



**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT
TO SHAREHOLDERS**

**NOTICE IS INCLUDED FOR
THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON
FRIDAY, 18 DECEMBER 2009
AT 11.00am (Brisbane time)
AT THE MARRIOT HOTEL, 515 EAGLE STREET, BRISBANE**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.
If you do not understand it, or any part of it,
you should consult with your professional advisers without delay.

**You are encouraged to attend the meeting, but if you cannot, you are
requested to complete and return the enclosed Proxy Form without delay to
Metals Finance Limited at
Unit 32, 28 Burnside Road, Yatala, QLD, 4207
or by mail to PO Box 689, Ormeau, QLD 4208
or by facsimile on facsimile number +61 7 3807 3801.**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Metals Finance Limited (ACN 127 131 604) (**Company**) will be held as specified below:

TIME: 11.00am (Brisbane time)

DATE: Friday, 18 December 2009

LOCATION: Marriot Hotel
515 Eagle Street, Brisbane, Queensland

**This is an important document that should be read in its entirety.
If you do not understand it, you should consult with your professional advisers without delay.**

**If you wish to discuss any aspects of this document with the Company, please contact:
Mr. Arno de Vos, Company Secretary of Metals Finance Limited on +61 7 3807 4166.**

Words and phrases used in the Resolutions are defined in Section 13 of the accompanying Explanatory Statement and these words and phrases have the same meaning in this Notice of Annual General Meeting as defined in the Explanatory Statement.

ORDINARY BUSINESS

Receive and Consider Financial Statements

To receive and consider the financial report and the Directors' and auditor's reports for the year ended 31 August 2009.

RESOLUTION 1: Remuneration Report

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

"That the Remuneration Report for the year ended 31 August 2009 be adopted."

Note – the vote on this Resolution is advisory only and does not bind the Directors or the Company.

RESOLUTION 2: Re-election of Director – Warren Richard Eades

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

"That Mr. Warren Richard Eades (Warren Eades) being a Director of the Company who retires by rotation pursuant to rule 13.4 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company."



RESOLUTION 3: Election of Director – Richard Stacy Anthon

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

“That Mr. Richard Stacy Anthon (Rick Anthon) being a Director who was appointed during the year as an additional Director of the Company pursuant to rule 13.1 of the Company’s Constitution, whose appointment as a Director expires at the conclusion of the Annual General Meeting of the Company, and being eligible offers himself for election, is elected as a Director of the Company.”

RESOLUTION 4: Election of Director – Michael John Gunn

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

“That Mr. Michael John Gunn (Mike Gunn) being a Director who was appointed during the year as an additional Director of the Company pursuant to rule 13.1 of the Company’s Constitution, whose appointment as a Director expires at the conclusion of the Annual General Meeting of the Company, and being eligible offers himself for election, is elected as a Director of the Company.”

RESOLUTION 5: Approve and adopt the Employee Share Option Plan

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

“That for the purposes of Listing Rule 7.2 and for all other purposes the Shareholders approve the terms of the Metals Finance Limited Employee Share Option Plan (ESOP).”

VOTING EXCLUSION STATEMENT: In accordance with the Listing Rules, the Company will disregard any votes cast on this resolution by any Director or any associate of any Director. 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.

RESOLUTION 6: Issue Options to Patrick Anthony Treasure (or Nominee)

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

“That pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, that Shareholders approve the grant of 2,000,000 Options to Patrick Anthony Treasure (Tony Treasure) (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENT: In accordance with the Listing Rules, the Company will disregard any votes cast on this resolution by Patrick Anthony Treasure and any associate of Patrick Anthony Treasure. 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 a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



RESOLUTION 7: Issue of Options to Geoffrey Guild Hill (or Nominee)

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

“That pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, that Shareholders approve the grant of 1,000,000 Options to Geoffrey Guild Hill (Geoff Hill) (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENT: In accordance with the Listing Rules, the Company will disregard any votes cast on this resolution by Geoffrey Guild Hill and any associate of Geoffrey Guild Hill. 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 a 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: Issue of Options to Warren Richard Eades (or Nominee)

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

“Subject to the passing of resolution 2, that pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, that Shareholders approve the grant of 500,000 Options to Warren Richard Eades (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENT: In accordance with the Listing Rules, the Company will disregard any votes cast on this resolution by Warren Richard Eades and any associate of Warren Richard Eades. 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 a 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 9: Issue of Options to Richard Stacy Anthon (or Nominee)

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

“Subject to the passing of resolution 3, that pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, that Shareholders approve the grant of 500,000 Options to Richard Stacy Anthon (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENT: In accordance with the Listing Rules, the Company will disregard any votes cast on this resolution by Richard Stacy Anthon and any associate of Richard Stacy Anthon. 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 a 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 10: Issue of Options to Michael John Gunn (or Nominee)

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

“Subject to the passing of resolution 4, that pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, that Shareholders approve the grant of 500,000 Options to Michael John Gunn (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENT: *In accordance with the Listing Rules, the Company will disregard any votes cast on this resolution by Michael John Gunn and any associate of Michael John Gunn. 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 a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

PROXIES

Members are encouraged to attend the meeting, but if you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

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

- send the Proxy Form by facsimile to the Company on +61 7 3807 3801;
- post the Proxy Form to the Company at PO Box 689, Ormeau, QLD 4208; or
- deliver the Proxy Form to the offices of the Company at Unit 32, 28 Burnside Road, Yatala, QLD, 4207.

Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the Annual General Meeting.

DATE FOR DETERMINING HOLDERS OF SHARES

For the purposes of regulation 7.11.37 of the Corporations Act, the Directors have set 7.00pm (Sydney time) on Wednesday, 16 December 2009 as the time and date to determine who are the holders of the Shares in the Company for the purposes of the Annual General Meeting. Accordingly Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

Dated this 5 November 2009

By order of the Board



Arno de Vos
Company Secretary



**EXPLANATORY STATEMENT TO SHAREHOLDERS
METALS FINANCE LIMITED
ACN 127 131 604**

This Explanatory Statement has been prepared to assist Shareholders of the Company in understanding the business to be put to Shareholders for their consideration at the forthcoming 2009 Annual General Meeting of the Company.

The Directors recommend that you read this Explanatory Statement and attend the forthcoming 2009 Annual General Meeting.

1. ANNUAL FINANCIAL REPORTS

The Corporations Act requires the Company's financial statements and reports of the Directors' and of the auditor's for the year ended 31 August 2009 to be laid before the Annual General Meeting. The financial statements and the reports of the Directors' and of the auditor's are contained in the Company's 2009 Annual Report, a copy of which is available on the Company's website at www.metalsfinance.com.

While no resolution is required in relation to this item, Shareholders should consider the documents and raise any matters of interest with the Directors when this item is being considered.

The Company's auditor will also be present at the meeting and Shareholders will have an opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies and the independence of the auditor.

2. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

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

The Remuneration Report is required to be considered for adoption in accordance with section 250R of the Corporations Act. The Remuneration Report which details the Company's policy on the remuneration of non-executive directors, executive directors and senior executives is included in the Company's 2009 Annual Report, a copy of which is available on the Company's website at www.metalsfinance.com.

The Remuneration Report is set out in the Directors' Report. The Report summarises:

- The remuneration paid to Directors and key employees;
- The Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- The relationship between the Board's remuneration policy and the Company's performance;
- Remuneration details for each Director and the three most highly remunerated senior executives of the Company; and
- Any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be given for discussion of the Remuneration Report at the Annual General Meeting. Shareholders should note that the vote on this Resolution is advisory only and does not bind the Company or the Directors.



3. RESOLUTION 2: RE-ELECTION OF DIRECTOR – WARREN RICHARD EADES

It is a requirement under the Company's Constitution, Article 13.4 that one third of all directors, other than the Managing Director, retire at each annual general meeting. Accordingly, Mr. Warren Eades retires from office, and being eligible, offers himself for re-election as a non executive Director of the Company.

Warren Eades joined the Board of Metals Finance Limited on 22 September 2008. Mr Eades has held a number of executive director and non executive director positions on Australian public company boards in the past and he brings to the Board a wealth of experience in the resources sector and equity capital markets.

Warren was Managing Director of International Pacific Securities Limited (IPS) from 1991 until 1996. He was Chief Executive of International Pacific Investments from 1991 to 1998. From 1998 to 2001, he was Group General Manager of the listed Sabre Group Ltd. From 1997 to 2003, he was a Director of the listed Balmoral Corporation Limited and from 1999 to 2004, he was a Director of Pacific Strategic Investments. He currently acts as a portfolio manager to a private investment group.

4. RESOLUTION 3: ELECTION OF DIRECTOR – RICHARD STACY ANTHON

The Board has nominated Mr. Rick Anthon for election as non executive Director. Particulars of Rick's office and positions held with the Company, principal occupation, the period of time during which Rick has been a Director of the Company and the number of Shares of the Company owned by Rick, directly or indirectly, at 27 October 2009 are provided in the Annual Report of the Company. Rick is qualified to act as a Director under the Corporations Act.

Rick Anthon is the Managing Partner of Queensland law firm Hemming+Hart Lawyers. He has practiced extensively in corporate, mining and resources law for over 20 years. He has advised on numerous acquisitions, joint ventures, and debt and capital raisings both in Australia and overseas. Additionally Rick has acted as a non-executive director for a number of public resource companies over the last 15 years and has previously chaired audit and remuneration committees for those companies.

5. RESOLUTION 4: ELECTION OF DIRECTOR – MICHAEL JOHN GUNN

The Board has nominated Mr. Mike Gunn for election as non executive Director. Particulars of Mike's office and positions held with the Company, principal occupation, the period of time during which Mike has been a Director of the Company and the number of Shares of the Company owned by Mike, directly or indirectly, at 27 October 2009 are provided in the Annual Report of the Company. Mike is qualified to act as a Director under the Corporations Act 2001.

Mike Gunn is a metallurgical engineer with a 34 year career in mineral processing operations, project development with a number of engineering design companies, and project and technology evaluation as an independent consultant. He has previously served as an executive director of a publicly listed resource company and has been a director of several private consulting and project development organisations. Mike is a specialist hydro metallurgist with significant expertise in the development and implementation of projects including, in recent years processing of lateritic nickel ores and bacterial treatment of refractory sulphide ores.



6. RESOLUTION 5: APPROVE AND ADOPT METALS FINANCE LIMITED'S EMPLOYEE SHARE OPTION PLAN

The Directors considered that it was desirable to establish an option plan under which employees may be offered the opportunity to subscribe for options to acquire Shares in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees.

The ESOP is designed to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that these incentives to employees are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The ESOP is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval. Shareholder approval is sought for the purposes of Listing Rule 7.2, Exception 9(b), which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within three years after the date of approval.

Under the ESOP, the Board may offer to eligible persons the opportunity to subscribe for such number of Employee Options in the Company as the Board may decide and on the terms set out in the rules of the ESOP, a copy of which is contained in Annexure B of this Explanatory Statement. Employee Options granted under the ESOP will be offered to participants in the ESOP on the basis of the Board's view of the contribution of the eligible person to the Company.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- a copy of the rules of the ESOP is attached as Annexure B to this Explanatory Statement;
- no Employee Options have previously been issued under the ESOP; and
- a voting exclusion statement has been included for the purposes of Resolution 6.

The Company intends to issue to its employees a total not exceeding 2,500,000 Employee Options, on the terms set out in the ESOP. The exercise price of these Employee Options at the date of issue will be set at the minimum of 80% of the volume weighted average price of the previous five days of trading in the Company shares before the date of issue. These Employee Options will not be listed. Shares issued upon exercise of the Employee Options will be listed and rank *pari passu* with existing Shares. The Directors consider this issue to be in the best interests of the Company.

7. RESOLUTION 6: ISSUE OF OPTIONS TO PATRICK ANTHONY TREASURE (OR NOMINEE)

Introduction

Resolution 6 seeks Shareholder approval for the grant of 2,000,000 Options by the Company to Mr Tony Treasure, Chief Executive Officer and Director for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act. A summary of the terms and conditions of the Options is set out in Annexure A to this Explanatory Statement.

Mr Treasure was appointed as CEO of the Company on 14 May 2005 and was appointed as a Director of the Company on 2 September 2003. The Board has resolved to issue the Options to Mr Treasure subject to Shareholder approval as a performance incentive for Mr Treasure.

One purpose for issuing the Options to Mr. Treasure is to replace the 1,500,000 options, granted to



Mr Treasure with an exercise price of 26.5 cents that will expire on 3 February 2010 which the Board considers are unlikely to be exercised, given the current share price of the Company. **Prior to the issue of the Options, Mr Treasure will relinquish his right to exercise the 1,500,000 options already in place before they lapse on 3 February 2010.**

Key Details of Options

Key details of the Options to be granted by the Company to Mr Treasure are set out below.

Recipient Director	Number	Vesting Date	Expiry Date	Exercise Price
Mr Treasure	2,000,000	On Allotment	1,000,000 options expiring on 31 January 2013. 1,000,000 options expiring on 31 January 2013.	25 cents per option. 30 cents per option.

Chapter 2E of the Corporations Act

This proposed resolution, if passed, will confer financial benefits to Mr Treasure, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

The related party to whom Resolution 6 would permit the financial benefit to be given

Mr Treasure, being the Chief Executive Officer and a Director of the Company.

The nature of the financial benefit

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

- the grant of 2,000,000 Options to Mr Treasure as referred to in Resolution 6;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares with 2,000,000 Options exercisable on their allotment by the Company.

Directors' Recommendation

With respect to Resolution 6, each of the Directors of the Company (excluding Mr Treasure) recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- the grant of the Options as proposed to Mr Treasure will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company; and
- in the Company's circumstances as they existed as at the date of this Explanatory Statement, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (however, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party).

As Mr Treasure is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of this resolution.

Director's Interest and other remuneration

Mr Treasure has a material personal interest in the outcome of Resolution 6, as it is proposed that the Options be granted to him as set out in Resolution 6.



Excluding the Options, Mr Treasure (and entities associated with him) holds 2,760,187 Shares in the Company and 1,500,000 options exercisable at 26.5 cents to subscribe for Shares in the Company.

Other than the Options to be issued to Mr Treasure pursuant to Resolution 6, Mr Treasure shall receive remuneration consisting of a base salary of \$272,500 per annum (including superannuation).

If all of the Options granted are exercised by Mr Treasure, the following will be the effect on his holdings in the Company, assuming:

- the exercise of all Options by Mr Treasure by 31 January 2013;
- no other options issued have been exercised; and
- all of the 1,500,000 options currently held by Mr Treasure are not exercised

Director	Current Share Holding (Direct & Indirect)	% of Total Share Capital (73,109,576 shares on issue)	Share Capital upon exercise	% of Total Share Capital (75,109,576 shares on issue)
Mr Treasure	2,760,187	3.78%	4,760,187	6.3%

Valuation

The valuation methodology used by the Company is the Black-Scholes Model Valuation and further information regarding this methodology is set out at the end of this Explanatory Statement.

Based on this information:

- the value for the Options with an exercise price for 1,000,000 Options of 25 cents with an exercise date on or before 31 January 2013, 3.70 cents each;
- value for the Options with an exercise price for 1,000,000 Options of 30 cents with an exercise date on or before 31 January 2013, 3.33 cents each; and
- the total value of the Options to be issued pursuant to Resolution 7 to Mr Treasure is \$70,276.

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

(a) Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to Mr Treasure is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Options are exercised).

Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of and experienced and skilled Chief Executive Officer on appropriate incentive terms.

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

(b) Dilutionary Effect

If all of the Options granted are exercised by Mr Treasure, the following will be the dilutionary effect on the current issued capital of the Company (assuming the exercise of all Options by 31 January 2013).



Shareholders	Current Share Capital		Share Capital upon exercise*	
	Number of Shares	Percentage	Number of Shares	Percentage
Current Shareholders	70,349,389	96.22%	70,349,389	93.7%
Mr Treasure	2,760,187	3.78%	4,760,187	6.3%
Total	73,109,576	100%	75,109,576	100%

* Assumes no other options are exercised by Mr Treasure or any other person.

ASX Listing Rules

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Treasure, being the Managing Director of the Company, is a related party. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Treasure is 2,000,000 Options.
- The Options are intended to be granted as soon as possible following the meeting, but in any event, within one (1) month of the date of the meeting.
- The Options are being issued for nil consideration and no funds are being raised by the grant of the Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this explanatory statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 6.

8. RESOLUTION 7: ISSUE OF OPTIONS TO GEOFFREY GUILD HILL (OR NOMINEE)

Introduction

Resolution 7 seeks Shareholder approval for the grant of 1,000,000 Options by the Company to Mr. Geoff Hill (or nominee), Chairman for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act. A summary of the terms and conditions of the Options is set out in Annexure A to this Explanatory Statement.

Mr Hill was appointed as Chairman of the Company on 16 December 2007. The Board has resolved to issue the Options to Mr Hill subject to Shareholder approval as a performance incentive for Mr Hill.

One purpose for issuing the Options to Mr. Hill is to replace the 600,000 options, granted to Mr Hill with an exercise price of 26.5 cents that will expire on 6 March 2010 which the Board considers are unlikely to be exercised, given the current share price of the Company. **Prior to the issue of the Options Mr Hill will relinquish his right to exercise the 600,000 options already in place before they lapse on 6 March 2010.**

Key Details of Options

Key details of the Options to be granted by the Company to Mr Hill are set out below.



Recipient Director	Number	Vesting Date	Expiry Date	Exercise Price
Mr Hill	1,000,000	On Allotment	500,000 options expiring on 31 January 2013. 500,000 options expiring on 31 January 2013.	25 cents per option. 30 cents per option.

Chapter 2E of the Corporations Act

This proposed resolution, if passed, will confer financial benefits to Mr Hill, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

The related party to whom Resolution 7 would permit the financial benefit to be given

Mr Hill, being the Chairman of the Company.

The nature of the financial benefit

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

- the grant of 1,000,000 Options to Mr Hill as referred to in Resolution 7;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares with 1,000,000 Options exercisable on their allotment by the Company.

Directors' Recommendation

With respect to Resolution 7, each of the Directors of the Company (excluding Mr Hill) recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- the grant of the Options as proposed to Mr Hill will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company; and
- in the Company's circumstances as they existed as at the date of this Explanatory Statement, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (however, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party).

As Mr Hill is interested in the outcome of Resolution 7, he accordingly makes no recommendation to Shareholders in respect of this resolution.

Director's Interest and other remuneration

Mr Hill has a material personal interest in the outcome of Resolution 7, as it is proposed that the Options be granted to him as set out in Resolution 7.

Excluding the Options, Mr Hill (and entities associated with him) holds 4,904,530 Shares in the Company and 600,000 options exercisable at 26.5 cents to subscribe for Shares in the Company.

Other than the Options to be issued to Mr Hill pursuant to Resolution 7, Mr Hill shall receive Director's fees of \$75,000 per annum (including superannuation) effective 1 December 2008.

If all of the Options granted are exercised by Mr Hill, the following will be the effect on his holdings in the Company, assuming:

- the exercise of all Options by Mr Hill by 31 January 2013;
- no other options issued have been exercised; and



- all of the 600,000 options currently held by Mr Hill are not exercised):

Director	Current Share Holding (Direct & Indirect)	% of Total Share Capital (73,109,576 shares on issue)	Share Capital upon exercise	% of Total Share Capital (74,109,576 shares on issue)
Mr Hill	4,904,350	6.7%	5,904,350	8%

Valuation

The valuation methodology used by the Company is the Black-Scholes Model Valuation and further information regarding this methodology is set out at the end of this Explanatory Statement.

Based on this information:

- the value for the Options with an exercise price for 500,000 Options of 25 cents with an exercise date on or before 31 January 2013, 3.70 cents each;
- value for the Options with an exercise price for 500,000 Options of 30 cents with an exercise date on or before 31 January 2013, 3.33 cents each; and
- the total value of the Options to be issued pursuant to Resolution 7 to Mr Hill is \$35,138.

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

(a) Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to Mr Hill is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Options are exercised).

Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of an experienced and skilled Chairman on appropriate incentive terms.

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

(b) Dilutionary Effect

If all of the Options granted are exercised by Mr Hill, the following will be the dilutionary effect on the current issued capital of the Company (assuming the exercise of all Options by 31 January 2013).

Shareholders	Current Share Capital		Share Capital upon exercise*	
Current Shareholders	68,205,226	93.3%	68,205,226	92%
Mr Hill	4,904,350	6.7%	5,904,350	8%
Total	73,109,576	100%	74,109,576	100%

* Assumes no other options are exercised by Mr Hill or any other person.



ASX Listing Rules

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Hill, being a Director of the Company, is a related party. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Hill is 1,000,000 Options.
- The Options are intended to be granted as soon as possible following the meeting, but in any event, within one (1) month of the date of the meeting.
- The Options are being issued for nil consideration and no funds are being raised by the grant of the Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this explanatory statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 7.

9. RESOLUTION 8: ISSUE OF OPTIONS TO WARREN RICHARD EADES (OR NOMINEE)

Resolution 8 seeks Shareholder approval for the grant of 500,000 Options by the Company to Mr. Warren Eades (or nominee), Non-Executive Director for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act. A summary of the terms and conditions of the Options is set out in Annexure A to this Explanatory Statement.

Mr Eades was appointed as a Director of the Company on 22 September 2008. The Board has resolved to issue the Options to Mr Eades subject to Shareholder approval as a performance incentive for Mr Eades.

Key Details of Options

Key details of the Options to be granted by the Company to Mr Eades are set out below.

Recipient Director	Number	Vesting Date	Expiry Date	Exercise Price
Mr Eades	500,000	On Allotment	250,000 options expiring on 31 January 2013. 250,000 options expiring on 31 January 2013.	25 cents per option. 30 cents per option.

Chapter 2E of the Corporations Act

This proposed resolution, if passed, will confer financial benefits to Mr Eades, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

The related party to whom Resolution 8 would permit the financial benefit to be given

Mr Eades, being a Director of the Company.



The nature of the financial benefit

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

- the grant of 500,000 Options to Mr Eades as referred to in Resolution 8;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares with 500,000 Options exercisable on their allotment by the Company.

Directors' Recommendation

With respect to Resolution 8, each of the Directors of the Company (excluding Mr Eades) recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- the grant of the Options as proposed to Mr Eades will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company; and
- in the Company's circumstances as they existed as at the date of this Explanatory Statement, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (however, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party).

As Mr Eades is interested in the outcome of Resolution 8, he accordingly makes no recommendation to Shareholders in respect of this resolution.

Director's Interest and other remuneration

Mr Eades has a material personal interest in the outcome of Resolution 8, as it is proposed that the Options be granted to him as set out in Resolution 8.

Excluding the Options, Mr Eades (and entities associated with him) holds no Shares in the Company.

Other than the Options to be issued to Mr Eades pursuant to Resolution 8, Mr Eades shall receive Director's fees of \$54,500 per annum (including superannuation).

If all of the Options granted are exercised by Mr Eades, the following will be the effect on his holdings in the Company, assuming:

- the exercise of all Options by Mr Eades by 31 January 2013; and
- no other options issued have been exercised:

Director	Current Share Holding	% of Total Share Capital (73,109,576 shares on issue)	Share Capital upon exercise	% of Total Share Capital (73,609,576 shares on issue)
Mr Eades	0	0	500,000	0.67%

Valuation

The valuation methodology used by the Company is the Black-Scholes Model Valuation and further information regarding this methodology is set out at the end of this Explanatory Statement.

The Company has estimated the value of the Options and has done so using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and



the volatility of the Company's underlying share price.

Based on this information:

- the value for the Options with an exercise price for 250,000 Options of 25 cents with an exercise date on or before 31 January 2013, 3.70 cents each;
- value for the Options with an exercise price for 250,000 Options of 30 cents with an exercise date on or before 31 January 2013, 3.33 cents each; and
- the total value of the Options to be issued pursuant to Resolution 8 to Mr Eades is \$17,569.

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

(a) Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to Mr Hill is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Options are exercised).

Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of an experienced and skilled Director on appropriate incentive terms.

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

(b) Dilutionary Effect

If all of the Options granted are exercised by Mr Eades, the following will be the dilutionary effect on the current issued capital of the Company (assuming the exercise of all Options by 31 January 2013).

Shareholders	Current Share Capital		Share Capital upon exercise*	
Current Shareholders	73,109,576	100%	73,109,576	99.33%
Mr Eades	0	0%	500,000	0.67%
Total	73,109,576	100%	73,609,576	100%

* Assumes no other options are exercised by any other person.

ASX Listing Rules

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Eades, being a Director of the Company, is a related party. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Eades is 500,000 Options.
- The Options are intended to be granted as soon as possible following the meeting, but in any event, within one (1) month of the date of the meeting.
- The Options are being issued for nil consideration and no funds are being raised by the grant of the Options.



In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this explanatory statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 8.

10. RESOLUTION 9: ISSUE OF OPTIONS TO RICHARD STACY ANTHON (OR NOMINEE)

Resolution 9 seeks Shareholder approval for the grant of 500,000 Options by the Company to Mr. Rick Anthon (or nominee), Non-Executive Director for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act. A summary of the terms and conditions of the Options is set out in Annexure A to this Explanatory Statement.

Mr Anthon was appointed as a Director of the Company on 7 October 2009. The Board has resolved to issue the Options to Mr Anthon subject to Shareholder approval as a performance incentive for Mr Anthon.

Key Details of Options

Key details of the Options to be granted by the Company to Mr Anthon are set out below.

Recipient Director	Number	Vesting Date	Expiry Date	Exercise Price
Mr Anthon	500,000	On Allotment	250,000 options expiring on 31 January 2013. 250,000 options expiring on 31 January 2013.	25 cents per option. 30 cents per option.

Chapter 2E of the Corporations Act

This proposed resolution, if passed, will confer financial benefits to Mr Anthon, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

The related party to whom Resolution 9 would permit the financial benefit to be given

Mr Anthon, being a Director of the Company.

The nature of the financial benefit

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

- the grant of 500,000 Options to Mr Anthon as referred to in Resolution 9;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares with 500,000 Options exercisable on their allotment by the Company.

Directors' Recommendation

With respect to Resolution 9, each of the Directors of the Company (excluding Mr Anthon) recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:



- the grant of the Options as proposed to Mr Anthon will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company; and
- in the Company's circumstances as they existed as at the date of this Explanatory Statement, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (however, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party).

As Mr Anthon is interested in the outcome of Resolution 9, he accordingly makes no recommendation to Shareholders in respect of this resolution.

Director's Interest and other remuneration

Mr Anthon has a material personal interest in the outcome of Resolution 9, as it is proposed that the Options be granted to him as set out in Resolution 9.

Excluding the Options, Mr Anthon (and entities associated with him) holds no Shares.

Other than the Options to be issued to Mr Anthon pursuant to Resolution 9, Mr Anthon shall receive Director's fees of \$32,700 per annum (including superannuation).

If all of the Options granted are exercised by Mr Anthon, the following will be the effect on his holdings in the Company assuming:

- the exercise of all Options by Mr Anthon by 31 January 2013; and
- no other options issued have been exercised:

Director	Current Share Holding	% of Total Share Capital (73,109,576 shares on issue)	Share Capital upon exercise	% of Total Share Capital (73,609,576 shares on issue)
Mr Anthon	0	0%	500,000	0.67%

Valuation

The valuation methodology used by the Company is the Black-Scholes Model Valuation and further information regarding this methodology is set out at the end of this Explanatory Statement.

Based on this information:

- the value for the Options with an exercise price for 250,000 Options of 25 cents with an exercise date on or before 31 January 2013, 3.70 cents each;
- value for the Options with an exercise price for 250,000 Options of 30 cents with an exercise date on or before 31 January 2013, 3.33 cents each; and
- the total value of the Options to be issued pursuant to Resolution 9 to Mr Anthon is \$17,569.

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

(a) Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to Mr Anthon is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Options are exercised).



Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of an experienced and skilled Director on appropriate incentive terms.

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

(b) Dilutionary Effect

If all of the Options granted are exercised by Mr Anthon, the following will be the dilutionary effect on the current issued capital of the Company (assuming the exercise of all Options by 31 January 2013).

Shareholders	Current Share Capital		Share Capital upon exercise*	
	Number of Shares	Percentage	Number of Shares	Percentage
Current Shareholders	73,109,576	100%	73,109,576	99.33%
Mr Anthon	0	0%	500,000	0.67%
Total	73,109,576	100%	73,609,576	100%

* Assumes no other options are exercised by any other person.

ASX Listing Rules

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Anthon, being a Director of the Company, is a related party. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Anthon is 500,000 Options.
- The Options are intended to be granted as soon as possible following the meeting, but in any event, within one (1) month of the date of the meeting.
- The Options are being issued for nil consideration and no funds are being raised by the grant of the Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this explanatory statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 9.

11. RESOLUTION 10: ISSUE OF OPTIONS TO MICHAEL JOHN GUNN (OR NOMINEE)

Resolution 10 seeks Shareholder approval for the grant of 500,000 Options by the Company to Mr. Mike Gunn (or nominee), Non-Executive Director for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act. A summary of the terms and conditions of the Options is set out in Annexure A to this Explanatory Statement.

Mr Gunn was appointed as a Director of the Company on 7 October 2009. The Board has resolved to issue the Options to Mr Gunn subject to Shareholder approval as a performance incentive for Mr Gunn.



Key Details of Options

Key details of the Options to be granted by the Company to Mr Gunn are set out below.

Recipient Director	Number	Vesting Date	Expiry Date	Exercise Price
Mr Gunn	500,000	On Allotment	250,000 options expiring on 31 January 2013. 250,000 options expiring on 31 January 2013.	25 cents per option. 30 cents per option.

Chapter 2E of the Corporations Act

This proposed resolution, if passed, will confer financial benefits to Mr Gunn, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

The related party to whom Resolution 10 would permit the financial benefit to be given

Mr Gunn, being a Director of the Company.

The nature of the financial benefit

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

- the grant of 500,000 Options to Mr Gunn as referred to in Resolution 10;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares with 500,000 Options exercisable on their allotment by the Company.

Directors' Recommendation

With respect to Resolution 10, each of the Directors of the Company (excluding Mr Gunn) recommend that Shareholders vote in favour of this resolution. The reasons for their recommendation include:

- the grant of the Options as proposed to Mr Gunn will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company; and
- in the Company's circumstances as they existed as at the date of this Explanatory Statement, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (however, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party).

As Mr Gunn is interested in the outcome of Resolution 10, he accordingly makes no recommendation to Shareholders in respect of this resolution.

Director's Interest and other remuneration

Mr Gunn has a material personal interest in the outcome of Resolution 10, as it is proposed that the Options be granted to him as set out in Resolution 10.

Excluding the Options, Mr Gunn (and entities associated with him) holds 30,000 Shares.

Other than the Options to be issued to Mr Gunn pursuant to Resolution 10, Mr Gunn shall receive Director's fees of \$32,700 per annum (including superannuation).



If all of the Options granted are exercised by Mr Gunn, the following will be the effect on his holdings in the Company assuming:

- the exercise of all Options by Mr Gunn by 31 January 2013; and
- no other options issued have been exercised:

Director	Current Share Holding	% of Total Share Capital (73,109,576 shares on issue)	Share Capital upon exercise	% of Total Share Capital (73,609,576 shares on issue)
Mr Gunn	30,000	0.04%	530,000	0.72%

Valuation

The valuation methodology used by the Company is the Black-Scholes Model Valuation and further information regarding this methodology is set out at the end of this Explanatory Statement.

Based on this information:

- the value for the Options with an exercise price for 250,000 Options of 25 cents with an exercise date on or before 31 January 2013, 3.70 cents each;
- value for the Options with an exercise price for 250,000 Options of 30 cents with an exercise date on or before 31 January 2013, 3.33 cents each; and
- the total value of the Options to be issued pursuant to Resolution 10 to Mr Gunn is \$17,569.

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

(a) Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to Mr Gunn is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Options are exercised).

Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of an experienced and skilled Director on appropriate incentive terms.

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

(b) Dilutionary Effect

If all of the Options granted are exercised by Mr Gunn, the following will be the dilutionary effect on the current issued capital of the Company (assuming the exercise of all Options by 31 January 2013).

Shareholders	Current Share Capital		Share Capital upon exercise*	
	73,079,576	99.96%	73,079,576	99.28%
Mr Gunn	30,000	0.04%	530,000	0.72%
Total	73,109,576	100%	73,609,576	100%



* Assumes no other options are exercised by any other person.

ASX Listing Rules

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Gunn, being a Director of the Company, is a related party. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Gunn is 500,000 Options.
- The Options are intended to be granted as soon as possible following the meeting, but in any event, within one (1) month of the date of the meeting.
- The Options are being issued for nil consideration and no funds are being raised by the grant of the Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this explanatory statement, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 10.

12. INDICATIVE VALUE OF OPTIONS

Based on the share price of the Company's Shares on ASX on 29 October 2009 of \$0.12 per Share and the exercise prices of the Options, the value of the Options based on their intrinsic value has been assessed at nil. The Options may acquire future value dependent upon the extent to which the shares exceed the exercise price of the Options during the term of the Options.

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

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

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Black- Scholes Method

In accordance with a policy requirement of ASIC, the Company notes that it attributes a value of \$0.0370 per Option for the Tranche 1 Options exercisable at \$0.25 each, \$0.0333 per Option for the Tranche 2 Options exercisable at \$0.30 each to be issued pursuant to Resolutions 6-10. These values, which were provided to the Company by a firm of corporate advisors on 28 October 2009, were arrived at using the Black - Scholes valuation method.

The calculation is based on the following inputs and assumptions:

- a) The price of the underlying Share is \$0.12 (being the share price of the Company's



Shares on the ASX on 29 October 2009).

- b) Exercise prices: 50% Options are exercisable at \$0.25 each (Tranche 1) and 50% Options are exercisable at \$0.30 each (Tranche 2).
- c) A volatility factor of 86% (a period of 12 months has been used to assess the volatility of the share price).
- d) A marketability discount rate of 25%
- e) A risk-free interest rate of 5.5% (being the market yield on 3 year Australian Government Bonds as at 22 October 2009).
- f) An expiry date of 31 January 2013.



13. DEFINITIONS

In this Explanatory Statement:

Annual General Meeting means the meeting of the Shareholders convened for the purposes (including others) of considering the Resolutions contained in this Notice of Annual General Meeting.

Board means the Board of Directors of the Company.

Company means Metals Finance Limited, ACN 127 131 604.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Employee Share Option Plan or **ESOP** means the Company's plan to incentivise its employees and officers substantially in the form set out in Annexure B of this Notice of Annual General Meeting.

Employee Options means an Option granted to an employee of the Company under the ESOP.

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

Listing Rules means the ASX Listing Rules.

Notice of Annual General Meeting means the notice convening the Annual General Meeting accompanying this Explanatory Statement.

Options means the options to be allotted to the Directors as set out in this Notice of Meeting

Proxy Form means the form of proxy accompanying the Notice of Annual General Meeting.

Resolution means a resolution proposed to be passed at the Annual General Meeting and contained in the Notice of Annual General Meeting.

Share means a fully paid ordinary share in the Company.

Shareholder means a person entered in the Company's register as a holder of a Share.



**METALS FINANCE LIMITED
ACN 127 131 604**

**2009 ANNUAL GENERAL MEETING
FORM OF PROXY**

I/We (print name)

.....
of
a member/members of Metals Finance Limited (ACN 127 131 604) hereby appoint

.....
of

or failing him/her

.....

of
or failing him/her, the Chairman of the meeting, as my/our proxy at the Annual General Meeting of the Company to be held commencing at **11.00am on Friday, 18 December 2009**, and at any adjournment thereof and to vote for me/us on my/our behalf in respect of all/the following*

.....
of my/our Shares in the manner as set out below.

In relation to any undirected proxies the Chairman intends to vote in favour of all Resolutions.

If you do not wish to instruct your proxy how to vote, please place a cross in the box.

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.



	For	Against	Abstain
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Director – Warren Richard Eades	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Director – Richard Stacy Anthon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Director – Michael John Gunn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approve and adopt the Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of options to Patrick Anthony Treasure or nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Issue of options to Geoffrey Guild Hill or nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Issue of options to Warren Richard Eades or nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Issue of options to Richard Stacy Anthon or nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 Issue of options to Michael John Gunn or nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2009.

PLEASE SIGN HERE

Individual or Security holder 1

**Individual/Sole Director and
Sole Company Secretary**

Security holder 2

Director

Security holder 3

**Director/
Company Secretary**



INSTRUCTIONS FOR COMPLETING THE FORM OF PROXY

1. To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Annual General Meeting as soon as possible and either:
 - send the Proxy Form by facsimile to the Company on +61 7 3801 3807;
 - post the Proxy Form to the Company at PO Box 689, Ormeau, QLD, 4208; or
 - deliver the Proxy Form to the physical office of the Company at Unit 32, 28 Burnside Road, Yatala, QLD, 4207.
2. Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the Annual General Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights.
4. *If two proxies are appointed you may delete "all" and insert the relevant number or proportion of Shares in respect of which each such appointment is made. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
5. Should you desire to direct your proxy how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
6. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
7. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provision of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.
8. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
9. Where a Proxy Form or form of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged with this proxy.



ANNEXURE A

TERMS AND CONDITIONS OF THE OPTIONS PROPOSED TO BE ISSUED

- a) The Options will not be quoted on ASX.
- b) 50% of the options are exercisable at \$0.25 each (Tranche 1) and the other 50% are exercisable at \$0.30 each (Tranche 2).
- c) An Option must be exercised (if at all) not later than 31 January 2013.
- d) Each Option entitles the holder to subscribe for and be allotted one Share in the capital of the Company upon exercise of the Option and payment to the Company of the exercise price.
- e) All options will vest immediately.
- f) If the Option holder ceases to be an officer or employee of the Company for any reason including resignation, redundancy, termination of office or termination of agreement, the Options will lapse upon the expiration of 90 days from the date the Option holder ceases to be an officer or employee of the Company.
- g) In the event that an entity which is not an Associate of the employee to which the Options have been issued (within the meaning of sections 11 and 15 of the Corporations Act) gains control of the Company (within the meaning of section 50AA of the Corporations Act) any Options that would not otherwise be exercisable shall become exercisable (except for any Options that have previously lapsed).
- h) The exercise of some Options only does not affect the holders right to exercise other Options at a later time.
- i) An Option is exercisable by the holder lodging with the Company's secretary a notice of exercise, a cheque for the exercise price of each Share to be issued on the exercise of that Option, and the Option certificate.
- j) The Company shall allot Shares on exercise of Options in accordance with the Company's Constitution.
- k) Shares issued on the exercise of Options will rank pari passu with all existing Shares in the capital of the Company from the date of issue of those Shares.
- l) The Options are not transferable except with the consent of the Company.
- m) In relation to new issues, there are no participating rights or entitlements inherent in the Options and 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 ensure that for the purposes of determining the entitlements to any such issue, Option holders will be afforded the opportunity to exercise Options prior to the date for determining entitlements to participate in any such issue.
- n) If from time to time, prior to the expiry of any Options, the Company makes an issue of Shares to the holders of Shares in the Company by way of capitalisation of profits or reserves ("**bonus issue**"), then upon exercise of a Option a holder will be entitled to have issued to it (in addition to the Shares which it is otherwise entitled to have issued to it upon such exercise) the number of Shares which would have been issued to him under the bonus issue ("**bonus issue**") if on the date on which entitlements thereto were calculated it had been registered as the holder of the number of Shares which it would have been registered as holder if immediately prior to that date it had duly exercised its Options and the Shares the subject of such exercise had been duly allotted and issued to it. The bonus Shares will be paid 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 and upon issue rank pari passu in all respects with the other Shares allotted upon exercise of the Options.
- o) In the event of any reorganisation (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any Options, all rights of the option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation



ANNEXURE B

**Metals Finance Limited Employees and Officers Share Option Plan
Rules**

(for the purpose of Resolution 5)



**Metals Finance Limited
ACN 127 131 604**

**Employee and Officer Share
Option Plan Rules**



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METALS FINANCE LIMITED

ACN 127 131 604

EMPLOYEE AND OFFICER SHARE OPTION PLAN PLAN RULES

2. DEFINITIONS AND INTERPRETATIONS

2.1 Definitions

In these Rules, the following words and expressions have the meanings indicated unless the contrary intention appears:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 139GE of the Income Tax Assessment Act.

ASX means ASX Limited ABN 98 008 624 691.

Board means all or some of the Directors acting as a board or a committee of the Board appointed for the purposes of the Plan or these Rules.

Business Day means a day which is not a Saturday, Sunday or public holiday in Queensland or any other day that ASX declares is not a business day.

Ceasing Date has the meaning given in Rule 9.4.

Ceasing Event has the meaning given in Rule 9.5.

Company means Metals Finance Limited ACN 127 131 604.

Constitution means the constitution of the Company.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of a member of the Group.

Eligible Employee and Officer means a person who is, at the time of an Offer, a director or officer, a full or permanent part-time employee or senior consultant of a member of the Group who have held positions within the Group for at least 12 months, or such other person as the Board determines.

Exercise Condition means in respect of an Option any condition set out in the Offer which must be satisfied before that Option can be exercised or any other restriction on exercise of that Option specified in the Offer or in these Rules.

First Quotation means the day on which Shares are first quoted for trading on ASX.

Group means the Company and its Related Bodies Corporate.

Income Tax Assessment Act means the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth), as appropriate.

Lapsing Date means, in respect of an Option the date which is five years after the date of the grant of that Option, or such other date as the Board determines in its discretion with respect to that Option at the time of the grant of that Option.

Life means, in relation to an Option, the period between the date of the grant of the Option and the first to occur of the date the Option lapses pursuant to Rule 9 and the Lapsing Date.

Listing Rules means the official Listing Rules of ASX, as amended or replaced from time to time, except to the extent of any express written waiver by ASX in their application to the Company.

Marketable Parcel has the meaning given to that term in the Listing Rules.

Nominee has the meaning given in Rule 6.4.

Offer means an offer made to an Eligible Employee and Officer to subscribe for one or more Options under the Plan.

Option means an option granted pursuant to these Rules to subscribe for one Share upon and subject to the terms of these Rules and the terms of the Offer.

Option Exercise Price means in respect of an Option, the price per Share determined in accordance with Rule 8 and specified in the Offer made in respect of that Option.

Outstanding Options means, in relation to a Participant, Options which remain unexercised from time to time and have not lapsed or been surrendered and the right to exercise that Option lost.

Participant means an Eligible Employee and Officer to whom Options have been granted under the Plan, or if Rule 6.4 applies, an Associate of the Eligible Employee and Officer to whom Options have been granted under the Plan.

Permanently Disabled means, in relation to a Participant, a Participant who is deemed, at the discretion of the Board, to be totally and permanently disabled.

Plan means the Employee and Officer Share Option Plan established in accordance with these Rules.

Product Disclosure Statement has the meaning given to that term in Chapter 7 of the Corporations Act.

Quoted means official quotation of securities on ASX.

Record Date has the meaning given to that term in the Listing Rules.

Related Body Corporate has the meaning given to that term in section 9 of the Corporations Act.

Relevant Interest has the meaning given to that term in section 608 of the Corporations Act.

Relevant Person means:

- (a) in respect of an Eligible Employee and Officer, that person; and
- (b) in respect of a Nominee of an Eligible Employee and Officer being a permitted Nominee under Rule 6.4, that Eligible Employee and Officer.

Rules means the rules of the Plan set out in this document.

Share means a fully paid ordinary share in the capital of the Company or, if at any time the Company's issued ordinary share capital consists of shares of some

other description by virtue of an event of a kind dealt with by Rule 14.1, a share of that description.

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

Trading Day means a Business Day other than a day which ASX declares is not a trading day but including a day which for the purposes of settlement ASX declares is a trading day, notwithstanding that there is to be no official meeting of that stock exchange or that dealings between participating organisations of that stock exchange are suspended on that day.

Voting Power has the meaning given to that term in section 610 of the Corporations Act.

2.2 Interpretation

In these Rules (unless the context otherwise requires),

- (a) headings are for convenience only and do not affect interpretation;
- (b) and unless the context indicates a contrary intention:
- (c) the expression "**person**" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any party includes the party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (e) a reference to any document (including these Rules) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (h) references to parties, rules, schedules, exhibits or annexures are references to parties, rules, schedules, exhibits and annexures to or of these Rules, and a reference to these Rules includes any schedule, exhibit or annexure to these Rules;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) the word "includes" in any form is not a word of limitation; and
- (k) a reference to "\$" or "dollar" is to Australian currency.

2.3 Applicable Legislation

These Rules, the offering and granting of any Options, the rights attaching to the Options granted and the issue of any Shares pursuant to the exercise of Options will at all times be subject to the Corporations Act, the Income Tax Assessment Act and any other applicable legislation from time to time and, following First Quotation, subject also to the Listing Rules.

2.4 Reference to Shares

A reference to a Share comprised in an Option is a reference to the Share for which the Participant has, for the time being, an Option to subscribe by reason of the grant to him or her of that Option, including any Share resulting from an adjustment made pursuant to these Rules.

2.5 Rounding

Where any calculation or adjustment to be made pursuant to these Rules produces a fraction of a cent or a fraction of an Option or a fraction of a Share, the fraction will be eliminated by rounding to the nearest whole number.

3. Purpose

The purpose of the Plan is to:

- (a) encourage participation by Eligible Employee and Officers in the Company through Share ownership; and
- (b) attract, motivate and retain Eligible Employee and Officers.

4. Commencement of the plan

The Plan will commence on the date determined by the Board.

5. Number of options to be offered

5.1 Number of Options

Subject to Rule 5.3, the number of Options (if any) to be offered to an Eligible Employee and Officer from time to time will be determined by the Board in its discretion and in accordance with the Rules and applicable law.

5.2 No Consideration

Options issued under the plan will be issued for no consideration.

5.3 Limitation on Offers to 5%

The Company will not make an Offer if, at the time of that Offer, the total number of Shares to be received on exercise of Options the subject of that Offer, when aggregated with:

- (a) the number of Shares which would be issued were each outstanding offer with respect to Shares, units of Shares and options to acquire unissued Shares, under the Plan or any other employee share scheme extended only to Eligible Employees to be accepted or exercised; and
- (b) the number of Shares issued, during the previous 5 years pursuant to the Plan or any other employee share scheme extended only to Eligible Employees,

but disregarding any offer made, or option acquired or Share issued by way of or as a result of:

- (c) an offer to a person situated at the time of receipt of the offer outside Australia; or

- (d) an offer that was an excluded offer or invitation within the meaning of the *Corporations Law* as it stood prior to the commencement of Schedule 1 to the *Corporate Law Economic Reform Program Act 1999*; or
 - (e) an offer that did not need disclosure to investors because of section 708 of the *Corporations Act*; or
 - (f) an offer that did not require the giving of a Product Disclosure Statement because of section 1072D of the *Corporations Act*; or
 - (g) an offer made under a disclosure document (as defined in section 9 of the *Corporations Act*) or Product Disclosure Statement,
- would exceed 5% of the total number of issued Shares at the time of that Offer.
-

6. Offers of options

6.1 Form of Offer

Each offer must be in writing and:

- (a) specify the name and address of the Eligible Employee and Officer to whom the Offer is made;
- (b) specify the number of Options being offered;
- (c) specify the Option Exercise Price;
- (d) state that no amount is payable on the issue of any Option;
- (e) specify the date of the Offer;
- (f) specify the date by which the Offer must be accepted and the manner of acceptance of the Offer;
- (g) include an undertaking that, and an explanation of the way in which, the Company will, during any period or periods during which the Participant may acquire the Shares the subject of the Option, within a reasonable period of the Participant so requesting, make available to the Participant information on the current market price of the Shares, and such other undertakings as may be required by law or any requirement, policy or practice of ASIC;
- (h) specify terms and conditions and/or any restrictions (including performance hurdles) on a Participant's right to exercise Options;
- (i) be accompanied by a copy of these Rules; and
- (j) otherwise be on terms which the Board may, in its discretion from time to time, determine.

6.2 Determination by the Board

The Board, acting in its absolute discretion may:

- (a) offer Options to any Eligible Employee and Officer from time to time as determined by the Board and in exercising that discretion, may have regard to some or all of the following:
 - (i) the Eligible Employee and Officer's length of service with the Group;
 - (ii) the contribution made by the Eligible Employee and Officer to the Group;

- (iii) the potential contribution of the Eligible Employee and Officer to the Group; or
 - (iv) any other matter the Board considers relevant; and
- (b) impose conditions, including performance-related conditions, on the right of a Participant to exercise any Option granted.

6.3 Personal Offer

Subject to Rule 6.4, an Offer is personal and is not assignable.

6.4 Renunciation

Upon receipt of an Offer, an Eligible Employee and Officer may, by notice in writing to the Board, nominate an Associate of that Eligible Employee and Officer ("**Nominee**") in whose favour the Eligible Employee and Officer wishes to renounce the Offer. The Board may, in its discretion, resolve not to allow a renunciation of an Offer in favour of a Nominee without giving any reason for that decision. If the Board resolves to allow a renunciation of an Offer in favour of a Nominee, the Eligible Employee and Officer will procure that the permitted Nominee accepts the Offer made to that Eligible Employee and Officer and that both the Eligible Employee and Officer and the Nominee agree to be bound by the Rules.

6.5 Time Period

An Eligible Employee and Officer (or permitted Nominee) may only accept an Offer within the time period specified in the Offer document.

7. Grant of options

7.1 Valid Acceptance

Where the Company receives a valid acceptance of an Offer under the Rules, it will grant the Options to the Participant within 10 Business Days of receipt of the valid acceptance and will issue to the Participant a certificate in respect of the Options granted (including on the certificate a notice of exercise of Options).

7.2 Rules

Options must be issued in accordance with the Rules and each Participant to whom Options are granted will be taken to have agreed to be bound by the Rules and the terms upon which those Options were granted.

7.3 No Listing

The Options will not be listed on any stock exchange.

8. Exercise Price

8.1 Option Exercise Price

In respect of any proposed Offer, the Board may determine the Option Exercise Price for that Offer in its absolute discretion.

8.2 Minimum Exercise Price

The Option Exercise Price in respect of an Offer made following First Quotation must not be less than any minimum price specified in the Listing Rules.

9. When Options may be exercised

9.1 Exercise

- (a) Subject to Rules 9.1(b) and 9.4, a Participant will be entitled to exercise Options granted as a result of an Offer in respect of which all Exercise Conditions have been satisfied and which are otherwise capable of exercise in accordance with the terms of the relevant Offer and the Rules.
- (b) No Option may be exercised unless at the time of exercise of the Options, the Shares have been Quoted throughout the 12 month period immediately preceding the exercise of the Option without suspension for more than a total of 2 Trading Days during that period.
- (c) Once an Option is capable of exercise in accordance with this Rule 9.1, it may be exercised at any time up until 5.00pm in Brisbane on the Lapsing Date.

9.2 One or Several Parcels

Subject to Rule 9.1, Options may be exercised in one parcel equal to the total number of Options which are then exercisable, or in several parcels which, when aggregated, equal the total number of Options which are then exercisable, provided that the number of Shares issued upon exercise of the number of Options in any parcel is not less than a Marketable Parcel.

9.3 Adjustment to Terms of Exercise

- (a) The Board will have the power to make adjustments to or vary the terms of exercise of an Option. Following First Quotation, any proposed variation or adjustment will be subject to any requirements of the Listing Rules.
- (b) No adjustment or variation of the terms of exercise of an Option will be made without the consent of the Participant who holds the relevant Option if such adjustment or variation would have a materially prejudicial effect upon the Participant (in respect of his or her Outstanding Options), other than an adjustment or variation introduced primarily:
 - (i) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
 - (ii) to correct any manifest error or mistake; or
 - (iii) to enable a member of the Group to comply with the Corporations Act, the Listing Rules, applicable foreign law, or a requirement, policy or practice of ASIC or other foreign or Australian regulatory body.

9.4 Lapsing of Options

Subject to the terms of the Offer made to a Participant and unless Rule 9.5 or Rule 9.6, if in respect of a Participant, the Relevant Person ceases to be an employee or director of, or to render services to, a member of the Group for any reason whatsoever (including without limitation resignation, or termination for cause) the Participant's Options will lapse 90 days after ceasing to be an employee or director of, or to render services to, a member of the Group and all rights in respect of those Options will thereupon be lost.

9.5 Death, Permanent Disability or Retirement

If in respect of a Participant, the Relevant Person is made redundant, dies, becomes Permanently Disabled or resigns employment on the basis of retirement from the workforce, during the Life of any Options granted to that Participant ("**Ceasing Event**"):

- (a) the Participant or the Participant's legal personal representative, where relevant, may exercise those Options which at that date:
 - (i) have become exercisable;
 - (ii) have not already been exercised; and
 - (iii) have not lapsed,
 - (iv) in accordance with (c);
- (b) at the absolute discretion of the Board, the Board may resolve that the Participant, or the Participant's legal personal representative, where relevant, may exercise those options which at that date:
 - (i) have not become exercisable; and
 - (ii) have not lapsed,

in accordance with Rule (c) and, if the Board exercises that discretion, those unexercisable Options will not lapse other than as provided in Rule (c) and Rule 11;

- (c) The Participant or the Participant's legal personal representative (as the case may be) must exercise the Options referred to in Rule (a) and, where permitted, Rule (b), no earlier than First Quotation and not later than the first to occur of:
 - (i) the Lapsing Date of the Options in question; and
 - (ii) the date which is 6 months after the Ceasing Event or 6 months after First Quotation (whichever occurs first) provided that in the case of Options referred to in Rule (b), all Exercise Conditions have been met at that time (unless the Board decides to waive any relevant Exercise Conditions, in its absolute discretion);
- (d) Options which have not been exercised by the end of the period specified in Rule (c) lapse immediately at the end of that period and all rights in respect of those Options will thereupon be lost; and
- (e) Where the Lapsing Date for an Option the subject of this Rule 9.5 occurs before First Quotation, that Option lapses at the end of its Lapsing Date and all rights in respect of that Option will thereupon be lost notwithstanding the terms of this Rule 9.5.

9.6 Discretionary Exercise of Options

Where, in respect of a Participant, the Relevant Person ceases to be an employee or director of, or to render services to, a member of the Group, for any reason, prior to the date on which Options become exercisable ("**Ceasing Date**") the Board may, in its absolute discretion, determine that some or all of the Options held by that Participant do not lapse and may be exercised by the Participant, if otherwise permitted under the Rules, no earlier than First Quotation and no later than the date which is 6 months after the Ceasing Date or 6 months after First Quotation (whichever occurs first). Options which have not been exercised by the

end of that period lapse immediately and all rights in respect of these Options will thereupon be lost.

9.7 Notice

The Company will send a notice addressed to the Participant (or where the Participant is not the Relevant Person, to the Relevant Person) setting out the number of Options which can be exercised by the Participant and the period(s) during which the Participant may exercise those Options fourteen days prior to the first day of the relevant exercise period of any of the Options granted to a Participant together with such other information as is required by the Corporations Act, the Income Tax Assessment Act, any other applicable legislation from time to time and, following First Quotation, the Listing Rules.

10. Manner of Exercise of options

10.1 Delivery to Company Secretary

Options granted to a Participant may only be exercised by delivery to the Company's secretary (at a time when the Options may be exercised) of:

- (a) the certificate for the Options or, if the certificate for the Options has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed;
- (b) a notice addressed to the Company and signed by the Participant:
 - (i) stating that the Participant exercises the Options and specifying the number of Options which are exercised; and
 - (ii) specifying the subregister of the Company in which the Shares referred to in Rule 10.2(a) are to be recorded; and
- (c) payment to the Company of an amount equal to the Option Exercise Price multiplied by the number of Options which are being exercised.

10.2 Issue of Shares

If the items specified in Rule 10.1 are delivered in accordance with that Rule, the Company will, subject to the Listing Rules (if relevant):

- (a) within 10 Business Days of delivery of the documents referred to in Rule 10.1 issue to the Participant the Shares credited as being fully paid in respect of which the Options are exercised together with any additional Shares an entitlement to which has arisen under Rules 12 and 13 in consequence of the exercise of the Options; and
- (b) cancel the certificate delivered pursuant to 10.1(a), if any Options which have not lapsed remain unexercised, deliver to the Participant a replacement certificate reflecting the number of those Options which remain unexercised.

10.3 Death of Participant

If the Participant has died, the Participant's legal personal representative will stand in the place of the Participant for the purposes of Rules 10.1 and 10.2 subject only to prior production to the Company of such evidence as would be

required to permit the legal personal representative to become registered as a shareholder in respect of Shares held by the Participant.

10.4 Beneficial Owner of Shares

From and including the date of issue to a Participant of any Shares in accordance with these Rules, the Participant will:

- (a) be the beneficial owner of those Shares; and
- (b) subject to Rule 10.6, the Corporations Act, the Constitution and, after First Quotation, the Listing Rules, be entitled to deal with those Shares as beneficial owner.

10.5 Equal Rank

A share issued on exercise of an Option will rank equally in all respects with Shares already on issue on the date of exercise of the Option, except for entitlements which had a Record Date before the date of issue of that Share.

10.6 Official Quotation

After First Quotation, the Company will make application for Shares which are issued after that time pursuant to Rule 10.2 to be Quoted in accordance with the Listing Rules.

11. Lapse of options not exercised

If an Option has not been exercised on or before the Lapsing Date, the Option lapses and all rights in respect of that Option will thereupon be lost.

12. New issues and adjustments for rights issues

12.1 New Issues

Subject to the Listing Rules (where relevant), a Participant may only participate in respect of an Option in a new issue of Shares or other securities to holders of Shares if the Option has been exercised in accordance with its terms on or before the Record Date for determining entitlements to the issue.

12.2 No variation of Option Exercise Price or Number of Securities

Subject to the Listing Rules (where relevant), a Participant has no entitlement or right to any variation in the Option Exercise Price or to the number of underlying securities over which the Option can be exercised.

13. Adjustment for bonus issues

If, during the Life of any Option, Shares are issued pro rata to the Company's shareholders for which no consideration is payable by those shareholders, the Participant will be entitled, upon later exercise of that Option, to receive in addition to the Share comprised in the Option an issue of so many additional Shares as would have been issued to a shareholder who, on the Record Date for determining entitlements under the bonus issue, held Shares equal in number to the Shares comprised in the Option exercised.

14. Adjustment for Reconstructions

14.1 Reorganisation of Issued Capital

In the event of any reorganisation of the issued capital of the Company other than a bonus issue of the type described in Rule 13, the rights of Participants will be changed to the extent necessary to comply with the Listing Rules (where relevant) applying to a reorganisation of capital of a body corporate.

14.2 New or amended Option Certificates

After each reorganisation of the issued capital of the Company, upon the return by the Participant of the original Option certificate to the Company, that Option certificate will be amended or a new Option certificate will be issued to reflect either or both the adjusted number of Shares that may be taken up upon the exercise of that Option and the adjusted Option Exercise Price (as the case may be).

15. Notice of adjustments and cumulation of adjustments

15.1 Cumulation of Adjustments

Effect will be given to Rule 13 and 14 in such manner that the effect of the successive applications of them is cumulative, with the intention being that the adjustments they progressively effect will reflect previous adjustments.

15.2 Notice of Adjustments

Whenever the number of Shares comprised in an Option or the Option Exercise Price is adjusted pursuant to these Rules, the Company will give notice of the adjustment to the Participant and ASX together with calculations on which the adjustment is based.

16. Takeovers

If, after First Quotation and during the Life of an Option:

- (a) a Takeover Bid is made to the Company's shareholders to acquire their Shares and the Board becomes aware that a bidder who did not have a Relevant Interest in more than 50% of the Company's issued Shares has acquired (or become entitled to acquire) a Relevant Interest in more than 50% of the Company's issued Shares, then the Board may resolve that the Company notify each Participant in writing that all of his or her unexercised Options (whether vested or not) will be exercisable. Upon receipt of that notice, each Participant will be entitled to exercise all or any of his or her unexercised Options; or
- (b) the Board concludes that there has been a change in Control of the Company, the Board may resolve that the Company notify each Participant in writing that all of his or her unexercised Options (whether vested or not) will be exercisable. Upon receipt of that notice, each Participant will be entitled to exercise all or any of his or her unexercised Options.

17. Administration of the Plan

- (a) The Plan will be administered by the Board in accordance with these Rules. The Board may make regulations for the operation of the Plan which are consistent with these Rules.
- (b) Any power or direction which is conferred on the Board by these Rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person.
- (c) Any power or discretion which is conferred on the Board by these Rules may be delegated by the Board for such period and upon such conditions as the Board may determine to:
 - (i) a committee consisting of such Directions as the Board determines; or
 - (ii) Every exercise of discretion by the Board (or its delegate) and every decision of the Board as to the interpretation, effect or application of these Rules is final, conclusive, and binding.

18. Termination and Suspension of the plan

The Plan may be terminated or suspended at any time by resolution of the Board. Termination or suspension of the Plan will not affect the rights of Participants who were granted Options prior to that termination or suspension.

19. Rights and Obligations of Participants

19.1 Rights of Participants

Nothing in these Rules:

- (a) confers on an Eligible Employee the right to receive any Shares;
- (b) confers on a Relevant Person the right to continue as an employee of the Group;
- (c) affects any rights which any member of the Group may have to terminate the employment of any employee; or
- (d) may be used to increase damages in any action brought against any member of the Group in respect of any such termination.

19.2 Rules

All Participants will be entitled to the benefit of and will be bound by the terms and conditions of the Rules and any amendments thereto.

19.3 Offer

The Plan will not form part of any contract between any member of the Group and any Participant and will not confer directly or indirectly on any Participant any legal or equitable rights whatsoever against any such corporation (other than rights as a Participant under the Plan against the Company).

19.4 Company Reports

Every report and other document sent by the Company to its shareholders generally will, during the Life of any Option, be sent also to the holders of any Options.

19.5 Rights of Optionholders

A grant of an Option does not confer on a Participant any right to receive notice of, or to vote at, a meeting of member of the Company or any right to receive a dividend, before the Option is exercised.

19.6 Assignment of Options

Subject to the Board's consent (which may be given in the Board's absolute discretion), options granted cannot be assigned (other than to the legal personal representative of the Participant as contemplated in Rule 9.5).

20. Amendment of these Rules

20.1 Amendments

Subject to the Listing Rules and Rule 20.2, the Company may at any time be written instrument or by resolution of the Board, amend all or any of the provisions of these Rules (including this Rule 20).

20.2 No Reduction of Rights

- (a) Subject to Rule (b), no amendment of the provisions of these Rules is to reduce the rights of any Participant in respect of his or her Outstanding Options, other than an amendment introduced primarily;
 - (i) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
 - (ii) to correct any manifest error or mistake; or
 - (iii) to enable a member of the Group to comply with the Corporations Act, the Listing Rules, applicable foreign law, or a requirement, policy or practice of ASIC or other foreign or Australian regulatory body.
- (b) Notwithstanding Rule (b), the Company may amend all or any of the provisions of these Rules, provided that the Company provides to any affected Participant appropriate compensation, such that the Participant remains no worse off as a result of any such amendment.

20.3 Retrospectivity

Subject to Rules 20.1 and 20.2, any amendment made pursuant to Rule 20 may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made.

21. Attorney

Each Participant, in consideration of an Offer:

- (a) irrevocably appoints the Company and any person nominated from time to time by the Company (each an "attorney"), severally, as the Participant's attorney to complete and execute any documents including

applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the Participant which may be convenient or necessary for the purpose of giving effect to the provisions of these Rules; and

- (b) covenants that the Participant will ratify and confirm any act or thing done pursuant to this power;
- (c) releases each member of the Group and the attorney from any liability whatsoever arising from the exercise of the powers conferred by this Rule; and
- (d) indemnifies and holds harmless each member of the Group and the attorney in respect thereof.

22. ASIC relief

Notwithstanding any other provisions of the Plan, every covenant or other provisions set out in an exemption or modification granted from time to time by ASIC in respect of the Plan pursuant to its power to exempt and modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this Rule to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision shall prevail.

23. Notices

Any notice to Participants may be given in such manner as the Board determines.

24. Governing Law

This Plan is governed by and shall be construed and take effect in accordance with the laws of Queensland.