meeting.

Shareholder means a holder of a Share.

Shares means ordinary fully paid shares in the issued capital of the Company.

Tenstar means Tenstar Trading Limited.

Underwriting Agreement means the agreement entered into between the Company and Bizzell Capital Partners pursuant dated 7 September 2010.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Duncan Cornish (Company Secretary):

Mt Isa Metals Limited

Street address: Level 5, 60 Edward Street, Brisbane Q 4000

Postal address: GPO Box 5261, Brisbane Q 4001

Ph: (07) 3303 0624 | **Fax:** (07) 3303 0681

Email: info@mtisametals.com.au

Proxy, Representative and Voting Entitlement Instructions

Proxies and Representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the Corporations Act 2001 (Cwlth).

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 form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at, posted to, or sent by facsimile transmission to the address listed below not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Mt Isa Metals Limited

Street address: Level 5, 60 Edward Street, Brisbane Q 4000

Postal address: GPO Box 5261, Brisbane Q 4001

Ph: (07) 3303 0624 | **Fax:** (07) 3303 0681

Email: info@mtisametals.com.au

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (EST/Brisbane time) on 22 November 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

Individual:	Where the holding is in one name, the holder must sign.
Joint Holding:	Where the holding is in more than one name, all of the security holders should sign.
Power of Attorney:	To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Proxy Form

APPOINTMENT OF PROXY



being shareholder(s) of Mt Isa Metals Limited (Company) hereby appoint:

the Chairman of the Meeting
OR (mark with an "X")

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Mt Isa Metals Limited to be held at Level 7, Waterfront Place, 1 Eagle Street Brisbane, QLD on 24 November 2010 at 10.00am (EST/Brisbane time) and at any adjournment of that meeting.

If the Chairman is appointed as your proxy, or may be appointed by default, you acknowledge that the Chairman of the Meeting 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 that interest. The Chairman of the meeting intends to vote undirected proxies in favour of the resolutions.

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. By signing this appointment you acknowledge that the Proxy (whether voting in accordance with your directions or voting in their discretion under an undirected Proxy) may exercise your proxy even if he/s he has an interest in the outcome of the resolution and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest.

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 appoint the proxy to exercise voting power over only some of your shares, the number of shares in respect of which this proxy is to operate is shares (Note: proxy will be over all shares if left blank).

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

Resolution	For	Against	Abstain
1. Re-election of Mr Muscillo as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Issue of Options to John Bovard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Issue of Options to Peter Spiers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Issue of Options to Nicholas Mather	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Issue of Options to Michele Muscillo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Issue of Placement Fee Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Issue of Shares pursuant to Underwriting Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Individual or Security holder 1

Sole Director and
Sole Company Secretary
(if appointed)

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date