



Petratherm Ltd
ACN 106 806 884

Computershare

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 1903 Adelaide
South Australia 5001 Australia
Enquiries (within Australia) 1300 556 161
(outside Australia) 61 3 9415 4000
Facsimile 61 8 8236 2305
web.queries@computershare.com.au
www.computershare.com

11 January 2007

Dear Shareholder

GENERAL MEETING OF SHAREHOLDERS

I am pleased to invite you to attend a General Meeting of Petratherm Ltd to be held in the Grevillea Room, Hyatt Adelaide, North Terrace, Adelaide, South Australia on Monday 12 February 2007 at 11.00am.

If you are unable to attend the meeting in person, I encourage you to return the enclosed Proxy Form. The Proxy Form should be returned by post or faxed to the Company's Office or Share Registry so that it may be received by 11.00 am on Saturday 10 February 2007.

Yours sincerely

DEREK CARTER
CHAIRMAN

Encl.

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

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Appointment of Proxy

I/We being a member/s of Petratherm Ltd and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Petratherm Ltd to be held at the Grevillea Room, Hyatt Adelaide, North Terrace, Adelaide, South Australia on Monday, 12 February 2007 at 11.00am and at any adjournment of that meeting.

IMPORTANT: FOR ITEM 2 BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Item 2 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that Item and that votes cast by him, other than as proxy holder, would 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 of the Meeting will not cast your votes on Item 2 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 2.

Voting directions to your proxy - please mark to indicate your directions

	For	Against	Abstain*
1. Ratification of a Previous Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of Employees and Officers Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of the other item of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /

How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 Signing Instructions

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

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

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00am on Monday, 12 February 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

IN PERSON Principal Business Office - 105-106 Greenhill Road, Unley SA 5061 Australia
Share Registry - Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide SA 5000 Australia

BY MAIL Share Registry - Computershare Investor Services Pty Limited, GPO Box 1903, Adelaide SA 5001 Australia

BY FAX 61 8 8236 2305

Petratherm Ltd

105-106 Greenhill Road, Unley,
South Australia 5061
Tel: +61 8 8274 5000 Fax: +61 8 8366 6056
Website www.petratherm.com.au
Email admin@petratherm.com.au
A.C.N. 106 806 884



NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Petratherm Ltd will be held in the Grevillea Room, Hyatt Adelaide, North Terrace, Adelaide, South Australia on Monday 12 February 2007 at 11.00 am.

Special Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:-

1] **Ratification of a Previous Issue of Shares**

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the allotment and issue of 6,500,000 shares on 6 December 2006 at an issue price of \$0.32 (32 cents) per Share to a number of placees by the Company are approved and ratified.”

2] **Approval of Employees and Officers Share Option Plan**

“That, for the purpose of ASX Listing Rule 7.2, Exception 9 of the Listing Rules and for all other purposes, the Company approve the issue of securities under the employee incentive option scheme for employees known as “Petratherm Employees and Officers Share Option Plan”, the rules of which are annexed as Annexure “A” to the Explanatory Notes accompanying this Notice of Meeting, as an exception to Listing Rule 7.1”.

Explanatory Notes

The Explanatory Notes accompanying this Notice of General Meeting are incorporated in and comprise part of this Notice of General Meeting, and should be read in conjunction with this Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Notes which contains definitions of capitalised terms used both in this Notice of General Meeting and the Explanatory Notes.

Voting Exclusions

Resolution 1

The Company will disregard any votes cast on Resolution 1 by any person who participated in the issue and any associate of such person.

Resolution 2

The Company will disregard any votes cast on Resolution 2 by a director of the Company and any associates of those persons.

However in respect of Resolutions 1 and 2 the Company need not disregard a vote if:-

- (a) it is cast by a person who is appointed by writing as proxy for a person who is entitled to vote in accordance with the directions on the relevant proxy form; and
- (b) 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 relevant proxy form to vote as the proxy decides.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company 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, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The **enclosed** proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting. The Company’s directors have determined that all Shares of the Company that are quoted on ASX as at 11.00am CST on Saturday 10 February 2007 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative.

Dated 11 January 2007

**BY ORDER OF THE BOARD
PETRATHERM LTD**



**DONALD STEPHENS
COMPANY SECRETARY**

Voting

A Proxy Form is enclosed with this Notice.

Petratherm Ltd

105-106 Greenhill Road, Unley,
South Australia 5061
Tel: +61 8 8274 5000 Fax: +61 8 8366 6056
Website www.petratherm.com.au
Email admin@petratherm.com.au
A.C.N. 106 806 884



EXPLANATORY NOTES

Introduction

These Explanatory Notes set out information in connection with the business to be considered at the General Meeting of Shareholders proposed to be held in the Grevillea Room, Hyatt Adelaide, North Terrace, Adelaide, South Australia on Monday 12 February 2007 at 11.00 am.

These Explanatory Notes should be read in conjunction with the Notice of General Meeting. Capitalised terms in these Explanatory Notes are either defined in the Glossary or elsewhere in these Explanatory Notes.

Resolution 1: Ratification of a Previous Issue of Shares

ASX Listing Rule 7.1 provides that prior approval of Shareholders is required for the issue of equity securities if the equity securities will, when aggregated with the equity securities issued by the Company during the previous 12 months, exceed 15% of the number of equity securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 states that an issue by a company of equity securities made without prior approval under Rule 7.1 is treated as having been made with approval for the purpose of Rule 7.1 if the issue did not breach Rule 7.1 and the Company's members subsequently approve and ratify it.

On 22 November 2006, the Company announced that it had agreed to place 6,500,000 Shares at an issue price of \$0.32 (32 cents) per Share to raise \$2,080,000 before expenses.

The placement was fully subscribed and the Shares the subject of the placement were allotted on 6 December 2006.

The Shares were allotted and issued to clients of Taylor Collison Ltd.

The Shares issued were allotted as fully paid and rank equally with the existing Shares on issue.

The funds raised from the placement have been and will be applied towards engineering and well design for the deep well, at the Paralana geothermal anomaly, plus procurement of associated long lead-time drilling resources and materials and ongoing working capital.

The Shares the subject of the placement were all issued within the 15% 12 month limit on the issue of equity securities permitted under ASX Listing Rule 7.1 without shareholder approval. The effect of Shareholders passing Resolution 1 will be to restore the Company's ability to issue equity securities (including Shares and/or Options) within that limit, to the extent of the 6,500,000 Shares issued under the placement. Resolution 1 is to be considered as an ordinary resolution.

The Board recommends Shareholders vote in favour of Resolution 1. The Chairman intends to vote undirected proxies in favour of Resolution 1.

Resolution 2 – Approval of Employees and Officers Share Option Plan

The Company currently has in place the Petratherm Ltd Employees and Officers Share Option Plan (“Plan”) under which employees may be offered the opportunity to receive options to subscribe for shares in the Company in order to increase the range of potential incentives available to them and to strengthen links between the company and its employees.

The Plan 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 options are a cost effective and efficient means of incentivising employees. 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 Plan 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.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of Employee Options in the Company as the Board may decide and on terms set out in the rules of the Plan, a copy of which is contained in Annexure “A” of the Explanatory Notes. Employee Options granted under the Plan will be offered to participants in the Plan on the basis of the Board’s view of the contribution of the eligible person to the Company.

ASX Listing Rule 7.1 restricts the number of shares and options a listed entity can issue without shareholder approval. ASX Listing Rule 7.2 contains a number of exceptions to ASX Listing Rule 7.1. In particular, Exception 9(a) provides, in the case of an employee incentive scheme established before an entity is listed, that ASX Listing Rule 7.1 does not apply to an issue under the scheme if within 3 years before the date of issue a summary of the terms of the scheme was set out in a prospectus. The Plan was established before the Company was granted official quotation by ASX in July 2004. In accordance with Rule 7.2 Exception 9(a), a summary of the terms of the Plan was included in the prospectus dated 11 May 2004 issued by the Company.

The exemption from Rule 7.1 previously conferred by Listing Rule 7.2 Exemption 9(a) ceases to apply upon the expiration of three years from the date of the prospectus.

However, Exception 9(b) of the ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

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

- (a) a copy of the rules of the Plan is attached as Annexure “A” to the Notice;
- (b) 1,010,000 Employee Options have previously been issued under the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 2.

As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of the resolution. The Chairman intends to vote any undirected proxies in favour of Resolution 2.

Glossary

“ASX”	means Australian Stock Exchange Limited ACN 008 624 691;
“ASX Listing Rules”	means the official listing rules of ASX;
“Board”	means the board of Directors;
“Company”	means Petratherm Ltd ACN 106 806 884;
“Constitution”	means the constitution of the Company;
“Corporations Act”	means Corporations Act 2001 (Cth);
“Director”	means a director of the Company;
“Option”	means an option to subscribe for one unissued Share;
“Optionholder”	means a holder of an Option;
“Share”	means a fully paid ordinary share in the capital of the Company;
“Shareholder”	means a holder of a Share.

ANNEXURE “A”

Rules of the Petratherm Ltd Employees and Officers Share Option Plan

RULES OF THE PETRATHERM LTD EMPLOYEES AND OFFICERS SHARE OPTION PLAN

1. DEFINITIONS AND INTERPRETATION**1.1 Definitions**

In these Rules, unless the contrary intention appears:

- “Associated Company”** means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the Corporations Act 2001;
- “ASX”** means Australian Stock Exchange Limited and includes any body corporate which may hereafter succeed to the powers, functions and duties of Australian Stock Exchange Limited;
- “Board”** means the directors acting as the board of directors of the Company;
- “Business Day”** means a day on which the stock market of ASX is open for trading in securities;
- “Certificate”** means the certificate issued by the Company to a Holder in respect of an Option;
- “Company”** means Petratherm Ltd ACN 106 806 884;
- “Director”** means a director of a Group Company from time to time;
- “Eligible Person”** means at any time a person who then is an employee or an officer (whether full-time or part-time) of a Group Company or a consultant to a Group Company;
- “Exercise Price”** means, in respect of an Option, the subscription price per Share, determined in accordance with clause 12, payable by a Holder on exercise of the Option;
- “Expiry Date”** means, in relation to an Option, the period of 5 years from and including the Issue Date of the Option;
- “Group”** means, collectively the Company and each of the Associated Companies;
- “Group Company”** means the Company or any Associated Company;
- “Holder”** means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company’s register of options as the holder of that Option;
- “Issue Date”** means, in relation to an Option, the date on which the Company grants that Option;
- “Listing Rules”** means the Official Listing Rules of ASX;

“Market Value”	means: <ul style="list-style-type: none"> (a) the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the day on which the Board resolves to offer an Option (excluding special crossings and overnight sales); or (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX (excluding special crossings and overnight sales);
“Option”	means an Option issued under the Plan to subscribe (subject to clause 11) for a Share;
“Permanent Disablement”	means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience;
“Permitted Nominee”	has the meaning given to it by clause 5.4;
“Plan”	means The Petratherm Ltd Employees and Officers Share Option Plan established in accordance with these Rules;
“Redundancy”	means, in relation to an Eligible Person, a determination by the Board that the relevant Group Company’s need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of any Group Company of his own accord);
“Retirement”	means, in relation to an Eligible Persons, retirement by that Eligible Person from any Group Company at age 60 or over or such earlier age as considered appropriate by the Board;
“Rules”	means these rules, as amended from time to time;
“Shares”	means fully paid ordinary shares in the capital of the Company.

1.2 Interpretation

In these Rules, unless the contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act 2001 or the Listing Rules has the same meaning where used in these Rules.

2. ESTABLISHMENT AND TERMINATION OF THE PLAN

- 2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute and uncontrolled discretion.
- 2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

3. NUMBER OF OPTIONS TO BE ISSUED

The Company shall not offer or issue Options to any Eligible Person in accordance with the plan if the total number of shares the subject of Options, when aggregated with:

- 3.1 the number of shares in the same class which would be issued were each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to the Plan or any other employee or officer share scheme extended only to employees or officers (including directors) of Group Companies, to be accepted or exercised (as the case may be); and
- 3.2 the number of shares in the same class issued during the previous five years pursuant to the Plan or any other employee or officer share scheme extended only to employees or officers (including directors) of Group Companies,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or any offer or invitation which, pursuant to Chapter 6D of the Corporations Act 2001, does not need disclosure to investors), would exceed 5% of the total number of issued shares in that class of the Company as at the time of the proposed offer or issue.

4. ENTITLEMENT TO PARTICIPATE

- 4.1 The Board may from time to time determine in its absolute and uncontrolled discretion that any Eligible Person is entitled to participate in the Plan and the extent of that participation. The determination of the Board shall be binding and neither the Board nor any director of the Company shall be obliged to give any reason for a determination.
- 4.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.
- 4.3 Unless otherwise determined by the Board in its absolute and uncontrolled discretion, no Eligible Person shall be entitled to participate in the Plan unless that Eligible Person has been in continuous employment with a Group Company or has provided consulting services on a continuous basis for at least 12 months prior to the Issue Date.
- 4.4 The Plan shall not form part of any contract of employment between any Group Company and any of its employees or officers or any consulting agreement between any Group Company and any consultant and shall not confer directly or indirectly on any such employee, officer or consultant any legal or equitable right whatsoever against any Group Company.

5. OFFER OF OPTIONS

- 5.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Persons at such times and on such terms as the Board considers appropriate in its absolute and uncontrolled discretion. Each offer must state:
- (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
 - (b) the period within which the offer may be accepted; and
 - (c) any other matters which the Board may determine.
- 5.2 Upon receipt of an offer of Options, an Eligible Person may, within the period specified in the offer:
- (a) accept the whole or any lesser number of Options offered by notice in writing to the Board; or
 - (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Board. The Board may, in its absolute and uncontrolled discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision.
- 5.3 Each Option will be issued free.
- 5.4 Upon:
- (a) receipt of the acceptance referred to in paragraph 5.2(a); or
 - (b) the Board resolving to allow a renunciation of an offer in favour of a nominee ("**Permitted Nominee**") and the Permitted Nominee accepting the whole or any lesser number of Options offered by notice in writing to the Board,
- then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be issued Options subject to these Rules.
- 5.5 Certificates for Options will be dispatched within 10 Business Days after their Issue Date (or within such lesser period (if any) as may be required by the Listing Rules).
- 5.6 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

6. QUOTATION

- 6.1 The Company will not apply for official quotation by ASX of any Options.
- 6.2 If the Company's Shares have been granted official quotation by ASX, the Company must apply for official quotation of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment (or within such lesser period (if any) as may be required by the Listing Rules).

7. NOT TRANSFERABLE

Subject to clause 10.3, Options are not transferable.

8. EXERCISE OF OPTIONS

8.1 Subject to these Rules, Options may be exercised at any time during the period commencing after the Issue Date and ending on the Expiry Date.

8.2 Options not exercised on or before the Expiry Date will automatically lapse.

8.3 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:

- (a) the Exercise Price for the number of Options specified in the notice; and
- (b) the Certificate for those Options, for cancellation by the Company.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).

8.4 Subject to clause 8.2, within 10 Business Days after the notice referred to in clause 8.3 becomes effective (or within such lesser period (if any) as may be required by the Listing Rules), the Board must:

- (a) allot and issue the number of Shares specified in the notice to the Holder;
 - (b) cancel the Certificate for the Options being exercised; and
 - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.
-

9. SHARES ALLOTTED ON EXERCISE OF OPTIONS

All Shares allotted upon exercise of Options rank *pari passu* in all respects with Shares previously issued and, in particular, entitle the Holders to participate fully in:

9.1 dividends declared by the Company after the date of allotment; and

9.2 all issues of securities made or offered pro rata to holders of Shares.

10. CEASING TO BE AN ELIGIBLE PERSON

- 10.1 If at any time prior to the Expiry Date of any Options, an Eligible Person ceases to be an Eligible Person for any reason other than Retirement, Permanent Disability, Redundancy or death, all Options held by such Eligible Person or his Permitted Nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of:
- (a) The expiry of the period of one (1) calendar month from the date of such occurrence, and
 - (b) The Expiry Date.
- 10.2 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the date of such occurrence.
- 10.3 If at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's legal personal representative may:
- (a) elect to be registered as the new Holder of the deceased Holder's Options;
 - (b) whether or not he becomes so registered, exercise those Options as if it were the Holder of them in accordance with these Rules; and
 - (c) if the deceased Holder had already given the Company a notice of exercise of his Options, pay the Exercise Price in respect of those Options.

11. ENTITLEMENT TO PARTICIPATE IN FUTURE ISSUES**11.1 New Issues**

Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

11.2 Bonus Issues

If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). Upon issue the Bonus Shares will rank *pari passu* in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

11.3 Pro Rata Issue

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the following formula:

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

A = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Shares into which one Option is exercisable.

P = the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises).

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

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

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

11.4 Reorganisation of Capital

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

11.5 Advice

In accordance with the Listing Rules, the Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 11.2, 11.3 or 11.4.

12. EXERCISE PRICE OF OPTIONS

The Exercise Price of each Option will be determined by the Board when it resolves to offer the Option and will be not less than the Market Value of a Share at that time.

13. AMENDMENTS TO THE RULES

The Board may alter, delete or add to these Rules at any time (save for the provisions of clause 3), but, where the Company is admitted to the Official List of ASX, its resolution to do so has no effect unless the requirements of the Listing Rules in relation to the alteration, deletion or addition have been complied with.

14. NOTICES

Notices may be given by the Company to any Holder either personally or by sending by post to his address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices of any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or Secretary of the Company. A notice of exercise of Options shall not be deemed to be served on the Company until actually received.

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