Lynas
CORPORATION LTD

ACN 009 066 648

NOTICE OF
EXTRAORDINARY GENERAL MEETING

To be held on Friday 4 August 2006 at 11.00 am (AEST)
in the Bridge Room at the Hotel Inter-Continental, 117 Macquarie Street, Sydney, NSW

This is an important document. Please read it carefully.
If you are unable to attend the Extraordinary General Meeting,
please complete the Proxy Form enclosed and return it in accordance with the instructions.

LYNAS CORPORATION LIMITED

ACN 009 006 648

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that an extraordinary general meeting of Lynas Corporation Limited will be held at 11.00am (AEST) on Friday 4 August 2006 in the Bridge Room, Hotel Intercontinental, 117 Macquarie Street, Sydney to conduct the following business:

ORDINARY BUSINESS

PART 1 – CONVERTIBLE NOTE PLACEMENT

Resolutions 1.1 and 1.2 are interdependent, ie neither resolution will be passed unless both resolutions are approved by more than 50% of those shareholders voting on a show of hands or by more than 50% of votes given on a poll.

Resolution 1.1 – Approval of issue of convertible notes to investors

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

> *"That, subject to Resolution 1.2 set out in this Notice of Extraordinary General Meeting being passed, for the purposes of Listing Rule 7.1 of Australian Stock Exchange Limited, the issue of convertible notes to clients and nominees of Transocean Securities Pty Ltd ACN 009 230 120 is hereby approved, being a total of up to 35,000 convertible notes at an issue price of AU$1,000 per note, convertible into ordinary shares at AU$0.40 per share subject to the terms and conditions set out in Annexure B."*

The Company will disregard any votes on this resolution by the clients and nominees of Transocean Securities Pty Ltd that participate in the convertible note issue and their associates. However the Company need not disregard a vote if 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 it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 1.2 – Approval of issue and allotment of securities

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

> *"That, subject to Resolution 1.1 set out in this Notice of Extraordinary General Meeting being passed, and subject to successful completion of the convertible note placements referred to in Resolution 1.1 in the principal amount of not less than AU$27,000,000, for the purpose of Listing Rule 7.1 of Australian Stock Exchange Limited, the issue and allotment to Transocean Securities Pty Ltd ACN 009 230 120 of 20,000,000 options to acquire ordinary shares in the Company with an exercise price of $0.17 per share exercisable for a period of 3 years from the date of issue is hereby approved".*

The Company will disregard any votes on this resolution by Transocean Securities Pty Ltd and its associates. However the Company need not disregard a vote if 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 it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

PART 2 – PLACEMENTS OF SHARES

Resolution 2.1 – Approval of issue of shares

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

> *"That, for the purpose of Listing Rule 7.1 of Australian Stock Exchange Limited, the issue and allotment of the following fully paid ordinary shares to the parties listed below (the* ***Subscribers****) at an issue price of A$0.31 per share is hereby approved:*
>
> *The Ospraie Portfolio Ltd: 57,419,355 shares*
>
> *Ospraie Special Opportunities Master Holdings Ltd: 7,096,774 shares*
>
> *Restamove Ireland Limited: 58,064,516 shares*
>
> *Daleford Way Pty Ltd ACN 076 517 612: 806,452 shares*
>
> *Transocean Securities Pty Ltd ACN 009 230 120: 2,645,161 shares."*

The Company will disregard any votes on this resolution by the Subscribers and their associates. However the Company need not disregard a vote if 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 it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 2.2 – Approval of issue of securities – Nicholas Curtis

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

> *"That, for the purpose of Listing Rule 10.11 of Australian Stock Exchange Limited, the issue and allotment of 3,000,000 fully paid ordinary shares to Nicholas Curtis at an issue price of A$0.31 per share is hereby approved".*

The Company will disregard any votes on this resolution by Nicholas Curtis and his associates. However the Company need not disregard a vote if 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 it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

PART 3 – ISSUE OF SHARES TO RAB CAPITAL PLC ON 17 JANUARY 2006

Resolution 3.1 – Ratification of prior issue and allotment of securities

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

> *"That, for the purpose of Listing Rule 7.4 of Australian Stock Exchange Limited, the issue and allotment to RAB Capital plc on 17 January 2006 of 9,800,000 fully paid ordinary shares at $0.14 per share and 9,800,000 options to acquire ordinary shares in the Company with an exercise price of $0.17 per share exercisable for a period of 3 years from the date of issue is hereby approved".*

The Company will disregard any votes on this resolution by RAB Capital plc and its associates. However the Company need not disregard a vote if 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 it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

PART 4 – AMENDMENTS TO OPTION INCENTIVE PLAN

Resolution 4.1 – Amendments – 1999 Option Incentive Plan

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

> *"That the "Rules of Lynas Corporation Limited (ACN 009 066 648) 1999 Option Incentive Plan" (**Plan**) be amended by adopting each of the amendments marked up in the copy of the Plan set out in Annexure D."*

The Company will disregard any votes cast on this resolution by any director or any other person that may participate in the proposed issue of options and any associate of any such person unless the vote 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 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.

Resolution 4.2 - Authorisation of issue of Options

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

> *"That, for the purpose of Rule 7.2 Exception 9 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company hereby approves the issue of Options under the Company's 1999 Option Incentive Plan, as amended, ("**Plan**") to persons eligible to participate in the Plan, on the terms and conditions set out in Annexure D."*

The Company will disregard any votes cast on this resolution by any director and any other person that may participate in the proposed issue of options and any associate of any such person unless the vote 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 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.

PART 5 – APPROVAL OF ISSUE OF OPTIONS TO EXECUTIVE DIRECTOR

Resolution 5.1 – Issue of Options to Executive Director – Nicholas Curtis

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

> *"That pursuant to and in accordance with section 208 of the Corporations Act 2001 (Cth) and Listing Rule 10.14 of Australian Stock Exchange Limited, and for all other purposes, the Company approves and authorises the Directors of the Company to grant to Nicholas Curtis Options to subscribe for 5,000,000 fully paid ordinary shares in the capital of the Company at an exercise price of $0.30 per share exercisable on or before 30 June 2011 on the terms set out in the attached Explanatory Memorandum and otherwise in accordance with the Rules of Lynas Corporation Limited (ACN 009 066 648) 1999 Option Incentive Plan."*

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director. 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 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.

The value of each Option to be granted to the abovementioned director as calculated by the Company and its advisers using the Black & Scholes valuation model is $0.185[1].

Entitlements to Vote

A Proxy Form is enclosed with this Notice

For the purposes of determining a person's entitlement to vote at the meeting, a person will be recognised as a Member and holder of shares if that person is registered as a holder of those shares at 10 am AEST on 2 August 2006.

Other

Words that are defined in the Explanatory Notes and Glossary have the same meaning when used in this Notice of Meeting unless the context requires or the definitions in the Glossary provide otherwise. For assistance in considering the Notice of Meeting the following words are defined here:

"ordinary resolution" means a Resolution passed by a simple majority of Shareholders on a show of hands or by a simple majority of votes given on a poll.

By Order of the Board

Ivo Polovineo
COMPANY SECRETARY

16 June 2006

[1] Please see Part 5 of the attached Explanatory Memorandum for further details on the calculation of the value of each Option.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Lynas Corporation Limited ACN 009 066 648 (**Company**) with sufficient information to assess the merits of Resolutions 1.1 through to 5.1 contained in the Notice of Extraordinary General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the above Resolution.

The following information should be noted in respect of the various matters contained in the Notice of Extraordinary General Meeting:

PART 1 – CONVERTIBLE NOTE PLACEMENT

1. RESOLUTION 1.1 – APPROVAL OF ISSUE OF CONVERTIBLE NOTES TO INVESTORS

Resolutions 1.1 and 1.2 are interdependent because the Company has agreed to issue the options referred to in Resolution 1.2 if the placement of convertible notes referred to in Resolution 1.1 is successfully completed in a principal amount of not less than A$27,000,000.

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the company in general meeting of the terms and conditions of the proposed issue. The Company seeks shareholder approval of the proposed placement of convertible notes to clients and nominees of Transocean Securities Pty Ltd (**Placement**).

It is proposed to raise AU$27,000,000 by way of placement of 27,000 convertible notes at an issue price of AU$1,000 per convertible note. However should there be an oversubscription for the Placement, the Company proposes to accept subscriptions for up to 8,000 additional convertible notes, giving a total of up to 35,000 convertible notes at an aggregate issue price of AU$35,000,000.

The share price of ordinary shares in the Company as at close of trading on 13 June 2006 is $0.255.

The persons subscribing for convertible notes pursuant to the Placement are not "related parties" of the Company under the Corporations Act.

RAB Special Solutions (Master) Fund Limited (**RAB**) has agreed to underwrite the Placement referred to in Resolution 1.1 on the following basis:

(1) RAB or its nominee will subscribe for a minimum of 3,000 convertible notes, with an aggregate issue price of AU$3,000,000;

(2) RAB or its nominee has agreed to subscribe for any shortfall in the balance of the Placement being 24,000 referred to in Resolution 1.1, up to the aggregate issue price of AU$24,000,000; and

(3) The underwriting by RAB or its nominee does not extend to oversubscriptions. Accordingly, the aggregate issue price of the convertible notes for which RAB

or its nominee may subscribe is AU$27,000,000, being the total of (1) and (2) above.

The Company has agreed to pay RAB's costs of entering into an underwriting agreement with the Company, up to a maximum amount of AU$3,000,000 including any charges or expenses reasonably incurred related to the negotiation, execution and implementation of the Agreement. The Company has also agreed to pay RAB an underwriting fee of AU$675,000.

RAB is not a "related party" of the Company under the Corporations Act.

The following information is provided to shareholders for the purpose of Listing Rule 7.3:

Maximum number of securities to be issued

35,000 convertible notes each of which may be converted into a maximum of 2,500 fully paid ordinary shares.

If all 35,000 convertible notes were converted into ordinary shares, the maximum number of securities to be issued would be 87,500,000 fully paid ordinary shares.

The pro forma capital structure of the Company if all of the notes were converted into ordinary shares is set out in Annexure A.

The date by which the Company will issue and allot the notes

The issue of the convertible notes to the subscribers for the convertible notes will occur no later than 3 months after the date of this Extraordinary General Meeting, or such later date as is approved by the Australian Stock Exchange (**ASX**).

The issue price of the securities

The issue price of the convertible notes will be AU$1,000 per convertible note.

The basis on which the allottees are determined

The allottees will be clients and nominees of Transocean Securities Pty Ltd.

The terms of the securities

The securities will be convertible notes on the terms set out in Annexure B.

The intended use of the funds raised

The intended use of the funds raised is summarised on page 9 below.

The following additional information is provided to assist shareholders in considering this Resolution:

Directors' recommendation

All of the Directors were available to consider the proposed Resolution 1.1. None of the Directors have an interest in the outcome of the proposed Resolution 1.1 and consider themselves justified in making a recommendation to shareholders concerning the proposed Resolution 1.1. Each of the Directors considers that the proposed Resolution 1.1 is in the best interests of the Company and its shareholders. Each Director recommends that shareholders vote in favour of Resolution 1.1. This recommendation is based principally on the advantages of Resolution 1.1 summarised below.

Advantages of the Resolution

(1) The proposed Resolution will increase the Company's cash resources by the amount of the funds raised from the proposed issue of convertible notes, which will be up to A$35 million.

(2) The funds raised from the proposed issue of convertible notes will assist the Company to achieve important objectives of the Company, including the development of the Company's Mt Weld Rare Earths Project, the repayment of contingent debt to Ashton Mining (WA) Pty Ltd and provision for the repayment of the outstanding convertible notes due in November 2006, as summarised in the table of the intended use of the funds raised set out on page 10.

Disadvantages of the proposal

(1) The convertible notes will be convertible into fully paid ordinary shares in the Company at A$0.40 per share. Upon conversion of the convertible notes into ordinary shares, the shareholdings of each existing shareholder would be diluted, in the manner set out in the proforma capital structure set out in Annexure A.

(2) If the noteholders elect not to convert their convertible notes into shares, the principal amount of the convertible notes and any accrued interest will be repayable in August 2011. If repayment of all or a substantial portion of the notes is required, then the Company would need to generate sufficient cashflow from operations, to arrange a new refinancing facility, or to raise additional capital from a new issue of securities (or some combination of the above) in order to meet the Company's repayment obligations in respect of the convertible notes.

Effect of the proposal on the Company

The effect of the proposed Resolution on the Company is summarised in the Advantages and Disadvantages sections above, and in the proforma capital structure set out in Annexure A. In the opinion of the Directors, the proposed Resolution will not otherwise affect the Company's state of affairs.

2. RESOLUTION 1.2 – APPROVAL OF ISSUE OF SECURITIES

The Company has appointed Transocean Securities Pty Ltd (**Transocean**) to assist the Company with its plans to raise the capital required to develop the Mt Weld rare earths project. This relationship has already produced significant benefits for the Company, including the following:

(1) the placement to RAB Capital plc referred to in Resolution 3.1;

(2) the proposed convertible note placement referred to in Resolution 1.1 in the amount of up to AU$35,000,000, which is underwritten in the amount of AU$27,000,000; and

(3) the proposed placements referred to in Resolutions 2.1 and 2.2.

The Company agreed in December 2005 that if Transocean successfully completed the convertible note placement, Transocean would be entitled to 20,000,000 success fee options at an exercise price of $0.17 per share with an expiry date 3 years from the date of issue.

Resolution 1.2 gives effect to this agreement to issue the options to Transocean upon successful completion of the convertible note placement.

The fees payable by the Company to Transocean in connection with Transocean's investment banking services to the Company are as follows:

(1) a corporate finance and advisory fee of A$200,000;

(2) a co-ordination fee of 0.5% for moneys raised for the Company in respect of the Convertible Note issue during the 6 month term of the retainer, with the term able to be extended by mutual agreement;

(3) up to 5% of all funds placed by Transocean during the 6 month term of the retainer, with the term able to be extended by mutual agreement.

(4) the success fee options referred to in Resolution 1.2, which are only to be issued upon successful completion of the capital raising, as described in Resolution 1.2.

Transocean is not a "related party" of the Company under the Corporations Act.

The following information is provided to shareholders for the purpose of Listing Rule 7.3:

Maximum number of securities to be issued

20,000,000 options.

The date by which the Company will issue and allot the securities

The issue of the options will occur no later than 3 months after the date of this Extraordinary General Meeting, or such later date as is approved by the Australian Stock Exchange (**ASX**).

The issue price of the securities

The options will be issued in consideration for the investment banking services provided by Transocean to the Company in connection with the proposed placements of convertible notes and shares referred to in Resolutions 1.1, 2.1 and 2.2.

The name of the allottee

Transocean Securities Pty Ltd.

The terms of the securities

The options will be issued on the terms set out in 0.

The intended use of the funds raised

Not applicable.

The following additional information is provided to assist shareholders in considering the proposed Resolution 1.2:

Directors' recommendation

All of the Directors were available to consider the proposed Resolution 1.2. None of the Directors have an interest in the outcome of the proposed Resolution 1.2 and consider themselves justified in making a recommendation to shareholders concerning the proposed Resolution 1.2. Each of the Directors considers that the proposed Resolution 1.2 is in the best interests of the Company and its shareholders. Each Director recommends that shareholders vote in favour of Resolution 1.2. This recommendation is based principally on the advantages of Resolution 1.2 summarised below.

Advantages of the Resolution

(1) The proposed Resolution provides for options to be issued to the Company's investment bankers in connection with the fundraising transactions referred to in Resolutions 1.1, 2.1 and 2.3.

(2) The funds raised from these fundraising transactions will assist the Company to achieve important objectives of the Company, including the development of the Company's Mt Weld Rare Earths Project, the repayment of contingent debt to Ashton Mining (WA) Pty Ltd and provision for the repayment of the outstanding convertible notes due in November 2006, as summarised in the table of the intended use of the funds raised set out on page 10.

Disadvantages of the proposal

Upon the exercise of the options to be issued pursuant to Resolution 1.2, the shareholding of each existing shareholder will be diluted, the potential dilution of the existing shareholders is set out in the proforma capital structure set out in Annexure A.

Effect of the proposal on the Company

The effect of the proposed Resolutions on the Company is summarised in the Advantages and Disadvantages sections above, and in the proforma capital structure set out in Annexure A. In the opinion of the Directors, the proposed Resolutions will not otherwise affect the Company's state of affairs.

PART 2 - PLACEMENTS OF SHARES

1. RESOLUTION 2.1 – APPROVAL OF ISSUE OF SHARES

The Company proposes to raise A$40,000,000 by issuing the following fully paid ordinary shares at A$0.31 per share:

The Ospraie Portfolio Ltd: 57,419,355 shares

Ospraie Special Opportunities Master Holdings Ltd: 7,096,774 shares

Restamove Ireland Limited: 58,064,516

Daleford Way Pty Ltd ACN 076 517 612: 806,452

Transocean Securities Pty Ltd ACN 009 230 120: 2,645,161

Nicholas Curtis: 3,000,000 (referred to in Resolution 2.2)

Intended Application of Funds Raised

The monies proposed to be raised from the issue of the convertible notes and the placements of shares will account for the projected capital cost of the Company's Mt Weld Rare Earths Project (as detailed in the table below), the repayment of contingent debt to Ashton Mining (WA) Pty Ltd, provision for the repayment of the outstanding convertible notes due in November 2006, and associated listing and financing charges as detailed in the table below.

Intended Application of Funds Raised	Amount	Total
Project Capital Costs		
Mt Weld mine development capital cost	$16.2m	
Processing Plant capital cost	$40.4m	
Contingency (15%)	$8.4m	**$65.0m**
Corporate refinancing Costs		
Repayment of Ashton outstanding contingent debt	$5.6m	
Provision for repayment of convertible notes due Nov '06	$5.0m	**$10.6m**
Amount to be applied to the project from existing cash		**($0.6m)**
Total		**$75.0m**

Sources of funds	Total
Convertible note placement	$35.0m
Share placement	$40.0m
Total	**$75.0m**

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue.

The Subscribers are not "related parties" of the Company under the *Corporations Act.*

The following information concerning Resolution 2.1 is provided to shareholders for the purpose of Listing Rule 7.3:

The maximum number of securities to be issued

126,032,258 fully paid ordinary shares.

The date by which the Company will issue and allot the shares

The issue and allotment of the shares to the Subscribers will occur no later than 3 months after the date of this Extraordinary General Meeting, or such later date as is approved by the ASX.

The issue price of the securities

A$0.31.

Names of the Allottees

The Ospraie Portfolio Ltd

Ospraie Special Opportunities Master Holdings Ltd

Restamove Ireland Limited

Daleford Way Pty Ltd ACN 076 517 612

Transocean Securities Pty Ltd ACN 009 230 120

The terms of the securities

Fully paid ordinary shares.

Intended use of the funds raised

The intended use of the funds raised is summarised on page 9 above.

2. RESOLUTION 2.2 – APPROVAL OF ISSUE OF SECURITIES – NICHOLAS CURTIS

The Company proposes to raise A$930,000 by issuing 3,000,000 fully paid ordinary shares to Nicholas Curtis at A$0.31 per share.

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue.

Exception 14 in Listing Rule 7.2 states that if approval of an issue of securities is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Listing Rule 10.11 provides that a listed company may not issue equity securities to a related party without the approval of holders of ordinary securities. Nicholas Curtis is a director of the Company and accordingly he is a "related party" of the Company under the *Corporations Act.*

The following information is provided to shareholders for the purpose of Listing Rule 10.13:

Name of the Allottee

Nicholas Curtis

The maximum number of securities to be issued

3,000,000 fully paid ordinary shares.

The date by which the Company will issue and allot the shares

The issue and allotment of the shares will occur no later than 1 month after the date of this Extraordinary General Meeting, or such later date as is approved by the ASX.

The issue price of the securities and the terms of issue

The securities are fully paid ordinary shares to be issued at A$0.31.

Intended use of the funds raised

The intended use of the funds raised is summarised on page 9 above.

The following additional information is provided to assist shareholders in considering the proposed Resolutions 2.1 and 2.2:

Directors' recommendation

All of the Directors were available to consider the proposed Resolutions 2.1 and 2.2.

Section 195 of the Corporations Act provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered.

Nicholas Curtis has an interest in the outcome of the proposed Resolution 2.2, in that he will be issued shares in accordance with the proposed Resolution 2.2. Accordingly, Nicholas Curtis is unable to make a recommendation to shareholders concerning the proposed Resolution 2.2.

The other Directors of the Company (**Non-Participating Directors**) being Jacob Klein and David Davidson do not have an interest in the outcome of the proposed Resolutions 2.1 and 2.2, and consider themselves justified in making a recommendation to shareholders concerning the proposed Resolutions 2.1 and 2.2. Each of the Non-Participating Directors considers that the proposed Resolutions 2.1 and 2.2 are in the best interests of the Company and its shareholders. Each Non-Participating Director recommends that shareholders vote in favour of Resolutions 2.1 and 2.2. This recommendation is based principally on the advantages of Resolutions 2.1 and 2.2 summarised below.

Advantages of the Resolutions

(1) The proposed Resolutions will increase the Company's cash resources by the amount of the funds raised from the proposed issue of shares, which will be up to A$40 million.

(2) The funds raised from the proposed issue of shares will assist the Company to achieve important objectives of the Company, including the development of the Company's Mt Weld Rare Earths Project, the repayment of contingent debt to Ashton Mining (WA) Pty Ltd and provision for the repayment of the outstanding convertible notes due in November 2006, as summarised in the table of the intended use of the funds raised set out on page 10.

Disadvantages of the proposal

The proposed issue of additional ordinary shares pursuant to Resolutions 2.1 and 2.2 will dilute the shareholdings of each existing shareholder, in the manner set out in the proforma capital structure set out in Annexure A.

Effect of the proposal on the Company

The effect of the proposed Resolutions on the Company is summarised in the Advantages and Disadvantages sections above, and in the proforma capital structure set out in Annexure A. In the opinion of the Directors, the proposed Resolutions will not otherwise affect the Company's state of affairs.

PART 3 – ISSUE OF SHARES TO RAB CAPITAL PLC ON 17 JANUARY 2006

1. RESOLUTION 3.1 – APPROVAL OF ISSUE OF SECURITIES

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except where an exception applies or with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and shareholders subsequently approve the issue.

Resolution 3.1 seeks shareholder approval for the purpose of Listing Rule 7.4 of the issue to RAB Capital plc on 17 January 2006 of 9,800,000 fully paid ordinary shares at an issue price of $0.14 per share, together with one 3-year option exercisable at $0.17 per share for each share issued.

RAB Capital plc is not a "related party" of the Company under the *Corporations Act.*

The following information is provided to shareholders for the purpose of Listing Rule 7.5:

The number of securities allotted

9,800,000 fully paid ordinary shares

9,800,000 options

The issue price of the securities

$0.14 per share. For each share issued, one option was also issued for no further consideration.

The terms of the securities

Shares: Fully paid ordinary shares

Options: As set out in 0.

The name of the allottee

RAB Capital plc

Intended use of the funds raised

The funds raised were used for partial repayment of the amounts payable by the company to Ashton Mining (WA) Pty Ltd, in respect of which an instalment of AU$3,000,000 was paid by the Company on 8 May 2006.

PART 4 – AMENDMENTS TO OPTION INCENTIVE PLAN

1. RESOLUTION 4.1 – AMENDMENTS – 1999 OPTION INCENTIVE PLAN

On 28 October 1999, the shareholders of the Company approved the adoption of the "Rules of Lynas Corporation Limited (ACN 009 066 648) 1999 Option Incentive Plan" (**Plan**).

The shareholders of the Company subsequently approved amendments to the Plan at Annual General Meetings held on 30 November 2001 and 26 November 2002.

The Directors consider it appropriate to make the following further amendments to the Plan, for the reasons set out below:

(1) The number of options that may currently be issued pursuant to the Plan is capped at 15,000,000 options. It is common for employee option plans to refer to a percentage of the issued share capital of the Company (rather than a fixed number of options). Accordingly, it is proposed that the Plan be amended so that the number of options that may be issued under the Plan at any time may not exceed 10% of the issued share capital of the Company.

(2) The Plan currently requires recipients of options to serve a 3 year Qualifying Period with the Company before options may be exercised. The expiry date of options is 5 years after the date of issue. The Directors understand that these are relatively common provisions. However, the Plan also provides that the maximum percentage of options which may be exercised in any financial year is 20% of the number of options issued to an Optionholder. The Directors have concluded that the 20% per year limitation is unusual and that it is inconsistent with the three year Qualification Period and the five year Exercise Period of options. Accordingly, it is proposed to delete the requirement that the maximum percentage of options which may be exercised in any financial year is 20% of the number of options issued to an Optionholder.

(3) The Plan currently states that an option must be issued at a price which is the higher of:

  (a) $0.30; or

  (b) the weighted average price of the Company's shares on the ASX over the five trading days prior to the date of offer of the Option.

  The above requirements for calculation of the exercise price did not adequately allow for periods of time when the Company's shares were trading at a price significantly higher or lower than $0.30. In addition, it is considered that the Directors may wish in certain circumstances to issue Options at a price above the current prevailing market price, in order to provide additional incentives for the Optionholders to generate additional growth of the Company over the period of the Options.

Accordingly, it is proposed that the exercise price of future Options will be amended so that it must be no lower than the weighted average price of the Company's shares on the ASX over the five trading days prior to the date of offer of the Options. This would allow the Directors to issue Options at a higher exercise price (but not a lower exercise price), where that is considered appropriate.

The amendments to the Plan will apply to Options issued after the amendments have been approved by shareholders (including the options referred to in Resolution 4.2), but will not affect options issued under the Plan prior to the approval of the amendments.

A composite copy of the Plan incorporating all the amendments in marked up form is set out in Annexure D.

2. RESOLUTION 4.2 – AUTHORISATION OF ISSUE OF OPTIONS

In a general meeting of the Company held on 30 November 2001, the shareholders approved the issue of up to 12,500,000 options pursuant to the Plan. All options issued under the Plan since 30 November 2001 have been issued in accordance with that shareholder approval.

Under Listing Rule 7.1, the Company may issue equity securities equivalent to 15% of the total issued equity securities in the Company without obtaining a further shareholder approval. Listing Rule 7.2 Exception 9 contains an exception to the 15% limit where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue of securities. It is common for companies to obtain approvals of the issue of securities pursuant to an employee incentive scheme every 3 years, so that Listing Rule 7.2 Exception 9 continues to apply to the employee incentive scheme.

Given that it has been more than 3 years since the shareholders of the Company approved the issue of options pursuant to the Plan, the Company seeks shareholder approval in the same terms as the approval granted on 30 November 2001.

The following information is provided in accordance with Listing Rule 7.2 Exception 9:

(1) a summary of the terms of the Plan is set out in Annexure C;

(2) the number of securities issued under the Plan since the date of the last approval (on 30 November 2001) is 9,300,000.

PART 5 – APPROVAL OF ISSUE OF OPTIONS TO EXECUTIVE DIRECTOR

1. RESOLUTION 5.1 –ISSUE OF OPTIONS TO EXECUTIVE DIRECTOR – NICHOLAS CURTIS

The Company proposes to issue a total of 5,000,000 Options to Nicholas Curtis, an Executive Director of the Company.

The Options will be issued on the terms and conditions of the Plan as set out in Annexure C.

Listing Rule 10.14

Listing Rule 10.14 states that a company must not permit a Director or an associate of a Director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders.

The following information is provided to shareholders for the purpose of Listing Rule 10.15:

(a) the Options will be issued to Nicholas Curtis, who is an executive director. ("Participating Director");

(b) the maximum number of Options to be granted under Resolutions 5.1 is 5,000,000;

(c) the Options will be granted as employee incentive options and accordingly the Options will be issued for nil consideration. The exercise price of the Options is $0.30 per share exercisable on or before 30 June 2011;

(d) the value of the Options to be granted to the Participating Directors as calculated by Remuneration Strategies Group, using the above assumptions and the Black & Scholes valuation model is $0.185 per Option (details of the calculation of this valuation are set out below);

(e) no person referred to in Listing Rule 10.14 (which includes all Directors of the Company) has received securities under the Plan since the adoption of the Plan without the approval of holders of ordinary securities;

(f) the name of the person referred to in Listing Rule 10.14 who is entitled to participate in the Plan is Nicholas Curtis;

(g) no loan is granted in relation to the acquisition of Options by the Director;

(h) the Options will be issued no later than 12 months after the date of this Extraordinary General meeting;

(i) the Options will be issued to the Participating Director for no consideration.

Related Party Transactions

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:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

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

Resolutions 5.1 provides for the grant of Options to a Director of the Company, which is a financial benefit that requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

The related parties to whom the proposed resolutions would permit the financial benefit to be given

Nicholas Curtis.

The nature of the financial benefit

The proposed financial benefit to be given is the grant of Options for no consideration. The terms and conditions of the Options to be granted are set out in Annexure D to this Explanatory Memorandum. The Options cannot be sold, transferred, assigned or otherwise disposed of except with the approval of the Board of Directors.

Directors' recommendation

All the Directors were available to consider the proposed Resolution 5.1.

Section 195 of the *Corporations Act* provides, in essence, that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a “material personal interest” are being considered.

The Participating Director has an interest in the outcome of the proposed resolution he will be issued Options in accordance with the proposed resolution. Accordingly, the Participating Director is unable to make a recommendation to shareholders concerning the proposed resolutions 5.2.

The other Directors of the Company (“Non-Participating Directors”) being Jacob Klein and David Davidson do not have an interest in the outcome of the proposed resolutions and consider themselves justified in making a recommendation to shareholders concerning the proposed resolution 5.1. Each of the Non-Participating Directors considers that the proposed Resolution 5.1 is in the best interests of the Company and its shareholders. It is important that the remuneration of the Directors is linked to the medium term and long term strategies of the Company. Proposed Resolution 5.1 will provide Mr Curtis with additional incentives to successfully implement the Company’s strategies.

Therefore, each Non-Participating Director recommends that shareholders vote in favour of Resolution 5.1.

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 Resolution 5.1 would have the effect of giving power to the Directors to grant 5,000,000 Options on the terms and conditions as set out in Annexure D and as otherwise mentioned above. As at 13 June 2006, the Company has on issue 245,824,924 ordinary shares and 38,236,640 unlisted Options.

If any Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing shareholders. 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 highest price of fully paid ordinary shares in the Company trading on ASX during the past 12 months was $0.41 which occurred on 8 May 2006 and the lowest price of shares in the Company trading on ASX during the past 12 months was $0.12 which occurred on 25 November 2005. The closing price of shares in the Company trading on the ASX on 13 June 2006 was $0.255.

The total of the other remuneration being received by the proposed recipient of the options (as set out in the Company's 2005 Annual Report) is $400,000 per annum.

The shares and options currently held by the proposed recipient of the options are set out below:

	Ordinary Shares	Employee Options
Securities held in the name of the Director	8,460,192	2,000,000
Other securities in which the Director has a relevant interest	12,196,286	

It is not considered 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 forgone by the Company resulting from the issue of the Options pursuant to Resolution 5.1.

Valuation of Options

The Company's advisers, Remuneration Strategies Group, have valued the Options using a discreet time variation, Black Scholes Merton based model, with a 250 step binomial tree. This model is widely recognised as the appropriate model for pricing options of this type around the world. It is in line with the methodology set by the International Accounting Standards Board and with the governing Australian accounting standard, AASB2, issued by the Australian Accounting Standards Board.

The value of an option utilising this model is rounded to the nearest one hundredth of a cent.

The value of the Options has been ascertained utilising the following variables:

- The price of the underlying shares is 30.44 cents, being the weighted average price determined over a period of one week up to and including the day 29 May 2006;
- The exercise price is 30.44 cents;
- The term of the option is 5 years;
- The underlying shares do not pay a dividend;
- The volatility factor is 76.09%; and
- The risk free interest rate is 5.75%.

Using the above mentioned methodology and assumptions Remuneration Strategies Group value each Option at 18.53 cents, which has been rounded to 18.5 cents.

On the basis of this calculation, the total financial benefit to be given to the Director, if Resolution 5.1 is approved, would amount to $925,000.

Apart from the information set out in this Explanatory Memorandum there is not any other information that is known to the Company or any of its directors that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass Resolution 5.1.

Annexure A
Pro Forma Capital Structure

Lynas Corporation Limited
ACN 009 006 648
Pro-forma Capital Structure

		Current Capital Structure					Pro-forma Transactions				
Item	**Number**	**Exercise Price**	**Expiry Date**	**Issue Price per Security**	**Conversion Price**	**Fully Diluted Position**	**Convertible Note Placement Resolution 1.1**	**Issue of Options Resolution 1.2**	**Placement of Shares Resolutions 2.1 & 2.2**	**Issue of Options Resolution 5.1**	**Fully Diluted Pro-forma Position**
Ordinary Shares	245,824,924					**245,824,924**			129,032,258		**374,857,182**
Options											
Employee Options	7,700,000	$ 0.25	Nov-06			**7,700,000**					**7,700,000**
	300,000	$ 0.30	Nov-07			**300,000**					**300,000**
	1,270,000	$ 0.30	Jun-08			**1,270,000**					**1,270,000**
Other Options	7,500,000	$ 0.30	Nov-07			**7,500,000**					**7,500,000**
	2,933,326	$ 0.20	Dec-06			**2,933,326**					**2,933,326**
	7,733,314	$ 0.20	Dec-07			**7,733,314**					**7,733,314**
	1,000,000	$ 0.20	Nov-06			**1,000,000**					**1,000,000**
	9,800,000	$ 0.17	Jan-09			**9,800,000**					**9,800,000**
		$ 0.17	Jun-09					20,000,000			**20,000,000**
										5,000,000	**5,000,000**
Convertible Debt Securities											
Convertible Note - November 2006	100			$ 50,000	$ 0.19	**26,315,789**					
Convertible Note - July 2011				$ 1,000	$ 0.40		35,000				**87,500,000**
Total						**310,377,353**					**525,593,822**

Notes:

The table above sets out the fully diluted Pro-forma capital structure of Lynas Corporation Limited assuming the following:

1. Existing capital structure as outlined above;
2. Successful completion of the placement of the 2011 Convertible Notes including oversubscriptions to raise a total of $35,000,000;
3. All option holders were to exercise their respective option holdings and purchase ordinary shares in the Company pursuant to the terms of the options;
4. Successful placement of 129,032,258 ordinary shares as contemplated by Resolutions 2.1 and 2.2; and
5. Repayment of the 2006 Convertible notes without conversion.

Annexure B
Terms and Conditions of Notes

Enclosed as a separate document

Terms of Options

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

2. A Certificate will be issued for the Options.

3. The Options shall expire three years after the day on which the Options are issued.

4. Notwithstanding any other terms and conditions of the Options, all Options may be exercised:

   (a) during a Bid Period; or

   (b) upon the occurrence of a Change of Control Event; or

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

5. Each Option shall carry the right in favour of the Option holder to subscribe for one Share.

6. Options may be exercised in whole or in part.

7. Shares allotted to Option holders on the exercise of Options shall be issued at the price of $0.17 per share.

8. The issue price of Shares the subject of the Options shall be deemed to have been paid in full on exercise of the Options.

9. Subject to clause 21 of these Option Terms:

   (a) 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; and

   (b) an exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by him.

10. The Company shall allot the resultant Shares within five (5) Business Days of the exercise of the Option.

11. No application will be made for the Options to be listed for Official Quotation on ASX.

12. 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.

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

14. 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.

15. 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.

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

17. 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:

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

Where:

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.

18. 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.

19. 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.

20. Options may be converted into Shares to be held in the name of the Option holders' nominee.

21. The Option may be exercised in whole or in part in parcels of not less than 1,000, except if the Optionholder holds less than 1,000 Options in which case, all Options held by the Optionholder must be exercised together.

Unless the context otherwise requires, capitalised terms used in these terms and not otherwise defined have the same meanings as in the ASX Listing Rules.

GLOSSARY

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

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

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

Annexure C
RULES OF LYNAS CORPORATION LIMTIED (ACN 009 066 648)

1999 OPTION INCENTIVE PLAN

INCORPORATING AMENDMENTS APPROVED AT THE COMPANY'S ANNUAL GENERAL MEETINGS ON 30 NOVEMBER 2001 and 26 NOVEMBER 2002

MARKED UP TO SHOW THE NEW PROPOSED AMENDMENTS

1. Name

This Plan shall be called the Lynas Corporation Limited (ACN 009 066 648) – 1999 Option Incentive Plan.

2. Purpose

The Purpose of this Plan is to:

- recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company;
- provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its directors, employees and consultants.

3. Commencement

Subject to the passing of a special resolution of shareholders in general meeting authorising the establishment of this Plan, the Plan shall take effect from such date subsequent to that meeting as resolved by the Board of Directors.

4. Interpretation

In these rules, unless the context otherwise requires:

"**Amendment Date**" means the date of completion of the Annual General Meeting of the Company for the year 2001.

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

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

"**Board of Directors**" means the Board of Directors of the Company from time to time acting by resolutions made in accordance with the Corporations Act and the Constitution of the Company;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised.

"**Company**" means Lynas Corporation Limited ACN 009 066 648;

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

"**Directors**" means an executive or non-executive director of the Company, from time to time;

"**Eligible Person**" means each individual or corporate entity that is a full-time or part-time employee or consultant of the Company, a Director or an Officer of the Company;

"**Existing Options**" means Options issued under this Plan before the Amendment Date.

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

"**New Options**" means Options issued under this Plan on or after the Amendment Date.

"**Officer**" has the same meaning as is ascribed to that term in the *Corporations Act.*

"**Official Quotation**" means quotation on the Official List of ASX;

"**Option Holder**" means a person to whom options are issued under this Plan;

"**Options**" means the options granted under this Plan to subscribe for Shares;

"**Plan**" means this Plan as amended from time to time;

"**Qualification Period**" means, in respect of an Option, the period commencing on the date of grant of the Option and ending on the date which is 3 years after the date of grant of the Option.

"**Rules**" means these rules as from time to time amended; and

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

5. Eligibility

All Eligible Persons shall be entitled to participate in the Plan.

6. Limitation On Number Of Options Issued

The total number of Options over unissued Shares in the Company that may be issued under the Plan at any time shall not exceed 10% of the total number of Shares on issue from time to time.

7. Entitlements

The number of Options an Eligible Person is to be allocated shall be determined by the Board of Directors in its sole and absolute discretion. The number of Options that Directors are to be allocated will be subject to the approval of shareholders in general meeting.

8. Application

Prior to the Amendment Date, an Eligible Person could apply in his/her own name or that of a nominee to take up his/her entitlement, or part thereof, to Options under the Plan. With effect from the Amendment Date, an Eligible Person may only apply in his/her own name to take up his/her entitlement, or part thereof, to Options under the Plan.

9. Acceptance

The Company shall be obliged to accept any application made in terms of Rule 8 above, provided that the application accords, in all respects, with these Rules and is for such number of Options, or part thereof, to which the Eligible Person is entitled. Upon acceptance of a duly complying application the Company, within ten (10) business days, shall deliver an Option Certificate in respect of the Options applied for by the Eligible Person.

10. Terms And Conditions Of Options To Be Issued To Eligible Persons

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

10.2 A Certificate will be issued for the Options. Such Certificate will bear an endorsement to the following effect:

> "The Options to which this Certificate relates were issued subject to the conditions set out in the Lynas Corporation Limited ACN 009 066 648 – 1999 Option Incentive Plan."

10.3 The Options shall expire five (5) years after the date on which they are granted ("**Expiry Date**").

10.4 Notwithstanding any other terms and conditions of the Options, all Options may be exercised in whole or in part:

(a) during a Bid Period; or

(b) upon the occurrence of a Change of Control Event; or

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

10.4A Despite anything contained elsewhere in these Rules, rules 10.6B and 106C apply only to New Options and do not apply to Existing Options.

10.4B Despite anything contained elsewhere in these Rules, but subject to Rule 10.6C, a new Option is only exercisable:

(a) during the period commencing on the date which is 3 years after the date of grant of the New Option and ending on the Expiry Date; and

(b) subject to rule 11.3, if immediately following the expiration of the Qualification Period, the Option Holder is an Eligible Person.

10.4C The Board of Directors may waive or amend the operation of Rule 10.6B (but so as not to increase the period for the exercise of an Option) as it applies to an Option Holder in the case of hardship or for any other just reason.

10.5 Each Option shall carry the right in favour of an Option Holder to subscribe for one Share.

10.6 To the extent Options may be exercised in accordance with condition 10.4, Options may be exercised in whole or in part.

10.7 Shares allotted to Option Holders on the exercise of Options shall be issued at the price which is no less than the weighted average price of the Company's shares on the ASX over the five trading days prior to the date of offer of the Options.

10.8 The issue price of Shares the subject of the Options shall be payable in full on exercise of the Options.

10.9 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. An exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.

10.10 The Company shall allot the resultant Shares within five (5) business days of the exercise of the Option.

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

10.11A Despite anything contained elsewhere in these Rules, Rule 10.14 applies only to Existing Options and does not apply to New Options.

10.12 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.

10.12A (a) Despite anything contained elsewhere in these Rules, this Rule 10.14A applies only to New Options and does not apply to Existing Options.

(b) An Option Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option during the Qualification Period.

(c) After the expiration of the Qualification Period, an Option Holder may sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option on condition that the proposed new holder of the Option enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the provisions contained in this Plan.

(d) The Board of Directors may waive or amend the operation of rule 10.14A(b) as it applies to an Option Holder in cases of hardship or for any other just reason.

10.13 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.

10.14 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.

10.15 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.

10.16 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.

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

10.18 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.

10.19 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.

10.20 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.

10.21 Options may be converted into Shares to be held in the name of the Option Holders' nominee.

11. Termination Of Right To Exercise Option

11.1 For the purposes of this Rule 11, the term "Unexercised Options" means Options granted under the Plan which have not lapsed (ie. have not been terminated pursuant to the provisions of Rule 11.2 or 11.3, not expired by effluxion of time, have not been exercised or for any reason whatsoever or have ceased permanently to have rights of conversion to Shares).

11.2 The exercise of Options under this Plan shall be ineffective in the event of and upon the Option Holder ceasing to be an Eligible Person in circumstances where:

(1) the Eligible Person ceases to be an Eligible Person by reason of the cessation of employment, directorship or consultancy, for whatever reason, including resignation or retirement, other than the circumstances referred to in Rule 11.2(b) or Rule 11.3, however the Option Holder may exercise his Unexercised Options at any time within 30 days or such other period, being not less than 30 days, as determined by the Board of Directors (in its sole and absolute discretion) immediately following the date upon which the Eligible Person so ceased to be an Eligible Person; or

(2) the Eligible Person ceases to be an Eligible Person by reason of the Company or any related body corporate (as defined in the Corporations Act) of the Company terminating the Eligible Person's contract of service in circumstances where the Eligible Person is found to be guilty of gross misconduct, gross negligence, wilful disobedience or any other cause or matter which entitles the Company or related body corporate to dismiss the Eligible Person without notice. In such circumstances the Option Holder's right to exercise Unexercised Options shall terminate immediately upon dismissal of the Eligible Person; or

(3) Options have been assigned in accordance with the terms of this Option Plan and an event has occurred in respect of the original Option Holder of the nature referred to in Rule 11.2 or 11.3. In such circumstances, the person then the holder of the Options shall be entitled to exercise the Unexercised Options within the same time limits specified in Rule 11.2(a) or Rule 11.3.

11.3 The exercise of Options under this Plan shall be not ineffective if the Option Holder ceases to be an Eligible Person in the following circumstances:

(1) where an Option Holder dies and at the date of his death that Option Holder held any Unexercised Options. In such circumstances, those Unexercised Options are automatically transferred to the estate of the deceased Option Holder and shall continue as provided for by the terms of the Plan notwithstanding the Option Holder is no longer an Eligible Person;

(2) where the relevant Eligible Person is a Director and ceases to hold such office by reason of removal pursuant to a resolution duly passed by the members of the Company. In such circumstances, the Option Holder's Unexercised Options shall continue as provided for by the terms of the Plan notwithstanding the Option Holder is no longer an Eligible Person; or

(3) where the Eligible Person ceases to be an Eligible Person by reason of ill health or accident (resulting in permanent disability). In such circumstances, the Eligible Person's right to exercise Unexercised Options shall not be terminated and shall continue as provided for by the terms of the Plan prior to the occurrence of the illness or permanent disability notwithstanding the Option Holder is no longer an Eligible Person.

11.4 The Board of Directors may (by simple majority vote of the Directors) extend or waive the application of any provision of Rule 11.2 or 11.3 or determine that where the provisions of Rule 11.2 or 11.3 are invoked that upon expiry of any relevant period nominated in that Rule the subject Options shall thereupon terminate (or if such discretion is exercised after the event, shall terminate at the time of exercise of such discretion).

11.5 Subject to the requirements of the Listing Rules without limiting the generality of Rule 11.4, the Board of Directors may extend the time within which Options may by virtue of Rule 11.2 and 11.3 be exercised irrespective of whether such time in relation to any particular Option has passed or not. In exercising any power or discretion under Rule 11.4, the Board of Directors shall have an unfettered absolute discretion and shall not be obliged to assign any reason for the manner in which it has or has not exercised any discretion conferred by this Rule.

11.6 Despite anything contained elsewhere in these Rules, Rules 11.2, 11.4 and 11.5 apply only to Existing Options and do not apply to New Options, and Rule 11.3 applies to both Existing Options and New Options.

12. Restrictions or Alterations to the Plan

The Plan may be amended at any time by resolution of the Board of Directors of the Company subject to the requirements from time to time of the Corporations Act and the Listing Rules including approval by the Company's shareholders of any such amendment to the Plan. Any such amendment however shall not adversely affect the rights of Option Holders who are granted Options prior to such amendment without the consent of the Option Holder, unless such amendment is required by, or necessitated by amendments to, either the Corporations Act or the Listing Rules.

13. Rights of Employees

The Plan shall not form part of any contract of employment between the Company and any of its employees or Directors and shall not confer directly or indirectly on any Eligible Person the right to be employed by or to continue to be employed by or hold any position in relation to the Company.

14. Powers of the Directors

The Plan shall be administered by the Board of Directors who shall have the power to:

14.1 determine procedures from time to time for administration of the Plan consistent with these rules;

14.2 resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and

14.3 delegate to any one or more persons for such period and on such conditions as may be determined by the Board of Directors, the exercise of any of the Board of Directors' powers or discretions arising under the Plan.

15. Termination of Plan

The Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Options issued prior to termination.

16. Governing Law

This Plan shall be governed by, administered and construed in accordance with the Laws of Western Australia.

LYNAS CORPORATION LIMITED
ACN 009 066 648
PROXY FORM

The Company Secretary
Lynas Corporation Limited
C/- The Share Registry
770 Canning Highway
APPLECROSS WA 6153

Facsimile: +61 8 9315 2233

I/We (name of shareholder) ....
of (address) ....
being a member/members of Lynas Corporation Limited HEREBY APPOINT
(name) ....
of (address) ....
or failing that person then the Chairperson of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on 4 August 2006 and at any adjournment of the meeting.

Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
PART 1 – Convertible Note Placement			
Resolution 1.1 Approval of issue of convertible notes to investors	☐	☐	☐
Resolution 1.2 Approval of issue of securities	☐	☐	☐
PART 2 – Placements of Shares			
Resolution 2.1 Approval of issue of shares	☐	☐	☐
Resolution 2.2 Approval of issue of shares – Nicholas Curtis	☐	☐	☐
PART 3 – Issue of Shares to RAB Capital plc on 17 January 2006			
Resolution 3.1 Ratification of prior issue and allotment of securities	☐	☐	☐
PART 4 – Amendments to Option Incentive Plan			
Resolution 4.1 Amendments – 1999 Option Incentive Plan	☐	☐	☐

	For	Against	Abstain
Resolution 4.2 Authorisation of issue of Options	☐	☐	☐
PART 5 – Approval of issue of Options to Executive Director Resolution 5.1 Issue Of Options To Executive Director – Nicholas Curtis	☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

In relation to undirected proxies, the Chairman intends to vote in favour of each of Resolutions 1.1 through to 5.1.

If you wish to appoint the Chairman as your proxy and you do not wish to direct the Chairman how to vote, please place a mark in the box. ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Shareholders are entitled to appoint up to 2 proxies (whether shareholders or not) to attend the Meeting and vote. If you wish to appoint 2 proxies, please obtain a second form by telephoning (02) 8259 7100. Both forms should be completed with the nominated number or percentage of your voting rights clearly printed on each form. If you do not specify a number or percentage of your voting rights, each proxy may exercise half of your voting rights. Please return both proxy forms together.

Dated .

If the shareholder is an individual:

Signature: ______________________________________

If the shareholder is a company:

Affix common seal (if required by Constitution)

______________________________ Director/Sole Director and Secretary	______________________________ Director/Secretary
______________________________ Print name	______________________________ Print name

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.

2. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by each of the joint shareholders, personally or by a duly authorised attorney.

3. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.

4. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting **that is by 11.00am AEST on 2 August 2006** by post or facsimile to the respective addresses stipulated in this proxy form.

5. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:

   (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
   (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
   (c) if the proxy is Chairperson, the proxy must vote on a poll and must vote that way, and
   (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

ANNEXURE B - TERMS AND CONDITIONS OF THE NOTES

The following, subject to completion and amendment, are the terms and conditions of the Notes substantially as they will appear in the trust deed constituting the Notes. For ease of reference these terms and conditions are divided into sections dealing with: the definitions used in these terms and conditions (Conditions 1-2); the debt security (Conditions 3-10); the equity option (Conditions 11-15); adjustments to the conversion price (Conditions 16-33); covenants relating to the equity option (Conditions 34-39); and miscellaneous provisions (Conditions 41-48). This paragraph, and any other paragraphs appearing in italics in these terms and conditions, do not form part of these terms and conditions.

INTRODUCTION AND DEFINITIONS

1. Introduction

(a) *The Notes:* The expression the "**Notes**" refers to the A$27,000,000 8.25 per cent. Convertible Notes due 11 August 2011 (and any Notes issued pursuant to the over subscription facility under Condition 46 (*Further Issues*)) of Lynas Corporation Limited (the "**Issuer**").

At the discretion of the Issuer, over subscriptions of up to A$8,000,000 may be accepted via an issue of further Notes pursuant to Condition 46 (*Further Issues*), increasing the total face value of the Notes to up to A$35,000,000.

(b) *Trust Deed:* The Notes are subject to, and have the benefit of, a trust deed to be dated on or about the date of this Offering Circular (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and J. P. Morgan Trust Australia Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(c) *Agency Agreement:* The Notes are also the subject of an agency agreement to be dated on or about the date of this Offering Circular (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, J.P. Morgan Institutional Services Australia Limited as principal paying and conversion agent (the "**Principal Paying and Conversion Agent**", which expression includes any successor principal paying and conversion agent appointed from time to time in connection with the Notes), the paying and conversion agents named therein (together with the Principal Paying and Conversion Agent, the "**Paying and Conversion Agents**", which expression includes any successor or additional paying and conversion agents appointed from time to time in connection with the Notes), J.P. Morgan Institutional Services Australia Limited as registrar (the "**Registrar**"), which expression includes any successor registrar appointed from time to time and the Trustee.

(d) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the principal office for the time being of the Trustee, being at the date hereof Level 35, AAP Building, 259 George Street, Sydney NSW 2000 and at the Specified Offices of each of the Paying and Conversion Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Aggregate Consideration**" has the meaning given in Condition 31 (*Aggregate Consideration and Consideration per Share*);

"**ASX**" means the Australian Stock Exchange Limited (ABN 98 008 624 691);

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

"**A$**" and "**Australian dollars**" means the lawful currency of Australia;

"**Bonus Issue**" means any issue of Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than a Dividend in Shares;

"**Change of Control Cash Amount**" has the meaning given in Condition 16(e) (*Change of Control - Change of Control Cash Amount*);

"**Change of Control Event**" has the meaning given in Condition 16(c) (*Change of Control - Change of Control Event*);

"**Change of Control Event Notice**" has the meaning given in Condition 16(d) (*Change of Control - Adjustment to the Conversion Price*);

"**CHESS**" means the Clearing House Electronic Subregister System, operated by the ASX Settlement and Transfer Corporation, a wholly-owned subsidiary of the ASX;

"**Consideration per Share**" has the meaning given in Condition 31 (*Aggregate Consideration and Consideration per Share*);

"**Conversion Date**" has the meaning given in Condition 12(d) (*Procedure for Conversion - Conversion Date*);

"**Conversion Expenses**" has the meaning given in Condition 12(b) (*Procedure for Conversion - Conversion Expenses*);

"**Conversion Notice**" means a notice of conversion substantially in the form (for the time being current) obtainable from the Specified Office of the Registrar;

"**Conversion Period**" has the meaning given in Condition 11(b) (*Conversion - Conversion Period*);

"**Conversion Price**" has the meaning given in Condition 11(d) (*Conversion - Conversion Price*);

"**Conversion Right**" means, in respect of any Note, the right of the holder to convert the Note into fully-paid non-assessable Shares in accordance with these Conditions;

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

"**Current Market Price**" means, in respect of a Share at a particular date, the arithmetic average of the Volume Weighted Average Price per Share for each of the 10 consecutive Exchange Business Days immediately preceding such date (the "**Relevant Period**"), *provided that*:

(i) if at any time during the Relevant Period the Volume Weighted Average Price per Share shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price per Share shall have been based on a price cum-Dividend (or cum-any other entitlement), then:

(A) if the Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price per Share on the dates on which the Volume Weighted Average Price per Share shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share (excluding, in the case of a dividend in cash, any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of Australia); or

(B) if the Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price per Share on the dates on which the Shares shall have been based on a price ex- Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to have been the amount thereof increased by such similar amount; and

(ii) if on each of the 10 Exchange Business Days during the Relevant Period the Volume Weighted Average Price per Share shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or entitlement) which has been declared or announced but the Shares to be issued do not rank for that Dividend (or entitlement) the Volume Weighted Average Price per Share on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share (excluding, in the case of a dividend in cash, any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of Australia;

(iii) if such closing prices are not available on each of the 10 Exchange Business Days during the Relevant Period, then the arithmetic average of such Volume Weighted Average Prices per Share which are available in the Relevant Period shall be used (subject to the Volume Weighted Average Prices per Share being available on at least two such Exchange Business Days); and

(iv) if the Volume Weighted Average Price per Share is not available on at least two Exchange Business Days in the Relevant Period, then the Current Market Price shall be Determined by an Expert;

"**Determined by an Expert**" means determined in good faith by an Expert acting as an expert;

"**Dividend**" means any dividend or distribution of any kind on the class of capital represented by the Shares, whether in cash or otherwise and however described:

(i) including, without limitation, a Dividend in Shares;

(ii) excluding a Bonus Issue; and

(iii) including, without limitation, any other issue of shares or other securities credited as fully or partly paid by way of capitalisation of profits or reserves;

"**Dividend in Shares**" means any issue of Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves which is to be, or may at the election of the Shareholders be, issued instead of the whole or any part of a cash Dividend which the Shareholders concerned would or could otherwise have received;

"**Effective Date**" has, for the purposes of any Condition in which such expression is used, the meaning given in the relevant Condition;

"**Exchange Business Day**" means any day that is a trading day on the Relevant Exchange other than a day on which the Relevant Exchange is scheduled to close prior to its regular weekday closing time;

"**Expert**" means, in relation to any matter to be Determined by an Expert, an independent investment bank and/or a firm of accountants which is, in either case, of international repute, appointed to act as an expert for the purposes of such matter in accordance with these Conditions and the Trust Deed;

"**Extraordinary Dividend**" has the meaning given in Condition 17(a) (*Extraordinary Dividends - Determination of Extraordinary Dividends*);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Fair Market Value**" means,

(a) with respect to a cash Dividend or other cash amount, the amount of such cash; and

(b) with respect to any other property on any date, the fair market value of that property as Determined by an Expert,

provided, however, that in any such case:

(i) where options, warrants or other rights are publicly traded in a market which is Determined by an Expert to have adequate liquidity, the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on such date (or, if later, the first such trading day such options, warrants or other rights are publicly traded) or such shorter period as such options, warrants or other rights are publicly traded;

(ii) any cash Dividend declared or paid in a currency other than Australian dollars shall be converted into Australian dollars at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the cash Dividend in Australian dollars; and

(iii) any other amount or value in a currency other than Australian dollars shall be converted into Australian dollars at the Screen Rate on that date;

"**Financial Year**" means, in respect of the Issuer, any 12 month accounting period in respect of which audited financial statements of the Issuer have been published or are expected to be published;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised;

"**Interest Payment Date**" means 11 February, 11 May, 11 August and 11 November in each year, the first Interest Payment Date being 11 November 2006;

"**Issue Date**" means 11 August 2006;

"**Material Subsidiary**" means any Subsidiary of the Issuer:

(i) whose total assets at the time of the most recently published consolidated audited financial statements of the Issuer represent at least 5 per cent, of the consolidated net assets of the Issuer; or

(ii) whose revenues at the time of the most recently published consolidated audited financial statements of the Issuer represent at least 5 per cent, of the consolidated total revenues of the Issuer,

provided that in the case of a Subsidiary acquired or an entity which becomes a Subsidiary after the end of the Financial Year to which the then latest audited consolidated financial statements of the Issuer relate, the reference to the then latest audited consolidated financial statements for the purposes of the calculation above shall, until audited consolidated financial statements of the Issuer are published for the Financial Year in which the acquisition is made or, as the case may be, in which such entity becomes a Subsidiary, be deemed to be a reference to the then latest consolidated financial statements of the Issuer adjusted in such manner as the Issuer shall consider appropriate to consolidate the latest audited accounts of such Subsidiary in such accounts; and a certificate signed by two directors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any time or throughout any specified period a Material Subsidiary shall be conclusive and binding on all parties;

"**Maturity Date**" means 11 August 2011;

"**Offer**" means an offer to acquire Shares, whether expressed as a legal offer, an invitation to treat, a scheme with regard to such acquisition or in any other way, in circumstances where such offer is available to all Shareholders or all Shareholders other than any Shareholder who is the person making such offer (or any associate of such person) or who is excluded from the offer by reason of being connected with one or more specific jurisdictions;

"**Payment Business Day**" means, in respect of any place of presentation of any Note, any day on which banks are open for presentation and payment of debt securities and for dealings in foreign currencies in such place of presentation;

"**Permitted Security Interest**" means:

(i) any Security Interest in respect of Project Debt;

(ii) any Security Interest arising by operation of law and in the ordinary course of business of the Issuer or any of its Subsidiaries (including, without limitation, security interest in respect of banker's right of set-off or netting arrangement; title retention arrangements; documentary letters of credit; pledge over documents of title to goods in favour of supplier to secure purchase price or trade finance on arm's length terms) which does not (either alone or together with any one or more other such Security Interests) materially impair the operation of such business and which has not been enforced against the assets to which it attaches;

(iii) any Security Interest which arises in respect of taxes which are not overdue or which are overdue and which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with applicable accounting standards;

(iv) any Security Interest which is created to secure the performance of an obligation for the protection or enhancement of the environment, a statutory obligation, a tender, a bond, a government or local contract or other obligation of a like nature (excluding obligations for the payment of Indebtedness), in each case entered into in the ordinary course of business of the Issuer or any Subsidiary;

(v) any Security Interest which arises to secure Indebtedness existing on any property or assets of any person which becomes a Subsidiary of the Issuer after the date hereof, at the time such person becomes a Subsidiary *provided that* (i) the Indebtedness secured thereby is Indebtedness of, or is assumed by, the relevant Subsidiary, and (ii) the amount of the Indebtedness is not increased at any time; or

(vi) any Security Interest which arises to secure Indebtedness existing on any property or assets of any company where such company's assets and property (and not the shares thereof) are acquired after the date hereof by the Issuer or any of its Subsidiaries *provided that* (i) the Indebtedness secured thereby is Indebtedness of, or is assumed by, the relevant acquiring entity and (ii) the amount of the Indebtedness is not increased at any time;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Project Debt**" means all money which the Issuer or any of the Issuer's Subsidiaries (whether alone or not) is or at any time may become actually or contingently liable to pay in connection with the provision of financial accommodation for working capital in connection with the construction, development or operation of a mining operation on the Tenements and/or the Issuer's proposed processing operations in China up to a maximum principal amount of A$10,000,000;

"**Rare Earths Elements**" means the rare earth elements including Lanthanum, Cerium, Praseodymium, Neodymium, Promethium, Samarium, Europium, Gadolinium, Terbium, Dysprosium, Holmium, Erbium, Thulium, Ytterbium, Lutetium, Yttrium and Scandium;

"**Rare Earths Oxides**" means minerals containing Rare Earths Elements;

"**Rate of Interest**" means 8.25 per cent. per annum calculated and paid on a quarterly basis;

"**Record Date**" means, in respect of any entitlement to receive any dividend or other distribution declared, paid or made, a new offer or issue of securities or any rights granted, the record date or other due date for the establishment of the relevant entitlement;

"**Regulation S**" means Regulation S under the United States Securities Act of 1933;

"**Relevant Date**" means, in relation to any payment in respect of a Note, whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying and Conversion Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Exchange**" means the ASX or, if the Shares are no longer traded on the ASX the principal stock exchange or securities market on which the Shares are then traded;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market;

"**REO**" means Rare Earths Oxides, expressed in tonnes produced;

"**Reserved Matter**" means, in the context of any meeting of Noteholders, any proposal:

(i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(ii) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under the Trust Deed);

(iii) to change the currency in which amounts due in respect of the Notes are payable;

(iv) to change any aspect of the Conversion Right;

(v) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or

(vi) to amend this definition of Reserved Matter;

"**Rights**" means, in respect of any securities or assets, any options, warrants or other rights (other than Share-Related Securities) which by their terms of issue carry a right to subscribe for, purchase or otherwise acquire such securities or assets;

"**Screen Rate**" means, on any day, and, in respect of the translation or conversion of one currency into another currency, the rate of exchange between such currencies appearing on the relevant Reuters page on that day, or, if that page is not available or that rate of exchange does not appear on that page on that day, the rate of exchange between such currencies appearing on such other screen or information service, or determined in such other manner, as the Issuer shall determine, with the prior written approval of the Trustee;

"**Security Interest**" means any mortgage, charge, pledge, lien, assignment by way of security or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**SGX-ST**" means the Singapore Exchange Securities Trading Limited;

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

"**Shareholder**" means the person in whose name a Share is for the time being registered in the register of Share ownership maintained by or on behalf of the Issuer;

"**Share-Related Securities**" means any securities (excluding the Notes but including any further Notes issued pursuant to Condition 46 (*Further Issues*)) which by their terms of issue:

(i) carry a right to subscribe for, purchase or otherwise acquire Shares or any securities which by their terms of issue might be redesignated as Shares; or

(ii) might be redesignated as Shares or be redesignated so as to carry a right to subscribe for, purchase or otherwise acquire Shares;

"**Share Repurchase Threshold**" means the threshold determined in accordance with Condition 17(b) (*Extraordinary Dividends - Share Repurchase Threshold*);

"**Specified Office**" means the address of the Trustee specified in the Trust Deed or the address of the Principal Paying and Conversion Agent or the Registrar specified in the Agency Agreement, as applicable;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Tax Redemption Date**" has the meaning give in Condition 7(b) (*Redemption and Purchase - Redemption for tax reasons*);

"**Tenements**" means Western Australian mining tenements M38/58, M38/59 and M38/326;

"**Underwriter**" means RAB Special Situations (Master) Fund Limited.

"**Volume Weighted Average Price**" means, in respect of a Share on any Exchange Business Day, the order book volume-weighted price of a Share (expressed in Australian dollars) as obtained or derived from the Relevant Exchange (or such other source as shall be Determined by an Expert) on such Exchange Business Day, *provided that* (other than for the purpose of the definition of Current Market Price):

(i) if on any such Exchange Business Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Exchange Business Day on which the same can be so determined; and

(ii) if any Dividend or other entitlement in respect of the Shares is announced on or prior to the relevant Conversion Date in circumstances where the Record Date in respect of such Dividend or other entitlement shall be on or after the relevant Conversion Date and if on any such Exchange Business Day the price as determined as provided above is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of any such Dividend or other cash entitlement as at the date of announcement of such Dividend or entitlement per Share (excluding, in the case of a dividend in cash, any associated tax credit and less the tax, if any, falling to be deducted on payment thereof to a resident of Australia).

(b) *Construction of certain references:* In these Conditions, unless otherwise specified or unless the context otherwise requires:

(i) a reference to a business day in any place shall be construed as a reference to a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in that place;

(ii) the expression the "Notes" shall be construed so as to include any further notes issued pursuant to Condition 46 (*Further Issues*) and forming a single series with the Notes;

(iii) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(iv) references to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be construed so as to include an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any jurisdiction or requirements of any recognised regulatory body or any stock exchange in any jurisdiction or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;

(v) "equity share capital" means, in relation to a company, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution;

(vi) references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing;

(vii) Shares held by the Issuer or any of its Subsidiaries shall not be considered as or treated as "in issue"; and

(viii) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

THE DEBT SECURITY

3. **Form, Denomination and Title**

The Notes are serially numbered and in the denomination of A$1,000 per Note. The registered holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such registered holder.

4. **Status**

The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Negative Pledge**

So long as any Note remains outstanding:

(i) the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness or any Guarantee of any Indebtedness; and

(ii) the Issuer shall procure that none of its Subsidiaries will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness or any Guarantee of any Indebtedness,

without (in the case of paragraphs (i) or (ii) above) at the same time or prior thereto (A) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (B) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

6. **Interest**

(a) *Interest commencement and rate:* The Notes bear interest from the Issue Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 8 (*Payments*).

(b) *Cessation of interest accrual:* Each Note will cease to bear interest from the due date for redemption, subject as provided in Condition 6(c) (*Interest - Principal Amount not paid on due date*) and Condition 15(d) (*Interest*).

(c) *Principal Amount not paid on due date:* If, upon due presentation of any Note on the due date for redemption, payment of principal is improperly withheld or refused, such Note will continue to bear interest at the Rate of Interest (both before and after judgment) until the Relevant Date.

(d) *Coupon amount:* The amount of interest payable on each Interest Payment Date shall be A$20.625 in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 365 (the number of days to be calculated on the basis of a year of 365 days).

7. **Redemption and Purchase**

(a) *Scheduled redemption:* Unless previously redeemed, converted, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date, subject as provided in Condition 8 (*Payments*).

(b) *Redemption for tax reasons:* Subject to Condition 7(c) (*Redemption and Purchase - Noteholders' tax option*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 45 nor more than 60 days' notice to the

Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption (the "**Tax Redemption Date**"), if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Australia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall provide such information to the Trustee as the Trustee requires in order to satisfy itself of the matters referred to in this Condition 7(b) and shall deliver to the Trustee:

(1) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(2) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7(b).

(c) *Noteholders' tax option:* If the Issuer shall give a notice of redemption pursuant to Condition 7(b) (*Redemption and Purchase - Redemption for tax reasons*), each Noteholder will have the right to elect that its Note(s) shall not be redeemed and that the provisions of Condition 9 (*Taxation*) shall not apply in respect of any payment of interest to be made which falls due after the Tax Redemption Date on such Note(s) whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 ((*Taxation*) and payment of all amounts shall be made subject to the deduction or withholding of the relevant Australian taxation required to be withheld or deducted. To exercise a right pursuant to this Condition 7(c), the relevant Noteholder must present a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of the Registrar by not later than 30 days prior to the Tax Redemption Date at the specified office of the Registrar.

(d) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with accrued interest to the date fixed for redemption at any time if prior to the date on which the relevant notice of redemption is given by the Issuer less than 10 per cent. in principal amount of the Notes originally issued (including any further notes consolidated and forming a single series with the Notes at such date) remain outstanding. In order to exercise such option the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee and the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the date for redemption specified in such notice). Such notice shall specify (i) the date when the relevant redemption will take place and (ii) the last day on which Conversion Rights may be exercised by a Noteholder.

Prior to the publication of any notice of redemption pursuant to this Condition 7(d), the Issuer shall provide such information to the Trustee as the Trustee requires in order to satisfy itself of the matters referred to in this Condition 7(d).

(e) *Redemption at the option of Noteholders:* The Issuer shall, at the option of the holder of any Note redeem such Note on any date (a "**Put Settlement Date**") falling within 90 days of an announcement (if any) by the Relevant Exchange that pursuant to the rules of the Relevant Exchange the Shares have ceased (or will cease) to be listed, traded or publicly quoted on the Relevant Exchange for any reason (other than as a consequence of a Change of Control Event or any event described in Condition 35 (*Corporate Reorganisation*)) in circumstances where the Shares are not immediately re-listed, re-traded or re-quoted on another recognised exchange or quotation system, at a price equal to 100 per cent. of the Note's principal amount together with interest accrued but unpaid to such date. In order to exercise the option contained in this Condition 7(e), the holder of a Note must, not less than 30 nor more than 60 days before the Put Settlement Date, deposit with the Registrar a duly completed put option notice (for the purposes of this Condition 7(e), a "**Put Option Notice**") substantially in the form obtainable from the Registrar. The Registrar shall deliver a duly completed receipt for such Put Option Notice (a "**Put Option Receipt**") to the depositing Noteholder. No Put Option Notice, once deposited in accordance with this Condition 7(e), may be withdrawn; *provided, however, that* if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or payment of the redemption moneys is improperly withheld or refused, the Registrar shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice.

(f) *Redemption and Purchase of Underwriter's Notes*: If following the Issue Date, the Underwriter delivers a written notice to the Issuer ("**Underwriter Notice**") to the effect that:

(i) conversion of all or a portion of the Notes held by the Underwriter would cause the Underwriter to hold an interest in more than 15% of the issued Shares in the Issuer; and

(ii) the Underwriter will within 30 days after the date of the Underwriter Notice apply for approval by the Federal Treasurer of Australia of such interest under the *Foreign Acquisitions & Takeovers Act* 1975,

then, if such approval by the Federal Treasurer of Australia is not obtained by the first to occur of the dates specified in (iii) and (iv) below, then, at the option of the Underwriter, the Issuer will be required to redeem such of the Notes held by the Underwriter as would cause the interest of the Underwriter upon conversion of all or such portion of its Notes to be an interest in less than 15% of the issued Shares in the Issuer.

Such redemption will occur at a price equal to 100% of the principal amount of the redeemed Notes, together with interest accrued but unpaid to the date of redemption. In order to exercise the option contained in this Condition 7(f), the Underwriter must, not more than 30 days after the first to occur of the following:

(iii) receipt by the Underwriter of a letter pursuant to the *Foreign Acquisitions & Takeovers Act* 1975 indicating that the Federal Treasurer of Australia will not approve the acquisition by the Underwriter of an interest in 15% or more of the issued Shares in the Issuer; or

(iv) the expiration of 6 months after the date of issue of the Underwriter Notice, if during such period the approval of the Federal Treasurer of Australia under the *Foreign Acquisitions & Takeovers Act* 1975 has not been obtained despite the Underwriter using its reasonable endeavours to obtain such approval,

deposit with the Registrar a duly completed put option notice in respect of such of the Notes registered in the name of the Underwriter as would cause the interest of the Underwriter upon conversion of all of its Notes to be an interest in less than 15% of the issued Shares in the Issuer (for the purposes of this Condition 7(f), a "**Put Option Notice**") substantially in the form obtainable from the Registrar. The provisions of Condition 7(e) will thereupon apply as if a Put Option Notice has been deposited in accordance with Condition 7(e), and for this purpose the Put Settlement Date (as defined in Condition 7(e)) will be deemed to be the date of deposit of the Put Option Notice.

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 7(a) (*Redemption and Purchase - Scheduled redemption*), Condition 7(b) (*Redemption and Purchase - Redemption for tax reasons*), Condition 7(d) (*Redemption and Purchase - Redemption at the option of the Issuer*), Condition 7(e) (*Redemption and Purchase - Redemption at the option of Noteholders*) or Condition 7(f) (*Redemption and Purchase of Underwriter's Notes*).

(h) *Purchase:* Neither the Issuer nor any of its Subsidiaries may purchase any Notes in the period of 15 days before any date fixed for redemption of the Notes. Subject thereto, the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries, and all Notes which are converted, shall be cancelled and may not be reissued or resold.

8. **Payments**

(a) *Principal:* Payments of principal shall be made by cheque, or by transfer to a bank account authorised by the payee.

(b) *Interest:* Payments of interest shall be made by cheque, or by transfer to a bank account authorised by the payee.

(c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

9. **Taxation**

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Australia or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Australia other than the mere holding of the Note.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 9 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Australia, references in these Conditions to Australia shall be construed as references to Australia and/or such other jurisdiction.

10. **Events of Default**

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by holders of at least one half of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within three days of the due date for payment thereof; or

(b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default is incapable of remedy or remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross-default of Issuer or Material Subsidiary:*

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than:

(A) at the option of the Issuer or (as the case may be) the relevant Material Subsidiary; or

(B) (provided that no event of default, howsoever described, has occurred) at the option of any person entitled to such Indebtedness; or

(iii) the Issuer or any of Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds A$5,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of an amount in excess of A$5,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries; or

(f) *Insolvency, etc.:* (i) the Issuer or any of its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Subsidiaries or the whole or any substantial (in the opinion of the Trustee) part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; or

(g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries (otherwise than, in the case of a Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(h) *Failure to take action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of Australia is not taken, fulfilled or done; or

(i) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed.

THE EQUITY OPTION

11. Conversion

(a) *Conversion right:* The holder of each Note has the right to convert such Note into fully-paid Shares at any time during the Conversion Period.

(b) *Conversion Period:* The "**Conversion Period**" in respect of any Note shall be the period beginning on and including the Issue Date and ending on and including the earlier to occur of:

(i) the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on the day which is 10 days before the Maturity Date; and

(ii) if such Note shall have been called for redemption before the Maturity Date, the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on the day which is 10 days before the date fixed for redemption thereof,

provided, however, that:

(A) if the Issuer shall default in making payment in full in respect of such Note on the date fixed for redemption thereof, the relevant Conversion Period shall continue up to and including the date upon which the full amount of the moneys payable in respect of such Note has been duly received by the Trustee or the Principal Paying and Conversion Agent and notice of such receipt has been given to the Noteholders in accordance with Condition 47 (*Notices*) or, if earlier, up to and including the Maturity Date; and

(B) in any such case, if the last day of the Conversion Period would otherwise be a day which is not a business day in the place where the Conversion Notice in respect of the Note is deposited, the last day of the Conversion Period shall be the immediately preceding business day in such place.

In any event the Conversion Period shall end on the date of any notice from the Trustee declaring the Notes to be immediately due and payable pursuant to Condition 10 (*Events of Default*).

(c) *Conversion ratio:* The number of Shares to be issued upon exercise of the Conversion Right attaching to any Note shall be determined by dividing the principal amount of the Note by the Conversion Price in effect on the Conversion Date.

(d) *Conversion Price:* The Conversion Price in effect on the Issue Date is A$0.40. The Conversion Price in effect on any subsequent date shall be the Conversion Price in effect on the Issue Date subject to any subsequent adjustment in accordance with these Conditions and the expression "Conversion Price" shall be construed accordingly.

(e) *No Shares set aside:* Conversion Rights are not exercisable in respect of any specific Shares and no Shares have been or will be charged, placed in custody or otherwise set aside to secure or satisfy the obligations of the Issuer in respect of the Conversion Rights.

(f) *Fractions of a Share:* Fractions of a Share will not be issued on conversion. However, if more than one Note is to be converted at any one time by the same Noteholder such that the Shares to be issued upon conversion thereof are to be registered in the same name, the number of Shares which shall be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Notes so to be converted. If a fraction of a Share would otherwise fall to be issued upon conversion, the Issuer shall make or procure that the number of Shares to be issued will be rounded up to the nearest whole number of Shares.

12. Procedure for Conversion

(a) *Deposit:* To exercise the Conversion Right attaching to any Note, the Noteholder must:

(i) complete, execute and deposit at the Noteholder's own expense during normal business hours on any business day during the Conversion Period at the Specified Office of the Registrar a Conversion Notice (in duplicate); and

(ii) pay to the Issuer (or to such person as the Issuer may direct) any applicable Conversion Expenses.

A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Issuer.

(b) *Conversion Expenses:* The Issuer will pay all stamp, issue, registration or other similar taxes and duties (if any) arising in Australia on the issue of Shares on conversion of the Notes, their transfer and delivery to or to the order of the converting Noteholder or, as the case may be, the Trustee, any expenses of obtaining a listing for such Shares on the Relevant Exchange and all charges of the Registrar in connection therewith as provided in the Agency Agreement. Subject thereto, as conditions precedent to conversion, the Noteholder must pay to the Issuer (or to such person as the Issuer may direct) all stamp, issue, registration or other similar taxes and duties (if any) ("**Conversion Expenses**") arising on conversion which may be payable in any other jurisdiction as a result of the issue, transfer or delivery of Shares or any other property or cash upon conversion to or to the order of the converting Noteholder (except to the extent that such Conversion Expenses arise because the Issuer has become subject to any taxing jurisdiction other than Australia).

(c) *U.S. certification:* Upon exercising the Conversion Right attaching to any Note, the Noteholder shall be required to represent and agree in the Conversion Notice that at the time of execution and deposit of such Conversion Notice it or the person who has the beneficial interest in that Note is not in the United States (within the meaning of Regulation S) and it, or such person, purchased such Note, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S. No Shares will be issued to a Noteholder unless the Noteholder satisfies the foregoing conditions.

(d) *Conversion Date:* The conversion date in respect of a Note (the "**Conversion Date**") shall be the Sydney business day following the satisfaction of the conditions specified in Condition 12(a) (*Procedure for Conversion - Deposit*).

(e) *Specified account:* Upon exercise of Conversion Rights, a Noteholder shall in the relevant Conversion Notice, specify a bank account to which any cash amount payable on or in respect of the exercise of Conversion Rights by that Noteholder shall be credited and the Issuer shall pay such sum to the relevant Noteholder in accordance with any such directions.

13. **Certificates**

(a) *Notes:* The Notes will be in uncertificated form. The Issuer may issue to Noteholders, without charge, in the discretion of the Issuer, one or more of the following:

(i) any holding statement required by the SGX-ST; or

(ii) any other document that confirms ownership of the Notes as the Issuer may decide to issue.

(b) *Shares in uncertificated form:* Shares to be issued on conversion of the Notes will be in uncertificated form. The Issuer, through its share registry, operates an issuer sponsored subregister. In addition, the Issuer participates in the security transfer system known as the Clearing House Electronic Subregister System (CHESS). Noteholders who elect to have their shareholding managed by a broker will have their holding recorded on the CHESS subregister. All other Noteholders will have their holding recorded on the issuer sponsored subregister. Within 5 Sydney business days after the relevant Conversion Date or the date of issue of the relevant Shares, Noteholders on the issuer sponsored subregister will be sent a notice advising them of their Security Holder Reference Number (SRN) and the opening balance of their holding. Where Shares are to be issued through CHESS, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Notice by not later than 5 Sydney business days following the relevant Conversion Date.

(c) *Monthly statements:* Following distribution of the initial holding statements after conversion, a holding statement will be provided to a Noteholder on the issuer sponsored subregister within 5 Sydney business days after the end of any subsequent month during which there has been a movement in its shareholding. Noteholders may also request the Issuer to provide a statement at other times, although an administration fee may be charged in those circumstances.

14. **Conversion Initiated by the Issuer**

(a) *Conversion right*: The Issuer has the right to require the conversion of each Note into fully-paid Shares at any time prior to redemption if:

(i) at any time prior to 12 months after the Issue Date, the Volume Weighted Average Price per Share on the ASX for any period of 30 consecutive calendar days exceeds A$0.80; or

(ii) at any time 12 months or more after the Issue Date, the Volume Weighted Average Price per Share on the ASX for any period of 30 consecutive calendar days exceeds A$1.20.

(b) *Exercise of conversion right*: To exercise its rights under Condition 14(a) (*Conversion Initiated by the Issuer – Conversion right*), the Issuer must deposit at the Specified Office of the Registrar a written notice specifying that the Issuer is exercising its rights under Condition 14(a) (*Conversion Initiated by the Issuer – Conversion right*). The Issuer must at the same time cause a copy of such notice to be sent to the address of each Noteholder specified in the Register. Thereupon, each Noteholder will be deemed to have deposited a Conversion Notice in accordance with Condition 12 (*Procedure for Conversion*), and the provisions of Condition 12 (*Procedure for Conversion*) will apply in respect of the conversion of the Notes.

15. **Rights Arising on Conversion**

(a) *Rights in respect of Shares issued upon conversion*: Shares issued upon exercise of Conversion Rights will be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third-party rights and, subject as provided in Conditions 15(b) (*Rights Arising on Conversion - Dividends and other distributions*) and 15(c) (*Rights Arising on Conversion - Voting rights*):

(i) such Shares will rank *pari passu* in all respects with all other Shares in issue on the Conversion Date and upon admission will be freely tradeable on the Relevant Exchange without restriction (including as to any secondary sale of such Shares); and

(ii) the holders of such Shares will be treated by the Issuer as Shareholders for all purposes with effect from and including the Conversion Date.

(b) *Dividends and other distributions*: Shares issued upon exercise of Conversion Rights will rank *pari passu* in respect of Dividends and other distributions declared, paid or made, or rights granted, with all other Shares in issue on the Conversion Date except that such Shares will not rank for any Dividend or other distribution declared, paid or made on, or rights granted in respect of, the Shares for which the Record Date precedes the Conversion Date.

(c) *Voting rights:* Shares issued upon exercise of Conversion Rights will rank *pari passu* in respect of voting rights with all other Shares in issue on the Conversion Date except that they will not rank for any voting rights where the entitlement to voting rights accrues to Shareholders by reference to a Record Date which precedes the Conversion Date.

(d) *Interest*: Upon conversion of any Note, interest shall accrue on the Note from and including the Interest Payment Date immediately preceding the Conversion Date (or, if the relevant Conversion Date falls on or before the first Interest Payment Date, from and including the Issue Date) to but excluding the Conversion Date. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by cheque, or by transfer to a bank account authorised by the payee in accordance with instructions given by the relevant Noteholder.

(e) *Cleansing Statement*: Within 5 business days after the day on which Shares are issued upon exercise of Conversion Rights, the Issuer will issue to the Australian Stock Exchange Limited a notice in accordance with s 708A(6) of the *Corporations Act*.

ADJUSTMENTS TO THE CONVERSION PRICE

16. **Change of Control**

(a) *Offer:* If an Offer is made in respect of the Shares, the Issuer shall give notice of such Offer to the Noteholders, with a copy to the Trustee, at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) indicating that details concerning such Offer may be obtained from the Specified Offices of the Registrar.

(b) *Extension of Offer to Noteholders:* Where an Offer in respect of the Shares has been recommended by the board of directors of the Issuer, or where such an Offer has become or been declared unconditional in all respects, to the extent permitted by law the Issuer shall use its reasonable endeavours to procure that the Offer is extended to the holders of any Shares issued during the period in which such Offer is open for acceptance (as determined in accordance with any relevant laws, rules, regulations and voluntary codes applicable to such Offer) as a result of the exercise of Conversion Rights.

(c) *Change Of Control Event:* In these Conditions, a "**Change of Control Event**" occurs if an Offer in respect of the Shares has become or been declared unconditional in all respects and the Issuer becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Shareholders has or will become unconditionally vested in the offeror and/or any associates(s) of the offeror, or an event occurs which has a like or similar effect.

(d) *Adjustment to the Conversion Price:* If and whenever a Change of Control Event shall occur the Issuer shall forthwith give notice to the Noteholders (a "**Change of Control Event Notice**"), with a copy to the Trustee, of such event and, in relation to each Note for which the Conversion Date occurs after the date of such Change of Control Event Notice but on or prior to the 60th day following the date of such Change of Control Event Notice, the Conversion Price shall be the product of (1) the Conversion Price that would otherwise apply on such Conversion Date in the absence of a Change of Control Event and (2) the percentage determined in accordance with the following table:

Conversion Date	**Percentage (%)**
On or before 11 August 2008	92.5%
Thereafter, but on or before 11 August 2009	95%
Thereafter, but on or before 11 August 2010	97.5%
Thereafter, but on or before the Maturity Date	100.0

(e) *Change of Control Cash Amount:* If Conversion Rights may be exercised in circumstances where the Conversion Price is to be determined as provided in Condition 16(d) (*Change of Control - Adjustment to the Conversion Price*), then the Issuer may elect by notice to the Noteholders contained in the relevant Change of Control Notice that a holder exercising Conversion Rights in those circumstances will not be entitled to receive that number of Shares (the "**Excess Shares**") in excess of the number of Shares it would have been entitled to receive if the Conversion Price had not been adjusted as provided in Condition 16(d) (*Change of Control - Adjustment to the Conversion Price*) but in lieu thereof shall be entitled to receive an amount (the "**Change of Control Cash Amount**") determined by multiplying the number of Excess Shares by the Current Market Price of the Shares on the Conversion Date. Such Change of Control Cash Amount shall be payable as provided in Condition 8 (*Payments*) to the account specified by the Noteholder in the relevant Conversion Notice in accordance with Condition 12(e) (*Procedure for Conversion - Specified account*).

(f) *Change of Control Event Notice:* Any Change of Control Event Notice shall inform Noteholders of their entitlement to exercise the Conversion Right in accordance with these Conditions and shall specify:

(i) all information material to Noteholders concerning the Change of Control Event;

(ii) the Conversion Price in relation to each Note for which the Conversion Date occurs on the date of such notice to the Noteholders;

(iii) the Conversion Price in relation to each Note for which the Conversion Date occurs after the date of such notice to the Noteholders but on or prior to the 60th day following the date of such notice to the Noteholders; and

(iv) whether or not the Issuer has elected to pay the Change of Control Cash Amount in relation to each Note for which the Conversion Date occurs after the date of such notice to the Noteholders but on or prior to the 60th day following the date of such notice to the Noteholders.

17. Extraordinary Dividends

(a) *Determination of Extraordinary Dividends:* Whether or not any event constitutes an extraordinary dividend (an "**Extraordinary Dividend**") will be determined as follows:

(i) any Dividend, whether or not expressed by the Issuer or declared by the board of directors of the Issuer to be an ordinary dividend, an ordinary distribution, a capital distribution, an extraordinary dividend, an extraordinary distribution, a special dividend or a special distribution or any analogous or similar term, will constitute an Extraordinary Dividend, and the amount of such Extraordinary Dividend will be the Fair Market Value of the entire amount of the relevant Dividend; and

(ii) a purchase or redemption of Shares by the Issuer which causes the Share Repurchase Threshold to be exceeded will constitute an Extraordinary Dividend, and the amount of such Extraordinary Dividend will be the product of (A) the number of Shares purchased or redeemed by the Issuer on the relevant date and (B) the average price (before expenses) of such purchase or redemption on that date.

(b) *Share Repurchase Threshold:* A purchase or redemption of share capital by the Issuer will cause the Share Repurchase Threshold to be exceeded if (and only if) it comprises a purchase or redemption of Shares by the Issuer at an average price (before expenses) on any one day which exceeds by more than five per cent. the Volume Weighted Average Price of the Shares either (A) on that date (or if that date is not an Exchange Business Day, the immediately preceding Exchange Business Day), or (B) where an announcement (excluding for the avoidance of doubt, general authority for such purchases given by a Shareholders meeting of the Issuer or any notice convening such meeting) has been made of the intention to purchase Shares at some future date at a specified price, on the Exchange Business Day immediately preceding the date of such announcement.

(c) *Adjustment Event*: If and whenever the Issuer shall distribute any Extraordinary Dividend to the Shareholders, the Conversion Price shall be subject to adjustment in accordance with this Condition 17.

(d) *Effective Date:* For the purposes of this Condition 17, the "**Effective Date**" means the date on which the relevant Extraordinary Dividend is actually distributed.

(e) *Adjustment to the Conversion Price:* If and whenever the Issuer shall distribute any Extraordinary Dividend to the Shareholders, in relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such Extraordinary Dividend; and

B is the Fair Market Value on the date of such announcement of the portion of the Extraordinary Dividend attributable to one Share.

(f) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 17 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

18. **Bonus Issues**

(a) *Adjustment event*: If and whenever the Issuer shall make any Bonus Issue, the Conversion Price shall be subject to adjustment in accordance with this Condition 18.

(b) *Effective Date:* For the purposes of this Condition 18, the "**Effective Date**" means the date of issue of the relevant Bonus Issue Shares.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of Shares in issue immediately before the issue of such Shares; and

B = the number of Shares in issue immediately after the issue of such Shares.

(d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 18 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

19. **Consolidation or Subdivision of Shares**

(a) *Adjustment event:* If and whenever there shall be a consolidation or subdivision of the Shares, the Conversion Price shall be subject to adjustment in accordance with this Condition 19.

(b) *Effective Date:* For the purposes of this Condition 19, the "**Effective Date**" means the date on which such subdivision or consolidation becomes effective.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B}$$

where:

A = the number of Shares in issue immediately before such alteration; and

B = the number of Shares in issue immediately after such alteration.

(d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 19 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

20. **Shares, Rights and Share-Related Securities Issued to Shareholders**

(a) *Adjustment event:* If and whenever the Issuer shall issue, grant or offer Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities to all or substantially all of the Shareholders as a class by way of rights as a result of which, in each case, Shareholders have the right to acquire Shares at a Consideration per Share which is less than 95 per cent. of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of such issue, grant or offer, the Conversion Price shall be subject to adjustment in accordance with this Condition 20.

(b) *Effective Date:* For the purposes of this Condition 20, the "**Effective Date**" means the first date on which the Shares are traded ex-rights, ex-warrants or ex-options on the Relevant Exchange.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of Shares in issue on the Exchange Business Day immediately preceding the date of such announcement;

B = the number of Shares which the Aggregate Consideration would purchase at such Current Market Price; and

C = (1) in the case of an issue, grant or offer of Shares, the number of Shares comprised in the issue, grant or offer; or

(2) in the case of an issue, grant or offer of Share-Related Securities or Rights, the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities or Rights at the initial price or rate.

(d) *Formula:* If on the date (the "**Specified Date**") of issue, grant or offer of the relevant Share-Related Securities, Rights in respect of Shares or Rights in respect of Share Related

Securities the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share Related Securities or Rights is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 20, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.

(e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 20 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

21. **Issue of Other Securities to Shareholders**

(a) *Adjustment event:* If and whenever the Issuer shall issue any securities (other than Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities) to all or substantially all of the Shareholders as a class by way of rights or the Issuer shall issue or grant any Rights in respect of any securities (other than Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities) or assets to all or substantially all of the Shareholders as a class, the Conversion Price shall be subject to adjustment in accordance with this Condition 21.

(b) *Effective Date:* For the purposes of this Condition 21, "**Effective Date**" means the first date on which the Shares are traded ex-rights, ex-warrants or ex-options on the Relevant Exchange.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

where:

A = the Current Market Price of one Share on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such issue or grant; and

B = the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share, net of any amount payable by a Shareholder to acquire such rights.

(d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 21 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

22. **Issues of Shares at Below Current Market Price**

(a) *Adjustment event:* If and whenever the Issuer shall issue any Shares or the Issuer shall issue or grant Rights in respect of Shares or Rights in respect of Share-Related Securities as a result of which, in each case, persons to whom the Shares or Rights are issued or granted have the right to acquire Shares at a Consideration per Share which is less than 90 per cent. of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of such issue or grant, the Conversion Price shall be subject to adjustment in accordance with this Condition 22. However, if any such issue or grant if any such issue or grant also falls within the terms of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*) or constitutes an issue of Shares consequent upon the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares, the Conversion Price shall not be subject to adjustment in accordance with this Condition 22.

(b) *Effective Date:* For the purposes of this Condition 22, the "**Effective Date**" means the date of issue of such Shares or, as the case may be, the issue or grant of such Rights.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of Shares in issue on the Exchange Business Day immediately preceding the date of such announcement;

B = the number of Shares which the Aggregate Consideration would purchase at such Current Market Price; and

C = (1) in the case of an issue of Shares, the number of Shares issued; or

(2) in the case of an issue or grant of Rights, the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares and, if applicable, Share-Related Securities pursuant to the terms of such Rights and, if applicable, Share-Related Securities at the initial price or rate.

(d) *Formula:* If on the date (the "**Specified Date**") of issue or grant of the relevant Rights in respect of Shares or Rights in respect of Share-Related Securities the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares and, if applicable, Share-Related Securities pursuant to the terms of such Rights and, if applicable, Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 22, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.

(e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 22 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

23. **Share-Related Securities Issued Other than to Shareholders**

(a) *Adjustment event:* If and whenever the Issuer or any Subsidiary or (pursuant to arrangements with the Issuer or any of its Subsidiaries) any other person or entity shall issue any Share-Related Securities or shall grant to any existing securities so issued such rights as to make such securities Share-Related Securities as a result of which, in each case, persons to whom the Share-Related Securities or such rights are issued or granted have the right to acquire Shares at a Consideration per Share which is less than 90 per cent. of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of issue of such Share-Related Securities or the terms of such grant, the Conversion Price shall be subject to adjustment in accordance with this Condition 23. However, if any such issue or grant also falls within the terms of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 21 (*Issue of Other Securities to Shareholders*) or Condition 22 (*Issues of Shares at Below Current Market Price*), the Conversion Price shall not be subject to adjustment in accordance with this Condition 23.

(b) *Effective Date*: For the purposes of this Condition 23 the "**Effective Date**" means the date of issue of the Share-Related Securities or the grant of the relevant rights.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the number of Shares in issue on the Exchange Business Day immediately preceding the date of such announcement;

B = the number of Shares which the Aggregate Consideration would purchase at such Current Market Price; and

C = the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate.

(d) *Formula:* If on the date (the "**Specified Date**") of issue of the relevant Share-Related Securities or date of grant of such rights the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 23, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.

(e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 23 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

24. **Amendment of Terms of Rights or Share-Related Securities**

(a) *Adjustment event:* If and whenever the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of any Rights or Share-Related Securities are amended (other than in accordance with their terms of issue (including terms as to adjustment of such rights)) so that following such amendment the Consideration per Share is (1) reduced and (2) less than 90 per cent. of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the proposals for such amendment, the Conversion Price shall be subject to adjustment in accordance with this Condition 24.

(b) *Effective Date:* For the purposes of this Condition 24, "**Effective Date**" means the date of amendment of such rights.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number or Shares in issue on the Exchange Business Day immediately preceding the date of such announcement;

B is the number of Shares which the Aggregate Consideration (calculated taking account of the amended rights) would purchase at such Current Market Price; and

C the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities at the amended subscription, purchase or acquisition price or rate (but giving credit in such manner as shall be Determined by an Expert to be appropriate for any previous adjustment under

Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 23 (*Share-Related Securities Issued Other than to Shareholders*) or this Condition 24).

(d) *Formula*: If on the date (the "**Specified Date**") of such amendment the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 24, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.

(e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 24 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

25. **Other Arrangements to Acquire Securities**

(a) *Adjustment event:* If and whenever the Issuer or any Subsidiary or (pursuant to arrangements with the Issuer or any of its Subsidiaries) any other person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them, the Conversion Price shall be subject to adjustment in accordance with this Condition 25. However, if any such offer also causes the Conversion Price to be adjusted within the terms of Condition 20 (*Shares, Rights and Share-Related Securities Issued to Shareholders*) or Condition 21 (*Issue of Other Securities to Shareholders*) (or would cause the Conversion Price to be so adjusted if the relevant Consideration per Share was less than 95 per cent. of the Current Market Price per Share on the relevant Exchange Business Day), the Conversion Price shall not be subject to adjustment in accordance with this Condition 25.

(b) *Effective Date:* For the purposes of this Condition 25, the "**Effective Date**" means the first date on which the Shares are traded ex-rights on the Relevant Exchange.

(c) *Adjustment to the Conversion Price:* In relation to each Note for which the Conversion Date has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

where:

A = the Current Market Price of one Share on the Exchange Business Day immediately preceding the date of the first public announcement of such offer;

and

B = the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Share, net of any amount payable by a Shareholder to acquire such rights.

(d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 25 shall apply, with effect from and including the Effective Date, to each Note for which the Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

26. **New Issues**

(a) *Participation in new issues:* A Noteholder may not in its capacity as a holder of a Note participate in new issues of securities by the Issuer unless the Noteholder exercises its Conversion Rights and becomes the holder of Shares prior to the Record Date for the new issue of securities.

(b) *Notification of new issues:* The Issuer must, however, give the Noteholders, with a copy to the Trustee, 14 days prior notice of the Record Date for a new offer or issue of securities to holders of Shares in the issuer to enable the holder to exercise its Conversion Rights and participate in the new offer or issue.

27. **Other Events; Contemporaneous Events**

(a) *Adjustment event:* If the Issuer (after consultation with the Trustee) determines that:

(i) an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in Condition 17 (*Extraordinary Dividends*) to Condition 25 (*Other Arrangements to Acquire Securities*) (even if the relevant event or circumstance is specifically excluded from the operation of Condition 17 (*Extraordinary Dividends*) to Condition 25 (*Other Arrangements to Acquire Securities*)); or

(ii) more than one event which gives rise or may give rise to an adjustment to the Conversion Price has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result, or

(iii) one event which gives rise or may give rise to more than one adjustment to the Conversion Price has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

then the Issuer shall, at its own expense, use all reasonable endeavours to procure that such adjustment (if any) to the Conversion Price as is fair and reasonable to take account thereof and the date on which such adjustment should take effect shall be Determined by an Expert.

(b) *Effective Date:* Upon such determination, the Issuer and the Trustee shall procure that such adjustment (if any) shall be made and shall take effect in accordance with such determination, *provided, however,* that an adjustment shall only be made pursuant to this Condition 27 if the relevant Expert is requested to make such a determination not more than 60 days after the date on which the relevant event occurs or circumstances exist.

(c) *Certificate of Expert:* If any doubt shall arise as to any appropriate adjustment to the Conversion Price, the Issuer shall use all reasonable endeavours to procure that the appropriate adjustment shall be Determined by an Expert and a certificate from the relevant Expert as to the appropriate adjustment to the Conversion Price shall, in the absence of manifest error, be conclusive and binding on all concerned.

28. **Corporations Act and ASX Listing Rules**

The Notes are issued subject to any applicable provisions of the Corporations Act and the ASX Listing Rules.

29. **Minor Adjustments and No Adjustments**

(a) *Rounding and adjustments of less than one per cent:* On any adjustment of the Conversion Price, the resultant Conversion Price, if not an integral multiple of one cent, shall be rounded down to the nearest whole cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment but such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

(b) *Employee share schemes:* No adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees or former employees (including directors holding or formerly holding executive office) of the Issuer or any Subsidiary or any associated company of the Issuer pursuant to any employees' share scheme or plan (including a dividend reinvestment plan), provided that the total number of Shares or other securities that may be subject to this Condition 29(b) from time to time shall not exceed 10% of the total number of Shares on issue.

(c) *Existing or committed option*: No adjustments shall be made to the Conversion Price where Shares or other securities are issued: (i) pursuant to options over Shares or other securities issued or granted by the Issuer to any person before the date of the Offering Circular relating to the Notes, or (ii) pursuant to the options over shares or other securities disclosed on pages 78 and 79 of the Offering Circular relating to the Notes.

(d) *Adjustments not permitted by law:* The Conversion Price may not be adjusted so that exercise of the Conversion Right would require Shares to be issued in circumstances not permitted by applicable law.

30. **Adjustments for Conversion near a Record Date**

(a) *Adjustment Event:* If and whenever the Conversion Price is to be adjusted pursuant to any of Condition 17 (*Extraordinary Dividends*) to Condition 25 (*Other Arrangements to Acquire Securities*) and the Conversion Date in relation to any Note is either:

(i) after the Record Date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but before the relevant adjustment becomes effective under the relevant Condition; or

(ii) before the Record Date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but in circumstances where the relevant Noteholder is unable, by the relevant Record Date, to become duly entitled to the Shares for the purpose of receiving the issue, distribution, grant or offer as is mentioned in the relevant Condition,

the Conversion Right attaching to the relevant Note shall be subject to adjustment in accordance with this Condition 30.

(b) *Adjustment to the Conversion Right:* Upon the relevant adjustment becoming effective under the relevant Condition the Issuer shall procure that there shall be issued to the converting Noteholder or in accordance with the instructions contained in the relevant Conversion Notice (subject to any applicable exchange control or other laws or other regulations) such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Note, is equal to the number of Shares which would have been required to be issued on conversion of such Note if the relevant adjustment to the Conversion Price had in fact been made and become effective immediately before the relevant Conversion Date.

(c) *Shares in uncertificated form:* Such additional Shares will be in uncertificated form. The Issuer, through its share registry, operates an issuer sponsored subregister. In addition, the Issuer participates in the security transfer system known as the Clearing House Electronic Subregister System (CHESS). Noteholders who elect to have their shareholding managed by a broker will have their holding recorded on the CHESS subregister. All other Noteholders will have their holding recorded on the issuer sponsored subregister. Within 5 Sydney business days after the relevant Conversion Date or the date of issue of the relevant Shares, Noteholders on the issuer sponsored subregister will be sent a notice advising them of their Security Holder Reference Number (SRN) and the opening balance of their holding. Where Shares are to be issued through CHESS, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Notice by not later than 5 Sydney business days following the relevant Conversion Date.

(d) *Monthly statements:* Following distribution of the initial holding statements, a holding statement will be provided to a Noteholder on the issuer sponsored subregister within 5 Sydney business days after the end of any subsequent month during which there has been a movement in its shareholding. Noteholders may also request the Issuer to provide a statement at other times, although an administration fee may be charged in those circumstances.

31. **Aggregate Consideration and Consideration per Share**

(a) *Applicability of this Condition:* For the purpose of calculating any adjustment to the Conversion Price pursuant to these Conditions, in the case of any:

(i) issue, grant or offer of Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities; or

(ii) grant to any existing securities issued of such rights as to make such securities Share-Related Securities; or

(iii) amendment of the terms of any Rights or Share-Related Securities (other than in accordance with their terms of issue),

the "**Aggregate Consideration**" and the "**Number of Shares**" shall be calculated or determined (if necessary) in accordance with the following provisions of this Condition 31 and the "**Consideration per Share**" shall, in each case, be the relevant Aggregate Consideration divided by the relevant Number of Shares.

(b) *Shares for cash:* In the case of an issue, grant or offer of Shares for cash:

(i) the Aggregate Consideration shall be the amount of such cash, *provided that* in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Issuer for any underwriting of the issue or otherwise in connection therewith; and

(ii) the Number of Shares shall be the number of Shares so issued, granted or offered.

(c) *Shares not for cash:* In the case of the issue, grant or offer of Shares for a consideration in whole or in part other than cash:

(i) the Aggregate Consideration shall be the amount of such cash (if any) plus the consideration other than cash, which shall be deemed to be the Fair Market Value thereof or, if pursuant to applicable law such determination is to be made by application to a court of competent jurisdiction, the value thereof as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof; and

(ii) the Number of Shares shall be the number of Shares so issued, granted or offered.

(d) *Issue of Share-Related Securities*: In the case of the issue, grant or offer of Share-Related Securities or Rights in respect of Share-Related Securities or the grant to any securities issued of such rights as to make such securities Share-Related Securities:

(i) the Aggregate Consideration shall be:

(A) the consideration (if any) received by the Issuer for such Share-Related Securities and (if applicable) Rights or, as the case may be, such grant; plus

(B) the additional consideration (if any) to be received by the Issuer upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related

Securities at the initial price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 31; and

(ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) such exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate.

(e) *Amendment of Share-Related Securities/Rights in respect of Share-Related Securities:* In the case of the amendment of the terms of any Share-Related Securities and/or Rights in respect of Share-Related Securities (in either case, other than in accordance with their terms of issue):

(i) the Aggregate Consideration shall be:

(A) the consideration (if any) received by the Issuer for such amendment; plus

(B) the additional consideration (if any) to be received by the Issuer upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate or (in the case of an amendment to the terms of such Share-Related Securities) the amended price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 31; and

(ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) such exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate or (in the case of an amendment to the terms of such Share-Related Securities) the amended price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate.

(f) *Rights in respect of Shares:* In the case of the issue, grant or offer of Rights in respect of Shares or the amendment of the terms of any Rights in respect of Shares (other than in accordance with their terms of issue):

(i) the Aggregate Consideration shall be:

(A) the consideration received by the Issuer for any such Rights or, as the case may be, such amendment; plus

(B) the additional consideration to be received by the Issuer upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 31; and

(ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate.

(g) *Currency translation:* If any of the consideration referred to in any of the preceding paragraphs of this Condition 31 is receivable in a currency other than Australian dollars, such consideration shall be translated into Australian dollars for the purposes of this Condition 31:

(i) in any case where there is a fixed rate of exchange between Australian dollars and the relevant currency for the purposes of the issue, grant or offer of the Shares, Share-Related Securities or Rights, the exercise of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights or the exercise of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities, at such fixed rate of exchange; and

(ii) in all other cases, at the Screen Rate on the date as of which the said consideration is required to be calculated.

32. Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor or make enquiries as to whether or not any event or circumstance which gives rise or may give rise to an adjustment to the Conversion Price has occurred or may occur and will not be responsible to Noteholders for any loss arising from any failure by it to do so.

33. Notice of Adjustment of the Conversion Price

The Issuer shall give notice to the Trustee, to the Noteholders in accordance with Condition 47 (*Notices*) and to the SGX-ST (so long as the Notes are listed on the SGX-ST) of any adjustment of the Conversion Price as soon as reasonably practicable following the determination thereof.

COVENANTS RELATING TO THE EQUITY OPTION

34. **Listing of Shares Issued upon Conversion**

The Issuer shall use all reasonable endeavours to ensure that the Shares issued upon exercise of any Conversion Right will:

(a) be admitted to listing on the Relevant Exchange in accordance with its rules and will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems by which the Shares are then (following application by or on behalf of the Issuer) admitted to listing, trading and/or quotation in accordance with their respective rules; and

(b) once admitted, be freely tradeable on the Relevant Exchange without restriction (including as to any secondary sale of such Shares).

35. **Corporate Reorganisation**

(a) Merger; sale of assets: In the event of any:

(i) consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation); or

(ii) sale or transfer of all or substantially all of the assets of the Issuer,

the Issuer shall immediately notify the Noteholders and the Trustee of such event and (so far as legally possible) cause the corporation resulting from such consolidation, amalgamation or merger or the corporation which shall have acquired such assets, as the case may be, to execute a trust deed supplemental to the Trust Deed providing that the holder of each Note then outstanding shall have the right (during the Conversion Period) to convert such Note into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares into which such Note would have been converted had the relevant Conversion Date fallen immediately prior to such consolidation, amalgamation, merger, sale or transfer.

(b) *Other adjustments:* Such supplemental trust deed shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in these Conditions. The undertaking contained in this Condition 35 is without prejudice to the provisions of Condition 16 (*Change of Control*) and shall apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

36. **Restriction on New Classes of Shares**

For so long as any Conversion Right remains exercisable, the Issuer shall not create or permit there to be in issue any class of shares in its equity share capital carrying any rights which are more favourable than the rights attaching to the Shares with respect to voting, dividends or liquidation.

37. **Frustration of Conversion Right**

For so long as any Conversion Right remains exercisable, the Issuer shall not take or omit to take any action which would have the effect, or but for the provisions of Condition 29(d) (*Minor Adjustments and No Adjustments - Adjustments not permitted by law*) would have the effect, that exercise of the Conversion Right would require Shares to be issued in circumstances not permitted by applicable law.

38. **Capitalisation of Profits or Reserves**

For so long as any Conversion Right remains exercisable, the Issuer shall not issue or pay up any securities, in either case, by way of capitalisation of profits or reserves, except:

(a) where such action gives rise (or would, but for the provisions of Condition 29 (*Minor Adjustments and No Adjustments*), give rise) to an adjustment to the Conversion Price; or

(b) where the Trustee in its absolute discretion considers that there would be no material detriment to the interests of the Noteholders, or where approval is given by an Extraordinary Resolution of Noteholders.

39. **Reduction of Share Capital**

For so long as any Conversion Right remains exercisable, the Issuer shall not buy back its shares or otherwise reduce its issued share capital except where such buy back or reduction:

(a) gives rise (or would, but for the provisions of Condition 29 (*Minor Adjustments and No Adjustments*), give rise) to an adjustment to the Conversion Price;

(b) is pursuant to the terms of the relevant share capital; or

(c) where the Trustee in its absolute discretion considers that there would be no material detriment to the interests of the Noteholders, or where approval is given by an Extraordinary Resolution of Noteholders.

40. **Limitation on new or additional Indebtedness**

For so long as any Conversion Right remains exercisable, the Issuer shall not incur (and shall ensure that no Subsidiary of the Issuer incurs) any new or additional Indebtedness without the consent in writing of the holders of at least one half of the aggregate principal amount of the outstanding Notes, except in relation to Project Debt.

MISCELLANEOUS PROVISIONS

41. **Determined by an Expert**

In relation to any matter required by these Conditions or the Trust Deed to be Determined by an Expert, the Issuer shall promptly appoint an Expert with the prior written approval of the Trustee. If when any matter is required by these Conditions or the Trust Deed to be Determined by an Expert, the Issuer shall within a reasonable time fail to appoint an Expert the Trustee shall be entitled (but not obliged) to make such appointment. In either case, any such appointment shall be for the account of the Issuer.

42. **Trusts not recognised**

Except as required by law, the Issuer need not recognise:

(a) that a person holds a Note on trust; or

(b) any interest in a Note except the registered holder's absolute ownership of the whole Note.

43. **Trustee**

(a) *Role of Trustee:* Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit. In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

(b) *Roles of Paying and Conversion Agents and Registrars:* In acting under the Agency Agreement and in connection with the Notes, the Paying and Conversion Agents and the Registrar act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

(c) *Changes to Paying and Conversion Agents:* The initial Paying and Conversion Agent and the initial Registrar and their respective initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying and Conversion Agent or any Registrar and to appoint a successor principal paying and conversion agent and additional or successor paying and conversion agents or a successor registrar, as applicable; *provided, however, that* the Issuer shall at all times maintain a principal paying and conversion agent and shall, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, maintain a paying agent in Singapore.

Initial Specified Office of the Principal Paying and Conversion Agent, the Registrar and the Singapore Paying Agent

The Principal Paying and Conversion Agent and Registrar:

J.P. Morgan Institutional Services Australia Limited

Level 35
AAP Building

259 George Street
Sydney NSW 2000

Fax: +61 2 9247 4913
Attention: "Worldwide Securities Services – Trust"

The Singapore Paying Agent

JPMorgan Chase Bank, N.A., Singapore Branch

Capital Tower
16th Floor
168 Robinson Road, Singapore, 068912

Fax: +65 6882 7667
Attention: "Worldwide Securities Services – Trust"

With copy to:

J.P. Morgan Institutional Services Australia Limited

Level 35
AAP Building
259 George Street
Sydney NSW 2000

Fax: +61 2 9247 4913
Attention: "Worldwide Securities Services – Trust"

Notice of any change in any of the Paying and Conversion Agents, the Registrar or in their respective Specified Offices shall promptly be given to the Noteholders.

44. **Meetings of Noteholders; Modification and Waiver**

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

45. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

46. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes *provided that* the following conditions are satisfied:

(a) the aggregate principal amount of all Notes including such further notes shall not exceed A$35,000,000;

(b) on the occasion of each (if any) issue of such further notes, none of the events described in Condition 10 (*Events of Default*) shall have occurred and be continuing;

(c) on the occasion of each (if any) issue of such further notes, the Issuer shall have given at least 30 days notice of such issue to the Noteholders in accordance with Condition 47 (*Notices*); and

(d) the Issuer shall not issue any such further notes to any person unless it has made an offer to each Noteholder to issue to such Noteholder on the same or more favourable terms a proportion of those further notes which is as nearly as practicable equal to the proportion in principal amount held by such Noteholder of the aggregate principal amount of the Notes then outstanding.

The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

47. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of first publication.

48. **Governing Law and Jurisdiction**

(a) *Governing law:* The Trust Deed and the Notes and all matters arising from or connected with the Trust Deed and the Notes are governed by, and shall be construed in accordance with, New South Wales law.

(b) *New South Wales courts:* The courts of New South Wales and the Commonwealth of Australia have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes.

(c) *Appropriate forum:* The Issuer agrees that the courts of New South Wales and the Commonwealth of Australia are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Address for Service:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to its registered office for the time being. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in New South Wales and to Proceedings elsewhere.