
PROSPERITY RESOURCES LIMITED

ACN 103 280 235

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00 am (WST)

DATE: Thursday, 27 November 2008

PLACE: Ground Floor
Somerset on the Terrace
185 St Georges Terrace
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) 9322 7575.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (WST) on Thursday, 27 November 2008 at:

Ground Floor, Somerset on the Terrace, 185 St Georges Terrace, Perth, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Prosperity Resources Limited, Level 9, 190 St Georges Terrace, Perth, Western Australia 6000; or
- (b) facsimile to the Company on facsimile number (+61 8) 9322 9485,

so that it is received not later than 10.00 am (WST) on 25 November 2008.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 10.00 am (WST) on 27 November 2008 at Ground Floor, Somerset on the Terrace, 185 St Georges Terrace, Perth, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 10.00 am (WST) on 25 November 2008.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2008 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2008."

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – SEBASTIAN HEMPEL

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

"That, for the purpose of clause 11.12 of the Constitution and for all other purposes, Sebastian Hempel a Director who was appointed on 21 July 2008, retires, and being eligible, is re-elected as a Director."

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – JOHN PHILLIP ARBUCKLE

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

"That, for the purpose of clause 11.3 of the Constitution and for all other purposes, John Phillip Arbuckle, a Director who retires by rotation, and being eligible, is re-elected as a Director."

4. **RESOLUTION 4 – ISSUE OF DIRECTOR OPTIONS – JOHN PHILLIP ARBUCKLE**

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to grant 1,500,000 Director Options to Mr John Arbuckle (or his nominee) on the terms and conditions in the Explanatory Statement.”

Short Explanation: The ASX Listing Rules require the Company to seek shareholder approval prior to the issue of securities to a related party. Under the Corporations Act, the provision of any financial benefit (which includes the grant of options), requires shareholder approval. Mr Arbuckle is a related party of the Company by virtue of the fact that he is a Director.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Arbuckle (or his nominee) or any of his associates. 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 if 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.

5. **RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS**

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 3,000,000 Shares and 10,000,000 Loan Options on the terms and conditions set out in the Explanatory Statement.”

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

DATED: 15 OCTOBER 2008

BY ORDER OF THE BOARD

**HUBERT LENNERTS
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10.00 am (WST) on 27 November 2008 at Ground Floor, Somerset on the Terrace, 185 St Georges Terrace, Perth, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2008 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at www.prosperity.net.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2008.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – SEBASTIAN HEMPEL

Clause 11.12 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Sebastian Hempel will retire in accordance with clause 11.12 of the Constitution and being eligible seeks re-election.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – JOHN PHILLIP ARBUCKLE

Clause 11.3 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

A Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

John Phillip Arbuckle retires by rotation and seeks re-election.

5. RESOLUTION 4 - ISSUE OF DIRECTOR OPTIONS – MR JOHN ARBUCKLE

5.1 Background

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 1,500,000 Options (**Director Options**) to John Arbuckle (or his nominee) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to John Arbuckle (or his nominee) requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as a Director, John Arbuckle is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to John Arbuckle (or his nominee).

5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related party is John Arbuckle who is a related party by virtue of being a Director;

- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to John Arbuckle (or his nominee) is 1,500,000;
- (c) the Director Options will be granted to John Arbuckle (or his nominee) no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one and the same date;
- (d) the Director Options will be granted for nil cash consideration and accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 1;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (g) John Arbuckle does not presently have a relevant interest in any securities of the Company;
- (h) the remuneration and emoluments received or to be received by John Arbuckle from the Company for the current financial year and previous financial year is \$30,000 and \$25,000 respectively (excluding superannuation);
- (i) if the Director Options granted to John Arbuckle (or his nominee) are exercised, a total of 1,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 180,075,373 to 181,575,373 (including the Loan Shares to be issued to the Lender as set out in paragraph 6.1 below and assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted by 0.83%.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	20.0 cents	5 May 2008
Lowest	4.1 cents	6 October 2008
Last	5.5 cents	13 October 2008

- (k) the primary purpose of the grant of Director Options to John Arbuckle is to provide a market linked incentive package in his capacity as Director and for the future performance by him in this role. The Board (other than John Arbuckle) considered the extensive experience and reputation of John Arbuckle, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to John Arbuckle. In addition, the Board considers the grant of

the Director Options to John Arbuckle to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- (l) the Board acknowledges the grant of Director Options to John Arbuckle is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to John Arbuckle reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves; and
- (m) Mr Arbuckle declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board (other than Mr Arbuckle) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to John Arbuckle (or his nominee) as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to John Arbuckle (or his nominee) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – SHARES AND OPTIONS

6.1 General

On 14 October 2008, the Company entered into a loan agreement with Resource Global Finance Limited (**Lender**) (**Loan Agreement**) whereby the Company agreed to issue the following securities to the Lender on 15 October 2008 (or such other date as agreed between the Company and the Lender):

- (a) 3,000,000 Shares (**Loan Shares**); and
- (b) 10,000,000 Options (**Loan Options**),

(together the **Loan Securities**),

as consideration for the Lender agreeing to advance to the Company a loan for the sum of \$500,000 (**Loan**). The Lender is not a related party of the Company.

As at the date of this Notice, the Loan Securities have not yet been issued but it is expected that they will have been issued as at the date of the Annual General Meeting. As such, Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Loan Securities (**Securities Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

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

6.2 Loan Agreement Summary

In accordance with the Loan Agreement, the Company is restricted to applying the Loan towards the Company's general working capital.

The Loan, which is interest free, is to be repaid by the Company to the Lender by the earlier of:

- (a) 31 December 2009; and
- (b) 5 Business Days after the date on which the Company receives a notice from the Lender pursuant to the Loan Agreement (**Repayment Date**).

Pursuant to the Loan Agreement, the Company also agreed that in the event that the Company repays the Loan after 30 June 2009, and subject to the receipt of all necessary shareholder approvals (if required), the Company is to issue a further 2,000,000 Shares to the Lender on the Repayment Date.

For the purpose of securing the Loan, the Company has agreed to provide a fixed charge over the Company's interest in the cooperation agreement dated 10 September 2008 between the Company and PT Dana Mitra Utama (a company duly established and existing under the laws of the Republic of Indonesia), granted in favour of the Lender on the terms set out in the Loan Agreement.

6.3 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Securities Ratification:

- (a) the following securities will be allotted and issued:
 - (i) 3,000,000 Loan Shares; and
 - (ii) 10,000,000 Loan Options;
- (b) the Loan Securities will be issued to Resource Global Finance Limited for nil cash consideration;
- (c) the Loan Shares to be issued are all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Loan Options will be issued on the terms and conditions set out in Schedule 3;
- (e) it is expected that the Loan Securities will be allotted and issued to the Lender on 15 October 2008 (or such other date as may be agreed between the Company and the Lender). In any event, the Loan Securities will be issued no later than 3 months after the date of this Annual General

Meeting (or such later date as is permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one and the same date; and

- (f) no funds will be raised from this issue as the Loan Securities will be issued in consideration of the Lender providing the Loan. The funds obtained by the Company pursuant to the Loan Agreement will be applied towards general working capital.

7. ENQUIRIES

Shareholders are required to contact Hubert Lennerts on (+ 61 8) 9322 7575 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting means the meeting convened by the Notice of Meeting.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Prosperity Resources Limited (ACN 103 280 235).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Director Options means an Option granted pursuant to Resolution 4 with the terms and conditions set out in Schedule 1.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Loan Options means an Option granted pursuant to Resolution 5 with the terms and conditions set out in Schedule 3.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Scheme means the Prosperity Resources Limited Employee Incentive Option Scheme.

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

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
- (b) The Director Options will vest on the following basis:
 - (i) 750,000 Director Options will vest immediately upon grant and be exercisable at an exercise price of \$0.15 each on or before 31 December 2008;
 - (ii) 250,000 Director Options will vest on 1 May 2009 and be exercisable at an exercise price of \$0.30 each on or before 31 December 2009;
 - (iii) 250,000 Director Options will vest on 1 May 2010 and be exercisable at an exercise price of \$0.40 each on or before 31 December 2010,
 - (iv) 250,000 Director A Options will vest on 1 May 2011 and be exercisable at an exercise price of \$0.50 each on or before 31 December 2011,

provided that in the event the Optionholder's employment agreement with the Company is terminated, those Director Options which have not vested in accordance with these terms shall automatically lapse.

- (c) The Director Options will expire at 5.00 pm (WST) on the respective expiry dates as detailed in paragraph (b) above (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The amount payable upon exercise of each Director Option will be as set out in paragraph (b) above (**Exercise Price**).
- (e) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

(Exercise Notice)

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (i) The Director Options are not transferable.

- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.

SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to Mr John Arbuckle pursuant to Resolution 4 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:				
Valuation date	1 October 2008			
Market price of Shares	5 cents			
Exercise price	15 cents	30 cents	40 cents	50 cents
Expiry date	31/12/2008	31/12/2009	31/12/2010	31/12/2011
Risk free interest rate	7%	7%	7%	7%
Volatility	50%	50%	50%	50%
Indicative value per Director Option	0 cents	0 cents	0 cents	0 cents
Total Value of Director Options				
-John Arbuckle	\$Nil	\$Nil	\$Nil	\$Nil

Note: The valuation for each tranche noted above is not necessarily the market price that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

SCHEDULE 3 – TERMS AND CONDITIONS OF LOAN OPTIONS

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

- (a) Each Loan Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Loan Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Loan Options.
- (b) The Loan Options will expire at 5:00pm (WST) on 31 March 2010 (**Expiry Date**). Any Loan Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Loan Option will be \$0.05 (**Exercise Price**).
- (d) The Loan Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Loan Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice)

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Loan Options specified in the Exercise Notice.
- (h) The Loan Options are not transferable.
- (i) All Shares allotted upon the exercise of Loan Options will upon allotment rank *pari passu* in all respects with other Shares.
- (j) The Company will not apply for quotation of the Loan Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Loan Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Loan Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Loan Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give

Optionholders the opportunity to exercise their Loan Options prior to the date for determining entitlements to participate in any such issue.

- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Loan Options, the exercise price of the Loan Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Loan Options, the number of securities over which a Loan Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Loan Option had been exercised before the record date for the bonus issue.