**COMET RIDGE LIMITED**

**ACN 106 092 577**

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# NOTICE OF ANNUAL GENERAL MEETING

# PROXY FORM

# AND

# EXPLANATORY MEMORANDUM

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**Date of Meeting**
30 November 2005

**Time of Meeting**
10.30am

**Place of Meeting**
The Celtic Club
48 Ord Street
West Perth, Western Australia

Comet Ridge Limited
Level 10, International House
26 St. George's Terrace, Perth, WA 6000

Phone: 08 9225 7108
Facsimile: 08 9225 6100
Email: comet@cometridge.com.au

**COMET RIDGE LIMITED**
**ACN 106 092 577**

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of Comet Ridge Ltd ("**Company**") will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 30 November 2005 at 10.30am for the purpose of transacting the following business.

## AGENDA

## BUSINESS

An Explanatory Memorandum containing information in relation to each of the following resolutions accompanies this Notice of Meeting.

## 1. FINANCIAL REPORT

To receive the financial report for the year ended 30 June 2005, and the Directors' and Auditors' Reports thereon.

### Resolution 1 – Election of Director

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

> *"That Gillian Swaby be re-elected as a Director".*

### Resolution 2 – Grant of Options to Andrew Lydyard

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

> *"That pursuant to Listing Rules 7.1 and 10.14 of the Listing Rules of Australian Stock Exchange Limited, section 208 of the Corporations Act and the Comet Ridge Limited Employee Share Option Plan, the Company approve and authorise the grant and issue of 1,500,000 options for no consideration, at an exercise price of $0.20, expiring on 31 December 2008, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum) to Andrew Lydyard."*

The Company will in accordance with section 224 of the Corporations Act and the Listing Rules of the ASX, disregard any votes cast on the Resolution by a director of the Company, any person who may participate in the proposed issue or who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, or any associates of those persons. However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 3: Remuneration Report**

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

*"To adopt the Remuneration Report for the year ended 30 June 2005."*

***Note:*** *The vote on this resolution is advisory only and does not bind the Directors of the Company*

**Other business**

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001 (Cth).

By order of the Board

G. Swaby

**Gill Swaby**
Secretary
Dated: 10 October 2005

***For the purpose of the above Resolutions:***

***"Company"*** *means Comet Ridge Limited ACN 106 092 577;*

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

***"Option"*** *means an option to acquire a Share, the terms and conditions of which are set out in Annexure A to the Explanatory Memorandum accompanying this Notice of Meeting; and*

***"Share"*** *means an ordinary fully paid share issued in the capital of the Company.*

**PROXIES**

A shareholder entitled to attend and vote at the above Annual General Meeting of shareholders may appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. A proxy may, but need not be, a shareholder of the Company. Proxy forms must reach the Registered Office of the Company at least 48 hours prior to the Annual General Meeting.

**ENTITLEMENT TO VOTE**

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares at the close of business on 28 November 2005 will be entitled to attend and vote at the Annual General Meeting.

**COMET RIDGE LIMITED**
**ACN 106 092 577**

# EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

## Annual Accounts

Appropriate time will be devoted to the consideration of the Financial Statements and Reports of the Company for the year ended 30 June 2005.

## Resolution 1 - Re-election of Directors

The Company's Constitution provides that at each Annual General Meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors must retire from office.

Ms Gillian Swaby retires from office in accordance with this requirement and submits herself for re-election.

## Resolution 2 – Grant of Options to Director

Shareholder approval is being sought in Resolution 2 to grant 1,500,000 Options to the Managing Director of the Company, Mr Andrew Lydyard.

The grant of Options is proposed as consideration for A Lydyard entering into a new employment contract and reflects his willingness to relocate to the United States to pursue the Company's stated objectives and strategy in that country. The option issue is designed to encourage the recipient to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. Under the Company's current circumstances the Directors consider (in the absence of Mr Lydyard) that the incentive represented by the issue of these Options, is a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Options to be granted has been determined based upon a consideration of:

- The remuneration of the Director – the Directors wish to ensure that the remuneration offered to the Managing Director is competitive with market standards and where appropriate, based upon performance hurdles. The Directors have generally reviewed a selection of comparable companies to determine market conditions generally and consider the proposed number of Options to be issued will ensure that the Directors' overall remuneration is in line with market standards.

- Length of service to the Company; and

- Incentives to ensure continuity of service of the Directors who have extensive knowledge of the Company and its assets.

In the event the Options are exercised, the following amounts will need to be paid to the Company by the Director:-

| Director | Amount to be paid |
|---|---|
| Andrew Lydyard | $300,000 |

The Company will therefore receive $300,000 from the Director.

**Related Party Transactions Generally**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

2. prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Directors are considered to be related parties of the Company.

Resolution 2 provides for the grant of Options to a Director of the Company which is a financial benefit requiring shareholder approval.

**Current Holdings**

Set out below are details of the Director's relevant interest in the securities of the Company as at the date of this Notice:

| Directors | Direct Holdings and those of Associates | Shares |
|---|---|---|
| A Lydyard | A&C Lydyard as trustee for Indian Hills Trust | 1,075,000 |

**Notes**:

1. 1,075,000 shares are held by A&C Lydyard in Trust for the Indian Hills Trust of which Andrew Lydyard is a beneficiary.

   In addition, 3,000,000 unlisted options exercisable at 20 cents and expiring on 1 December 2006 are held in the name of Andrew Lydyard. At the date of this Notice only 1,500,000 options have vested.

## INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

***The related party to whom the proposed resolution would permit the financial benefit to be given:***

Subject to shareholder approval the following maximum number of Options will be granted to the following related party or his respective nominee:

| Name of Related Party | Number of Options |
|---|---|
| Andrew Lydyard | 1,500,000 |

In respect of the 1,500,000 Options to be granted to the Managing Director, the exercise price of $0.20 is above the weighted average closing share price (17.3 cents) on the ASX over the 5 trading days preceding the date of this Notice of Meeting.

***The nature of the financial benefit***

The proposed financial benefit to be given is the grant of Options for no consideration to the Director as noted above. The terms and conditions of the Options to be granted to the Director are set out in Annexure A to this Explanatory Memorandum.

***Directors' recommendation***

For the reasons noted above:

Messrs Schneider and Ashton and Ms Swaby (who have no interest in the outcome of the Resolution) recommend that shareholders vote in favour of Resolution 2. Mr Andrew Lydyard declines to make a recommendation about

Resolution 2 as he has a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of options to him individually.

All the Directors were available to make a recommendation.

***Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors***

The proposed ordinary Resolution 2 would have the effect of giving power to the Directors to grant up to 1,500,000 Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 61,158,240 issued shares and 6,350,000 unlisted Options.

If all Options granted as proposed above are exercised, together with the existing unlisted options on issue, the effect would be to dilute the shareholding of existing shareholders by 2.17%. The market price of the Company's shares during the period of the Options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the options.

The following table gives details of the highest, lowest and latest price of the Company's Shares trading on the Australian Stock Exchange Limited over the past 12 months ending on 10 October 2005.

| **Security** | **Highest Price** | **Date of Highest Price** | **Lowest Price** | **Date of Lowest Price** | **Lowest Price on 10/10./05** |
|---|---|---|---|---|---|
| Ordinary Shares | 19c | 22/9/05 | 9.6c | 26/5/05 | 16.5c |

The Director's base salary per annum and the total financial benefit to be received by him in this current period as a result of the grant of Options the subject of Resolution 2 is as follows:

| **Director** | **Base salary p.a. ($)** | **Superannuation p.a. ($)** | **Value of Options ($)** | **Total Financial Benefit ($)** |
|---|---|---|---|---|
| Andrew Lydyard | 185,000 | 16,650 | 130,200 | 331,850 |

***Valuation of Options***

The Company's advisers have valued the Options to be granted to the Directors using the Cox, Ross and Rubinstein Binomial Tree Pricing Model ("**Model**"). The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the Model is a function of a number of variables. Their assessment of the value of the Options has been prepared using the following assumptions:

| Variable | Input |
|---|---|
| Share price | $0.17 |
| Exercise price | $0.20 |
| Risk Free Interest Rate | 4.995% |
| Volatility | 80.22% |
| Time (years) to expiry | 3 years |

For the purposes of this valuation the Company's advisers have assumed 28 December 2005 as the issue date of the Options, being 28 days subsequent to the approval of the option issue. For the share price, the advisers have assumed 17 cents, as this represents the recent highest price for Comet's shares at the time of preparation of this valuation. The advisers have also assumed a volatility level of 80.22% given the industry in which the Company operates, its financial position and the volatility of listed shares of other companies comparable to Comet. Based on the assumptions and advice from the Company's advisers, it is considered that the estimated value of Options to be issued to the Directors is 8.68 cents per Option.

***Listing Rule 7.1***

Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's shares then on issue. Listing Rule 7.1.4 provides that for the purposes of Listing Rule 7.1, options are treated as if they were the shares into which they will, upon exercise, convert. However, the options to be issued do not represent more than 15% of the Company's shares then on issue. Listing Rule 7.1 approval is sought so that the 15% threshold is maintained and available for use by the Company in the future should the circumstances require it.

***Listing Rule 10.14***

Listing Rule 10.14 requires shareholders to approve the issue of options to the Directors pursuant to the Comet Ridge Limited Employee Share Option Plan. Listing Rule 10.14 broadly requires shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party.

***Additional Information***

For the purposes of Listing Rules 7.3 and 10.15, the following information is provided to shareholders:

a) the Options will be granted to the Director, as noted above;

b) the maximum number of Options to be issued is 1,500,000;

c) the Options will be offered and, if accepted, granted on a date which will be no later than one month after the date of this Annual General Meeting;

d) the Options will be granted for no consideration;

e) no funds will be raised by the grant of the options;

f) the terms and conditions of the options are set out in Annexure A to this Explanatory Memorandum; and

The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to Resolution 2.

Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolution.

**Resolution 3 – Remuneration Report**

The Board is submitting its Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution.

The Remuneration Report forms part of the Directors' Report, included in the 2005 Annual Report, which Remuneration Report is incorporated by reference herein. The Report:

- Explains the Boards policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- Explains the relationship between the Board's remuneration policy and the Company's performance;
- Sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- Details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

## GLOSSARY

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

"**ASX**" means the Australian Stock Exchange Limited;

"**Company**" or "**Comet**" means Comet Ridge Limited ACN106 092 577;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Listing Rules**" means the Listing Rules of ASX;

"**Notice**" means the Notice of Meeting accompanying this Explanatory Memorandum;

"**Options**" means options to acquire Shares on the terms and conditions set out in Annexure A to this Explanatory Memorandum; and

"**Shares**" means fully paid ordinary shares in the Company.

## ANNEXURE A

## TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED

1.1 No monies will be payable for the issue of the Options.

1.2 No certificate will be issued for the Options.

1.3 The Options shall expire on 31 December 2008.

1.4 Each Option shall carry the right in favour of an Eligible Person to subscribe for one Share.

1.5 Options may be exercised in whole or in part. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.

1.6 The issue price of Shares the subject of the Options of $0.20 per Share shall be payable in full on exercise of the Options.

1.7 Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by him accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares.

1.8 The Company shall allot the resultant Shares and deliver the share certificates within five (5) business days of the exercise of the Option.

1.9 Options shall not be listed for Official Quotation on ASX.

1.10 An Option Holder may not, except with the approval of the Board of Directors (in its sole and absolute discretion), sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options. The approval of the Board of Directors may be given subject to satisfaction of certain conditions in which event such approval will be deemed not to occur until any such conditions have been satisfied. In particular the Board of Directors may require the proposed new holder of Options to enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the termination provisions contained in this Plan. Nothing in this clause enables the Board of Directors to refuse to register a proper transfer of Options.

1.11 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.

1.12 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.

1.13 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.

1.14 In the event of any reorganisation of capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the listing rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.

1.15 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

1.16 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

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

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.

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

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

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

1.17 The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option Holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.

1.18 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

## COMET RIDGE LIMITED
**ACN 106 092 577**

**All correspondence to:**
Comet Ridge Limited
Level 10, International House
26 St George's Terrace
Perth, Western Australia
Telephone +618 9225 7108
Facsimile +618 9225 6100
www.cometridge.com.au

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

**Name:** ______________________

**Address:** ______________________

______________________

## APPOINTMENT OF PROXY

I/We being a member/s of Comet Ridge Limited and entitled to attend and vote hereby appoint

X the Chairman Of the Meeting (mark with an 'X') **OR** [ ] Write here the name of the person you are appointing if this person **is someone other than** the Chairman of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Comet Ridge Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on Wednesday, 30 November 2005 at 10.30am and at any adjournment of that meeting.

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

| **Ordinary Business** | | **For** | **Abstain*** | **Against** |
|---|---|---|---|---|
| Resolution 1 | Re-election of Director – Gillian Swaby | ☐ | ☐ | ☐ |
| Resolution 2 | Grant of Options to Andrew Lydyard | ☐ | ☐ | ☐ |
| Resolution 3 | Approval of Remuneration Report | ☐ | ☐ | ☐ |

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

*If you do not wish to direct your proxy how to vote, please place a mark in this 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 above resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest.* ☐

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

| **Individual or Securityholder 1** | **Securityholder 2** | **Securityholder 3** |
|---|---|---|
| | | |
| **Sole Director and Sole Company Secretary** | **Director** | **Director/Company Secretary** |

| | | / / |
|---|---|---|
| **Contact Name** | **Contact Daytime Telephone** | **Date** |

# HOW TO COMPLETE THE PROXY FORM

## 1 Your Name and Address

*This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes.* ***Please note, you cannot change ownership of your securities using this form.***

## 2 Appointment of a Proxy

*If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. The Chairman intends to vote in favour of resolutions for which no voting indication has been given.*

## 3 Votes on Items of Business

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

## 4 Appointment of a Second Proxy

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

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

## 5 Signing Instructions

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

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

## 6. Lodgement of a Proxy and Deadline for Receipt of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 28th November 2005 at 10.30am. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Documents may be lodged by post, delivery or facsimile to the Registered Office of Comet Ridge Limited being Level 10, International House**
**26 St George's Terrace, Perth, Western Australia**
**or by facsimile to fax number 08 9225 6100**