NOTICE OF ANNUAL GENERAL MEETING

Aeris Technologies Ltd

ABN 19 093 977 336

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Aeris Technologies Ltd (the "Company") will be held at Level 16, 60 Castlereagh Street Sydney on Thursday, 25 November 2004 commencing at 4.30pm.

ORDINARY BUSINESS

1. **To consider the accounts**
   To consider the Reports of the Directors and Auditors, and the Financial Report for the year ended 30 June 2004.

2. **To elect a Director**
   Mr S Kritzler retires as a Director pursuant to Article 71 of the Company's constitution and, being eligible, offers himself for re-election.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions.

3. **Ratification of previous share issue**
   To consider and, if thought fit, to pass the following resolution:

   "THAT for the purposes of Listing Rule 7.4 of the Australian Stock Exchange Limited, the issue by the Company of 3,850,000 fully paid ordinary shares in the capital of the Company as announced on 8 October 2004, at a price of 83 cents per share and which raised $3,195,500, to the parties referred to in the Explanatory Notes, is hereby approved."

4. **Approve the Employee Share Option Plan (ESOP)**
   "THAT for the purposes of Listing Rule 7.2 (exception 9) of the Australian Stock Exchange Limited, the Aeris Technologies Ltd Share Option Plan Rules, as set out in the Explanatory Notes be approved."

5. **Issue of Options to Director**
   "THAT pursuant to ASX Listing Rules 10.11, 10.13 and for all other purposes, the Company approves the issue of a maximum of 100,000 options to a Director Mr Howard Leibman as payment for services rendered to the Company, including Director's fees, for the year ended 30 September 2004, and subject to the exercise of those options and payment of the Exercise Price, the issue of that number of fully paid ordinary shares of the Company to that Director."

6. To transact any other business which may be brought forward in accordance with the Company's constitution.

Further information in relation to these resolutions is set out in the Explanatory Notes attached to this Notice.

Voting Exclusion Statement

In respect of Resolution 3 the Company will disregard any votes cast on this resolution by the persons, or associates of those persons, being the persons whose names are set out in the Explanatory Notes and who participated in the issue.

In respect of Resolution 4 the Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of such Directors.

In respect of Resolution 5 the Company will disregard any votes cast on this resolution by Director Mr Howard Leibman or any associate of such Director.

However the Company need not disregard any vote by any such persons if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or
- it is cast by any of them who is 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.

PROXIES

To be effective, proxy forms must be received by the Company at its registered office at least 48 hours before the time for holding the meeting.

Postal delivery and hand delivery:
Level 1, 5/26-34 Dunning Avenue
Rosebery NSW 2018

By facsimile:
(02) 9697 0944

A member entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the member. A proxy need not be a member of the Company. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights.

Unless under Power of Attorney (which should have been noted by the Company) a proxy form by a corporation should be executed under its common seal or in accordance with the Corporations Act.

Dated at Rosebery this 20th day of October 2004.

BY ORDER OF THE BOARD

Robert J Waring
Company Secretary

EXPLANATORY NOTES

These explanatory notes set out information in connection with the business to be considered at the 2004 Aeris Technologies Ltd Annual General Meeting.

ORDINARY BUSINESS

Resolution 1
Financial Report
This item of business relates to the receipt and adoption of the Company's Financial Report for the year ended 30 June 2004.

Resolution 2
Election of Director - Mr S Kritzler
Mr Steve Kritzler was originally appointed a Director of the Company in July 2002. Under the Company's Constitution he retires by rotation, and being eligible, wishes to stand for re-election.

The qualifications and experience of Directors are set out in the Report of the Directors in the Annual Report.

SPECIAL BUSINESS

Resolution 3
Ratification of previous share issues
The Australian Stock Exchange Limited (ASX) Listing Rule 7.1 allows the Company to issue a maximum of 15% of its expanded capital in any 12 month period without requiring shareholder approval. ASX Listing Rule 7.4 allows the Company to seek the approval of shareholders for issues made under Listing Rule 7.1.

The Company previously issued ordinary shares by way of a placement of 3,850,000 shares at a price of 83 cents per share to raise $3,195,500 to clients of Shaw Corporate Finance Pty Ltd ("the Issue") announced to ASX on 8 October 2004. As the Issue was not in breach of Listing Rule 7.1 and was not previously approved by the shareholders of the Company, Resolution 3 calls for shareholder approval and ratification of this Issue.

The shares issued pursuant to the placement rank equally in all respects with all existing ordinary shares previously issued by the Company. The Company will utilise the funds to support and expand its international regulatory efforts, to invest in the marketing and promotion of the Aeris and AerisGuard brands and to provide the Company with additional working capital to apply to its business objectives.

Resolution 4
Approve the Share Option Plan ("the ESOP")
The ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its expanded capital in any 12 month period without requiring shareholder approval. Listing Rule 7.1 does not apply in certain cases set out in Listing Rule 7.2, including exception 9, where an issue under an employee incentive scheme is made if within three years before the date of issue the terms of the scheme are approved by shareholders. The terms and conditions of the Aeris Share Option Plan are being presented to shareholders for approval. This is the first invitation under this Plan and accordingly, prior to this invitation, no shares have been issued to a person under the Plan.

Rules of the Plan
Set out below is a summary of the terms and conditions of the Aeris Share Option Plan, for approval.

Resolution 5
Approve the Issue of Options to a Director Howard Leibman
The Company proposes the grant of a maximum of 100,000 options to a Director Mr Howard Leibman as payment for services rendered to the Company, including Director's fees, for the year ended 30 September 2004, and subject to the exercise of those options and payment of the Exercise Price, the issue of that number of fully paid ordinary shares of the Company to that Director. The options

will be issued pursuant to Mr Leibman for no cash consideration. These options may be exercised (and shares will be issued) at a price of 20 cents.
At the date of this notice of meeting this class of options is trading on ASX at a price of $0.64 and therefore the current market value of the 100,000 options proposed to be issued to Mr Leibman for his services for the year ended 30 September 2004 is $64,000

ASX Listing Rule 10.11 excludes a related party, such as Mr Leibman or his associates, from acquiring securities in Aeris except in certain circumstances. One of these circumstances is where shareholders approve the proposed issue. ASX Listing Rule 10.13 sets out the notice requirements which apply in order for shareholders to validate such an approval.

In accordance with Listing Rule 10.13 the Company advises:

1. The options are proposed to be issued to Mr Howard Leibman.

2. The number of options proposed to be issued to Mr Leibman is 100,000 with an exercise price of 20 cents and an expiry date of 1 July 2004. The Company will apply for quotation of these options on ASX

3. The options, when issued, will rank pari passu with Aeris' currently quoted class of options. The date of issue of the options will be within one month from the date of the general meeting considering this resolution.

4. Funds raised on the exercise of options will be used to increase working capital.

AERIS TECHNOLOGIES LTD
ACN 093 977 336

Employee Share Option Plan
General Terms and Conditions

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Aeris Technologies Ltd
ACN 093 977 336

Employee Share Option Plan
General Terms and Conditions

1. Definitions and Interpretation

1.1 Definitions

In these Terms unless the contrary intention appears:

"**Applicable Law**" means any one or more or all, as the context requires of:

(a) Corporations Act and the Corporations Regulations;

(b) Listing Rules;

(c) the constitution of the Company;

(d) any practice note, policy statement, class order, declaration, guideline, policy or procedure pursuant to the provisions of which either ASIC or ASX is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any of the foregoing statutes, regulations or rules or any conduct of any duly authorised person, pursuant to any of the abovementioned statutes, regulations or rules;

"**ASIC**" means the Australian Securities and Investments Commission;

"**Associate**" has the same meaning as is ascribed to that term in Sections 10 to 17 (inclusive) of the Corporations Act;

"**ASX**" means the Australian Stock Exchange Limited (ACN 008 624 691);

"**Auditor**" means the registered auditor of the Company as appointed from time to time;

"**Bid Period**", in relation to an off-market bid or a market bid in respect of shares, means the period referred to in the definition of that expression in section 9 of the Corporations Law, provided that where a bid is publicly announced prior to the service of a bidder's statement on the Company, the bid period shall be deemed to have commenced at the time of that announcement;

"**Business Day**" means any day upon which major trading banks operating in the city in which the Company carries on its central administration and financial operations, carry on their normal business operations;

"**Certificate**" means the certificate for the Options issued by the Company to a Participant;

"**Change of Control Event**" means if an entity not having Control of the Company, the event pursuant to which that entity acquires Control of the Company;

"**Company**" means Aeris Technologies Ltd (ACN 093 977 336);

"**Company Secretary**" means the secretary of the Company (or his delegate) as appointed from time to time;

"**Control**" has the meaning ascribed to that term in section 50AA of the Corporations Act;

"**Corporations Act**" means the Corporations Act 2001 (Commonwealth);

"**Directors**" means the Directors for the time being of the Company;

"**Eligible Employee**", "**Eligible Associate**", "**Eligible Person**" have the meanings ascribed to those terms in clause 13;

"**Exercise**" means an exercise effected under clause 6;

"**Exercise Date**" means the date upon which an Option is Exercised in accordance with clause 6.1;

"**Exercise Notice**" means a notice given under clause 6.1 and in the form of Schedule 1;

"**Exercise Period**" means in relation to a particular grant of Options, the period beginning on the date determined in accordance with the provisions of clause 5.3 and ending on the date of the fifth anniversary of the Issue Date of those Options or as otherwise determined by the Directors at the Relevant Date;

"**Exercise Price**" means the price at which an Option may be Exercised in accordance with clause 3.2(b), as varied in accordance with clause 10.2 and clause 11.2;

"**Issue Date**" means the date upon which Options are issued to an Eligible Person pursuant to this Plan;

"**Listing Rules**" means the official listing rules of ASX, as varied from time to time;

"**Loan Period**" means in respect of each loan the period determined under clause 14;

"**Loan Share**" means a Plan Share acquired with a Loan which has not been repaid in full in respect of that Plan Share;

"**Loans**" means loans made pursuant to clause 14 and includes any interest, fees or other charges accrued on that loan or any part thereof;

"**Market Price**" means:

(a) the average weighted sale price of a Share for the twenty (20) trading days preceding the relevant date on which this price is to be determined, upon each of which any Shares were traded on the official list of ASX;

(b) if there has been no trading in the Shares during the twenty (20) trading days immediately preceding the relevant date on which this price is to be determined, the last sale price of ordinary shares of the Company recorded on the official list of ASX; or

(c) if Shares of that class are not traded on the official list of ASX, the arm's length value of the Share as specified in a written report prepared by the Auditor in relation to valuing the Share;

"**Offer**" means an Offer of Options by the Directors to an Eligible Person pursuant to this Plan;

"**Option**" means an option over Plan Shares granted pursuant to the Plan;

"**Option Price**" means the amount payable for an Option as determined in accordance with clause 3.2(a);

"**Participant**" means an Eligible Employee, Eligible Associate or Eligible Person to whom Options have been issued pursuant to the Plan;

"**Performance Conditions**" means one or more conditions (if any), as determined by the Directors under clause 5.2 and notified to a Participant in the Offer, which must be satisfied or waived by the Directors before an Option may be Exercised;

"**Permitted Nominee**" has the meaning given to it by clause 4.3;

"**Plan**" means the Employee Share Option Plan for the Company established in accordance with these Terms;

"**Plan Share**" means a Share in the capital of the Company issued upon Exercise of an Option or in respect of which an Option has been granted;

"**Related Body Corporate**" has the same meaning as is ascribed to that term in Section 50 of the Corporations Act;

"**Relevant Date**" means the date on which the Directors resolve to offer an Option or such other date as the Directors determine;

"**Share**" means an ordinary share in the issued capital of the Company;

"**Share Registry**" means the share registry of the Company from time to time;

"**Terms**" means these general terms and conditions, as varied from time to time;

"**Vesting Date**" means each of the dates referred to in the sub-paragraphs of clause 5.1.

1.2 Interpretation

In these Terms, unless the context requires otherwise:

(a) a reference to a word includes the singular and the plural of the word and vice versa;

(b) a reference to a gender includes any gender;

(c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

(d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;

(e) headings are included for convenience only and do not affect interpretation;

(f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;

(g) a reference to a thing includes a part of that thing and includes but is not limited to a right;

(h) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;

(i) a reference to a part, Clause, party, annexure, exhibit or Schedule is a reference to an item of that type in these Terms and includes a reference to the provisions or terms of that part, clause, annexure, exhibit or Schedule;

(j) a reference to these Terms includes each annexure, exhibit and a Schedule to these Terms;

(k) a reference to a party to this document includes the party's successors and permitted assigns and includes any person to whom these Terms are novated;

(l) a reference to a statute or statutory provision includes but is not limited to:

(1) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;

(2) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and

(3) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;

(m) a reference to a document is a reference to a document of any kind including but not limited to an agreement in writing, a certificate, a notice, or an instrument;

(n) reference to "$", "A$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;

(o) a covenant, representation, warranty or an agreement between more than one person binds them jointly and severally;

(p) a provision of these Terms is not to be construed against a party solely on the ground that the party is responsible for the preparation of these Terms or a particular provision;

(q) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;

(r) a reference to liquidation includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, assignment for the benefit of creditors, scheme composition or arrangement of creditors, insolvency, bankruptcy or any similar procedure or if applicable changes in the constitution of a partnership or the death of a person;

(s) a reference to a body which is not a party to these Terms which ceases to exist or whose power or function is transferred to another body, is a reference to the body which replaces or substantially succeeds to the power or function of the first body.

1.3 **Business Day and Day**

(a) If these Terms require that the day on which a thing must be done is a day which is not a Business Day, then that thing must be done on or by the preceding Business Day.

(b) If an event occurs on a day which is not a Business Day, or occurs later than 5.00 p.m. local time at the place that the event occurs, then the event is deemed to have occurred on the next Business Day in the place that the event occurs.

(c) A reference to a day is a reference to a time period which begins at midnight and ends 24 hours later.

(d) A reference to a period of time unless specifically written otherwise, excludes the first day of that period.

1.4 **Incorporation of Schedules**

The schedule to these Terms is incorporated by reference in these Terms but if there is any inconsistency between the schedule and any provision of these Terms, the provision of these Terms will prevail to the extent of the inconsistency.

2. Directors' Authority

2.1 The Directors will establish and administer the Plan in accordance with these Terms set out below and, subject to any Applicable Law, will have the absolute discretion and power to:

(a) determine appropriate procedures for administration of the Plan;

(b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Terms;

(c) delegate to any one or more persons for such period and subject to such conditions as they may determine, the exercise of their powers or discretions, or of any of them, under these Terms; and

(d) alter, modify, add to or repeal any of these Terms, even where such alteration, modification, addition or repeal:

(1) will or may adversely affect, whether materially or otherwise, any existing right or entitlement of a Participant or otherwise disadvantage an existing Participant; and

(2) occurs either during or after the expiry of the Exercise Period and irrespective of whether or not the Options, or the Plan Share or Plan Shares that have been issued to a Participant pursuant to the Exercise of an Option, have or would have otherwise fully vested in that Participant.

2.2 The Directors undertake to each Participant that the powers and rights available to them under clause 2.1(d) will not be exercised in a capricious, malicious or unreasonable manner.

2.3 Subject to these Terms, the Directors may from time to time in their absolute discretion determine those Eligible Persons to whom an Offer will be made and the terms of such an Offer.

3. Options, Option Price and Exercise Price

3.1 Subject to the Terms, the Directors may determine from time to time to grant Options upon such terms and to such Eligible Persons as they see fit.

3.2 Unless otherwise determined by the Directors:

(a) the Option Price will be nil; and

(b) the Exercise Price will be the amount determined by the Directors on the Relevant Date and specified in an Offer and not less than the Market Price of a Share of the same class as the Plan Share the subject of the Option determined on the Relevant Date.

(c) The Directors will notify the Participants in writing of the Exercise Price at the time of making an Offer.

4. Offer of Options

4.1 Subject to these Terms, the Company (acting through the Directors) may make an Offer at such times and on such terms as the Directors consider appropriate. 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 the Exercise Period;

(c) the method of calculation (if appropriate) of the Exercise Price; and

(d) any other matters which the Directors may determine or is required under any Applicable Law.

4.2 Upon receipt of an Offer, 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 Directors; or

(b) nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Directors. The Directors may, in their absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee without giving any reason for such decision.

4.3 Upon:

(a) receipt of the acceptance referred to in paragraph 4.2(a); or

(b) the Directors 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 Directors,

the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Terms and will be issued Options subject to these Terms.

4.4 Certificates will be dispatched within ten (10) Business Days after the Issue Date.

4.5 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Terms, ensure that the Permitted Nominee complies with these Terms.

5. Vesting and Entitlement

5.1 Unless otherwise determined by the Directors, an issue of Options made to an Eligible Person on the Issue Date will vest in that Eligible Person over a period of three (3) years as follows:

(a) 33.3 per cent. (33%) of the number of Options granted will vest on the first anniversary of the Issue Date;

(b) a further 33.3 per cent. (33.3%) of the number of Options granted will vest on the second anniversary of the Issue Date; and

(c) the final 33.3 per cent. (33.3%) of the number of Options granted will vest on the third anniversary of the Issue Date.

5.2 At the time of making an Offer, the Directors may impose such Performance Conditions (if any) as they consider appropriate.

5.3 No Option can be Exercised until:

(a) it has vested; and

(b) the Performance Conditions relating to it specified in clause 5.2 (if any) have been satisfied or waived by the Directors.

5.4 Once vested, each Option:

(a) may be Exercised during the Exercise Period; and

(b) entitles the Participant to subscribe for and be allotted, credited as fully paid, one (1) Plan Share at the Exercise Price.

5.5 Notwithstanding these Terms, whilst ever the Shares are listed on the official list of ASX, the Company must allot and issue Plan Shares upon Exercise in accordance with the Applicable Laws.

5.6 Plan Shares issued upon Exercise will rank equally with all existing Shares in the capital of the Company from their respective issue date.

6. Exercise of Options

6.1 An Option is Exercised by:

(a) the Participant lodging with the Company an Exercise Notice;

(b) the receipt by the Company of a payment by or on behalf of a Participant and in immediately available funds, of the Exercise Price for each of the Options the subject of such Exercise Notice; and

(c) the Participant lodging with the Company the Certificate for those Options, for cancellation by the Company.

6.2 Subject to clause 6.1, within fifteen (15) Business Days after the Exercise of an Option in accordance with the provisions of clause 6.1, the Directors must:

(a) allot and issue the number of Plan Shares specified in the Exercise Notice to the Participant;

(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 Exercise Notice.

6.3 Subject to the provisions of clause 6.4, Exercise of some only of the Options held by a Participant does not prevent Exercise of any remaining vested unExercised Options.

6.4 Options may not be Exercised in parcels of less than 2,000. Holders of less than 2,000 Options may not Exercise those Options in part.

6.5 Notwithstanding any other provision of this clause 6 or Clause 5, all Options may be Exercised:

(a) during a Bid Period;

(b) at any time after a Change of Control Event has occurred; or

(c) if, on an application under section 411 of the Corporations Law, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

7. Lapse of Options

7.1 If the Participant is a Director, an Option may be Exercised by that Participant at any time prior to the first to occur of:

(a) the expiry of the Exercise Period;

(b) the expiry of ninety (90) days after the Participant ceases to be a Director; and

(c) a determination by the Directors that the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company and that the Option is to be forfeited.

If such a Participant fails, for any reason, to Exercise all the Options registered in his name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

7.2 If a resolution of a general meeting of the Company to remove a Participant as a Director is passed, that Participant may only Exercise a proportion of the Options that are registered in that Participant's name, as is equal to the proportion that the period from the Issue Date of those Options to the Exercise Date of those Options bears to the Exercise Period and the balance of those Options will be wholly and unconditionally forfeited, lapse and be of no further force or effect upon and from the date of passage of the abovementioned resolution.

7.3 Unless otherwise determined by the Directors, if a Participant is an employee, an Option may be Exercised by that Participant at any time prior to the first to occur of:

(a) the expiry of the Exercise Period;

(b) the expiry of ninety (90) days after termination of the Participant's employment where such termination has either been voluntary on the Participant's part or otherwise has occurred without cause; and

(c) termination of the Participant's employment with cause.

If such a Participant fails, for any reason, to Exercise all the Options registered in his name prior to such occurrence, those Options that the Participant would have been entitled to Exercise and that have not been Exercised, and any right or entitlement of a Participant to have those Options vested in that Participant, will lapse and be of no further force or effect.

8. Transfer

Options may not be transferred other than to an Associate or Related Body Corporate of a Participant and will not be quoted on the official list of ASX.

9. Quotation of Plan Shares

The Company will apply to ASX for the official quotation of Plan Shares issued on the Exercise of Options, if the Company is, at the time of issue of those Plan Shares, admitted to the official list of ASX.

10. Participation in Future Issues

10.1 Bonus Issue

If the Company makes a bonus issue of Shares or other securities pro rata to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Plan Shares have been allotted in respect of an Option before the record date for determining entitlements to the bonus issue, then that Option, when Exercised in accordance with these Terms, will entitle the Participant on Exercise of the Option, to receive the number of Shares that that Participant would have been entitled to secure under the bonus issue as if the Option had been Exercised and the Plan Shares allotted before that record date.

10.2 Rights Issue

(a) If the Company makes an offer of Shares equally to all or substantially all holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Plan Shares have been allotted in respect of an Option before the record date for determining entitlements to the rights issue then the Exercise Price is to be adjusted using the formula set out in paragraph (b) in order to provide the Participant with the bonus element which may be present in a pro-rata rights issue. There is to be no change in the number of Plan Shares to which the Participant is entitled. To this effect, on a rights issue, the Exercise Price is to be reduced by the value of the theoretical rights entitlement received in relation to each Share.

(b) The theoretical value of the rights entitlement received in relation to each Share is to be calculated using the following formula:

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

where:

O^1 = the new Exercise Price;

O = the old Exercise Price;

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

P = the value of a Share at the time the pro-rata rights issue is made as determined by an accountant independent of the Company, but if the Shares are listed on the ASX, the Market Price on each of five (5) trading days ending on the day immediately before the record date relevant for that rights issue;

S = the subscription price for a Share under the pro rata issue;

D = any dividend due but not yet paid on existing Shares which will not be payable in respect of new Shares issued under the rights issue;

N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new Share.

10.3 Aggregation

If Options are Exercised simultaneously then the Participant may aggregate the number of Plan Shares or fractions of Plan Shares to which the Participant is entitled to subscribe under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

10.4 Advice

The Company must give notice to the Participant of any adjustment it may make to either the number of Plan Shares which the Participant is entitled to subscribe for on Exercise of an Option or the Exercise Price, so as to comply with the Applicable Laws.

11. Reconstruction

11.1 In the event of any reconstruction of the issued ordinary capital of the Company, the entitlement to Plan Shares attaching to each Option will be reconstructed in the same proportion as the issued ordinary capital of the Company is reconstructed, and in a manner which will not result in any additional benefits being conferred on the Participant which are not conferred on shareholders of the Company (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for the Exercise of Options will remain unchanged.

11.2 In particular, if at any time or from time to time during the period in which the Options may be Exercised (as set out in clauses 6 and 7 of these Terms):

(a) the Company consolidates its Shares, the number of Options to which the Participant is entitled must be reduced in the same proportion as the number of Shares is reduced under that consolidation and the Exercise Price must be increased in the inverse proportion;

(b) the Company subdivides its Shares, the number of Options to which the Participant is entitled must be increased in the same proportion as the number of Shares is increased under that sub-division and the Exercise Price must be reduced in the inverse proportion;

(c) the Company returns any capital to the holders of Shares (other than on a cancellation of Shares), the number of Options to which the Participant is entitled is to remain the same and the Exercise Price must be reduced by the same proportion as the amount returned in relation to each Share;

(d) the Company reduces its capital by a cancellation of paid up capital that is lost or not represented by available assets and there is no cancellation of Shares, the number of Options to which the Participant is entitled and the Exercise Price remain the same;

(e) the Company returns any capital to the holders of Shares upon a cancellation of Shares, the number of Options to which the Participant is entitled is to be reduced in the same proportion as the number of Shares is reduced under that cancellation and the Exercise Price is to be adjusted by:

(1) increasing the Exercise Price in the inverse proportion; and then

(2) decreasing the Exercise Price by an amount equal to that amount which bears the same proportion to the amount returned to those holders in respect of each Share cancelled as the number of Shares cancelled bears to the total number of Shares on issue immediately before the cancellation;

(f) the Company cancels Shares without returning any capital to the holders of those Shares, the number of Options to which the Participant is entitled must be reduced in the same proportion as the total number of cancelled Shares bears to the total number of Shares immediately before that cancellation and the Exercise Price is to be increased in the inverse proportion;

(g) the Company issues further shares other than pursuant to a rights issue, there is no adjustment,

provided that, in any case, each Option will entitle the Participant to subscribe for Plan Shares ranking equally with the ordinary Shares on issue after the reconstruction.

11.3 If Options are Exercised simultaneously then the Participant may aggregate the number of Plan Shares or fractions of Plan Shares which the Participant is entitled to subscribe for under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.

12. Maximum Number

12.1 A Plan Share which has been or may be issued upon Exercise of an Option granted pursuant to the Plan shall be subject to the Plan so long as:

(a) it is not fully paid;

(b) it is not freely transferable; or

(c) any Loan or any part of a Loan is outstanding in respect of it.

12.2 Unless otherwise determined by the Directors, a Plan Share shall not be subject to the Plan unless it has been issued pursuant to the Plan or it has been or may be issued upon Exercise of an Option granted pursuant to the Plan and:

(a) it is not fully paid;

(b) it is not freely transferable; or

(c) any Loan made in respect of it is outstanding.

12.3 The aggregate maximum number of Options that may be granted in any five (5) year period under this Plan and under any other employee share or option plan of the Company, shall not exceed five per cent. (5%) of the total number of Shares on issue in the capital of the Company on any relevant Issue Date.

13. Eligible Persons

13.1 "Eligible Employee" means:

(a) a person who is engaged in the full time employment of the Company, a Related Body Corporate of the Company and includes any director holding a salaried employment or office in the Company or a Related Body Corporate of the Company; and

(b) any person acquiring and holding any Plan Share or Options for the benefit of any such employee (other than any employee who is a director of the Company), provided that the Plan Share and Options are acquired and held on such terms and conditions as have been previously approved by the Directors, including, without limitation, any trustee of a trust established by the Company to hold Plan Shares or Options in the Company for the benefit of such employees.

13.2 "Eligible Associate" means:

(a) any director, including non-executive director or officer, of the Company; and

(b) (without limiting the subsequent paragraphs of this definition) any person or entity acquiring and holding any Plan Share for the benefit of any Eligible Employee who is a director of the Company at the time of such acquisition or any person referred to in clause 13.2(a), provided that the Plan Share is acquired and held on such terms and conditions as have been previously approved by the Directors.

13.3 An Eligible Employee may also be an Eligible Associate.

13.4 "Eligible Persons" means Eligible Employees and Eligible Associates.

14. Loans

14.1 Subject to these Terms, the Directors may from time to time determine that the Company makes loans to Eligible Employees in connection with Plan Shares to be issued pursuant to the Exercise of Options under the Plan.

14.2 No Loans shall be made to persons other than Eligible Employees.

14.3 Loans may be made for the Exercise Price payable upon Exercise of Options issued under the Plan and on such terms and conditions as the Directors see fit.

14.4 A Participant who accepts a Loan in respect of some or all of the Plan Shares pursuant to clause 14.1, will upon and by such acceptance, irrevocably authorise the Company to apply the Loan on behalf of the Participant by way of payment of the Exercise Price of the Plan Shares in respect of which the Loan was accepted and the payment of any duties payable by the Participant in respect of the Loan.

14.5 The Loan Period is the period commencing when the Loan is made and ending on the first to occur of the following dates:

(a) the Participant ceasing to be employed by the Company or a Related Body Corporate of the Company;

(b) the Company agreeing to sell the Loan Shares as requested by an Eligible Employee in accordance with clause 16.2; or

(c) the Loan being repaid in full.

14.6 A Participant may repay all or part of a Loan at any time before the expiration of the Loan Period.

14.7 Unless otherwise determined by the Directors and subject to clause 14.8, the Company will apply and each Participant will, by virtue of their acceptance of the Loan, be deemed to have irrevocably directed the Company to so apply all dividends paid in cash on the Plan Shares towards repayment of the Loan.

14.8 The amount of the dividend applied pursuant to clause 14.7 shall not exceed the after tax value of the dividends computed on the assumption that the Participant is assessable to tax at the highest personal marginal rate of income tax in Australia applicable to Australian residents (including for this purpose the Medicare Levy but not the Medicare Surcharge) on the whole of the dividend and after allowing for any franking rebate to which the Participant is entitled in relation to the dividend.

14.9 Without restricting the discretion of the Directors, Loans may be made on terms and conditions which provide that:

(a) no interest or a less than commercial rate of interest be payable in respect of the Loan;

(b) the interest payable on the Loan may be variable and may vary in accordance with the length of employment of the Eligible Employee either before or during the term of the Loan;

(c) where the Exercise Price paid pursuant to the Exercise of Options has been financed in whole or in part by the provision of a Loan by the Company to a Participant, that Participant will encumber in favour of, and lodge with, the Company or its nominee as security for repayment of the Loans all its right title and interest in the Plan Shares that have been issued to the Participant as a result of such Exercise; or

(d) the total amount of principal and interest repayable under the Loan be limited to the proceeds of the sale of Plan Shares acquired with the Loan less any costs of sales.

15. Rights Attaching to Loan Shares

15.1 Subject to clauses 14.7 and 14.8, a Participant is entitled to all dividends declared or paid on the Loan Shares held by the Participant.

15.2 A Participant is entitled to any bonus Shares which accrue to Loan Shares held by the Participant in accordance with clause 10.1.

15.3 Upon allotment of the bonus Shares to the Participant, any bonus Shares which accrued to Loan Shares are deemed, for the purposes of the Plan, to be Loan Shares until such time as the Loans in respect of the Loan Shares to which the bonus Shares accrued had been repaid in full.

16. Restriction on Transfer of Loan Shares

16.1 Other than as provided by these Terms:

(a) a Participant must not sell, encumber or otherwise deal with a Loan Share prior to the repayment of the Loan used to acquire that Loan Share; and

(b) the Company must not register or permit the Share Registry to register a transfer of a Loan Share until the Loan used to acquire that Loan Share has been repaid and for that purpose the Company may do such things and enter into such arrangements with the Share Registry or otherwise as it considers necessary to enforce such restrictions on the transfer of a Loan Share and Participants will be bound by such arrangements.

16.2 A Participant who holds a Loan Share may request the Company in writing to sell that Loan Share on behalf of the Participant and apply the proceeds in accordance with clause 16.5.

16.3 For the purpose of the sale of the Loan Shares pursuant to clause 16.2, the Participant will be deemed to have irrevocably appointed, as a result of that Participant's request pursuant to clause 16.2, the Company Secretary as that Participant's agent and attorney to sign all documents and do all acts necessary to sell the Loan Shares and account for the proceeds in accordance with clause 16.5 and shall indemnify the Company Secretary and the Company in respect of all costs, damages or losses arising from the sale of the Loan Shares.

16.4 The Company and the Company Secretary will have complete discretion in respect of the sale of the Loan Shares under this clause 16 and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.

16.5 Upon the Company selling the Loan Shares in accordance with a request made by a Participant in accordance with clause 16.2:

(a) the proceeds of the sale will be applied in the following order:

(1) in payment of any costs and expenses of the sale incurred by the Company;

(2) in reduction of the outstanding amount of the Loan;

(3) the balance (if any) in payment to the Participant; and

(b) subject to the provisions of clause 14.9(d) if applicable as determined by the terms of a Loan, the Participant shall be liable to the Company for any shortfall between the proceeds of such sale and the outstanding amount of the Loan.

17. Loan Not Repaid

17.1 If the Participant has not repaid the outstanding amount of a Loan at the end of the Loan Period, the Company may, at its discretion, on behalf of the Participant, sell the Loan Shares and apply the proceeds in accordance with clause 17.4.

17.2 For the purpose of the sale of the Loan Shares pursuant to clause 17.1, the Participant will be deemed to have irrevocably appointed, as a result of that Participant's acceptance of the issue of the Loan Shares, the Company Secretary as that Participant's agent and attorney to sign all documents and do all acts necessary to sell the Loan Shares and account for the proceeds in accordance with clause 17.4 and shall indemnify the Company Secretary and the Company in respect of all costs, damages or losses arising form the sale of the Loan Shares.

17.3 The Company and the Company Secretary will have complete discretion in respect of the sale of the Loan Shares under clause 17.1 and will not be liable to the Participant in respect of the timing of or price obtained on or any other circumstances relating to such sale.

17.4 If the Company sells the Loan Shares in accordance with clause 17.1:

(a) the proceeds of the sale will be applied in the following order:

(1) in payment of any costs and expenses of the sale incurred by the Company; and

(2) in reduction of the outstanding amount of the Loan; and

(3) the balance (if any) in payment to the Participant; and

(b) subject to the provisions of clause 14.9(d) if applicable as determined by the terms of a Loan, the Participant shall be liable to the Company for any shortfall between the proceeds of such sale and the outstanding amount of the Loan.

18. Attorney

For the avoidance of doubt the Participant, in consideration of the grant of the Loan and by virtue of that Participant's acceptance of any or all Loan Shares, will be deemed to have irrevocably appointed the person who from time to time occupies the position of Company Secretary, that Participant's attorney to complete and execute any documents including share transfers and to do all acts or things in his name on his behalf which may be convenient or necessary for the purpose of giving effect to the provisions of clauses 16 and 17 of this Plan and the Participant covenants that the Participant shall ratify and confirm any act or thing done pursuant to this power and shall indemnify the attorney (or their delegate) and the Company in respect thereof.

19. Notices

Notices must be given by the Company to the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modifications to notices to any Participant.

20. Right to Accounts

Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but, unless otherwise entitled, will not have any right to attend or vote at those meetings.

21. Overriding Restrictions on Grant and Exercise

21.1 Notwithstanding any other provision of these Terms, all rights and entitlements attaching to an Option or of a Participant under this Plan will be changed or amended to the extent necessary to comply with the Listing Rules that apply to a re-organisation of the capital of the Company, at the time that that re-organisation becomes effective.

21.2 No Option may be Exercised if to do so would contravene the Applicable Laws.

21.3 Without limitation to the provisions of this clause 21:

(a) the Terms must allow the rights of a Participant to comply with the Listing Rules applying to a reorganisation of capital of the Company at the time of the reorganisation; and

(b) subject to the provisions of clause 21.3(a), any reorganisation of capital of the Company must not be done in a manner or with the effect that will prejudice the rights or interests, or the value of the rights or interests, of Participants in the Options they hold, immediately prior to the time of any such reorganisation.

22. Right of Participants

Nothing in these Terms:

(a) confers on a Participant the right to receive any Shares;

(b) confers on a Participant who is a Director the right to continue as a Director;

(c) confers on a Participant the right to continue as an employee of the Company or a Related Body Corporate of the Company;

(d) affects any rights which the Company, or a Related Body Corporate of the Company, may have to terminate the appointment of a Participant who is a Director or terminate the employment of an employee; or

(e) may be used to increase damages in any action brought against the Company or a Related Body Corporate in respect of any such termination.

23. Termination and Suspension of the Plan

The Directors may resolve at any time to terminate or suspend the operation of the Plan.

24. Governing Law

The Plan is governed by and shall be construed and take effect in accordance with the laws of New South Wales.

SCHEDULE 1
NOTICE OF EXERCISE OF OPTION

TO: The Directors,
Aeris Technologies Ltd
(the "Company")

I/We____being the registered holder of _______________ Options pursuant to the Share Option Plan dated _______________ of the Company (the "Plan") hereby exercise __________ Options granted to me/us pursuant to the Plan by the Company and request the Company to allot to me/us ______________ Plan Shares in the capital of the Company in accordance with the Plan.

In respect of the Plan Shares the subject of this notice, I/we enclose application money of $__________ being an amount equal to the payment required pursuant to the Terms of the Plan.

I/We authorise you to register me/us as the holder of the Plan Shares to be allotted to me/us and I/we agree to accept such Plan Shares subject to the constitution of the Company.

I/We claim to be entitled to ______________________ bonus Shares upon the exercise of _____________________ Options.

DATED:

________________________ (Usual Signature)

________________________ (Address)

Aeris Technologies Ltd

ABN 19 093 977 336

Form of Proxy

Return Proxy Form to:
Level 1, Unit 5/26-34 Dunning Ave, Rosebery NSW 2018
By Facsimile: (02) 9697 0944

I/We ____

(Full name in block letters)

of ____

(Address)

being a shareholder of Aeris Technologies Ltd hereby appoint:

Name ____

Address ____

or failing that person:

Name ____

Address ____

or failing that person, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Annual General Meeting of this Company to be held at Level 16, 60 Castlereagh Street Sydney, Sydney NSW 2000 on Thursday 25 November 2004 commencing 4:30pm and at any adjournment thereof.

Proxy Voting Instructions

If you do not wish to direct your proxy how to vote, please insert **X** 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 the Chairman of the meeting is voting as your proxy, he intends to vote any undirected proxies held on the item of business in favour of the resolution on that item of business.

____

Signature of shareholder (companies to execute under seal if appropriate)

Dated this ____________ day of ____________ 2004

If you desire to direct your proxy/proxies how to vote, please insert **X** in the appropriate box. If you do not direct your proxy/proxies they may vote as they think fit or may abstain from voting.

BUSINESS

	For	Against	Abstain
Resolution 1 - To consider the accounts	☐	☐	☐
Resolution 2 - To elect a Director – Steve Kritzler	☐	☐	☐
Resolution 3 - To ratify previous share issue	☐	☐	☐
Resolution 4 - To approve the ESOP	☐	☐	☐
Resolution 5 - To approve issue of options to H Leibman	☐	☐	☐