

Aeris Technologies Ltd
ABN: 19 093 977 336
Level 1, 5/26-34 Dunning Ave
ROSEBERY NSW 2018
Ph: (02) 8344 1315
Ph: 1300 557 481
Fax: (02) 9697 0944

31 May 2005

**Notice to Option Holders
Expiry of Options on 1 July 2005**

Dear Option Holder

As at the date of this notice, you are the registered holder of Options in Aeris Technologies Ltd. These options are due to expire on Friday 1 July 2005. The Options will expire unless exercised on that date.

Please read the following information carefully.

EXPIRY DATE

The Options expire at 5.00pm (Western Standard Time – Perth time) on Friday 1 July 2005 and quotation of these Options (AEIO) will cease on the Australian Stock Exchange at the close of trading on Friday 24 June 2005.

EXERCISE PRICE AND DUE DATE FOR PAYMENT

The exercise price of the Option is twenty cents (\$0.20) per Option. The due date for payment is Friday 1 July 2005. Each Option exercised will result in one fully paid ordinary share in the Company being issued.

Should you wish to exercise your Options, cheques in Australia currency equivalent to the amount due on exercise, should be made payable to Aeris Technologies Ltd and crossed "Not Negotiable".

Cheques and a completed and signed Application for Shares Upon Exercise of Options form should be lodged with Aeris Technologies Ltd's share registry, Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace Perth WA 6000 (GPO Box D182, Perth WA 6180).

CONSEQUENCE OF NON-PAYMENT

Options not exercised on 1 July 2005 will lapse with no value. No further entitlement will exist.

PRICES

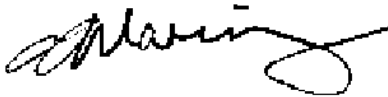
- a) The latest available market sale price on the Australian Stock Exchange Limited (ASX) on the date of the notice of the securities to which the Options may be converted was \$0.62 on 31 May 2005.
- b) The highest and lowest sale price on the ASX for the three months preceding the date of the notice and the respective dates of those sales for those securities to which the Options may be converted were:

Lowest: \$0.41 on 29 April 2005

Highest: \$0.70 on 2 March 2005

If you are unsure as to whether or not to exercise your entitlements as an Option Holder, I would encourage you to seek independent professional advice from your accountant or stockbroker.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Waring', with a stylized flourish at the end.

Robert J Waring
Company Secretary



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Application Form on Exercise of Options Expiring 1 July 2005

To the Directors, Aeris Technologies Ltd

I/We hereby exercise option(s) and hand you herewith my/our cheque for

being 20 cents per share on application for ordinary shares in the capital of the Company.

I/We request that you allot me that number of shares and I/we agree to accept that number of shares on the terms below and the Constitution of the Company, and I/we authorise you to place my/our name on the register.

My/Our SRN/HIN (as shown on my/Issuer Sponsored holding statement or CHESS holdings statement) is

Sign Here – This section must be signed for your instructions to be executed

I/We authorise you to act in accordance with my/our instructions set out above.

Individual or Securityholder 1

Director

Securityholder 2

Director/Company Secretary

Securityholder 3

Sole Director and
Sole Company Secretary

Note: when signed under Power of Attorney, the attorney states that they have not received a notice of revocation. Computershare Investor Services Pty Limited needs to sight a certified copy of the Power of Attorney.

Day/Date Month Year

Terms and
Conditions of
Options Overleaf

TERMS AND CONDITIONS OF OPTIONS EXPIRING 1 JULY 2005

Entitlement: Subject to the below mentioned terms, each Option entitles the registered optionholder to subscribe for and be allotted one ordinary share in the capital of the Company, credited as fully paid, at an exercise price of \$0.20 per share ("**Exercise Price**"). The Company must, as soon as it is reasonably practicable to do so, allot shares on exercise of the option in accordance with the Listing Rules and register the optionholder or its nominee as a shareholder in the register of members in respect of the shares so allotted. No option may be exercised if to do so would contravene the Corporations Law or the Listing Rules. Shares issued on the exercise of Options will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue.

Exercise of Options: An Option is exercisable by the registered option holder lodging the notice of exercise of Option in the form set out below together with, subject to the Option terms, the Exercise Price for each share to be issued on exercise and the relevant option statement, at any office of the Company's share registrar. The exercise of some Options only does not affect the registered option holder's right to exercise other Options at a later time. Remittances must be made payable to the Company and cheques should be crossed "not negotiable". Options may be exercised at any time on or before 5.00 pm on 1 July 2005. An Option not exercised by 5.00 pm on 1 July 2005 lapses.

Transfer: Subject to any restrictions imposed by ASX, Options may be transferred at any time before lapsing. Subject to any restrictions imposed by ASX, Options are transferable by any standard form of transfer. Executed and stamped transfers will be recorded in the Company's option register on lodgement of the transfer and relevant statement at any office of the Company's share registrar. The Company will cancel the statement and issue a new statement in the name of the transferee for the number of Options so transferred.

Option statements: No exercise or transfer of an Option represented by an option statement may be registered until that statement is surrendered to the Company or the option holder provides the Company with a statutory declaration, in a form satisfactory to the Company, to the effect that the statement has been lost or destroyed and indemnifies the Company against any loss or damage if the original statement is found. If the option holder exercises or transfers less than all Options represented by a statement then the Company will cancel the statement and issue a new statement for the balance.

Quotation: The Company must apply to the ASX for official quotation of the shares issued on any exercise of an option.

Dividends: Shares issued on any exercise of an option will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.

Bonus issue: If the Company makes a bonus issue of Shares or other securities pro rata to holders of ordinary shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

- a) an option has not been exercised in full; or
- b) an option has been exercised, but Shares the subject of the exercise have not been issued in fulfillment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then the number of Shares over which the option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

Rights issue: If the Company makes an offer of Shares pro rata to all or substantially all holders of Shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where $(S + D)$ (as defined below) exceeds P (as defined below) at a time when:

- c) an option has not been exercised in full; or
- d) the option has been exercised, but shares the subject of the exercise have not been issued in fulfillment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue,

then the Exercise Price per share will be reduced according to the following formula:

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

Where:

- O^1 = the new Exercise Price per Share
- O = the old Exercise Price per Share
- E = the number of Shares into which one option is exercisable
- P = the average market price of Shares (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the 5 trading days before the ex rights date or ex entitlements date
- S = the subscription price (application money plus calls) for new Shares issued under the rights issue
- D = if the Shares are trading on the ASX on an ex dividend basis, the (if any) dividends (on a per share basis) which have been declared but not yet paid on existing Shares (except those to be issued under the rights issue)
- N = number of Shares required to be held to receive a right on one new Share. The number of Shares which the option holder is entitled to subscribe for on exercise of the Option is to remain unchanged.

Reconstruction: The rights of an Option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Advice: The Company must give notice to the option holder of any adjustment to the number of shares which the Option holder is entitled to subscribe for or be issued on exercise of the option or the exercise price per share in accordance with the Listing Rules.

Right to participate in future issues: The option holder may only participate in new issues of securities to holders of Shares to the extent the Option has been exercised, if that is permitted by its terms, and the Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give notice to the option holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.

LODGEMENT INSTRUCTIONS

Cheques shall be in Australian currency made payable to Aeris Technologies Ltd and crossed "Not Negotiable". The application for shares on exercise of the options with the appropriate remittance should be lodged at the Company's Registry, Computershare Investor Services Pty Limited, GPO Box D182, Perth WA 6840.