

GIPPSLAND LIMITED

ACN 004 766 376

NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

DATE OF MEETING

Friday 14 June 2002

TIME OF MEETING

3.30pm

PLACE OF MEETING

Ground floor, 18 Stirling Highway, Nedlands, Western Australia 6009

GIPPSLAND LIMITED
ACN 004 766 376

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the shareholders of Gippsland Limited ("**Company**") will be held at the Ground Floor, 18 Stirling Highway, Nedlands, Western Australia 6009, on Friday 14 June 2002 at 3.30pm for the purpose of transacting the following business.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of General Meeting.

AGENDA

BUSINESS

Resolution 1 – Approval to the Issue of Shares

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

"That, pursuant to Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approve and authorise the Directors of the Company to allot and issue up to 25,000,000 fully paid ordinary shares in the capital of the Company at an issue price which is at least 80% of the average market price for the Company's shares on ASX over the 5 trading days preceding the date on which the issue is made and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting."

<p>The Company will disregard any votes cast on Resolution 1 by any person who may participate in the proposed issue and by any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any person associated with those persons. 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 a direction on the proxy form to vote as the proxy decides.</p>

Resolution 2 – Ratification of Placement of Shares to Lycopodium Pty Ltd

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

"That, pursuant to Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approves and ratifies the issue of 1,000,000 fully paid ordinary shares in the capital of the Company at a price of 12 cents each on 3 April 2002, to mining project engineers Lycopodium Pty Ltd, as consideration for their professional services in respect of the Company's bankable feasibility study on its Abu Dabbab project situated in Egypt and otherwise as set out in the Explanatory Memorandum accompanying this Notice of General Meeting."

The Company will disregard any votes cast on Resolution 2 by Lycopodium Pty Ltd and any person associated with Lycopodium Pty Ltd. 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 a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Ratification of Placement of Shares to Investors

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

"That, pursuant to Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approves and ratifies the issue of 6,102,839 fully paid ordinary shares in the capital of the Company at a price of 12 cents each to investors in the Company pursuant to a Prospectus dated 7 February 2002 and its accompanying Supplementary Prospectus dated 14 February 2002 and which closed on 14 March 2002 raising a total sum of \$732,340.68 and otherwise as set out in the Explanatory Memorandum accompanying this Notice of General Meeting."

The Company will disregard any votes cast on Resolution 3 by any person who participated in the issue and any person associated with those persons. 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 a direction on the proxy form to vote as the proxy decides.

Resolution 4 - Grant of Options to Director – Mr R John Telford

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

"That for the purposes of sections 195(4) and 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approve and authorise the grant and issue of 4,750,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting to Mr R John Telford or his nominee."

The Company will in accordance with section 224 of the Corporations Act 2001 (Cth) and the Listing Rules of the Australian Stock Exchange Limited, disregard any votes cast on Resolution 4 by Mr Telford and any person associated with Mr Telford. 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 a direction on the proxy form to vote as the proxy decides.

Resolution 5 - Grant of Options to Director – Dr John M Chisholm

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

"That for the purposes of sections 195(4) and 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approve and authorise the grant and issue of 2,250,000 options on the terms and conditions set out in the Explanatory

Memorandum accompanying this Notice of General Meeting to Dr John M Chisholm or his nominee.”

The Company will in accordance with section 224 of the Corporations Act 2001 (Cth) and the Listing Rules of the Australian Stock Exchange Limited, disregard any votes cast on Resolution 5 by Dr Chisholm and any person associated with Dr Chisholm. 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 a direction on the proxy form to vote as the proxy decides.

Resolution 6 - Grant of Options to Director – Mr John D Kenny

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

“That for the purposes of sections 195(4) and 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approve and authorise the grant and issue of 2,250,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting to Mr John D Kenny or his nominee.”

The Company will in accordance with section 224 of the Corporations Act 2001 (Cth) and the Listing Rules of the Australian Stock Exchange Limited, disregard any votes cast on Resolution 6 by Mr Kenny and any person associated with Mr Kenny. 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 a direction on the proxy form to vote as the proxy decides.

Resolution 7 - Grant of Options to a Company Secretary - Mr Gary C Steinepreis

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

“That pursuant to Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approve and authorise the grant and issue of 1,250,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting to Mr Gary C Steinepreis or his nominee.”

The Company will disregard any votes cast on Resolution 7 by Mr Steinepreis and any person associated with Mr Steinepreis. 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 a direction on the proxy form to vote as the proxy decides.

Resolution 8 - Grant of Options to Ms Helena Nemchin

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

“That pursuant to Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approve and authorise the grant and

issue of 500,000 options on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting to Ms Helena Nemchin or her nominee.”

The Company will disregard any votes cast on Resolution 8 by Ms Nemchin and any person associated with Ms Nemchin. 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 a direction on the proxy form to vote as the proxy decides.

By order of the Board

Mr R John Telford
Chairman
Dated: 7 May 2002

PROXIES

A shareholder entitled to attend and vote at the above General Meeting of shareholders may appoint not more than 2 proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. A proxy may, but need not be, a shareholder of the Company. Proxy forms must reach the Registered Office of the Company at least 48 hours prior to the General Meeting.

GIPPSLAND LIMITED
ACN 004 766 376
PROXY FORM

The Company Secretary
 Gippsland Limited

Address: Suite 34
 Level 2
 18 Stirling Highway
 NEDLANDS WA 6009
 Facsimile: (08) 9389 8612

I/We (name of shareholder)
 of (address)
 being a member/members of Gippsland Limited HEREBY APPOINT
 (name)
 of (address)
 and/or failing him (name)
 of (address)

or failing that person then the Chairman of the General Meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on Friday 14 June 2002 at 3.30pm at the Ground Floor, 18 Stirling Highway, Nedlands, Western Australia 6009 and at any adjournment of the meeting.

Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1 - Approval of the Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Ratification of Placement of Shares to Lycopodium Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Ratification of Placement of Shares to Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Grant of Options to Mr R John Telford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 - Grant of Options to Dr John M Chisholm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Grant of Options to Mr John D Kenny	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 7 - Grant of Options to Mr Gary C Steinepreis

Resolution 8 - Grant of Options to Ms Helena Nemchin

If you do not wish to direct your proxy as to how to vote, please mark this box which is immediately below:

By marking in this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Dated: 2002.

*This Proxy is appointed to represent ____% of my voting right, or if 2 proxies are appointed Proxy 1 represents ____% and Proxy 2 represents ____% of my total votes
My total voting right is _____ shares*

If the shareholder is an individual:

Signature: _____

Name: _____

If the shareholder is a company:

Affix common seal (if required by Constitution)

Director/Sole Director and Secretary

Director/Secretary

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than 2 proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the Company or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this General Meeting **that is by 3.30pm WST on 12 June 2002** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.
7. If the Chairman of the General Meeting is acting as your proxy, he intends to vote any undirected proxies held on a particular item of business in favour of the relevant resolution on that item of business.

GIPPSLAND LIMITED
ACN 004 766 376

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Gippsland Limited ("**Company**") with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice of General Meeting:

Resolution 1 – Approval to the Issue of Shares

Listing Rule 7.1

Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period where the total number of securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except with the prior approval of members of the company in general meeting of the terms and conditions of the proposed issue or where the issue is pro rata to all shareholders in accordance with their existing shareholdings.

For the purposes of Listing Rule 7.3, the following information is provided in relation to Resolution 1 to allow shareholders to assess the proposed issue of up to 25,000,000 fully paid ordinary shares in the capital of the Company as contemplated by Resolution 1:

- 1.1 the maximum number of fully paid ordinary shares in the capital of the Company to be allotted and issued is 25,000,000 fully paid ordinary shares;
- 1.2 the shares the subject of Resolution 1 will be issued and allotted no later than (3) months after the date of this General Meeting or such later date as approved by ASX;
 - (a) the issue price of the fully paid ordinary shares in the capital of the Company proposed to be allotted and issued will be a price equal to at least 80% of the average market price of the Company's shares on ASX over 5 trading days preceding the day on which the Prospectus for the placement is issued;
 - (b) the allottees in respect of Resolution 1 are not, as yet, identifiable, but will be subscribers to be identified by the Company and any brokers appointed by the Company to manage the issue;
 - (c) in relation to Resolution 1, by way of an example, in the event that the Company's share price was 20 cents, then 80% of this price is 16 cents. 25,000,000 shares at 16 cents per share totals to \$3,200,000;

- (d) the fully paid ordinary shares to be issued will rank *pari passu* on allotment and issue with the existing ordinary shares of the Company; and
- (e) the Company intends to use the funds raised by the issue of the 25,000,000 fully paid ordinary shares the subject of Resolution 1 to replenish the Company's cash position and to provide additional capital for the exploitation and development of the Company's Abu Dabbab tantalum, niobium, tin, feldspar and quartz deposit located in the Abu Dabbab area of the central eastern desert of the Arab Republic of Egypt. Funds over and above this specific purpose will be used for general working capital purposes, review and analysis of new projects and for the funding the Company's existing activities.

Resolution 2 – Ratification of Placement of Shares to Lycopodium Pty Ltd

Resolution 2 has been included so that shareholders may approve and ratify for the purposes of Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited the issue of 1,000,000 fully paid ordinary shares in the capital of the Company to mining project engineers Lycopodium Pty Ltd as consideration for their professional services in respect of the Company's bankable feasibility study on its Abu Dabbab tantalum, niobium, tin, feldspar and quartz deposit located in the Abu Dabbab area of the central eastern desert of the Arab Republic of Egypt. The Company therefore made the issue of shares to Lycopodium Pty Ltd in consideration of the satisfaction of an agreement for professional services entered into by the parties on 26 March 2002. The deemed issue price was 12 cents each and no funds were raised from the issue. The terms of the fully paid ordinary shares issued are the same as the existing ordinary shares on issue and, accordingly, rank equally in all respects with the existing ordinary shares on issue.

Listing Rule 7.1 provides a formula which limits the number of equity securities the Company may issue to 15% of each class of securities issued within a 12 month period without shareholder approval. While the 1,000,000 shares issued above are within this 15% limit, the purpose of this Resolution 2 is to ratify this issue within the 15% limit to provide the Company with the flexibility to issue further shares in accordance with the Listing Rules should the need arise.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if the shareholders subsequently approve it.

Resolution 3 – Ratification of Placement of Shares to Investors

Resolution 3 has been included so that shareholders may approve and ratify pursuant to Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited the issue of 6,102,839 fully paid ordinary shares in the capital of the Company at a price of 12 cents each to various independent unrelated third party investors in the Company pursuant to a Prospectus dated 7 February 2002 and its accompanying Supplementary Prospectus dated 14 February 2002 and which closed on 14 March 2002 raising a total sum of \$732,340.68.

The Company is currently using the funds raised as follows:

- (a) the first \$350,000 is being spent on the administration of the Company;
- (b) the next \$300,000 is being spent on the completion of a bankable feasibility study on the Company's Abu Dabbab tantalum, niobium, tin, feldspar and quartz deposit located in the Abu Dabbab area of the central eastern desert of the Arab Republic of Egypt; and
- (c) the balance of funds will be spent on the working capital of the Company.

Listing Rule 7.1 provides a formula which limits the number of equity securities the Company may issue to 15% of each class of securities issued within a 12 month period without shareholder approval. While the 6,102,839 shares issued above are within this 15% limit, the purpose of this Resolution 3 is to ratify this issue within the 15% limit to provide the Company with the flexibility to issue further shares in accordance with the Listing Rules should the need arise.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if the shareholders subsequently approve it.

The terms of the fully paid ordinary shares issued are the same as the existing ordinary shares on issue and, accordingly, rank equally in all respects with the existing ordinary shares on issue.

Resolutions 4 to 6 - Issue of Options to Directors

Introduction

The Company proposes to issue a total of 9,250,000 options to Messrs John R Telford (Chairman and Chief Executive officer), John M Chisholm (Director) and John D Kenny (Director). The issue of options with an exercise price higher than the current market price is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the Directors consider that the incentives to the 3 parties noted above, represented by the issue of these options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of cash compensation to directors. In light of the current climate for raising funds faced by a company such as Gippsland, the Directors are of the view that it is far better for the Directors of the Company to be compensated by way of securities in the Company rather than by way of cash. The Directors of the Company, generally speaking, would rather spend the cash that the Company has on its current assets and projects. The exercise price of the options will represent a premium of approximately 55% to the price of shares in the Company trading on the Australian Stock Exchange Limited ("ASX") as at the close of business on the date of announcement to ASX of the proposed grant of the options.

Related Party Transactions

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

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

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

Resolutions 4 to 6 provide for the grant of options to certain Directors of the Company which is a financial benefit which requires shareholder approval for the purpose of Chapter 2E of the Corporations Act (Cth).

In accordance with section 219 of the Corporations Act, the following information is provided to shareholders:

1. The related parties to whom the proposed resolutions would permit the financial benefit to be given

Subject to shareholder approval the following options will be granted to the following Directors or their respective nominees:

Name of Director	Number of Options
R John Telford (Chairman and CEO)	4,750,000
John M Chisholm	2,250,000
John D Kenny	2,250,000

2. The nature of the financial benefit

The proposed financial benefit to be given is the grant of options for no consideration to the named Directors as noted above. The terms and conditions of the options are set out in Annexure A to the Notice of General Meeting and this Explanatory Memorandum.

3. Directors' recommendation

Each of the Directors decline to make a recommendation about Resolutions 4 to 6 as each has a material personal interest in the outcome of the particular resolution that relates to the proposed issue of options to them individually and consider it inappropriate to make a recommendation in relation to the other resolutions in the circumstances. The 3 individuals concerned comprise all of the Directors of the Company.

4. Other information that is reasonably required by members to make a decision whether it is in the best interests of the Company to pass Resolutions 4 to 6 and that is known to the Company or any of its Directors

- (a) The proposed resolutions would have the effect of giving power to the Directors to grant up to 9,250,000 options on the terms and conditions as set out in Annexure A to this Notice of General Meeting and Explanatory Memorandum and as otherwise mentioned above;
- (b) The Company presently has 78,231,996 listed issued shares on issue;
- (c) The Company presently has 500,000 unlisted unexercised options on issue comprised of 250,000 options with an exercise price of 20 cents and expiring on 15 February 2004 and a further 250,000 options with an exercise price of 30 cents and expiring on 15 February 2004;
- (d) No options of any kind whatsoever are currently held by any of the 3 current Directors;
- (e) The number of shares currently held by the 3 current Directors are as follows:

Name of Director	Number of Shares Currently Held
R John Telford (Chairman and CEO)	9,848,395
John M Chisholm	50,000
John D Kenny	NIL

- (f) No securities of the Company are held in escrow;
- (g) If any options granted as proposed above are exercised the effect would be to dilute the share holding of existing shareholders by 11.8% (assuming that none of the other 500,000 options on issue are exercised). The market price of the Company's shares during the period of the options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's ordinary shares may be trading on the ASX at a price which is higher than the exercise price of the options;

- (h) These options will not be quoted on the ASX and as such have no actual market value. The Directors, in conjunction with the Company's advisers, have attempted to value the options by reference to the Black and Scholes valuation method and on the basis of the following assumptions:
- (i) the exercise price of the options is 14 cents each;
 - (ii) the options each have a term of 2 years;
 - (iii) the current share price is 9 cents;
 - (iv) the advisers have also assumed a risk free rate (2 year bond rate) of 5.81%;
 - (v) the advisers have also assumed a volatility factor of 100%.

Based on these assumptions and advice from the Company's advisers, it is considered that the estimated value of the options is 4.2 cents each;

- (i) The following table gives details of the highest, lowest and latest price of the Company's shares trading on the ASX over the past 12 months (from the date of this Notice of General Meeting and Explanatory Memorandum):

Security	Highest Price	Date of highest price	Lowest Price	Date of lowest price	Latest Price on 06/05/2002
Ordinary Shares	24 cents	23/01/2002	2.2 cents	20,21 and 24 September 2001	9 cents

- (j) The Directors do not consider that from an economic and commercial point of view, there are any costs or detriment including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the options pursuant to Resolutions 4 to 6;
- (k) Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 4 to 6.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to the issue of the securities to a related party of the Company. As the Directors are related parties of the Company as noted above, shareholder approval under Listing Rule 10.11 is sought.

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

- (a) the options will be issued to Messrs John R Telford (Chairman and Chief Executive officer), John M Chisholm (Director) and John D Kenny (Director) as noted above;

- (b) the maximum number of options to be granted under Resolutions 4 to 6 is 9,250,000;
- (c) the options will be issued no later than (1) month after the date of this General Meeting or such later date as approved by ASX;
- (d) the options will be granted as incentive options and hence will attract no consideration;
- (e) the options will be issued on the terms and conditions as set out in Annexure A to this Explanatory Memorandum; and
- (f) no funds will be raised from the issue of the options.

Listing Rule 7.1

As approval of shareholders is being sought pursuant to Listing Rule 10.11, under Listing Rule 7.2 Exception 14, approval under Listing Rule 7.1 is not required.

Section 195 of the Corporations Act

Section 195 of the Corporations Act provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered.

As each of the Directors will be receiving options under Resolutions 4 to 6 as described above, each is considered to hold a material personal interest in the consideration of the matter and, therefore, cannot consider the matter at a Board of Directors Meeting of the Company. Accordingly, there is no quorum for a Director's meeting and this matter cannot be considered by the Company's Board of Directors. However, under section 195(4) of the Corporations Act, the Directors are permitted in such a circumstance to put the matter before the shareholders to consider and resolve the matter.

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act and resolved to place the proposed grant of options to themselves to shareholders to consider and resolve.

Resolutions 7 to 8 – Issue of Options

The Company proposes to issue a total of 1,750,000 options to Messrs Gary C Steinepreis and Helena Nemchin. Mr Steinepreis is the Company Secretary and Ms Nemchin is the executive assistant to the Board of Directors. The issue of options with an exercise price higher than the current market price is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Approval under Listing Rule 7.1

Listing Rule 7.1 of the Listing Rules of ASX requires shareholder approval to the proposed issue of the options. Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholders' approval is required for any issue of securities by a listed company where the

shares proposed to be issued represent more than 15% of the company's shares then on issue. Listing Rule 7.1.4 provides that for the purposes of Listing Rule 7.1 options are treated as if they were the shares into which they will, upon exercise, convert. Although the options to be issued do not represent more than 15% of the company's shares then on issue Listing Rule 7.1 approval is sought so that 15% threshold is maintained and available for use by the Company in the future should the circumstances require it.

Additional Information

For the purposes of Listing Rules 7.3, the following information is provided:

- (a) the maximum number of options to be issued is 1,750,000;
- (b) the options will be granted no later than (1) month after the date of this General Meeting or such later date as approved by ASX;
- (c) the options will be granted for no consideration;
- (d) the allottees will be Mr Gary C Steinepreis or his nominee as to 1,250,000 options and Ms Helena Nemchin or her nominee as to 500,000 options;
- (e) no funds will be raised by grant of these 1,750,000 options; and
- (f) the terms of the options are set out in Annexure A to this Notice of General Meeting and Explanatory Memorandum.

ANNEXURE A

- No monies will be payable for the issue of the options;
- A certificate will be issued for the options;
- The options shall expire two (2) years after the date on which they are granted;
- Each option shall carry the right to subscribe for one share in the Company;
- Options may be exercised in whole or in part in parcels of not less than 100,000 except if the optionholder holds less than 100,000 options. An exercise of only some options shall not affect the rights of the option holder, to the balance of the options held by him;
- The shares allotted on the exercise of these options shall be issued at an exercise price of 14 cents;
- The issue price of shares the subject of these options shall be payable in full on exercise of these options;
- Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of options held by him accompanied by an option certificate and a cheque made payable to the Company for the subscription monies for the shares;
- The Company shall allot the resultant shares and deliver the share certificates within five (5) business days of the exercise of the option;
- These options shall not be listed for Official Quotation on the ASX;
- Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing shares of the Company in all respects;
- The Company shall, in accordance with Listing Rule 2.8 of the ASX, make application to have shares allotted pursuant to an exercise of options listed for Official Quotation;
- If the options are exercised before the record date of an entitlement, a Director as an option holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the option holders of the proposed issue at least nine (9) business days before the record date. The option holders therefore do not have a right to participate in new issues without exercising their options;
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of the options or the exercise price of the options or both shall be reconstructed (as appropriate) in accordance with the Listing Rules of the ASX (whether or not the Company is listed on the ASX at the time);

- The options will not give any right to participate in dividends until shares are allotted pursuant to the exercise of the relevant options;
- In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company and the Company is listed on the ASX, the exercise price of the options may be reduced according to the following formula:

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

Where:

O' = 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 5 trading days ending on the day before the ex rights date or ex entitlements date.

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

D = the dividend (in the case of a trust distribution) due but not yet paid on the 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 number of shares to be issued pursuant to the exercise of options will be adjusted for bonus issues made prior to the exercise of options. The effect will be that upon exercise of the options the number of shares received by the option holder will include the number of bonus shares that would have been issued if the options had been exercised prior to the record date for bonus issues. The exercise price of the options shall not change as result of any such bonus issue;
- The Company shall notify each option holder within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of shares over which the option exists and/or the adjustment to the exercise price; and
- Options may be converted into shares to be held in the name of the option holder's nominee.