

AUSTAL LIMITED
ACN 009 250 266

NOTICE OF ANNUAL GENERAL MEETING

AND

AGENDA

AND

EXPLANATORY MEMORANDUM

Date of Meeting: Monday 22 October 2007
Time of Meeting: 3.00 pm (WST)
Place of Meeting: Fremantle Sailing Club Marine Terrace
Fremantle Western Australia

This Notice of Annual General Meeting and accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of Austal Limited will be held at the **Fremantle Sailing Club, Marine Terrace, Fremantle, Western Australia** on **Monday 22 October 2007** at **3.00 pm (WST)** for the purpose of transacting the business referred to on the reverse of this Notice of Annual General Meeting.

AGENDA

1. **Chairman's Address – Mr John Rothwell**

2. **Directors' report and financial statements**

To receive the consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2007 together with the Directors' declaration and report in relation to that financial year and the auditors' report on those financial statements.

3. **Resolution 1 – Election of Mr John Rothwell**

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

"That Mr John Rothwell, who retires in accordance with Article 11.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

4. **Resolution 2 – Election of Mr Ian Campbell**

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

"That Mr Ian Campbell who was appointed to fill a casual vacancy, retires in accordance with Article 11.10 of the Company's Constitution and, being eligible for re-election be re-elected as a Director."

5. **Resolution 3 – Remuneration Report**

To consider and, if thought fit, to pass, the following as an **advisory resolution**:

"To approve the Remuneration Report for the year ended 30 June 2007."

6. **Resolution 4 - Authorisation of Options**

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

"That for the purposes of Listing Rules 7.1 and 7.2 (Exception 9) and for all other purposes, Shareholders approve the grant of Options under the Company's Employee Incentive Option Plan ("Option Plan") to persons eligible to participate in the Option Plan as an exception to Listing Rule 7.1 on the terms and conditions set out in the Explanatory Memorandum accompanying the Notice of Annual General Meeting."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by any executive director and any other person that may participate in the proposed issue of options under the Option Plan and any associate of any such person. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

7. **Resolution 5 – Grant of Options to Michael Atkinson**

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

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of a total of 140,000 Options by the Company to Mr Michael Atkinson (or his permitted nominees) in accordance with the Company's Employee Incentive Option Plan and otherwise in accordance with the terms and conditions set out in the Explanatory Memorandum accompanying the Notice of Annual General Meeting."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by any director and Michael Atkinson and by an associate of Michael Atkinson. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides."

8. **Resolution 6 – Proposed Allocation of Shares to former Director, Mr Robert Browning under the Management Share Plan**

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

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the allocation of a total of 3,000,000 fully paid ordinary shares by the Trustee to Mr Robert Browning (or his permitted nominee) in accordance with the Management Share Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by Robert Browning and any associate of Robert Browning. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides."

**BY ORDER OF THE BOARD
AUSTAL LIMITED**



John Rothwell
Executive Chairman
17 September 2007

AUSTAL LIMITED
ACN 009 250 266

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Austal Limited ("**Austal**" or "**Company**") in connection with the business to be conducted at the **Annual General Meeting of Shareholders** to be held at the **Fremantle Sailing Club, Marine Terrace, Fremantle, Western Australia** on **Monday 22 October 2007** at **3.00 pm (WST)**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

Terms used in the Notice of Annual General Meeting and the Explanatory Memorandum, unless the context otherwise requires, have the same meaning given to them in the Glossary of Terms.

1. RESOLUTION 1 – RE-ELECTION OF DIRECTOR

Mr John Rothwell is required to retire under the director rotation provisions of Article 11.3 of the Company's Constitution. Mr John Rothwell, being eligible, has offered himself for re-election as a Director.

The remaining Directors recommend to Shareholders that Mr John Rothwell be re-elected.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR

It is a requirement under Article 11.10 of the Company's Constitution that Mr Ian Campbell, who was elected during the year to fill a casual vacancy, retire. Mr Campbell, being eligible, has offered himself for re-election as a Director.

Ian Campbell

Ian Campbell recently concluded a distinguished career as a Senator for Western Australia in the Australian Federal Parliament. He has held a number of Cabinet ministerial positions including Minister for Human Services, Minister for the Environment and Heritage, Minister for Local Government, Territories and Roads.

As Parliamentary Secretary to the Treasurer for 4 years he initiated the Corporate Law Economic Reform Program including legislating to move Australia to International Financial Reporting Standards and reform of Accounting and Audit oversight arrangements. He has substantial international experience including the World Bank, International Monetary Fund and Climate Change.

The remaining Directors recommend to Shareholders that Ian Campbell be re-elected.

3. RESOLUTION 3 – REMUNERATION REPORT

The Concise Report for the year ended 30 June 2007 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Director, specified executives and non-executive Directors. A copy of the report is set out on pages 7 to 12 of the Concise Report and can also be found on the Company website at www.austal.com.

Pursuant to section 250R(3) of the Corporations Act 2001, the shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the Company's remuneration policy.

4. RESOLUTION 4 - AUTHORISATION OF OPTIONS

4.1 BACKGROUND

On 17 July 2006, the Company announced to ASX that it had established the Employee Incentive Option Plan. The objectives of the Option Plan are to:

- **Attract and Retain** exceptional employees ("**key employees**") that have the capacity to significantly impact the growth and profitability of the Company;
- **Align** key employee behaviour toward the growth and profitability objectives of the Company; and
- **Reward** key employees for sustained contributions to business success.

If Resolution 4 is passed it will enable the Company to issue Options to Eligible Employees and to issue Shares to those Eligible Employees if they choose to exercise their Options. In the case of an Executive Director, no Options may be issued to the Executive Director without express Shareholder approval of the number and terms of issue of such Options pursuant to Listing Rule 10.14.

The Board considers that the Option Plan will permit the Board to be more flexible in attracting and retaining key employees of the Company.

4.2 LISTING RULE REQUIREMENTS

Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of Shareholders of the company in general meeting of the precise terms and conditions of the proposed issue.

One of the exceptions to Listing Rule 7.1 is Listing Rule 7.2 (Exception 9(b)) which provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue, shareholders have approved the issue under an employee incentive scheme as an exception to Listing Rule 7.1.

Shareholder approval for this purpose is sought to enable the Company to grant Options under the Option Plan from time to time without experiencing unnecessary delays and incurring significant costs when obtaining Shareholder approval each time the Company wishes to issue securities which exceed the 15% limit and which do not otherwise fall within one of the other nominated Listing Rule exceptions.

Please note that the Company will not grant Options under the Option Plan in excess of 5% of the number of issued securities of the Company in accordance with ASIC requirements and the terms of the Option Plan.

812,417 options have been issued under the Option Plan as at the date of the Notice.

A summary of the terms and conditions of the Options is set out in Annexure A of this Explanatory Memorandum.

A summary of the Option Plan is set out in Annexure B of this Explanatory Memorandum.

A copy of the Option Plan will be sent free of charge to any Shareholder on request.

4.3 VOTING EXCLUSION STATEMENT

In accordance with Listing Rule 7.2 (Exception 9) and 14.11, the Company will disregard any votes cast on Resolution 4 by any Director who may participate in the proposed issue of Options under the Option Plan and any Associate of any such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as a proxy decides.

5. RESOLUTION 5 - GRANT OF OPTIONS TO MICHAEL ATKINSON

5.1 BACKGROUND

Resolution 5 seeks Shareholder approval for the grant of a total of 140,000 Options under the Option Plan by the Company to Mr Michael Atkinson (or his permitted nominees).

The grant of the Options to Mr Atkinson (or his permitted nominees) is intended to act as a strong incentive for Mr Atkinson to align with the Company's strategic plan focusing on seeking improved performance, the growth of the Company and better returns for Shareholders.

5.2 KEY DETAILS OF THE OPTIONS

Key details of the Options to be granted by the Company to Mr Atkinson are set out below:

Executive Director	Number of Options	Offer Price per Option	Exercise Details	Expiry Date
Michael Atkinson	140,000	\$0.01 per Option or \$1,400.00 in total	140,000 Options at an indicative exercise price of \$3.60 and which may be exercisable from 13 September 2010 to 13 September 2014	13 September 2014

As previously stated, a summary of the terms and conditions of the Options is set out in Annexure A to this Explanatory Memorandum.

5.3 LISTING RULE REQUIREMENTS

Listing Rule 10.14 provides, in essence, that the approval of ordinary shareholders by ordinary resolution is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) a Director;
- (b) an Associate of a Director; or
- (c) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

Accordingly, in order for Mr Atkinson to participate in the Option Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

5.4 LISTING RULE DISCLOSURE REQUIREMENTS

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolution 5:

- (a) the name of the person referred to in LR 10.14 who is entitled to participate in the Option Plan is Michael Atkinson (or his permitted nominees). Mr Atkinson is an Executive Director of the Company;
- (b) the maximum number of Options that may be issued to Mr Atkinson (or his permitted nominees) is 140,000;
- (c) the Options will be granted as employee incentive options under the Option Plan for a non-refundable option fee of \$0.01 cents per Option, being \$1,400.00 in total. For details of the method of calculation of the exercise price and expiry date of the Options, please refer to Annexure A of this Explanatory Memorandum;
- (d) as at the date of the Notice, Mr Atkinson is the only Executive Director entitled to participate in the Option Plan and no other person referred to in Listing Rule 10.14 has received securities under the Option Plan;
- (e) the Company will not provide a loan to Mr Atkinson in relation to the grant of the Options;
- (f) the Company will use the funds raised from Mr Atkinson's payment of the option fees and exercise price towards its general working capital requirements; and
- (g) the Options will be issued as soon as practicable, but in any event not later than twelve months after the date of shareholder approval.

5.5 VOTING EXCLUSION STATEMENT

In accordance with Listing Rules 10.15 and 14.11, the Company will disregard any votes cast on Resolution 5 by any Director and by Michael Atkinson and an Associate of Michael Atkinson. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as a proxy decides.

Accordingly, Mr Atkinson and his Associates may not vote on Resolution 5.

6 RESOLUTION 6 – ALLOCATION OF SHARES TO MR ROBERT BROWNING UNDER THE MANAGEMENT SHARE PLAN

6.1 BACKGROUND

Prior to the Company's admission to the official list of ASX, Shareholders of the Company approved the establishment of the Management Share Plan.

A copy of the Management Share Plan will be provided to any Shareholder on request.

Resolution 6 seeks Shareholder approval for the allocation of an aggregate total of 3,000,000 fully paid ordinary shares under the Management Share Plan ("**Plan Shares**") by the trustee of the Management Share Plan, Austal Group Management Share Plan Pty Ltd ("**Trustee**") to Mr Robert Browning ("**Recipient**").

Under the terms of the Management Share Plan, the Recipient is offered a Loan in respect to payment of the subscription price for the Plan Shares on the terms set out in the table at section 6.2 below.

The allocated Plan Shares are to be registered in the name of the Trustee and are held on the terms of the Management Share Plan on behalf of the Recipient who will be the beneficial owner of the Plan Shares. A Recipient may require the Trustee to transfer legal title in respect of the Plan Shares to the Recipient if the Recipient repays Loan moneys pro-rata to the number of Plan Shares that may be transferred to the Recipient. In addition, legal title to the Plan Shares may only be transferred by the Trustee to the Recipient upon satisfaction of a particular vesting period as set out in the table at section 6.2 below.

6.2 KEY DETAILS OF PLAN SHARES

Key details of the Loans and details of the Plan Shares to be allocated by the Trustee to the Recipient are set out below:

Recipient Director	Number of Plan Shares	Offer Price per Plan Share	Key Loan Terms	Vesting Period for Transfer of Plan Shares to Recipient Director
Robert Browning	3,000,000	\$3.51 (being the average weighted market price of the Company's Shares traded on ASX calculated over the 5 trading days immediately before the offer to subscribe for 3,000,000 Plan Shares was made to Mr Robert Browning)	Subject to the Management Share Plan, the key Loan terms are as follows: ➤ Non-recourse loan offered by Austal ➤ Loan repayable pro-rata on sale of Plan Shares ➤ Loan is interest free ➤ Loan is for the entire amount of the subscription price of the Plan Shares	Subject to the Management Share Plan, the vesting dates are as follows: ➤ 600,000 on the first anniversary of the allocation date ➤ 600,000 on the second anniversary of the allocation date ➤ 600,000 on the third anniversary of the allocation date ➤ 600,000 on the fourth anniversary of the allocation date ➤ 600,000 on the fifth anniversary of the allocation date

6.3 LISTING RULE REQUIREMENTS

Listing Rule 10.11 provides, in essence, that the approval of ordinary shareholders by ordinary resolution is required before a company can issue shares to a related party. A related party includes a Director, and a person who was a Director in the previous 6 months.

6.4 LISTING RULE DISCLOSURE REQUIREMENTS

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 6:

- (a) the 3,000,000 Shares are registered in the name of the Trustee and if Resolution 6 is passed will be held by the Trustee on behalf of Robert Browning ("Recipient") who will then hold a beneficial interest in the 3,000,000 Shares and who, in accordance with the terms of the Management Share Plan, will be absolutely entitled to the Shares as against the Trustee. Mr Browning is a related party of the Company by virtue of the fact that he was a Director of the Company in the previous 6 months;
- (b) the number of Shares that will be allocated by the Trustee to the Recipient for whom approval is required is 3,000,000 Shares;
- (c) the subscription price at which 3,000,000 Plan Shares will be allocated by the Trustee to will be \$3.51 (being the average weighted market price of the Company's Shares traded on ASX calculated over the 5 trading days immediately before Mr Browning was offered the Shares), with the entire amount of the subscription price being loaned to the Recipient on the key terms set out in section 6.2 of this Explanatory Memorandum;

- (d) The 3,000,000 Shares were issued to the Trustee prior to the date of this Notice. The Shares will be allocated to the Recipient no later than one month after the date of the Annual General Meeting, if Resolution 6 is approved. If Resolution 6 is not approved the 3,000,000 Shares will be held by the Trustee and will be available to be allocated to other employees under the Management Share Plan;
- (e) As at the date of this Notice, there were no other issues of Shares under the Management Share Plan since October 2005.
- (f) Details of the terms of the Loans in respect of the 3,000,000 Shares are summarised in section 6.2 of this Explanatory Memorandum.

6.5 VOTING EXCLUSION STATEMENT

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by Robert Browning and by an associate of Robert Browning. However, the Company need not disregard a vote if it is cast by a Robert Browning as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

GLOSSARY OF TERMS

The following terms and abbreviations used in the Notice of Annual General Meeting and this Explanatory Memorandum have the following meanings:

"AIFRS"	means Australian Equivalents to International Financial Reporting Standards.
"Annual General Meeting"	means the Annual General Meeting of Shareholders of the Company or any adjournment thereof, convened by the Notice.
"ASX"	means Australian Stock Exchange Limited.
"Austal" or "Company"	means Austal Limited ACN 009 250 266.
"Benchmark Index"	means an index commonly quoted by ASX described in an offer by the Board to Eligible Persons to participate in the Option Plan and identified in an Option certificate such as the Small Industrials Accumulation Index.
"Board"	means the Board of Directors from time to time.
"Constitution"	means Austal's Constitution as amended from time to time.
"Corporations Act"	means the Corporations Act 2001 (Cth).
"Directors"	means the Directors of Austal from time to time.
"Eligible Employees"	means the employees who are offered the opportunity to participate in the Option Plan by the Board and which include Managers, General Managers and Department Managers.
"Eligible Person"	means an Eligible Employee, the spouse of an Eligible Employee, a body corporate in which an Eligible Employee holds and beneficially owns not less than 50% of the issued voting share capital, the trustee of a trust in which an Eligible Employee is a beneficiary or object or the trustee of a superannuation fund of which an Eligible Employee is a member.
"Explanatory Memorandum"	means this Explanatory Memorandum.
"Listing Rules" or	means the listing rules of ASX and any other rules of ASX
"ASX Listing Rules"	which are applicable while the company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
"Meeting"	means the Annual General Meeting.

"Notice" or "Notice of Annual General Meeting"	means the Notice of Annual General Meeting which accompanies this Explanatory Memorandum.
"Option"	means a right to subscribe for a Share, subject to its terms and conditions.
"Option Fee"	means \$0.01 multiplied by the number of Options to be acquired by a prospective Optionholder.
"Option Plan"	means the Employee Incentive Option Plan of the Company.
"Resolution"	means a resolution referred to in this Notice of Meeting.
"Share"	means a fully paid ordinary share in the capital of Austal.
"Shareholder"	means a holder of Shares.
"Total Shareholder Return"	means the percentage return to Shareholders calculated on the same basis as the Benchmark Index.
"WST"	means Western Standard Time.

ANNEXURE A - OPTION TERMS

The terms and conditions of the Options are as follows:

1. Each Option entitles the Optionholder to subscribe for and be allotted one ordinary fully paid Share in the Company.
2. The Options are exercisable at not less than the greater of:
 - (a) 20 cents per Share or such other minimum amount (if any) prescribed by the Listing Rules; or
 - (b) the average market price per share (weighted by reference to volume) of the Shares sold through ASX during the 5 trading days on ASX ending on the day preceding the date that the Options are first offered to the Optionholder.
3. The exercise period for each Option will commence on the date that is the earlier of 3 years from the date of acceptance by an Optionholder of an offer by the Board to acquire Options ("**Grant Date**") or the date of occurrence of one of the following events:
 - (a) a takeover bid in respect of shares in the Company;
 - (b) a change in control of the Company;
 - (c) any time after the announcement of a proposed capital reconstruction;
 - (d) if the Company is removed from the official list of ASX; or
 - (e) in the Board's absolute discretion, in the event of the death or permanent disablement of an Eligible Employee in respect of Options held by that Eligible Employee,

provided that the Total Shareholder Return for the 3 year period commencing on 30 June immediately prior to the Grant Date ("**Return Period**") exceeds the ASX Benchmark Index for the Return Period. If the Total Shareholder Return does not exceed the Benchmark Index for the Return Period, the Options will automatically lapse. The exercise period for each Option will continue until the date specified in the Option certificate ("**Last Exercise Date**") when it will automatically lapse.
4. The Optionholder may not exercise any of the Options until the Board notifies the Optionholder that the Total Shareholder Return exceeds the Benchmark Index for the Return Period. Prior to 15 July in each year, the Board will determine and notify the relevant Optionholders whether the Total Shareholder Return exceeds the Benchmark Index for the Return Period. The Options are exercisable at any time between the Grant Date and the Last Exercise Date by notice in writing to the Board accompanied by payment of the Option Exercise Price.
5. All shares issued upon exercise of the Options will rank equally in all respects with the Company's Shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of the Options. The Company will not apply to have the Options granted under the Plan quoted on ASX.

6. There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, if from time to time on or prior to the expiry of the Options the Company makes an issue of new Shares to the holders of ordinary fully paid Shares, the Company will send a notice to each holder of Options at least nine (9) Business Days before the record date referable to that issue. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
7. If from time to time prior to the expiry of any Options the Company makes an issue of any class of shares to the holders of ordinary shares in the Company on a pro rata basis by way of capitalisation of profits or reserves (other than an issue in lieu of dividends) (a "**bonus issue**") then upon exercise of an Option, each Optionholder is entitled to have issued (in addition to the shares which would otherwise be issued upon such exercise) the number of shares of the class which would have been issued to the Optionholder under the bonus issue ("**bonus shares**") if on the date on which entitlements to participate in the bonus issue were calculated the Optionholder had been registered as the holder of the number of shares of which the Optionholder would have been registered as holder if immediately prior to that date the Option had been exercised and the shares the subject of such exercise had been duly allotted and issued. The bonus shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the bonus shares.
8. If, in the reasonable opinion of the Board, an Eligible Employee acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to the Company, then the Board may deem any unexercised Options of the Eligible Employee (or the Eligible Person in respect of the Eligible Employee) to have lapsed.
9. There is no right to a change in the exercise price of the Options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
10. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Optionholder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

ANNEXURE B - SUMMARY OF OPTION PLAN

ESTABLISHMENT AND TERMINATION OF OPTION PLAN

1. The Board may establish and administer the Option Plan in accordance with the terms and conditions set out in the Option Plan.
2. The Board may terminate the Option Plan at any time that it considers appropriate in its absolute discretion.
3. Where the Board terminates the Option Plan the Board cannot grant any further Options under the Option Plan, but all Options already granted remain in existence and, notwithstanding the termination, the Option Plan continues to have effect in relation to those Options until the last of them lapses.

ENTITLEMENT TO PARTICIPATE

4. The Board may from time to time and in its absolute discretion determine that an Eligible Person may participate in the Option Plan and the extent of that participation. In making that determination, the Board may consider:
 - (a) the seniority of the Eligible Employee and the position the Eligible Employee occupies;
 - (b) the length of service of the Eligible Employee;
 - (c) the record of employment of the Eligible Employee (such as the achievement of prescribed performance hurdles);
 - (d) the potential contribution of the Eligible Employee to the growth and profitability of the Company;
 - (e) the extent (if any) of the existing participation of the Eligible Employee (or any relevant other Eligible Person in relation to the Eligible Employee) in the Option Plan; and
 - (f) any other matters which the Board considers relevant.

OFFERS

5. Subject to the terms of the Option Plan, the Company (acting through the Board) may within 14 days following announcement of its full year financial results to ASX or, at such times as the Board considers appropriate, make an Offer in writing (in such form as the Board decides from time to time) to Eligible Employees, or any one or more of them, for a grant of Options and specifying an acceptance period of 7 Business Days or such other period as the Board determines ("**Offer Period**").
6. The number of Options offered will be determined by the Board and the Offer is not transferable or capable of being accepted by any person other than the Eligible Employee to whom it is addressed.

APPLICATIONS

7. Following receipt of an Offer, the Eligible Employee or an Eligible Person in respect of that Eligible Employee ("**Applicant**") may apply for the Options.
8. The Applicant may apply for the full number of Options or part of them (but only in multiples of 1,000 Options) by sending to the Secretary of the Company a prescribed Acceptance Form which will be attached to the Offer duly signed and completed ("**Acceptance Form**") together with the Option Fee.
9. The Acceptance Form and Option Fee must be received by the Company within the Offer Period.
10. The Option Fee is not refundable.

GRANT OF OPTIONS

11. At the conclusion of the Offer Period, the Company shall issue an option certificate to each Applicant who has submitted a duly signed and completed Acceptance Form for Options together with the Option Fee. The date this occurs is the "**Grant Date**" and each such Applicant is then known as the "**Optionholder**".
12. Unless otherwise determined by the Board when it resolves to grant the Option, each Option is granted on the terms described in Annexure A.

NOTICE OF EXERCISE

13. Options may only be exercised by notice in writing to the Company which is signed by the Optionholder and delivered to the Company Secretary at 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.

ISSUE OF CERTIFICATES

14. Within 10 Business Days of receipt of the notice, the Board must:
 - (a) allot and issue the number of Shares specified in the notice to the Optionholder;
 - (b) cancel the certificate for the Options being exercised; and
 - (c) if applicable, issue a new certificate for any remaining unexercised Options covered by the certificate accompanying the notice.

RECONSTRUCTION OF CAPITAL

15. In the event that, prior to the expiry of any Options, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the number of Options to which each Optionholder is entitled or the exercise price or both will be reconstructed in the manner required by the Listing Rules.

NUMBER OF OPTIONS TO BE GRANTED

16. The number of shares the subject of an offer or invitation made as a consequence of an offer or grant of Options when aggregated with:
- (a) the number of Shares in the same class which would be issued were each outstanding Option to acquire unissued Shares under the Plan exercised; and
 - (b) the number of Shares in the same class issued during the previous 5 years pursuant to the Plan or any other employee share scheme operated by the Company,
- but disregarding any offer made, or option acquired or share issued by way of or as a result of:
- (c) an offer to a person situated at the time of receipt of the offer outside Australia; or
 - (d) an offer that did not need disclosure to investors because of section 708 of the Corporations Act 2001;
- must not exceed 5% of the total number of issued shares in the same class at the time of the offer or grant of Options.

CEASING TO BE AN ELIGIBLE PERSON

17. If at any time before the commencement of the exercise period an Optionholder ceases to be an Eligible Person, all Options held by that person will automatically lapse unless the Board otherwise determines within 30 days of the Optionholder ceasing to be an Eligible Person or unless the Eligible Person has previously lodged a notice of exercise.

TRANSFER OF OPTIONS

18. Each Option is transferable by a Optionholder if, and only if the transfer is to the Eligible Employee for whose benefit that Option was originally granted or an Eligible Person in respect of that Eligible Employee. Otherwise, subject to the Listing Rules, Options issued under the Plan are not transferable except with the prior written approval of the Board. Any instrument of transfer must be in writing, signed by both parties, duly stamped and otherwise in such form as the Board may from time to time prescribe.

AMENDMENTS TO THE OPTION PLAN

19. Subject to the Listing Rules, the Board may from time to time alter, delete or add to or amend any other provisions of the Plan. Such amendment will be effected by an instrument in writing and, except as described below, may be made without the Board obtaining the consent of Shareholders of the Company.
20. The Board may amend the provisions of the Plan, or any restrictions or other conditions relating to any Option granted pursuant to the Plan with a retrospective effect provided that the Board obtains prior approval of at least 50% of the Optionholders who are affected by the retrospective amendment in relation to Options previously granted to them under the Plan.
21. As soon as is reasonably practicable after making any amendment, the Board will give notice in writing of the amendment to any Optionholder affected by the amendment.

POWERS OF THE BOARD

22. The Plan will be administered by the Board which has the power to:
- (a) determine procedures from time to time for administration of the Plan consistent with the Option Plan;
 - (b) amend or modify the Option Plan;
 - (c) resolve conclusively all questions of fact or interpretation arising in connection with the Option Plan; and
 - (d) delegate to any one or more persons for such period and on such conditions as they may determine, the exercise of the Board's powers or discretions arising under the Option Plan.