



**NOTICE OF ANNUAL GENERAL MEETING  
OF SHAREHOLDERS**

**THURSDAY 26 NOVEMBER 2009  
4.30PM**

**AT**

**CITY WEST RECEPTION CENTRE  
45 PLAISTOWE MEWS, WEST PERTH  
WESTERN AUSTRALIA**

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9324 1500



# MAGMA METALS LIMITED

ABN 72 114 581 047

Level 3, 18 Richardson Street West Perth WA 6005 Phone: 9324 1500 Fax: 9324 1700

## NOTICE OF ANNUAL GENERAL MEETING

*The attached Annexure A "Explanatory Memorandum" should be read in conjunction with this Notice of Meeting.*

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of shareholders of Magma Metals Limited ABN 72 114 581 047 ("**Company**") will be held at City West Reception Centre, 45 Plaistowe Mews, West Perth, Western Australia on **Thursday 26 November 2009 at 4:30 pm**, to conduct the following business:

### BUSINESS OF THE MEETING

#### Annual Report 2009

To receive and consider the financial report, together with the directors' report (including the remuneration report) and the auditor's report for the financial year ended 30 June 2009.

### ORDINARY BUSINESS – RESOLUTIONS

#### 1. Adoption of Remuneration Report

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

"That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the remuneration report for the period ended 30 June 2009 be adopted."

#### 2. To Re-Elect Mr Ralph Porter as a Director

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

"That Mr Ralph Porter, who retires as a Director of the Company in accordance with the Company's constitution and, being eligible, offers himself for re-election, be and is hereby re-appointed as a Director of the Company."

#### 3. To Re-Elect Mr Terry Burgess as a Director

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

"That Mr Terry Burgess, who was appointed as an additional director on 5 January 2009, and who retires as a Director of the Company in accordance with rule 8 of the Company's constitution and, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company."

#### 4. To Re-Elect Mr Peter Whitcutt as a Director

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

"That Mr Peter Whitcutt, who was appointed as an additional director on 18 September 2009, and who retires as a Director of the Company in accordance with rule 8 of the Company's constitution and, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company."

**5. To Re-Elect Mr Neil Fearis as a Director**

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

"That Mr Neil Fearis, who was appointed as an additional Director on 08 October 2009, and who retires as a Director of the Company in accordance with rule 8 of the Company's constitution and, being eligible, offers himself for re-election, be and is hereby re-elected as a Director of the Company."

**6. Issue of Options to Director - Mr Terry Burgess**

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

"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue, for no cash consideration, of a total of 500,000 Options to subscribe for a total of 500,000 fully paid ordinary Shares in the Company, to Mr Terry Burgess, a Director of the Company, or his nominee, in accordance with the terms and conditions set out in the attached Explanatory Memorandum."

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 6 by Mr Terry Burgess and any associate of Mr Terry Burgess.

However, the Company need not disregard a vote on Resolution 6 if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction 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.

**7. Issue of Options to Director – Mr Neil Fearis**

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

"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue, for no cash consideration, of a total of 500,000 Options to subscribe for a total of 500,000 Shares to Mr Neil Fearis, a Director of the Company, or his nominee, in accordance with the terms and conditions set out in the attached Explanatory Memorandum."

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 7 by Mr Neil Fearis and any associate of Mr Neil Fearis.

However, the Company need not disregard a vote on Resolution 7 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.

**8. Issue of Options to Director - Dr Keith Watkins**

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

"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue, for no cash consideration, of a total of 3,000,000 Options to subscribe for a total of 3,000,000 Shares to Dr Keith Watkins, a Director of the Company, or his nominee, in accordance with the terms and conditions set out in the attached Explanatory Memorandum."

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 8 by Dr Watkins and any associate of Dr Watkins.

However, the Company need not disregard a vote on Resolution 8 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.

**9. Issue of Options to Director - Mr Ralph Porter**

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

"That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue, for no cash consideration, of a total of

1,500,000 Options to subscribe for a total of 1,500,000 Shares to Mr Ralph Porter, a Director of the Company, or his nominee, in accordance with the terms and conditions set out in the attached Explanatory Memorandum.”

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 9 by Mr Porter and any associate of Mr Porter.

However, the Company need not disregard a vote on Resolution 9 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.

#### **10. Issue of Options to Director - Mr Max Cozijn**

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

“That for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the allotment and issue, for no cash consideration of, a total of 750,000 Options to subscribe for a total of 750,000 Shares to Mr Max Cozijn, a Director of the Company, or his nominee, in accordance with the terms and conditions set out in the attached Explanatory Memorandum.”

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 10 by Mr Cozijn and any associate of Mr Cozijn.

However, the Company need not disregard a vote on Resolution 10 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.

#### **11. Approval of increase in aggregate annual non-executive Directors’ remuneration**

“That for the purposes of Rule 42 of the Company’s constitution, Listing Rule 10.17 and for all other purposes, the aggregate maximum fixed annual amount of remuneration available for payment by the Company to non-executive Directors be increased from \$100,000 per annum to \$300,000 per annum.”

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 11 by any Director of the Company and an associate of any Director of the Company

However, the Company need not disregard a vote on Resolution 11 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.

All members are invited to attend. An Explanatory Memorandum to Shareholders follows this notice as detailed in Annexure A.

***By Order of the Board***



Mr Graeme Scott  
**Company Secretary**  
26 October 2009

## PROXIES

1. A Proxy Form is enclosed with this Notice of Meeting.
2. A member may appoint not more than 2 proxies. A proxy need not be a member.
3. Where a member appoints 2 proxies and does not specify the proportion or number of the member's votes exercisable by each proxy, each proxy may exercise half of the member's votes.
4. The chair intends to vote all undirected proxies in favour of all resolutions.
5. An instrument appointing a proxy may not be treated as valid unless the instrument, and the power of attorney or other authority (if any) under which the instrument is signed or proof of the power or authority to the satisfaction of the Directors is or are deposited at the Company's registered office or at the Company's share registry not less than 48 hours before the time for the holding of the particular meeting or adjourned meeting as the case may be at which the person named in the instrument proposes to vote.
6. Proxy Forms (and the power of attorney, if any, under which the Proxy Form is signed) must be received at Level 3, 18 Richardson Street, West Perth, Western Australia, fax number (08) 9324 1700 no later than 48 hours before the time fixed for holding the meeting.
7. An instrument appointing a proxy must be in writing under the hand of the appointor or of the appointor's attorney duly authorised in writing or, if the appointor is a body corporate, either under its common seal if it has a common seal, or under the hand of an officer or duly authorised attorney or duly authorised representative
8. In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that the shareholding of each person for the purposes of determining entitlements to attend and vote at the meeting will be the entitlement of that person set out in the Company's register as at 4.30 pm WST on 25 November 2009. Accordingly, transactions registered after this time will be disregarded in determining entitlements to attend and vote at the meeting.
9. A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. The appointment must comply with section 250D of the Corporations Act. The representative should bring evidence of their appointment to the meeting, including any authority under which their appointment is signed, unless previously given to the Company.

## OTHER

Words which are defined in the Explanatory Memorandum have the same meaning when used in this Notice of Meeting unless the context requires otherwise. For assistance in considering the Notice of Meeting and Explanatory Memorandum, the following words are defined here:

"AGM" means the annual general meeting of the Company.

"ASX" means ASX Limited and where context requires, the financial market operated by ASX Limited trading as the Australian Securities Exchange.

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

"Company" means Magma Metals Limited ABN 72 114 581 047.

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

"Director" means a director of the Company from time to time.

"Explanatory Memorandum" means the explanatory memorandum set out in Annexure A to this Notice of Meeting.

"Listing Rules" means the listing rules of ASX.

"Notice of Meeting" means this notice of Annual General Meeting.

"Option" means an option to subscribe for a Share on the terms detailed in the Explanatory Memorandum.

"Option holder" means a holder of Options.

"Proxy Form" means the proxy form accompanying this Notice of Meeting.

"Resolution" means a resolution set out in this Notice of Meeting.

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

"Shareholder" means a holder of Shares.

"VWAP" means volume weighted average sale price.



# MAGMA METALS LIMITED

ABN 72 114 581 047

Level 3, 18 Richardson Street West Perth WA 6005 Phone: 9324 1500 Fax: 9324 1700

## ANNEXURE A

### MAGMA METALS LIMITED EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Magma Metals Limited (“**Magma**” or “**the Company**”) in connection with the business to be conducted at the Annual General Meeting of Shareholders to be held at 4:30pm on **Thursday 26 November 2009**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting (“**Notice**”).

#### BUSINESS OF THE MEETING

##### Annual Report 2009

Section 317 of the Corporations Act requires the Directors to lay before the annual general meeting the financial report, directors’ report (including the remuneration report) and the auditor’s report for the last financial year that ended before the annual general meeting.

In accordance with section 250S of the Corporations Act, Shareholders will be provided with a reasonable opportunity to ask questions or make statements in relation to those reports but no formal resolution to adopt the reports will be put to Shareholders at the annual general meeting (save for Resolution 1 for adoption of the remuneration report).

Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor’s report. In addition to taking questions at the AGM, written questions to the chairman about the management of the Company, or the Company’s auditor about:

- the preparation and content of the auditor’s report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the AGM to the registered office of the Company.

***A copy of the Annual Report 2009 is available at [www.magmametals.com.au](http://www.magmametals.com.au) within “Annual Reports” in the Investor Information section of the website.***

#### ORDINARY BUSINESS – RESOLUTIONS

##### 1. Resolution 1 – Adoption of Remuneration Report

Section 250R of the Corporations Act requires that a resolution that the remuneration report be adopted must be put to the vote at the Company’s AGM. The vote on this Resolution is advisory only and does not bind the Directors or the Company.

In accordance with section 250SA of the Corporations Act, Shareholders will be provided with a reasonable opportunity to ask questions, or make comments on, the remuneration report at the AGM.

## **2. Resolution 2 – Re-election of Mr Ralph Porter as Director**

In accordance with rule 5 of the Company's constitution and ASX Listing Rule 14.4, one third of the Directors must retire by rotation each year. Accordingly, Mr Ralph Porter is required to retire by rotation at the forthcoming AGM, and being eligible, offers himself for re-election.

The Board of the Company, with the exception of Mr Porter, unanimously recommends that you vote in favour of Mr Porter's re-election as a Director of the Company.

## **3. Resolution 3 – Re-election of Mr Terry Burgess as Director**

Mr Burgess was appointed as an additional director of the Company on 5 January 2009. In accordance with rule 8 of the Company's constitution, any Director appointed to fill a casual vacancy or as an additional director holds office until the next AGM and is then eligible for re-election.

Mr Burgess will therefore retire at the forthcoming AGM in accordance with the Company's constitution and, being eligible, has offered himself for re-election.

As previously advised by the Company, Mr Burgess was appointed to the Board as a non-executive Director and was, at that time, the nominated representative of Anglo American Plc pursuant to the Company's agreement with Anglo American Plc announced on 10 September 2008.

Mr Burgess ceased to be the nominated representative of Anglo American Plc on the appointment of his replacement, Mr Peter Whitcutt, as a Director.

Mr Burgess has a metallurgy degree gained in the UK. Mr Burgess spent five years on the copper mines in Zambia, before joining Anglo American in South Africa where he worked in various operational, project and management roles in gold and uranium operations.

After leaving South Africa in 1988, he worked for a Canadian junior company mainly on base and precious metal projects in the Americas and then a US based group focusing on uranium projects in the former Soviet Union.

In 1993 he moved to Australia where he initially worked as Technical/Operations Director for Golden Shamrock focusing on projects and operations in West Africa & Australia and subsequently as Chief Executive Officer of Delta Gold, a company active in Australia & Zimbabwe in gold and platinum.

After merging Delta Gold with Goldfields in 2001, he was appointed CEO of the merged company, AurionGold. After AurionGold was taken over in 2002 by Placer Dome, he joined the bank ABN AMRO, initially in Sydney and then Amsterdam, where he was Global Head of Metals & Mining. In 2005, he joined Anglo American as Head of Business Development for Base Metals, based in London.

Mr Burgess left Anglo American in July 2009 and was appointed CEO of OZ Minerals Ltd commencing 1 August 2009.

The Board of the Company, with the exception of Mr Burgess, unanimously recommends that you vote in favour of Mr Burgess' re-election as a Director of the Company.

## **4. Resolution 4 – Re-election of Mr Peter Whitcutt as Director**

Mr Whitcutt was appointed as an additional director of the Company on 18 September 2009. In accordance with rule 8 of the Company's constitution, any Director appointed to fill a casual vacancy or as an additional director holds office until the next AGM and is then eligible for re-election.

Mr Whitcutt will therefore retire at the forthcoming AGM in accordance with the Company's constitution and, being eligible, has offered himself for re-election.

As previously advised by the Company, Mr Whitcutt was appointed as a non-executive Director and is the current nominated representative of Anglo American Plc pursuant to the Company's agreement with Anglo American Plc announced on 10 September 2008. Mr Whitcutt replaced Mr Burgess as Anglo American Plc's nominated representative following Mr Burgess's resignation from Anglo American Plc in July 2009.

Mr Whitcutt is a Chartered Accountant and has a BCom and an MBA from the University of the Witwatersrand, South Africa and has attended the Advanced Management Program at Harvard Business School in the USA.

He is currently Chief Financial Officer with Anglo Base Metals and has had several senior roles within the Anglo American group of companies over the last 20 years, including Head of Finance for Anglo American Plc. He is a Director of DB Investments, the holding company for Anglo American's 45% interest in De Beers and is an Alternate Director of Anglo Platinum Ltd.

Mr Whitcutt is based in London.

The Board of the Company, with the exception of Mr Whitcutt, unanimously recommends that you vote in favour of Mr Whitcutt's re-election as a Director of the Company.

## **5. Resolution 5 – Re-election of Mr Neil Fearis as a Director**

Mr Fearis was appointed as an additional director of the Company on 08 October 2009. In accordance with rule 8 of the Company's constitution, any Director appointed to fill a casual vacancy or as an additional director holds office until the next annual general meeting and is then eligible for re-election.

Mr Fearis will therefore retire at the forthcoming AGM in accordance with the Company's constitution and, being eligible, has offered himself for re-election.

Mr Fearis has an Honours Degree in Law from the University of London.

He has over 30 years experience as a commercial lawyer in Australia and the UK, principally in the resources sector, specialising in mergers and acquisitions, takeovers, capital raisings, corporate reconstructions and advice to public companies.

For 13 years he was a partner in one of Australia's largest national law firms, before forming a niche firm providing legal advice to corporate clients. He currently consults to the national law firm Minter Ellison and acts for a number of ASX and TSX listed companies with resource projects in Australia and overseas.

Mr Fearis is a non-executive director of Carnarvon Petroleum Limited and Perseus Mining Limited, and non-executive chairman of Kresta Holdings Limited, all ASX-listed companies.

The Board of the Company, with the exception of Mr Fearis, unanimously recommends that you vote in favour of Mr Fearis' re-election as a Director of the Company.

## **6. Resolutions 6 to 10 – Issue of Options to Directors**

### **6.1 Background**

Resolutions 6 to 10 seek Shareholder approval for the Company to issue Options to certain Directors, or their nominees.

Shareholder approval for the issue of the Options the subject of Resolutions 6 to 10 is sought for the purposes of:

- (a) Chapter 2E of the Corporations Act – which governs the giving of financial benefits to "related parties", e.g. directors of a company; and
- (b) Listing Rule 10.11 – which generally provides that except in certain circumstances a company listed on ASX cannot issue or grant securities to a related party without Shareholder approval.

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, Exception 14 to Listing Rule 7.2 applies, so that approval under Listing Rule 7.1 is not required for the issue of Options to Directors.

The following information is provided to assist Shareholders in assessing Resolutions 6 to 10. This information has been provided in an aggregated format for ease of understanding, as the information in respect of each Resolution is materially similar. However, each of Resolutions 6 to 10 is independent of the other Resolutions and will be voted on separately.

## 6.2 Number of Options and Exercise Price

The key details of the Options proposed to be issued to the Directors are as follows:

Resolution Number	Director Name	Number of Options to be issued to Director	Exercise Price	Expiry
Resolution 6	Mr Terry Burgess	500,000	45% premium to pre AGM VWAP (as set out in 6.3 below)	5 years from date of issue
Resolution 7	Mr Neil Fearis	500,000	45% premium to pre AGM VWAP (as set out in 6.3 below)	5 years from date of issue
Resolution 8	Dr Keith Watkins	3,000,000	45% premium to pre AGM VWAP (as set out in 6.3 below)	5 years from date of issue
Resolution 9	Mr Ralph Porter	1,500,000	45% premium to pre AGM VWAP (as set out in 6.3 below)	5 years from date of issue
Resolution 10	Mr Max Cozijn	750,000	45% premium to pre AGM VWAP (as set out in 6.3 below)	5 years from date of issue

## 6.3 Purpose and Key Terms of Options

The purpose of the proposed grant of Options is to align the interests of each of the proposed Option recipients with those of Shareholders, and to encourage their contribution to the Company's anticipated success in the future in increasing value for all Shareholders.

The Board has determined (in each case excluding the proposed recipient of Options (**Proposed Recipient**) from its deliberations) to issue the Options to each of the Directors the subject of Resolutions 6 to 10 (subject to Shareholder approval), for the following reasons.

The Board (in each case excluding the relevant Proposed Recipient) considers that each Proposed Recipient's continuing involvement and contribution to the Company, taking into account that the Company operates with a small number of Directors, will be significant in achieving sustainable growth in Shareholder value. The Board (in each case excluding the relevant Proposed Recipient) also took into account each Proposed Recipient's existing remuneration package (details of which are set out in this Explanatory Memorandum) and, in respect of Dr Watkins and Messrs Porter and Cozijn, also considered the fact that each of them is a founder of the Company and has been involved with the Company since inception.

The exercise price of the Options to be issued to each Proposed Recipient will be set at a 45% premium to the VWAP of Shares traded on ASX in the 5 trading days prior to the date of the AGM. The Options will vest on the date of issue and will expire 5 years after that date.

All Options will be issued on the same terms and conditions, which are set out as Schedule 1 to this Explanatory Memorandum.

## 6.4 Regulatory matters

### (1) Approval sought under Listing Rule 10.11

Listing Rule 10.11 broadly provides that a company must not issue securities to a director without first obtaining the approval of members by ordinary resolution. For the purpose of Listing Rule 10.13, the following information is provided to Shareholders:

- subject to Shareholder approval, Options will be issued to each of the Proposed Recipients or their respective nominees as detailed in part 6.2 of this Explanatory Memorandum;
- the number of Options to be issued to each Proposed Recipient is set out in part 6.2 of this Explanatory Memorandum;
- subject to Shareholders approving the issue of Options to a particular Proposed Recipient, the Company will issue the Options to that Proposed Recipient as soon as practicable after the date of this meeting, but in any event no later than 1 month after the date of the meeting;
- each Option will be issued to the Proposed Recipients for nil cash consideration;
- any Options issued in accordance with Resolutions 6, 7, 8, 9 and 10 will be in addition to the remuneration package of each of the Proposed Recipients.
- the Options will be issued on the terms and conditions set out in Schedule 1 to this Explanatory Memorandum: "Terms and Conditions of Options"; and
- there will be no funds raised from the issue of the Options. However, any funds raised from the exercise of the Options in the future will be used for the working capital purposes of the Company.

### (2) Approval sought under Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) of the Company, unless either:

- (a) the giving of the financial benefit falls within one of the nominated exemptions in Chapter 2E of the Corporations Act; or
- (b) prior shareholder approval is obtained for the giving of the financial benefit.

For the purposes of Chapter 2E each Director is considered to be a related party of the Company. The proposed grant of Options to the Proposed Recipients, (each of whom is a Director), involves the provision of a financial benefit to a related party of the Company and, therefore, requires prior Shareholder approval.

In accordance with the requirements of Chapter 2E, the following information is provided to Shareholders to allow them to assess the proposed grant of Options the subject of Resolutions 6 to 10:

- (a) Mr Burgess, Mr Fearis, Dr Watkins, Mr Porter and Mr Cozijn are the related parties of the Company to whom the financial benefit will be given if the relevant Resolution is approved.
- (b) The nature of the financial benefit to be given is the issue of Options to each Proposed Recipient.
- (c) Regarding a recommendation in respect of Resolutions 6 to 10:
  - a. **Resolution 6:**
    - i. Mr Burgess declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of Resolution 6;
    - ii. Mr Fearis, Dr Watkins, Mr Porter and Mr Cozijn do not make a recommendation about Resolution 6 due to their interests in Resolutions 7, 8, 9 and 10 respectively.

- b. **Resolution 7:**
- i. Mr Fearis declines to make a recommendation about Resolution 7 as he has a material personal interest in the outcome of Resolution 7.
  - ii. Mr Burgess, Dr Watkins, Mr Porter and Mr Cozijn do not make a recommendation about Resolution 7 due to their interests in Resolutions 6, 8, 9 and 10 respectively.
- c. **Resolution 8:**
- i. Dr Watkins declines to make a recommendation about Resolution 8 as he has a material personal interest in the outcome of Resolution 8.
  - ii. Mr Burgess, Mr Fearis, Mr Porter and Mr Cozijn do not make a recommendation about Resolution 8 due to their interests in Resolutions 6, 7, 9 and 10 respectively.
- d. **Resolution 9:**
- i. Mr Porter declines to make a recommendation about Resolution 9 as he has a material personal interest in the outcome of Resolution 9.
  - ii. Mr Burgess, Mr Fearis, Dr Watkins and Mr Cozijn do not make a recommendation about Resolution 9 due to their interests in Resolutions 6, 7, 8 and 10 respectively;
- e. **Resolution 10:**
- i. Mr Cozijn declines to make a recommendation about Resolution 10 as he has a material personal interest in the outcome of Resolution 10.
  - ii. Mr Burgess, Mr Fearis, Dr Watkins and Mr Porter do not make a recommendation about Resolution 10 due to their interests in Resolutions 6, 7, 8 and 9 respectively;
- (d) The exercise price of each Option will be set at a 45% premium to the VWAP of Shares traded on ASX in the 5 trading days prior to the date of the AGM. The Options will vest on the date of issue and expire 5 years after that date.
- (e) An estimate of the value of the Options proposed to be issued pursuant to each of Resolutions 6, 7, 8, 9 and 10 using the “Black & Scholes” option pricing model has been calculated as set out below:

<b>Resolution Number</b>	<b>Name of related party</b>	<b>Number of Options</b>	<b>Total estimated value using Black &amp; Scholes Model</b>
Resolution 6	Mr Burgess (or his nominee)	500,000	\$175,544
Resolution 7	Mr Fearis (or his nominee)	500,000	\$175,544
Resolution 8	Dr Watkins (or his nominee)	3,000,000	\$1,053,265
Resolution 9	Mr Porter (or his nominee)	1,500,000	\$526,632
Resolution 10	Mr Cozijn (or his nominee)	750,000	\$263,316

The above estimated value of Options has been calculated using the following assumptions:

- (i) risk free interest rate of 3.25%;
- (ii) current Share price of \$0.675, being the last available sale price of the Company’s Shares traded on the ASX before the finalisation of this Explanatory Memorandum;
- (iii) dividend yield of 0%;
- (iv) forecast volatility of 70%;
- (v) an assumed Option exercise price of \$0.98 cents\*; and
- (vi) an Option term of 5 years.

\* Shareholders should note that the actual exercise price of the Options may differ from this assumed exercise price. The reason for this is that, as noted above, the exercise price will be set at a 45% premium to the VWAP of Shares traded on ASX during the 5 trading days prior to the AGM (**5 Day VWAP**). However, the Directors cannot accurately predict the 5 Day VWAP at the date of this Explanatory Memorandum.

Accordingly, the Directors have taken the last available price of Shares before the finalisation of this Explanatory Memorandum, which was \$0.675 (**Last Price**) and have assumed for the purposes of valuing the Options that the Last Price will be the same as the 5 Day VWAP. There can be no guarantee this will be the case. In the event that the 5 Day VWAP differs from the Last Price (and therefore the actual Option exercise price will differ from that set out above), the Company will announce the 5 Day VWAP and the Option exercise price to ASX prior to the commencement of the AGM.

- (f) Details of each of the Proposed Recipients' remuneration from the Company are set out below:

Director	Remuneration details
Mr Burgess	<p>Mr Burgess received no remuneration from the Company for his role as a non-executive Director during the year ended 30 June 2009. Fees for the services of Mr Burgess during the year ended 30 June 2009 were paid by the Company to Anglo American Plc. These fees amounted to \$10,900.</p> <p>As Mr Burgess has now left Anglo American Plc (as explained above), with effect from 1 October 2009, the Company will pay Mr Burgess a remuneration package amounting to \$50,000 per annum (assuming Resolution 3 is approved).</p> <p>Any Options issued to Mr Burgess in accordance with Resolution 6 will be in addition to the remuneration package of Mr Burgess.</p>
Mr Fearis	<p>With effect from Mr Fearis's appointment as a Director on 8 October 2009 the Company will pay to Mr Fearis a remuneration package of \$50,000 per annum (assuming Resolution 5 is approved).</p> <p>Any Options issued to Mr Fearis in accordance with Resolution 7 will be in addition to the remuneration package of Mr Fearis.</p>
Dr Watkins	<p>Dr Watkins received a remuneration package totaling \$327,000 from the Company during the year ended 30 June 2009 for his role as Managing Director.</p> <p>As at the date of this Explanatory Memorandum, Dr Watkins' current remuneration package amounts to \$350,000 per annum for his role as Executive Chairman.</p> <p>Any Options issued to Dr Watkins in accordance with Resolution 8 will be in addition to the remuneration package of Dr Watkins.</p>
Mr Porter	<p>Mr Porter received a remuneration package totaling \$228,900 from the Company during the year ended 30 June 2009 for his role as Exploration Director.</p> <p>As at the date of this Explanatory Memorandum, Mr Porter's total remuneration package amounts to \$228,900 per annum (assuming Resolution 2 is approved).</p> <p>Any Options issued to Mr Porter in accordance with Resolution 9 will be in addition to the remuneration package of Mr Porter.</p>
Mr Cozijn	<p>Mr Cozijn received a remuneration package totaling \$87,200 from the Company during the year ended 30 June 2009 for his role as Executive Director.</p> <p>As at the date of this Explanatory Memorandum, Mr Cozijn's total remuneration package amounts to \$87,200 per annum.</p> <p>Any Options issued to Mr Cozijn in accordance with Resolution 10 will be in addition to the remuneration package of Mr Cozijn</p>

(g) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision whether it is in the best interests of the Company to pass Resolution 6, 7, 8, 9 and 10, other than as follows:

(i) following the passage of each of Resolution 6, 7, 8, 9 and 10, the direct and indirect interests of each of the Proposed Recipients in Shares and Options in the Company will be as follows:

Director	Shares	Options			
	No.	No.	Issue date	Ex. Price	Expiry
Mr Burgess (or his nominee)	40,000	500,000	After the AGM (if Resolution 6 is passed)	45% premium to 5 Day VWAP (see above)	5 years after the date of the AGM
Mr Fearis (or his nominee)	Nil	500,000	After the AGM (if Resolution 7 is passed)	45% premium to 5 Day VWAP (see above)	5 years after the date of the AGM
Dr Watkins (or his nominee)	8,640,001	2,000,000	26/10/2006	\$0.20	31/10/2011
		300,000	09/05/2008	\$0.50	09/05/2010
		1,000,000	01/11/2007	\$0.83	31/10/2012
		3,000,000	After the AGM (if Resolution 8 is passed)	45% premium to 5 Day VWAP (see above)	5 years after the date of the AGM
Mr Porter (or his nominee)	2,210,000	1,500,000	26/10/2006	\$0.20	31/10/2011
		150,000	09/05/2008	\$0.50	09/05/2010
		750,000	01/11/2007	\$0.83	31/10/2012
		1,500,000	After the AGM (if Resolution 9 is passed)	45% premium to 5 Day VWAP (see above)	5 years after the date of the AGM
Mr Cozijn (or his nominee)	1,515,000	500,000	26/10/2006	\$0.20	31/10/2011
		300,000	01/11/2007	\$0.83	31/10/2012
		750,000	After the AGM (if Resolution 10 is passed)	45% premium to 5 Day VWAP (see above)	5 years after the date of the AGM

- (ii) if all of the Options the subject of Resolutions 6 to 10 (which in aggregate amount to 6,250,000 Options) are issued and are subsequently exercised, the Company's Share capital will be diluted by approximately 3.68% (assuming that the number of Shares on issue at the date of exercise of the Options is the same as at the date of the Notice of Meeting, which is 163,643,782 Shares); and
  - (iii) the primary purpose of the issue of the Options is to provide an added incentive to each of the Proposed Recipients to continue to contribute to increasing Shareholder value.
- (g) Over the last 12 months prior to the date of this Notice of Meeting, the Company's Shares have traded as follows on the ASX:

	Cents	Date
High	\$0.87	06/08/2009
Low	\$0.21	18/12/2008
Last	\$0.675	20/10/2009

## 6.5 Australian International Financial Reporting Standards

Under *AASB 2 Share Based Payments*, pursuant to the adoption of Australian International Financial Reporting Standards ("**AIFRS**"), the Company is required to recognise the fair value of Options granted to directors, employees, consultants and other advisors as an expense on a pro-rata basis over the vesting period of the Option, in the Company's income statement with a corresponding adjustment to equity on the Company's balance sheet.

Using the assumed Option value derived from the Black & Scholes option pricing calculations set out above in this Explanatory Memorandum, the impact of the issue of Options on the Company's income statement for the financial year ending 30 June 2010 under each of Resolutions 6, 7, 8, 9 and 10 would be as follows:

Resolution Number	Director Name	Assumed value of Options	30 June 2010 Income Statement expense
Resolution 6	Mr Terry Burgess	\$175,544	\$175,544
Resolution 7	Mr Neil Fearis	\$175,544	\$175,544
Resolution 8	Dr Keith Watkins	\$1,053,265	\$1,053,265
Resolution 9	Mr Ralph Porter	\$526,632	\$526,632
Resolution 10	Mr Max Cozijn	\$263,316	\$263,316
<b>Total</b>		<b>\$2,194,301</b>	<b>\$2,194,301</b>

None of these expenses represent a cash cost to the Company. As noted above, the actual exercise price of the Options may differ from the assumed Option exercise price used in the Black & Scholes calculations above depending on the VWAP of Shares traded on ASX over the 5 days prior to the date of the AGM. If this occurs, the value of the Options derived from the Black & Scholes formula will differ from that set out in the table above and this will in turn affect the amount of the expense the Company will include in its Income Statement in respect of the Options.

## **11. Resolution 11 – Approval of increase in aggregate annual non-executive Directors' remuneration**

Rule 42 of the Company's constitution and Listing Rule 10.17 provide that the Directors' remuneration (excluding the salary of an executive Director or the Managing Director) must not exceed the maximum aggregate sum determined by the Company in general meeting, with individual apportionments of that sum remaining within the discretion of the Board. Accordingly, in accordance with Rule 43 of the Company's constitution and Listing Rule 10.17, the Directors seek Shareholder approval to increase the aggregate directors' remuneration for non-executive Directors from \$100,000 per annum to \$300,000 per annum.

The Directors' fees were last revised in 2006. Remuneration payable for non-executive directors totaled \$10,900 (inclusive of superannuation) for the financial year ended 30 June 2009. However, the Company is reviewing the composition of non-executive Directors on its Board, in order to assist the Company in achieving its objectives and to increase Shareholder value. To date, this approach has resulted in the retention of Mr Burgess as an independent non-executive director notwithstanding his resignation from Anglo American Plc, Mr Whitcutt as a non-executive Director and the appointment of Mr Fearis, also as an independent non-executive director. Increasing the aggregate of non-executive directors' fees to \$300,000 will assist the Company in attracting and retaining high calibre non-executive Directors.

## Schedule 1 – Terms and Conditions of Options

1. Each Option entitles the Option holder to subscribe for and be allotted one Share in the Company upon the payment of the exercise price determined in accordance with clause 2 below (**Exercise Price**).
2. The Exercise Price in respect of an Option will be the volume weighted average price of Shares traded on ASX during the 5 trading days prior to the date of the commencement of the Company's 2009 Annual General Meeting, multiplied by 1.45.
3. The expiry date of the Options will be 5.00 pm on the date that is 5 years from the date of issue of the Options (**Expiry Date**).
4. The Options are exercisable at any time on or prior to the Expiry Date by notice in writing to the directors of the Company accompanied by payment of the Exercise Price for each Option being exercised.
5. All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by the ASX of all Shares issued upon exercise of the Options within the time period prescribed by the ASX Listing Rules.
6. There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will send a notice to each Option holder at least nine business days before the relevant record date for determination of Shareholders. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
7. If from time to time on or prior to the expiry of the Options the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves (**Bonus Issue**), then upon exercise of their Options, an Option holder will be entitled to have issued to them (in addition to the Shares which would otherwise be issued to that Option holder upon such exercise) the number of Shares which would have been issued to that Option holder under that Bonus Issue (**Bonus Shares**) if on the record date for the Bonus Issue they had been registered as the holder of the number of Shares of which they would have been registered as holding if, immediately prior to that date, they had duly exercised their Options and the Shares the subject of such exercise had been duly allotted and issued to them. The Bonus Shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue.
8. In the event of any re-organisation of the issued capital of the Company on or prior to the expiry of the Options, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the re-organisation.
9. In the event of a pro rata issue or bonus issue of securities by the Company, the exercise price and the number of underlying securities over which the Options may be exercised (as applicable) will be varied in accordance with ASX Listing Rule 6.22.



**ANNUAL GENERAL MEETING PROXY FORM**

To: The Secretary  
 Magma Metals Limited  
 PO Box 1221  
 WEST PERTH WA 6872

I/We \_\_\_\_\_ Of \_\_\_\_\_  
Full name and address in block letters

Being a member/members of Magma Metals Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_

Or failing him/her \_\_\_\_\_

Or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me on my/our behalf in accordance with the directions indicated below or in the absence of indication, as he/she/they think fit at the Annual General Meeting of the Company to be held at **City West Reception Centre, 45 Plaistowe Mews, West Perth, Western Australia on Thursday 26 November 2009 at 4:30pm** and at any adjournment thereof.

Instructions as to voting:

**IMPORTANT NOTICE**

The Chairman intends to vote all undirected proxies in favour of resolutions 1 to 11.

**If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote, 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 resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest.**

**If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolutions and your votes will not be counted in calculating the required majority if a poll is called on the resolutions.**

**BUSINESS:**

**Annual Report**

To receive and consider the financial report, together with the directors' report (including the remuneration report) and the auditor's report for the financial year ended 30 June 2009.

<b>As Ordinary Resolutions</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To Re-elect Mr Ralph Porter as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To Re-elect Mr Terry Burgess as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To Re-elect Mr Peter Whitcutt as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To Re-elect Mr Neil Fearis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of Issue of Options to Director - Mr Terry Burgess	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of Issue of Options to Director - Mr Neil Fearis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval of Issue of Options to Director - Dr Keith Watkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Approval of Issue of Options to Director - Mr Ralph Porter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Approval of Issue of Options to Director - Mr Max Cozijn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Approval of increase in aggregate annual non-executive directors' remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**A. If the member is a company, then it shall affix its common seal below or execute the form without a common seal in accordance with section 127 of the Corporations Act, or sign by a duly authorised officer.**

EXECUTED by  
ACN/ABN \_\_\_\_\_ in accordance with section 127 of the Corporations Act

_____ Director/Company Secretary	_____ Director:	Date / /09
_____ Name of Director/Company Secretary (BLOCK LETTERS)	_____ Name of Director (BLOCK LETTERS)	

**OR**

_____ Signature	_____ (insert capacity in which duly authorized officer is signing for a member which is a company)	Date / /09
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**B. If the member is an individual or joint holder:**

_____ Signature	_____ Signature	Date / /09
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#### **NOTES**

1. A member may appoint not more than 2 Proxies. A proxy need not be a member.
2. Where a member appoints 2 proxies and does not specify the proportion or number of the member's votes exercisable by each proxy, each proxy may exercise half of the member's rights.
3. The Chair intends to vote all undirected proxies in favour of all resolutions.
4. An instrument appointing a proxy may not be treated as valid unless the instrument and the power of attorney or other authority (if any) under which the instrument is signed or proof of the power or authority to the satisfaction of the directors is or are deposited at the Company's registered office or at the Company's share registry not less than 48 hours before the time for the holding of the particular meeting or adjourned meeting as the case may be at which the person named in the instrument proposes to vote.
5. Proxy forms (and the power of attorney, if any under which the proxy form is signed) must be received at 3<sup>rd</sup> Floor, 18 Richardson Street, West Perth, Western Australia or on fax number +61(0)8 9324 1700 no later than 48 hours before the time fixed for holding the meeting.
6. An instrument appointing a proxy must be in writing under the hand of the appointor or of the appointor's attorney duly authorised in writing or, if the appointor is a body corporate, either under its common seal if it has a common seal, or under the hand of an officer or duly authorised attorney or duly authorised representative.
7. In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that the shareholding of each person for the purposes of determining entitlements to attend and vote at the meeting will be the entitlement of that person set out in the Company's register as at 4.30 pm WST on 25 November 2009. Accordingly, transactions registered after this time will be disregarded in determining entitlements to attend and vote at the meeting.
8. A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. The appointment must comply with section 250D of the Corporations Act. The representative should bring evidence of their appointment to the meeting, including any authority under which their appointment is signed, unless previously given to the Company.

**Notes**



**MAGMA  
METALS**  
**LIMITED**  
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