HALCYGEN PHARMACEUTICALS LIMITED

OPTION TERMS
in respect of the Options granted on 17 April 2007

The Options were granted to the following directors:

Holder	Director	No of Options	Date of Grant
Dr Roger Aston	Dr Roger Aston	1,250,000	17-Apr-07
Magnum Capital Pty Ltd	Craig Bottomley	750,000	17-Apr-07
Bremal Pty Limited	Hon Ron Best	250,000	17-Apr-07
BML Superannuation Nominees	Bruce Mathieson	250,000	17-Apr-07

1. DEFINITIONS

In these terms of grant, the following definitions apply:

ASX means ASX Limited.

Board means the board of Directors of the Company.

Business Day means a "business day" under the Listing Rules.

Company means HalcyGen Pharmaceuticals Limited ACN 115 832 963.

Director means a director of the Company.

Exercise Period means, for an Option, the period of 4 years commencing on the date on which the Vesting Period for that Option expires.

Exercise Price means $0.60.

Holder means in relation to an Option, the person registered as the holder of the Option in the Company's register of option holders.

Listing Rules mean the listing rules of ASX as they apply to the Company from time to time.

Milestone means, in respect of 50% of the Option granted to:

(a) Dr Roger Aston, the milestones agreed between Dr Aston and the Company prior to grant of those Options; and

(b) Magnum Capital Pty Ltd, the milestones agreed between Mr Craig Bottomley and the Company prior to grant of those Options.

Option means an option to subscribe under these terms of grant for 1 fully paid Share, as adjusted under clause 5.

Record Date has the meaning given by the Listing Rules.

Share means an ordinary share in the Company.

Trading Rules means the Listing Rules, the ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**) Settlement Rules and any other rules of ASX and ASTC applying to the Company while it is admitted to the official list of the ASX, as amended or replaced from time to time.

Vesting Period means:

(a) in respect of the Options granted to Bremal Pty Limited and BML Superannuation Nominees Pty Ltd, the period of 1 year after the date of grant; and

(b) in respect of the Options granted to Dr Roger Aston and Magnum Capital Pty Ltd:

(i) as to 50% of those Options, the date of grant; and

(ii) as to 50% of those Options, the period of 1 year after the date of grant but subject to achievement of the Milestones.

2. GRANT

The Board may, from time to time, grant Options under these terms of grant, to any Director or his nominee.

3. TRANSFER

3.1 No transfer

Each Option is personal to the Holder and is not transferable, transmissible, assignable or chargeable, except in accordance with clause 3.2, or with the prior written consent of the Company.

3.2 Death or mental incapacity

With the written approval of the Company which it may give or withhold in its absolute discretion, an Option may (but only at a time permitted by the approval and in accordance with any conditions specified in the approval) be exercised by the legal personal representatives of a Holder who dies before the end of the Exercise Period or whose estate becomes liable before the end of the Exercise Period to be dealt with under the laws relating to mental health.

4. EXERCISE

4.1 Exercise

Subject to clause 4.2, the Holder may exercise an Option only:

(a) during the Exercise Period; and

(b) by doing during that Exercise Period everything required by clause 4.4.

4.2 Milestones

(a) Where the Holder is Dr Roger Aston, the Holder may only exercise 50% of the Options granted to the Holder if the Milestones agreed with Dr Aston have been achieved.

(b) Where the Holder is Magnum Capital Pty Ltd, the Holder may only exercise 50% of the Options granted to the Holder if the Milestones agreed with Mr Craig Bottomley have been achieved.

4.3 Other Options

The exercise of an Option does not prevent the exercise of any other Option.

4.4 Notice and payment

To exercise an Option, the Holder must give to the Company a notice specifying that it exercises the Option accompanied by:

(a) any option certificate issued by the Company to the Holder; and

(b) payment of the full amount of the Exercise Price by cheque made out in favour of the Company.

Exercise of an Option is only effective when the Company receives full value for the full amount of the Exercise Price in cleared funds.

4.5 Issue

Not more than 10 Business Days after the exercise of an Option becomes effective, the Company must issue to the Holder the Share the subject of the Option.

4.6 Share issued upon exercise of Option

The Share issued on exercise of an Option:

(a) is subject to the constitution of the Company; and

(b) ranks equally in every way (including for dividends for which entitlement is determined after the issue) with those then issued fully paid Shares whose holders are entitled to participate in full in any dividend.

4.7 Lapse

Each Option lapses:

(a) on exercise of the Option under clause 4.4;

(b) if the Option has not been exercised at the end of the Option Period;

(c) if the Company becomes aware of circumstances which, in the reasonable opinion of the Company indicate that the Holder (or where the Holder is a nominee of a Director, that Director) has acted fraudulently, dishonestly or in a manner which is in breach of his or her obligations to the Company, and the Company (in its absolute discretion) determines that the Option held by that Holder lapses; or

(d) if the Company commences to be wound up.

4.8 Listing on ASX

When the Option is exercised, the Company must apply to ASX (and any other stock exchange on which the Shares are quoted) for, and will use its best endeavours to obtain, quotation for the Share to be issued to the Holder on exercise of the Option.

5. ADJUSTMENTS

5.1 Rights/entitlements issues

If during the Exercise Period, the Company makes a pro rata offer or invitation to holders of Shares or other securities of the Company or any other entity, the Company must give the Holder notice not less than 9 Business Days before the Record Date to determine entitlements to receive that offer or invitation to enable the Holder to exercise the Option and receive that offer or invitation in respect of the Share issued on exercise of the Option.

5.2 New issues

If during the Exercise Period the Company gives holders of Shares the right (pro rata with existing shareholdings) to subscribe for additional securities and the Option is not exercised in time to enable the Holder to obtain the Share issued on exercise of the Option with the right to subscribe for additional securities, the Exercise Price of an Option after the issue of those securities is adjusted in accordance with the formula set out in schedule 1.

5.3 Pro rata bonus issues

If during the Exercise Period the Company makes a pro rata bonus issue to holders of Shares and an Option is not exercised before the Record Date to determine entitlements to that bonus issue, the number of securities to be issued on exercise of the Option is the number of Shares before that bonus issue plus the number of securities which would have been issued to the Holder if the Option had been exercised before that Record Date.

5.4 Sub-division or consolidation

If during the Exercise Period the Company subdivides or consolidates its Shares, the Options must be subdivided or consolidated (as the case may be) in the same ratio as the Shares and the Exercise Price must be amended in inverse proportion to that ratio.

5.5 Return of capital

If during the Exercise Period the Company makes a return of capital, the number of Options remains the same and the Exercise Price of each Option is reduced by the same amount as the amount returned in relation to each Share.

5.6 Cancellation of capital that is lost

If during the Exercise Period the Company makes a cancellation of any paid up share capital that is lost or not represented by available assets, the number of Options and the Exercise Price of each Option is unaltered.

5.7 Pro rata cancellation of capital

If during the Exercise Period the Company reduces its issued share capital on a pro rata basis, the number of Options must be reduced in the same ratio as the Shares and the Exercise Price of each Option must be amended in inverse proportion to that ratio.

5.8 General reorganisation

If during the Exercise Period the Company reorganises its issued share capital in any way not contemplated by this clause 5, the number of Options or the Exercise Price, or both, must be reorganised so that the Holder will not receive a benefit that holders of Shares do not receive.

5.9 Cumulative adjustments

Each adjustment under clauses 5.1 to 5.8 must be made for every unexercised Option every time the relevant clause applies during the Exercise Period.

5.10 Rounding

Until an Option is to be exercised, all calculations adjusting the number of Shares or the Exercise Price must be carried out to include all fractions, but on exercise the number of Shares issued is rounded down to the next lower whole number and the Exercise Price rounded up to the next higher cent.

5.11 Notice of adjustment

The Company must give notice to Holders of any adjustment to the number, description or items of security which are to be issued on exercise of an Option or to the Exercise Price, and must do so in accordance with any applicable Listing Rules.

5.12 Listing Rules

An adjustment must not be made under this clause 5 unless it is consistent with the Listing Rules. The Company may amend the terms of any Option, or the rights of any Holder under these terms of grant, to comply with the Listing Rules applying at the time to any reorganisation of capital of the Company.

6. AMENDMENT OF TERMS OF GRANT

6.1 Consistency with Trading Rules

If the Company is admitted to the Official List of the ASX, the following provisions apply.

(a) Despite anything contained in these terms of grant, if the Trading Rules prohibit an act being done, the act must not be done.

(b) Nothing in these terms of grant prevents an act being done that the Trading Rules require to be done.

(c) If the Trading Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).

(d) If the Trading Rules require these terms of grant of the Options to contain a provision and they do not contain such a provision, these terms of grant of the Options (as the case may be) are taken to contain that provision.

(e) If the Trading Rules require these terms of grant of the Options not to contain a provision and they contain such a provision, these terms of grant of the Options (as the case may be) are taken not to contain that provision.

(f) If any provision of these terms of grant of the Options are or become inconsistent with the Trading Rules, these terms of grant of the Options (as the case may be) are taken not to contain that provision to the extent of the inconsistency.

6.2 Hardship

The Committee may, if it reasonably forms the opinion that the operation of any term of an Option or of this Plan is or may be unfair, harsh or unconscionable for any Holder in the circumstances relating to that Holder, alter, amend or vary that term or its operation by notice in writing to the affected Holder.

6.3 Listing Rules

The Committee must comply with any restrictions or procedural requirements under the Listing Rules for amending the terms of issued options, unless those restrictions or requirements are expressly or impliedly relaxed or waived by the ASX or any of its delegates generally, or in a particular case or class of cases.

7. NOTICES AND CORRESPONDENCE

7.1 To the Company

Any notice given by or correspondence from a Holder to the Company in connection with any Option is only effective if it is in writing, signed and given at or sent to the principal place of business of the Company, or any other address of which the Company gives notice.

7.2 To a Holder

Any notice given by or correspondence from the Company to a Holder in connection with any Option must be in writing and must be given or made by a person authorised by the Company to the place of employment of the Holder or to the last address of that person given to the Company.

8. GENERAL

8.1 Governing law

(a) This Plan is governed by the law in force in Western Australia.

(b) The Company and each Holder and Participant submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia and any court that may hear appeals from any of those courts, for any proceedings in connection with these terms of agreement, and waive any right they might have to claim that those courts are an inconvenient forum.

8.2 No interest in Shares

A Holder has no interest in a Share the subject of an Option unless and until that Share is issued to the Holder on exercise of the Option.

9. INTERPRETATION

9.1 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

(a) A reference to:

- (i) legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
- (ii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
- (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
- (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
- (v) anything (including a right, obligation or concept) includes each part of it.

(b) A singular word includes the plural, and vice versa.

(c) A word which suggests one gender includes the other genders.

(d) If a word is defined, another part of speech has a corresponding meaning.

(e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

(f) A reference to "**dollars**" or "**$**" is to Australian currency.

(g) The words "**subsidiary**", "**holding company**" and "**related body corporate**" have the same meanings as in the Corporations Act 2001.

9.2 **Business Days**

If the day on or by which a person must do something under this document is not a Business Day:

(a) if the act involves a payment that is due on demand, the person must do it on or by the next Business Day; and

(b) in any other case, the person must do it on or by the previous Business Day.

SCHEDULE 1

$$0^{1} = 0 - E\frac{[P - (S + D)]}{N + 1}$$

where:

0^{1} = The new Exercise Price of the Option.

0 = The old Exercise Price of the Option.

E = The number of Shares into which an Option is exercisable.

P = The average closing price (excluding special crossings, overnight sales and exchange traded option exercises) on the Stock Exchange Automated Trading System provided for the trading of securities on ASX of Shares (weighted by reference to volume) during the 5 trading days before the ex rights date or ex entitlements date.

S = The subscription price for one security under the renounceable rights or entitlements issue.

D = The dividend due but not yet paid on existing Shares (except those to be issued under the renounceable rights issue or entitlements issue).

N = Number of Shares with rights or entitlements required to be held to receive a right to one new security.

However, if 0^{1} under this formula is less than the minimum price (as prescribed by the Listing Rules as the minimum price for options), the new Exercise Price of the Option is to be equal to the minimum price.