

European Gas Limited

ACN 075 760 655

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting: **28 March 2011**

Time of Meeting: **11.00am WST**

Place of Meeting: **Duxton Hotel**

No. 1 St Georges Terrace

PERTH, WESTERN AUSTRALIA

European Gas Limited

ACN 075 760 655

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of European Gas Limited ACN 075 760 655 (**Company**) will be held in the Duxton Hotel, 1 St Georges Terrace, Perth Western Australia, on 28 March 2011 at 11.00am WST.

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting (**Notice**):

- provides additional information concerning matters to be considered at the general meeting; and
- contains a glossary of defined terms used in this Notice and in the Explanatory Memorandum.

AGENDA

RESOLUTIONS

To consider, and if thought fit, to pass, the following resolutions:

1. Resolution 1 - Approval of Gazonor Disposal and issue of Shares and Options

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

"That for the purpose of Chapters 7 and 11 of the Listing Rules and for all other purposes, the Gazonor Disposal and issue of Shares and Options, on the terms and for the consideration set out in the explanatory memorandum, is approved."

Voting exclusion statement

The Company will disregard any votes cast on resolution 1 by Transcor and any associate of Transcor.

However, the Company will not disregard a vote if:

- it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides.

2. Resolution 2 - Approval of Shares to be issued

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

"That purpose of Listing Rule 7.1 and for all other purposes, approval be given to issue a maximum of 100 million Shares in the capital of the Company, by way of one or more placements at such price and terms as outlined in the explanatory memorandum."

Voting exclusion statement

The Company will disregard any votes cast on resolution 2 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their associates.

However, the Company will 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 the 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.

3. Resolution 3 – Renewal of Incentive Plan

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

“That for the purpose of Exception 9(b) of Listing Rule 7.2 and for all other purposes, shareholders approve the grant of Incentive Options (and the issue of any Shares upon exercise of those options) under the European Gas Share Option Plan Incentive Plan for a period of three years from the date of this meeting.”

Voting Exclusion

The Company will disregard any votes cast on resolution 3 by any person (and any of that person’s associates) who may participate in a grant of Incentive Options (and subsequent issue of Shares on exercise) under the Incentive Plan.

However, the Company will not disregard a vote if:

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

4. Resolution 4 – Appointment of auditor

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

“That Deloitte Touche Tohmatsu be appointed as the Company’s auditor to replace Messrs Neil Smith, Christopher Nicoloff and Conley Maifis (former partners of PKF Chartered Accountants) following their retirement from PKF Chartered Accountants and having received approval by ASIC for their resignation as auditor and the consent of Deloitte Touche Tohmatsu to act as auditor of the Company.”

BY ORDER OF THE BOARD

Mark Pitts
Company Secretary
18 February 2011

PROXY INSTRUCTIONS

A proxy form is attached to this Notice. Shareholders are advised that:

- each shareholder has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a shareholder of the Company; and
- a shareholder who is entitled to cast two or more votes may appoint either one or two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for two proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

The shareholder may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section 250BA of the Corporations Act, the Company specifies that the proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be:

- posted or delivered to the Company's Share Registry:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne, Victoria 3001 Australia.
- sent by facsimile to:
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

Those documents must be received by the Company at least 48 hours before the time for holding the general meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a body corporate, in a manner permitted by the Corporations Act. In the case of shares jointly held by two or more persons, at least one joint holder must sign the proxy form.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the general meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 5.00pm (Perth time) on **26 March 2011**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the general meeting.

GLOSSARY

Words which are defined in the Explanatory Memorandum have the same meaning when used in this Notice unless the context requires otherwise. For assistance in considering the Notice, the following words are defined here:

ASX means the Australian Securities Exchange, operated by ASX Limited.

Board means the Directors acting as a board.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

EGSAS means European Gas S.A.S., a wholly owned subsidiary of the Company.

Gazonor means Gazonor S.A.S., of which the Company is the ultimate holding company through its 100% ownership of EGAS.

Gazonor Disposal means the transfer of ownership of Gazonor S.A.S. from the Company to Transcor, either by the transfer of all shares in Gazonor S.A.S. or all shares in EGSAS.

Group means the Company and its related bodies corporate.

Incentive Option means an option granted under the Incentive Plan.

Incentive Plan means the European Gas Share Option Incentive Plan established on the terms and conditions set out in Annexure B.

Listing Rule means a listing rule of the ASX.

Option means the options to be granted subject to the terms set out in Annexure A.

Rule means a rule of the Constitution.

Share means a fully paid ordinary share in the capital of the Company.

Transcor means Transcor Astra Luxembourg S.A., a limited liability company (*société anonyme*) organised under the laws of Luxembourg.

European Gas Limited

ACN 075 760 655

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.

The Directors recommend that shareholders read this explanatory memorandum in full before deciding how to vote on the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying notice of general meeting:

Resolution 1 - Approval of Gazonor Disposal

Board recommendation

The Directors unanimously recommend that shareholders approve resolution 1. If the Gazonor Disposal is not approved, the Company is unlikely to be able to repay the convertible notes or to continue without some form of external protection in France and Australia from Transcor and other creditors.

Background – acquisition of Gazonor

On 2 January 2008, the Company completed the €26.2 million acquisition of Gazonor from Filianor S.A, a wholly owned subsidiary of Charbonnages de France, the French state-owned coal mining corporation.

Gazonor is the operating Company and owner of the Nord-Pas de Calais coal mine methane production field and associated infrastructure situated in northern France (and known as the Gazonor Project).

Funding

Transcor provided a €36,375,000 financing facility to fund the Gazonor acquisition and for working capital purposes. In accordance with that facility, the Company issued Transcor with two tranches of secured convertible notes on 28 December 2007. Shareholders ratified the issue of the Tranche A notes and approved the Tranche B notes in general meeting on 15 February 2008.

Security

As security for the convertible notes, the Company gave Transcor a share pledge over 100% of the shares in EGSAS, a pledge over the receivable resulting from the loan granted by the Company to EGSAS (this loan itself being secured by a share pledge over 100% of the shares in Gazonor) and a pledge over the balance of funds used by the Company for working capital.

The Company also agreed to a negative pledge on customary terms.

Repayment

Transcor was entitled to convert the notes up to the maturity date of 31 December 2010. However, Transcor did not convert the notes and the Company would have been required to repay the principal and accrued interest on the notes on or before 31 December 2010.

Accordingly, the Company negotiated two extensions to the maturity date so that the notes did not become repayable until 7 February 2011.

On 7 February 2011, the Company announced to ASX that it and Transcor had entered into a legally binding agreement to extend the maturity date to 31 March 2011 and to restructure the notes and to undertake a number of transactions to fully extinguish all outstanding principal and interest owing to Transcor under the notes (**Restructuring Agreement**).

Restructuring Agreement

Under the Restructuring Agreement, the Company will:

- transfer ownership of Gazonor to Transcor in part repayment of the convertible notes. Transcor may elect for that transfer to be effected by either the transfer of all shares in Gazonor or all shares in EGSAS (the owner of all Gazonor shares)
- issue 15 million Shares to Transcor in part repayment of the convertible notes. These Shares will be restricted from sale or transfer for six months
- grant Transcor a 12 month Option (restricted from sale or transfer for six months) to subscribe for 20 million Shares at \$0.50 each, on the terms set out in Annexure A
- issue seven million Shares to extinguish intercompany loans. These Shares will also be restricted from sale or transfer for six months
- grant Transcor a three year option to acquire the Company's 50% interest in the European Gas Benelux S.A. joint venture for nominal consideration.

The Company and Transcor will also enter into farm-in agreements in relation to Gazonor's existing and future French exploration permits (Sud Midi and Valenciennois) and French production permits (Poissoniere and Desiree).

The Company and Transcor are obliged by the Restructuring Agreement to agree and execute definitive agreements to implement each agreed transaction. Those agreements are being prepared during the meeting notice period.

Performance of the Restructuring Agreement is subject to the Company obtaining shareholders' approval as set out in this notice of meeting and other customary regulatory approvals.

Approvals sought

Listing Rule 7.1 requires the Company to seek shareholder approval (subject to certain exceptions) to issue more than 15% of its existing capital, calculated over a rolling 12 month period (**Placement Capacity**).

While the issue of 22 million Shares will not exceed the Placement Capacity, the Board resolved to seek shareholder approval for this issue and grant of the Option to preserve its Placement Capacity. In accordance with Listing Rule 7.3, the following information is provided in relation to resolution 1.

If approval is obtained:

- (a) 22 million Shares will be issued and an Option granted to acquire an additional 20 million Shares;
- (b) the Shares and Option will be respectively issued and granted no later than three months after the date of the general meeting;
- (c) the Shares will be issued for \$0.50 each and the Option will be issued for NIL consideration, it is exercisable on or before the expiry of 12 months from issue by payment of \$0.50 per Share issued;
- (d) the Shares and Option will be issued to Transcor;
- (e) the Shares will rank equally in all respects with the Company's existing Shares on issue;
- (f) funds raised by the issue of Shares will be used in part payment of the convertible notes. Funds raised on any exercise of the Option will be used to fund exploration and for working capital.
- (g) allotment of the Shares and Option is expected to occur as soon as possible following the date of the general meeting and will occur on the one date.

Listing Rule 11.1 requires an entity that proposes to make a significant change to either the nature or scale of its activities to seek shareholder approval for that change, if ASX requires. While ASX did not require shareholder approval for the acquisition of Gazonor, the Company is seeking approval for the Gazonor Disposal.

The effect of the Gazonor Disposal on the Company is set out in the table below and reference is made to the last audited financial statements of the Company being 30 June 2010.

Particular	Before transaction '000	Increase/(decrease) due to transaction '000	After transaction '000	% increase/decrease
Total consolidated assets	57,570	(27,400)	30,170	(47%)
Total equity interests	12,542	15,252	27,800	121%
Annual revenue (i)	5,351	(5,351)	-	(100%)
Annual profit/(loss) (ii)	(7,189)	4,000	(3,189)	55.64

(i) The acquisition of Gazonor in early 2008 was completed using debt funding (the Convertible Notes). Because some of the funding was employed as working capital, the disposal of the asset and satisfaction of the convertible notes provides a net improvement in equity.

(ii) The Company will become a focused explorer and as a result in the short term will incur operating losses.

The Gazonor Disposal will also result in the Company once again becoming a pure exploration company with exposure to the largely unexploited unconventional gas fields in Europe (subject to the Gazonor production farm-in and subsequent performance of any production joint venture).

The Gazonor Disposal will not of itself effect any change to the Company's exploration expenditure. However, extinguishing the debt due under the convertible notes will restore the Company's balance sheet and should allow the Company to raise capital (as contemplated in resolution 2) to more actively pursue exploration opportunities, such as announced to ASX on 2 February 2011.

Transcor

The Board welcomes Transcor's continuing involvement with the Company (both as a shareholder and joint venturer) and interprets that involvement as a strong sign of confidence in the Company's ability to develop its European exploration assets.

Transcor currently holds 5.82 million Shares and will hold 27.82 million Shares (representing 10.5% of the Company's expanded capital) on issue of the 22 million Shares. If Transcor exercises the Option and no other Shares are issued, Transcor will hold 47.82 million Shares, representing 18% of the Company's further expanded capital.

Transcor was founded in 1947 as a metals trading company in Belgium and has evolved through acquisitions and organic growth into a large international supplier of energy commodities. Principal businesses include the refining, storage, distribution and trading of crude oil, oil products, natural gas, coal and coke.

Transcor operates world-wide, covering North America, Europe, Africa, Latin America and Asia.

Transcor's parent, Compagnie Nationale à Portefeuille (**CNP**), is a Belgian holding company included in the BEL20-index (top 20 Belgian index).

CNP, together with its jointly-controlled subsidiaries PARGESA and GBL, is a large shareholder of substantial French energy companies Total S.A. and Suez S.A.. More information on CNP is available on its website at <http://www.npm-cnp.com.be>.

Resolution 2 - Approval of Shares to be issued

Background

Listing Rule 7.1 requires the Company to seek shareholder approval (subject to certain exceptions) to issue more than its Placement Capacity.

Resolution 2 proposes approval for the issue of Shares on the terms set out below, for the purpose of satisfying Listing Rule 7.1.

Listing Rules

In accordance with Listing Rule 7.3, the following information is provided in relation to resolution 2.

If approval is obtained:

- (a) up to 100 million Shares may be issued;
- (b) the Shares will be issued no later than three months after the date of the general meeting;
- (c) the Shares will be issued for a minimum price that is at least 80% of the volume weighted average market price for the Shares, calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is to be made;
- (d) the Shares will be issued to 'sophisticated' and 'professional' investors (as defined in the Corporations Act) or on a prospectus-exempt basis to persons outside Australia who are unrelated parties;
- (e) the Shares will rank equally in all respects with the Company's Shares on issue;
- (f) funds raised by the issue of Shares will be used to fund the Company's exploration and development projects in the next year or for working capital purposes or to satisfy existing company liabilities; and
- (g) allotment of the Shares may occur progressively over the three month period after the date of the general meeting.

Resolution 3 – Renewal of Incentive Plan

Background

Resolution 3 seeks shareholder approval to refresh the Incentive Plan that provides for the grant of Incentive Options to Directors, employees and consultants of the Company.

The purpose of the Incentive Plan is to:

- (a) recognise the efforts of those officers and employees that have made a significant contribution to the Company's success;
- (b) provide an incentive to employees of the Company to work toward achieving the Company's long-term objectives and thereby improve the financial performance of the Company;
- (c) attract people with a high level of experience and ability to the employment of the Company; and
- (d) enhance the loyalty and relationships already formed between the Company and its employees.

Eligibility for participation in the Incentive Plan is at the discretion of the Board or a committee of Directors formed for the purpose of determining the eligibility of participants.

The Board believes that the Incentive Plan will make an important contribution to the long-term financial performance of the Company and, correspondingly, an increase in shareholder wealth.

Under Listing Rule 7.1, companies are generally restricted from issuing more than 15% of their issued share capital in any 12 month period without shareholder approval. There are a number of exceptions to this restriction, including Exception 9 in Listing Rule 7.2, which applies where there is an issue of securities under an employee incentive scheme if, within three years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Company has had an Option Plan operating successfully over a number of years. The most recent approval by shareholders took place at the Company's annual general meeting held on 28 November 2006. It is the intention of management and Directors to conduct a review, later this year, of the many alternatives that are available to incentivise personnel, this review may result in a change of plan or incentive format. However refreshing the existing Option Plan will give management the ability to reward people in the interim.

Listing Rule Disclosure

Exception 9(b) to Listing Rule 7.2 sets out several details that are required to be included in this Notice of the approval of the Option Plan. For that purpose in addition to the Summary of Plan Rules attached as Annexure B to this Explanatory Memorandum, the number of options, together with the specific terms, issued since shareholders last approved the terms of the plan at the general meeting on 28 November 2006 is set out below:

Issue #	Date of Grant	Number Options issued	Exercise Price (\$)	Expiry Date
1	18 April 2008	3,500,000	1.50	15 April 2010
2	18 April 2008	3,500,000	2.50	15 April 2012
		7,000,000		

Listing Rule requirements

Listing Rule 7.1 prohibits the Company from issuing or agreeing to issue equity securities (which includes shares and options) in any 12 month period in excess of the Placement Capacity without shareholder approval.

Exception 9(b) to Listing Rule 7.2 permits equity securities issued under an employee incentive scheme (such as the Incentive Plan) to be excluded from the calculations of the Placement Capacity where an issue of equity securities under the employee incentive scheme is approved by shareholders within three years before the date they are issued.

The effect of the approval sought by Resolution 3 will be that Incentive Options granted (and Shares issued on exercise of those options) under the Incentive Plan during the three years after the date of this meeting will not reduce the number of equity securities which the Company can issue without shareholder approval under the Placement Capacity. This would allow further issues of Shares to investors (for example, to institutional investors by way of placement) occurring that may be necessary for future profitability of the Company as well as reducing the costs and administration associated with obtaining shareholder approval.

Listing Rule 10.14 (and in some circumstances Chapter 2E of the Corporations Act) requires shareholder approval for any grant of options under the Incentive Plan to Directors or an associate of a Director. The Board is not intending to grant Incentive Options to Directors under the Incentive Plan at this meeting.

Resolution 4 – Appointment of auditor

Resolution 4 seeks approval for the appointment of Deloitte Touche Tohmatsu to replace PKF Chartered Accountants as auditor of the Company.

The audit partners of PKF Chartered Accountants merged their practice with Deloitte Touche Tohmatsu in Perth and as a result seek this approval from shareholders. Ordinarily, ASIC will only consent to the resignation of an auditor if it occurs by resolution at an annual general meeting unless exceptional circumstances exist, in such cases ASIC has the power to allow the change of auditor to occur effective at another date but subject to subsequent ratification by shareholders.

The Directors have resolved to appoint Deloitte Touche Tohmatsu as auditor of the Company, subject to ratification by members of the Company in general meeting.

ANNEXURE A

Summary of Transcor Option Terms and Conditions

This Option entitles the holder to acquire 20,000,000 Shares in the capital of the Company on the following terms and conditions:

- The Option vests on grant and expires on the date 12 months after grant (**Expiry Date**).
- The exercise price for the Option is \$0.50 per share. .
- Options may be exercised into the number of Shares determined in accordance with these terms and conditions by giving written notice of exercise to the Company (in a form reasonably acceptable to the Company) which must be received by the Expiry Date or other deadline, accompanied by payment of the relevant amount due on exercise, and the certificate issued with the Option.
- The Company will allot and issue the Shares promptly upon the exercise of the Option.
- Upon allotment of the Shares, the Company shall cancel the Option Certificate if all outstanding Options have been exercised. Where an Option has been exercised as to part only of the Options the subject of an Option Certificate, a new Option Certificate for the unexercised part of the Options shall be issued.
- There is no inherent right arising from the Option to participate in any new issue of securities which may be offered to shareholders of the Company from time to time prior to the exercise of Option, without exercising the Option.
- The Option will not entitle an Option holder to receive payment of dividends other than with respect to dividends that may be declared or determined on Shares issued after an Option is exercised. Any Shares allotted on exercise of an Option will rank *pari passu* in all respects with other Shares.
- Subject always to the prior exercise of an Option, the Option holder may participate in issues of ordinary Shares or other securities of the Company, or any other Company in which shares or other securities are offered to shareholders of the Company. The Company will use reasonable endeavours to give the holder at least five business days notice before the relevant record date to determine entitlements to the issue so as to give the holder an opportunity to exercise the Option.
- Options shall not participate in any bonus issues of Shares unless and until the Options are exercised, in which case the number of Shares issued will be increased by the number of Shares the Option holder would have received if the Option had been exercised before the applicable record date. The Option holder has no other rights to a change in the exercise price, or the number of underlying Shares over which the Option can be exercised. In the event of a capital reorganisation, the Options will be reorganised in accordance with the Listing Rules.
- An Option holder may not sell or transfer any Option for six months from grant without the prior written consent of the Board, which may be given or refused in its absolute discretion.
- An Option shall lapse if it is not been exercised on or before the Expiry Date.
- It is not intended for the Options to be listed or quoted for trading on ASX, however the Company will apply to the ASX for Official Quotation of Shares to be allotted and issued upon the exercise of Options in accordance with the Listing Rules, and the holder will provide reasonable assistance to the Company in that regard.

ANNEXURE B

Summary of Incentive Option Terms and Conditions

1. The purpose of the Incentive Plan

The purpose of the Incentive Plan is to provide selected Directors, employees and consultants of the Company (and its subsidiaries) with the means of receiving options to subscribe for Shares in the Company. The intention is to give these people the opportunity to share in the future growth and profitability of the Company by aligning their interests with those of shareholders. This is expected to motivate them to have a greater involvement with and commitment to the Company, and to focus on the longer term goals of the Company.

The aim of this summary is to provide an overview of the Incentive Plan. It does not affect or override the terms of the Incentive Plan and to the extent of any inconsistency, the Incentive Plan will prevail. The full terms of the Incentive Plan will be sent free to a shareholder on request to the Company Secretary or is available for inspection at Suite 4, 4 Ventor Avenue, West Perth Western Australia 6005. In this summary unless otherwise defined, terms which are defined in the Incentive Plan will have the same meaning.

2. Invitation and application

Eligible Participants may participate in the Incentive Plan by written invitation by the Board in its absolute discretion based on the Board's assessment of the contribution the Eligible Participant will have on the performance of the Group.

On receipt of an invitation, the Eligible Participant or Approved Beneficiary may apply for up to the number of Options specified in the invitation. The Company may then grant the Options applied for to the applicant.

3. Number of Incentive Options offered

The number of options and terms of those options (as to exercise price and expiry date for exercise) that will be offered to an Eligible Participant under an invitation are entirely within the discretion of the Board but subject to any shareholder approval required under the Corporations Act or the Listing Rules (as applicable) being first obtained.

On exercise each Option will, subject to any adjustment arising from bonus issues of Shares by the Company, entitle the holder to one Share in the Company.

At no time can the aggregate of unissued shares to which options relate under the Incentive Plan exceed 10% of the total issued Shares of the Company at the relevant time.

4. Exercise price

The exercise price of Options will be, in circumstances where a grant of Options requires prior shareholder approval; such price as is set out in the notice of meeting held to approve the issue; and in all other cases, the weighted average closing price of the Company's Shares on ASX over the preceding five trading days immediately prior to the date of issue, or such greater price as may be determined by the Board in its absolute discretion.

5. Term of Incentive Options

An option shall lapse, if it has not been exercised, on the earliest of:

- a) the expiry date, being a period of five years from the date of grant, unless a period of shorter duration is determined by the Board at the time of offer.
- b) in the case of termination of Engagement of the Eligible Participant (comprising or nominating the grantee) for cause, the effective day on which the Engagement of that Participant is terminated;
- c) in the case of termination of Engagement of the Eligible Participant (comprising or nominating the grantee) otherwise than for cause, the day that is 20 business days after termination of the Engagement of that Eligible Participant involved provided that, if the termination is caused by the Retirement (after the attainment of age 55 years), Total and Permanent Disablement, Redundancy or death, Options held by an Eligible Participant may be exercised within 90 days (or 6 months, in the case of death) after ceasing to be an Eligible Participant or any longer period permitted by the Board in its sole discretion; and

5. Term of Incentive Options (Continued)

d) the day on which the Eligible Participant (comprising or nominating the Grantee) defaults in the performance of any of his or her obligations under the Plan.

6. Exercise of Incentive Options

Incentive Options are exercisable prior to their lapsing (in the terms of paragraph 5 above).

Options may be exercised in whole or in part (in minimum multiples of 1000).

7. Shares allotted on exercise of Incentive Options

Shares allotted on exercise of options will be of the same class and will rank equally with the fully paid ordinary shares in the Company at the date the options are granted.

It is not intended for the options to be listed for trading on the ASX, however the Company will apply to ASX for Official Quotation of Shares to be allotted and issued upon the exercise of options in accordance with the Listing Rules.

8. Incentive Options not transferable

Incentive Options will not be transferable, except to a related party with the prior written approval of the Board, which may be given or refused in its absolute discretion.

9. Bonus issues, rights issues and capital reorganisation

There is no inherent right arising from the Option to participate in any new issue of securities which may be offered to shareholders of the Company from time to time prior to the exercise of Option, without exercising the Option.

The Option will not entitle an Option holder to receive payment of dividends other than with respect to dividends that may be declared or determined on Shares issued after an Option is exercised. Any Shares allotted on exercise of an Option will rank *pari passu* in all respects with other Shares.

Subject always to the prior exercise of an Option, the Option holder may participate in issues of ordinary Shares or other securities of the Company, or any other Company in which shares or other securities are offered to shareholders of the Company. The Company will use reasonable endeavours to give the holder at least five business days notice before the relevant record date to determine entitlements to the issue so as to give the holder an opportunity to exercise the Option.

Options shall not participate in any bonus issues of Shares unless and until the Options are exercised, in which case the number of Shares issued will be increased by the number of Shares the Option holder would have received if the Option had been exercised before the applicable record date. The Option holder has no other rights to a change in the exercise price, or the number of underlying Shares over which the Option can be exercised, subject to the discretion of the Board and the ASX listing rules.

In the event of a capital reorganisation, the Options will be reorganised in accordance with the Listing Rules.

10. General terms

Except as otherwise expressly provided in the Incentive Plan the options will be issued on the terms and conditions set out in the certificate as determined from time to time by the Board in its absolute discretion at the time of the grant of the options. Options may be granted upon different terms and conditions from those applicable to any other options granted.

11. Variations to the Incentive Plan since last approval

There has been no change to the terms and conditions of the Incentive Plan since it was last approved by shareholders at the annual general meeting in November 2006.