HOMELOANS LIMITED
ABN 55 095 034 003
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth Annual General Meeting of the members of Homeloans Limited will be held at 11.30AM on Thursday 25 November 2004 at Royce Room, Royce Hotel 379 St Kilda Road, Melbourne,Victoria.

AGENDA

ORDINARY BUSINESS

"To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditor for the financial year ending 30 June 2004."

To consider and if thought fit to pass the following resolutions as ordinary resolutions.

1 Re-Election of Robert Norman Scott as a Director

" That Mr Robert Norman Scott who retires in accordance with clause 13.4 of the Company's Constitution and being eligible offers himself for re-election, be re-elected a Director of the Company."

2 Re-Election of Brian Donald Jones as a Director

"That Brian Donald Jones be re-elected a Director of the Company in accordance with clause 13.6 of the Company's Constitution."

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolution as an ordinary resolution.

3. Grant of Options to Brian Donald Jones

"That for the purposes of Section 208 of the Corporations Act and Australian Stock Exchange Listing Rule 10.11 approval be given for the grant of 1,375,000 options over fully paid ordinary shares of the Company to Brian Donald Jones on the terms and conditions set out in the Explanatory Statement which accompanies this notice of meeting."

Voting entitlements

Who can cast a vote?
The following persons may vote at the Annual General Meeting ('AGM')

- A person entitled to vote if they have an interest in the Company that allows them to do so;
- A proxy of a person entitled to vote (See note 3); and
- The chairman of the AGM as proxy for a person entitled to vote, in accordance with their directions.

Who cannot cast a vote?
In accordance with Clause 224 of the Corporations Act and ASX Listing Rule 14.11.1 the Entity will disregard any votes cast on resolution number 3 by:

- The director who may participate in the proposed grant of options
- An associate of that person

The Entity will 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 direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD

J Murray

Jennifer Murray
Company Secretary

Dated 25th October 2004.

NOTES

1. Read the Explanatory Statement

Please read the Explanatory Statement which accompanies this Notice of AGM.
This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

2. Proof of identity

Proof of identity will be required for corporate representatives and attorneys for admission to the AGM.

Corporate Representatives and Attorneys must, not less than 48 hours before the AGM, deposit at the Company's registered office or fax by facsimile number (08) 9327 1778 the power of attorney or other authority under which the document is signed or a notarially certified copy of that power or authority.

3. Proxies

Appointment of Proxies

- A member may appoint either one or two persons as their proxy to attend and vote instead of the member.
- When a member appoints two proxies the appointment must specify the proportion of the member's voting rights that each proxy is entitled to represent.
- A proxy need not be a member.

- A document appointing a proxy must be in writing, signed by the appointor or the attorney of the appointor duly authorised in writing and in any form permitted by the Corporations Act 2001.

Authority of Proxies

- A document appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where the document so provides, the proxy is not entitled to vote on the resolution except as specified in the document.
- A proxy may vote on a show of hands but a person holding a proxy for more than one member has only one vote.
- A document appointing a proxy confers authority to demand or join in demanding a poll.
- Except as expressly provided by the document appointing a proxy, an appointment of a proxy confers authority to agree to a meeting being convened by shorter notice than is required by the Corporations Act 2001 or by the constitution.

Verification of Proxies

- Before the time for holding the meeting or adjourned meeting at which a proxy proposes to vote, there must be deposited with the Company the document appointing the proxy.
- The document appointing the proxy must be received at the Company's registered office by facsimile number (08) 9327 1778 not less than 48 hours before the time for holding the meeting.

Validity of Proxies

- A proxy document is invalid if it is not deposited or produced prior to a meeting or a vote being taken as required by the constitution.

Revocation of Appointment of Proxy

- A vote in accordance with the terms of a proxy document or power of attorney is valid despite the occurrence of any one or more of the following events if no intimation in writing of any of those events has been received by the Company at its registered office before the commencement of the meeting or adjourned meeting at which the document is used:

  - the previous death or unsoundness of mind of the principal;
  - the revocation of the instrument or of the authority under which the instrument was executed; or
  - the transfer of the share in respect of which the instrument or power is given.

How do you sign the proxy form?

Joint Holders	All holders appointing a proxy must sign the proxy form.
Corporate Entities	The Corporate Entity appointing a proxy must execute the proxy form in accordance with the Corporations Act 2001.
Individuals	Individuals or their attorney appointing a proxy must sign the proxy form.

Where to send your proxy form?

Please send or deposit your proxy form at the Company's Registered Office to be received not less than 48 hours prior to the time of meeting:

Registered Office: Gooding Pervan, Chartered Accountants
Level 9 The Quadrant Building
1 William Street
Perth WA 6000
Facsimile No: (08) 9327 1778
(both pages of the proxy form must be transmitted).
Postal Address: As Above

4. Determination of Shareholding

Directors have determined under Regulation 7.11.37 of the Corporations Regulations 2001 that the shareholding of each member and their voting entitlements for the AGM be as set out in the Share Register of the Company at end of day 23 November 2004.

HOMELOANS LIMITED **PROXY FORM**
ABN 55 095 034 003 **(BOTH PAGES OF THE PROXY FORM MUST BE FAXED)**

All Correspondence to:
Gooding Pervan, Chartered Accountants
Level 9 The Quadrant
1 William Street
Perth WA 6000
Enquiries (within Australia) (08) 9327 1777
Enquiries (outside Australia) 61 8 9327 1777
Facsimilie (08) 9327 1778

Registered Name and Address (Please complete in block letters)

Name ______________________________

Address ______________________________

Appointment of Proxy

I/ We being a member(s) of Homeloans Limited and entitled to attend and vote hereby appoint

☐ the Chairman of the Meeting (mark with an 'X') **OR** ______________________________

Write here the name of the individual or body corporate you are appointing as proxy if you are not appointing the Chairman of the meeting as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy to act generally at the meeting on my /our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Homeloans Limited to be held at 11.30am on Thursday 25 November 2004 at Royce Room, Royce Hotel, 379 St Kilda Road, Melbourne, Victoria.

IMPORTANT FOR ITEM 3 BELOW

☐ If the chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Item 3 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that item and votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in computing the required majority if a poll is called on this item. The Chairman of the Meeting intends to vote undirected proxies in favour of item 3.

Voting directions to your proxy – please mark ☒ to indicate your directions

	For	Against	Abstain
ORDINARY BUSINESS			
1. Re-Election of Robert Norman Scott	☐	☐	☐
2. Re-Election of Brian Donald Jones	☐	☐	☐
SPECIAL BUSINESS			
3. Grant of Options to Brian Donald Jones	☐	☐	☐

Appointing a Second Proxy

I/We wish to appoint a second proxy

☐ Mark with an 'X' if you wish to appoint a second proxy	**AND**	%	**OR**		state the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE **This Section must be signed to enable your directions to be implemented.**

Signature of Shareholder (s): ______________________________

____

If the Shareholder is a Company:

Executed in accordance with the Corporations Act 2001.

______________________________ ______________________________

Signature of Director Signature of Director / Secretary

EXPLANATORY STATEMENT

This Explanatory Statement forms part of the Notice of Meeting convening a meeting of shareholders of the Company to be held on 25 November 2004. This explanatory statement is to be read in conjunction with the Notice of Meeting and is intended to assist shareholders in understanding the background to and the legal and other implications of the Notice of Meeting and the reasons for the resolutions proposed.

RESOLUTION NO. 1 RE-ELECTION OF ROBERT NORMAN SCOTT AS A DIRECTOR

Clause 13.4 of the Constitution of the Company requires that one third of the directors in office (except a managing director) must retire by rotation at each annual general meeting of the Company.

Mr Robert Norman Scott therefore retires at the forthcoming annual general meeting in accordance with the Constitution and, being eligible has offered himself for re-election at the meeting.

Mr Robert Norman Scott's qualifications and experience are reported in the Company's Annual Report which accompanies this notice of meeting.

RESOLUTION NO. 2 RE-ELECTION OF BRIAN JONES AS A DIRECTOR

Clause 13.6 of the Constitution of the Company states that a director who is appointed by the Board as an addition to the existing number of directors must be re-elected at the next general meeting of the Company.

Mr Brian Jones was appointed as an executive director of the company by the Board of directors on 28 May 2004. He therefore holds office only until the next general meeting after his appointment in accordance with the Constitution and being eligible has offered himself for re-election at the meeting.

Mr Brian Jones' qualifications and experience are reported in the Company's Annual Report which accompanies this notice of meeting.

RESOLUTION NO. 3 – APPROVAL FOR THE GRANT OF OPTIONS OVER ORDINARY SHARES TO BRIAN JONES

Terms of the Options

Subject to shareholder approval, 1,375,000 options over fully paid ordinary shares will be granted on 1 December 2004 to Brian Donald Jones an Executive Director of the Company. The options will expire on 1 December 2009. They can be exercised as follows:

- 375,000 options can be exercised on any date after the date of issue at an exercise price of 40 cents each.
- 500,000 options can be exercised on or after 1 June 2005 at an exercise price of 45 cents each.
- 500,000 options can be exercised on of after 1 June 2006 at an exercise price of 50 cents each.

All of the options can be exercised in any one of the following circumstances:

1. within 90 days after he retires
2. within 120 business days after his death or after he becomes totally or permanently disabled
3. within 10 business days after the offeror under a takeover bid for shares in the company becomes entitled to not less than 50% of the ordinary shares in the Company.

All of the options will lapse if he is removed as an Executive Director of the Company but not if he resigns of his own volition.

Each option is an option for the holder to subscribe for one fully paid ordinary share in the capital of the Company, payable in full on the exercise of the option and the options are non-transferable. Shares allotted on the exercise of the options will rank equally in all respects with the other issued ordinary shares in the company. The Company will apply for listing on the ASX of all shares allotted on the exercise of the options.

If the capital of the Company is reorganised, the rights of the option holder will be changed to comply with the ASX Listing Rules applying to a reorganisation of capital as follows:

- In a consolidation of capital – the number of options will be consolidated in the same ratio as the ordinary capital and the exercise price will be amended in inverse proportion to that ratio.
- In a sub-division of capital – the number of options will be sub-divided in the same ratio as the ordinary capital and the exercise price will be amended in inverse proportion to that ratio.
- In a return of capital – the number of options will remain the same, and the exercise price of each option will be reduced by the same amount as the amount returned in relation to each ordinary security.
- In a reduction of capital by cancellation of paid up capital – the number of options and the exercise price of each option will remain unaltered.
- In a pro rata cancellation of capital – the number of options will be reduced in the same ratio as the ordinary capital and the exercise price of each option will be amended in inverse proportion to that ratio.
- In any other case – the number of options or the exercise price or both will be reorganised so that the holder of the option will not receive a benefit that holders of ordinary securities do not receive.

The option holder will only participate in new issues of the Company, on the prior exercise of his options.

If there is a pro rata issue (except a bonus issue) of ordinary shares in the capital of the Company, the exercise price of each option will 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 ordinary shares into which one option is exercisable

P	=	the average market price per ordinary shares (weighted by reference to volume) of the ordinary shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date
S	=	the subscription price for an ordinary share under the pro rata issue
D	=	the dividend due date not yet paid on existing ordinary shares (except those to be issued under the pro rata issue)
N	=	the number of ordinary shares with rights or entitlements that must be held to receive a right to one new ordinary share

If there is a bonus issue to holders of ordinary shares in the Company, the number of ordinary shares to which the options are exercisable may be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

Except as required by the listing rules of the ASX, the terms of the options will not be changed without the approval of holders of ordinary shares in the Company.
In accordance with the listing rules of the ASX, the terms of the options cannot be changed to reduce the exercise price, increase the number of options or change any period for the exercise of the options.

Related Party Transaction

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 prohibition; or
(b) shareholder approval is obtained before the financial benefit is given and the benefit is given within 15 months after obtaining approval.

ASX Listing Rule 10.11 prohibits an Entity from issuing or agreeing to issue securities to a related party without the approval of holders of ordinary securities.

For the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 Brian Donald Jones, his spouse, parents, children and entities controlled by him are related parties to the Company.

In accordance with Section 219 of the Corporations Act the following information is provided to shareholders:

(a) The related party to whom the proposed resolution would permit the financial benefit to be given is Brian Donald Jones an Executive Director of the Company.

(b) The nature of the financial benefit proposed to be given is the grant of 1,375,000 options over fully paid ordinary shares for no consideration. Attached to the Explanatory Statement is an independent expert's valuation of the options indicating the basis of the valuation and the principal assumptions behind the valuation. The options are valued at between $ 81,500 to $ 90,000.

(c) Directors' recommendation:
Brian Jones has declined to make a recommendation in respect of the resolution as he has a material personal interest in the outcome of the resolution.
The other directors of the company, Timothy Holmes, Robert Salmon and Robert Scott do not have a material personal interest in the outcome of the resolution and recommend that shareholders vote in favour of the resolution.

(d) Other information that is reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass the resolution and that is known to the Company or its directors is as follows:

The object of the proposed grant of the options is to provide the director with a adequate level of remuneration and a form of remuneration which will give him an incentive to participate in the future development of the Company.

Brian Jones who was appointed an Executive Director of the Company on 28 May 2004, has 38 years experience in the finance and banking industry. He was a senior executive with National Australia Bank from 1993 to 2003. Most recently he was head of the bank's Australian third party mortgage origination arm, HomeSide Lending. Prior to this he held senior positions with the bank's subsidiary, Bank of New Zealand including Head of Consumer Markets and Head of Banking Services.

In addition to being a member of the Homeloans Board, Brian is the Head of Distribution and Marketing for the Company. The directors expect him to play a significant role in the future market positioning and the relationship delivery of the Company's products across all distribution channels.

Brian Jones as an executive director of the Company receives the following remuneration:
Salary - $ 215,000 per annum
Superannuation - $ 19,350 per annum
He is also entitled to a performance based bonus of upto a maximum of $ 300,000 per annum. The Key Performance Indicators for the achievement of the bonus are set by the Board of Directors and are based on sales and overall business profitability.

Brian Jones presently has a beneficial interest in 50,000 ordinary shares of Homeloans Limited.

The directors believe that the market remuneration for the services of such a high calibre recruit would be significantly in excess of his present remuneration and that he should be given an added incentive by way of options, so that he can participate in the upside of the Company. On this basis the Board has deemed that 1,375,000 options valued at approximately $ 85,000 represents a reasonable expense to the Company and an appropriate incentive to Brian Jones. Brian Jones and the rest of the directors have by mutual agreement arrived at a figure of 1,375,000 options as meeting the required criteria for an adequate incentive to the recipient. The purpose of the proposed grant of the options to be exercised in three tranches is based on a spread of the incentive over a longer period to give the director an incentive for future involvement with and long-term commitment to the Company. The exercise price for each tranche has been designed to give the director an indication of the target expected by the Board for the development of the Company and is in the best interests of the shareholders.

The directors consider that the incentive represented by the grant of the options to Brian Jones is a cost effective and efficient form of remuneration and incentive when compared with other forms of cash incentives.

Homeloans Limited has the following shares on issue:
50,375,000 fully paid Ordinary Shares
503,750 fully paid Reset Preference Shares .
If the 1,375,000 options to acquire fully paid ordinary shares are exercised the ordinary share capital of the company will be diluted by approximately 2.73% (based on the existing number of ordinary shares on issue).
The highest and lowest ASX trading prices of the Company's fully paid ordinary shares over the last year were:-
High: 44 cents on 31 October 2003.
Low: 27 cents on 8 June 2004
The Company's share price on 11 October 2004 was 34 cents

Opportunity Costs:

There are no opportunity costs to this transaction.

Taxation consequences:

There are no taxation consequences to the Company of this transaction.

Benefits foregone by the party giving the financial benefit:

There are no benefits foregone by the Company as the party giving the financial benefit.

There is no other information that is known to the Company or to any of its directors that would be reasonably required by shareholders to make a decision as to whether it is in the best interests of the Company to pass the resolution.

Resolution Number 3 is subject to Resolution Number 2 being passed by the shareholders.

PKF Corporate Advisory

PKF Corporate Advisory Services (WA) Pty Ltd

ACN 009 423 152
Australian Financial Services Licence No: 240566

Level 7, BGC Centre
28 The Esplanade
Perth WA 6000
PO Box Z5066
St Georges Terrace
PERTH WA 6831

Tel: (08) 9278 2222
Fax: (08) 9278 2200
www.pkf.com.au/wa

8 October 2004

Jennifer Murray
Company Secretary
Homeloans Ltd
Level 2, 168 St Georges Terrace
PERTH WA 6000

Dear Jennifer

Valuation of Executive Options

Purpose

The purpose of this letter is to document the valuation of the executive options ("the options") to be issued by Homeloans Limited ("Homeloans") on 1 December 2004.

Background

We understand that the 2004 Annual General Meeting is to be held on 25 November 2004 where a resolution will be considered by shareholders to issue 1.375 million options to Brian Jones, an executive director of Homeloans.

All of the options are unlisted with each option entitling the optionholder to acquire one listed ordinary share in Homeloans, upon payment of the exercise price prior to the expiry date of 1 December 2009.

The options vest to the executive director in three Tranches, with 375,000 vesting on 1 December 2004 the issue date in Tranche 1, 500,000 vesting on 1 June 2005 in Tranche 2 and the remaining 500,000 vesting on 1 June 2006 in Tranche 3.

The exercise price each Tranche will be different, with the Tranche 1 exercise price set at 40 cents, the Tranche 2 exercise price will be set at 45 cents and the Tranche 3 will be set at 50 cents.

Accounting Standards

The valuation of options is considered in Australian Accounting Standards Board ("AASB") Accounting Standard 1046, Director and Executive Disclosures by Disclosing Entities. A disclosing entity is defined in the Corporations Act 2001 as a body with enhanced disclosure securities, which includes a body with shares traded on a stock exchange or a listed company.

AASB 1046 applies to disclosing entities for annual reporting periods ending on or after 30 June 2004. The standard requires the fair value of equity compensation including options be measured at fair value on the grant date.

The grant date is defined as the date on which the terms of the payment are agreed to, such as a shareholder meeting.

The measurement of fair value in respect of an option is calculated with reference to an option-pricing model that takes into account the relevant variables including the Black-Scholes or Binomial approaches.

Option Valuation

The Black-Scholes approach to option valuation is the most widely used and accepted methodology. Under this approach, we need to consider variables including the option strike or exercise price, the term, the measure of volatility and the current share price.

The Black-Scholes Approach

The inputs for the Black-Scholes approach were applied as follows:

- Exercise price: the price at which the options may be exercised prior to the expiry date Tranche 1 – 40 cents, Tranche 2 – 45 cents and Tranche 3 – 50 cents;

- Current stock price: (unknown until 25 November) based on the grant date of the options, which under AASB 1046 is the date of the shareholders meeting will be held on 25 November 2004 and the date on which these options are to be valued for the purposes of the annual report – 35 cents (assumed based on high level analysis of current share price level, volume and trend);

- Risk free rate: based on the continuously compounded riskfree rate for 5 years at 25 November 2004 (assumed as not yet known) – 5.80%;

- Volatility: calculated based on the standard deviation of the annualised monthly returns on Homeloans share price to 31 March 2004, as provided by the Australian Graduate School of Management – 30%; and

- Time to maturity: the term of the options before they expire on 1 December 2009 – approximately 5 years.

The options can be exercised at any time prior to their expiry date and are hence considered American options. American options generally trade at a premium to European options which can only be converted at the expiry date, which the Black-Scholes approach assumes, however we do not expect this premium to be significant when crosschecked using the Binomial approach.

Using the Black-Scholes approach, we calculated the theoretical value of the unlisted options issued to Brian Jones to be 10.6 cents **for** Tranche 1, 8.9 cents **for** Tranche 2 and 7.6 cents **for** Tranche 3 **at the grant date of 25 November 2004.**

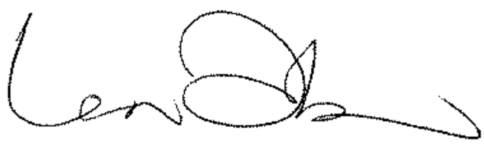
The high level valuation of the options is as follows:

Option Value	Tranche 1	Tranche 2	Tranche 3	Total
Theoretical Value	$39,697	$44,761	$37,893	**$122,351**
Less: Discount for non-marketability (30%)	($11,909)	($13,428)	($11,368)	**($36,705)**
Adjusted Value	$27,788	$31,333	$26,525	**$85,646**

A discount has been applied for the non-marketability of the options of 30% as the option are unlisted and cannot be sold or transferred from the executive director, which is within the range of accepted discounts for non-marketability of 20% -60%.

The total adjusted theoretical value of the executive options is $85,646, as such from our high level calculation PKF would recommend a valuation of $81,500 to $90,000.

Yours sincerely
PKF Corporate Advisory Services



IAN P OLSON
Director