

# Ormil Energy Limited

ACN 107 708 305

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ormil Energy Limited will be held at Level 16, 55 Hunter Street, Sydney NSW 2000 on Monday 15<sup>th</sup> November 2010 at 10:30am

### BUSINESS

1. To receive the financial report of the company and of the consolidated entity for the year ended 30 June 2010 and the reports by Directors and Auditors thereon.
2. To consider and , if thought fit, to pass the following ordinary resolution:  
*“That the Remuneration Report for the Company for the year ended 30<sup>th</sup> June 2010 be adopted”.*
3. To consider and , if thought fit, to pass the following ordinary resolution:  
*“That Mr Thomas Fontaine be and is hereby re-elected as a director of Ormil Energy Limited”.*
4. To consider and , if thought fit, to pass the following ordinary resolution:  
*“That Mr Brett Montgomery be and is hereby re-elected as a director of Ormil Energy Limited”.*
5. To consider and , if thought fit, to pass the following ordinary resolution:  
*“That Professor Ian Plimer be and is hereby re-elected as a director of Ormil Energy Limited”.*
6. To consider and , if thought fit, to pass the following ordinary resolution:  
*“That Mr Andrew Davis be and is hereby re-elected as a director of Ormil Energy Limited”.*
7. Approval of Previous Issue of Shares

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

*“That, for the purposes of Listing Rule 7.4 of the ASX Limited and for all other purposes, the issue of shares by the Company to the parties as specified in section 7 of the Explanatory Memorandum annexed to and forming part of this Notice of Meeting, be approved.”*

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 7 by:

- any of the shareholders identified in section 7 of the Explanatory Memorandum; and
- an associate of any of those persons.

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 a direction on the proxy form to vote as the proxy decides.

8. Approval of Proposed Issue of Shares to Graham Perrin Hurst

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

*“For the purpose of Listing Rule 10.11 of the ASX Limited and for all other purposes, the proposed issue by the Company of the shares to Graham Perrin Hurst as specified in section 8 of the Explanatory Memorandum annexed to and forming part of this Notice of Meeting, be approved.”*

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 8 by:

- Graham Perrin Hurst and any associate of Mr Graham Hurst.

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 a direction on the proxy form to vote as the proxy decides.

9. Issue of Options to Mr Thomas Fontaine (Managing Director)

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

*“That, for the purposes of Listing Rule 10.11 of the ASX Limited and for all other purposes, the proposed issue by the Company of the Options to Thomas Fontaine as specified in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting, be approved.”*

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 9 by:

- Mr Thomas Fontaine and any associate of Mr Thomas Fontaine.

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 a direction on the proxy form to vote as the proxy decides.

## 10. Approval of Share Placement

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

*“That approval is given, under Listing Rule 7.1 of the ASX Limited and for all other purposes, for the Company to issue up to 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price of not less than four cents per share by way of placements for the purposes and on the terms and conditions as specified in section 10 of the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.”*

### Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 10 by:

- a person who may participate in the proposed issue of shares; and
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares in the Company, if Resolution 10 is passed; and
- an associate of any of those persons.

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 a direction on the proxy form to vote as the proxy decides.

## 11. Directors Remuneration

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

*“That for the purposes of Clause 13.8(a) of the Company’s Constitution and Listing Rule 10.17 the directors shall be entitled to payment of fees for their services not exceeding in aggregate the amount of \$160,000 per annum until further varied.”*

### Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 11 by:

- any director of the Company; and
- an associate of any of those persons.

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 a direction on the proxy form to vote as the proxy decides.

## ENTITLEMENT TO VOTE

In accordance with the *Corporations Act 2001* (Cth) the board has determined that for the purposes of the meeting, a person's entitlement to vote at the meeting will be the entitlement of that person set out in the Register of Members of the Company at 7pm on **11 November 2010**. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## VOTING BY PROXY

- A shareholder entitled to attend and vote at the meeting is entitled to appoint not more than 2 proxies to attend and vote instead of the shareholder.
- Where 2 proxies are appointed the Proxy Form should specify the proportion, or the number of votes that the proxy may exercise. If the Proxy Form does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.
- A proxy need not be a shareholder of the Company. The proxy appointed may be described in the Proxy Form by an office held, e.g. "the Chair of the Meeting".
- Proxy Forms must be signed by a shareholders or the shareholder's attorney or, if the shareholder is a corporation, must be under its common seal, or if it does not have one, by 2 directors or by a director and a company secretary, or if it is a proprietary company that has a sole director who is also the company secretary, by that director, or under hand of its attorney or duly authorised officer. If the Proxy Form is signed by a person who is not the registered holder of shares in the Company (i.e. under power of attorney or other authorisation), then the relevant authority (or a certified copy of such authority) must either have been exhibited previously to the Company or be enclosed with the Proxy Form.

To be effective, duly completed Proxy Forms (duly completed and executed) must be:

- received by mail at Share Registry - Registries Limited, GPO Box 3993, Sydney, NSW 2001, Australia;
- in person at Share Registry – Registries Limited, Level 7, 207 Kent Street, Sydney, NSW 2000; or
- sent by fax to fax number: +61 2 9290 9655

by 10.30 am on **13 November 2010**.

By Order of the Board

**Mark Ohlsson**

**Company Secretary**

**7<sup>th</sup> October 2010**

## **Explanatory Notes**

### ***Item 1***

No resolution is required relating to the financial report, but shareholders will be given the opportunity to ask questions at the meeting. The Company's Auditor will be present

### ***Resolution 2***

The Corporations Act requires listed companies to put a non-binding resolution to the AGM regarding the remuneration report.

### ***Resolution 3***

Mr Thomas Fontaine was appointed as an additional director on 5<sup>th</sup> August 2010. In accordance with Clause 13.4 of the Constitution he offers himself for re-election.

Tom Fontaine is a professional engineer who has considerable experience in the Oil and Gas Industry including Coal Seam Methane. He was one of the original founders of Pure Energy Resources Limited which was a Coal Seam Methane focussed company which listed on the ASX and was subsequently bought by British Gas.

### ***Resolution 4***

Mr Brett Montgomery retires by rotation in accordance with Clause 13.5 of Constitution and, being eligible, offers himself for re-election

Brett Montgomery has over 27 years experience in the gold mining industry and management of public companies. Mr. Montgomery is a director of Eurogold Limited.

### ***Resolution 5***

Professor Ian Plimer was appointed as an additional director on 5<sup>th</sup> August 2010. In accordance with Clause 13.4 of the Constitution he offers himself for re-election.

Professor Ian Plimer is a geologist who holds a Bachelor of Science with Honours degree from the University of New South Wales and a Doctor of Philosophy degree from Macquarie University. He has consulted widely to mining companies and governments in many parts of the world and was Professor of Geology at the School of Earth Sciences at the University of Melbourne from 1991 to 2005. He is currently Professor of Mining Geology at the University of Adelaide. He is an Honorary Fellow of the Geological Society of London, and fellow of the Academy of Technological Sciences and Engineering and the Australian Institute of Geoscientists.

Professor Plimer is a director of Ivanhoe Australia Limited.

### **Resolution 6**

Mr Andrew Davis was appointed as an additional director on 5<sup>th</sup> August 2009. In accordance with Clause 13.4 of the Constitution he offers himself for re-election

Mr Davis originally qualified as a lawyer and has extensive business experience in mineral exploration, oil and gas exploration, quarrying, the media industry, the motor vehicle industry and property development.

### **Resolution 7**

#### **Approval of Previous Issues of Shares**

The Company allotted and issued 24,000,000 fully paid ordinary shares as set out below:

<b>Party to Whom Shares Have Been Issued</b>	<b>Date of Issue</b>	<b>Price</b>	<b>Number of Shares Issued</b>
Apex Energy N.L. ACN 097 997 914	23 <sup>rd</sup> September 2010	5 cents per share	20,000,000 ordinary shares
Barr Pacific Management Services Pty Ltd ACN 069 854 708	23 <sup>rd</sup> September 2010	4 cents per share	3,000,000 ordinary shares
S. Lonergan	23 <sup>rd</sup> September 2010	4 cents per share	1,000,000 ordinary shares

The shares issued to Apex Energy N.L were 20,000,000 shares at 5 cents per share in settlement of the acquisition of the whole of the issued capital of Sydney Basin CBM Pty Ltd which holds 20% of Petroleum Exploration Licences 442, 444 and 454 and 20% of interests in agreements with a number of the owners of Coal Mining Leases CCL703, 379, 700 and 740.

The transactions were comprehensively described in the Company's Annual Report and the announcement to the ASX on 24<sup>th</sup> August 2010 and settlement took place after the completion of due diligence on 22<sup>nd</sup> September 2010.

The shares issued to Barr Pacific Management Services Pty Limited and S Lonergan were issued in settlement of consulting services in relation to the acquisition of Sydney Basin CBM Pty Ltd and for advice in relation to the Company's change of activities.

ASX Listing Rule 7.1 limits the number of equity securities that a company may issue without member approval to 15% of the issued capital of the company in any 12 month

period (subject to certain exceptions).

There were no funds raised from the issue of the shares.

ASX Listing Rule 7.4 allows an issue of securities to be subsequently approved by shareholders and treated as having been made with approval of shareholders for the purpose of ASX Listing Rule 7.1. The Company is seeking subsequent shareholder approval for the issue of shares under ASX Listing Rule 7.4 to refresh the Company's capacity to issue up to 15% of its issued shares, if required, in the next 12 months without the need to obtain shareholder approval.

All of the shares the subject of this resolution are ordinary fully paid shares which rank equally with all of the Company's existing ordinary fully paid up shares and are quoted on the ASX.

### ***Resolution 8***

#### **Approval of Proposed Issue of Shares to Graham Perrin Hurst**

Mr Hurst resigned as Chairman of the Company and as Director of the Company on 23<sup>rd</sup> August 2010.

It is proposed that 3,000,000 shares be issued in recognition of the services of Mr Hurst in relation to the various transactions with Apex Energy N.L. over the last several months.

Mr Hurst was largely instrumental in the original introduction of the Apex Energy N.L. project to the Company and without the efforts of Mr Hurst the Company would not have acquired its interests in Coal Seam Gas and Coal Mine Methane in the Southern Coal Fields of New South Wales.

On 23<sup>rd</sup> August 2010 the Company agreed to issue the 3,000,000 million shares to Mr Hurst as fully paid shares for no consideration. The closing price for the Company shares on the previous day was \$0.03 and the 30 day volume weighted average price for the Company shares was \$0.032.

The Directors (other than Mr Hurst who has not participated in the Board's decision making with respect to any aspect of this share issue) consider that this benefit is reasonable remuneration in the circumstances of the Company and Mr Hurst's circumstances including his responsibilities as a director of the Company.

#### **ASX Listing Rules**

ASX Listing Rule 10.11 provides that a Company must not issue or agree to issue equity securities to a related party of the Company, such as a person who has been a director within the previous 6 months, without the Company first obtaining the approval by ordinary resolutions its shareholders.

The Company is seeking approval of shareholders under ASX Listing Rule 10.11 to allow

the Company to issue the shares to Mr Graham Hurst. If shareholders approve the issue of the shares under ASX Listing Rule 10.11 approval is not required under ASX Listing Rule 7.1 so that the shares would not be taken into account in determining whether a future share issue will result in the 15% cap imposed by Listing Rule 7.1 being exceeded.

Because the shares have been issued for no consideration there will be no funds raised from the issue of the shares to Mr Hurst.

#### Potential Costs

The potential cost to the Company of the issue of shares to Mr Hurst is that there will be a dilution of the issued share capital.

The closing price of shares in the Company on 6<sup>th</sup> October 2010, the last trading day before lodgement of the notice of annual general meeting and explanatory memorandum with the ASX was \$0.065. Based on the share price the value of the benefit being given to Mr Hurst is \$195,000.

#### Taxation Consequences

No stamp duty will be payable in respect of the issue of the shares.

The new shares, when issued, will have the same rights and rank equally with the existing ordinary fully paid shares of the Company.

The Company will apply to the ASX for quotation of the shares.

The shares will be issued and allotted not later than one month after the date of the passage of the Resolution.

#### ***Resolution 9***

##### **Issue of Options to Mr Thomas Fontaine**

The Company proposes to grant 10,000,000 Options to Mr Thomas Fontaine each at an exercise price of 6 cents per share (each an "Option" and together the "Options"). The issue of the Options to Mr Fontaine is designed to align his interests with those of the Company and its shareholders and is intended to provide incentive for him to further enhance the growth and value of the Company.

The Company entered into an agreement with Mr Fontaine on 22 September 2010 that it would issue the Options as part of his remuneration as Managing Director of the Company subject to obtaining shareholder approval. The closing price on the Company's shares on the day before the Agreement was entered into was \$0.04. The 30 day volume weight average price of the Company's shares on that day was \$0.036.

The Directors (other than Mr Fontaine who has not participated in the Board's decision making with respect to any aspect of the terms of his employment including the issue of the Options) consider that the Options to be issued to Mr Fontaine present reasonable



remuneration in the Company's circumstances and in Mr Fontaine's circumstances including his responsibilities as Managing Director of the Company.

### Corporations Act

Mr Fontaine's ability to exercise his options may be restricted by the operation of Section 606 of the *Corporations Act 2001*. This prevents a person who holds a relevant interest in less than 20% of the voting power in a listed public company from increasing his voting power to more than 20% or a person who already has a voting power above 20% from increasing that voting power except in certain circumstances.

These circumstances include:

- with the approval of the Company's members in General Meeting (Section 611 Item 7 of the *Corporations Act 2001*); or
- an acquisition of not more than 3% of the Company's issued capital in any six month period (Section 611 Item 9).

### ASX Listing Rules

ASX Listing Rule 10.11 provides that a company must not issue or agree to issue equity securities to a related party of the company, such as a director, without the company first obtaining the approval by ordinary resolution of its shareholders.

The Company is seeking approval of shareholders under ASX Listing Rule 10.11 to allow the Company to issue the Options to Mr Thomas Fontaine. If shareholders approve the issue of the Options under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1, so that the Options will not be taken into account in determining whether a future share issue will result in the 15% cap imposed by Listing Rule 7.1 being exceeded.

The shares will be issued on the same terms as all other ordinary shares of the Company currently on issue. The Options are issued on the terms set out under the heading "Terms and Conditions of the Options" set out below.

### Corporate Governance

The Options to be issued to the Managing Director, Mr Thomas Fontaine, are in addition to the remuneration package payable by the Company to him. The ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (Box 8.1) recognise that most executive remuneration packages will involve a balance between fixed and incentive pay. The Options granted to the Managing Director constitute equity-based remuneration. The Board believes that the Options are an effective tool to provide incentives to Mr Fontaine and promote the interests of the Company and its shareholders.

The Directors consider the terms of the Options are reasonable given the circumstances of

the Company.

#### Potential Benefits – Issue of Options

If the Options are issued pursuant to the proposed Resolution 9, the Company considers that the following benefits will arise:

- the Managing Director will have a vested interest in the affairs of the Company and incentives to ensure that the Company is able to create a successful and profitable business. The consequential increase in shareholder value and the market price of the shares of the Company will benefit all shareholders, notwithstanding the dilutionary effect on shareholders of the Options being exercised;
- the issue of the Options to the Managing Director is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue of the Options therefore enables the Company to provide Mr Fontaine with a reward for services provided and an incentive for future services he will provide to the Company to further progress the Company in a cost-effective manner, as opposed to other forms of remuneration, such as cash; and
- the exercise of the Options will provide working capital for the Company at no significant cost. If all of the Options proposed to be issued to the Managing Director are ultimately exercised, an amount of approximately \$600,000 would be subscribed into the capital of the Company. As the Options are to be granted for nil consideration there will be no funds raised by the Company in granting the Options.

Furthermore, the Board considers it important to adequately compensate the Managing Director in order to attract and retain people with appropriate qualifications and skills to be able to contribute to the success of the Company.

#### Potential Costs – Issue of Options

The potential cost to the Company of the issue of the Options to the Managing Director is that there will be a dilution of the issued share capital if the Options are exercised.

If the Options are exercised at a time when the market price of the Company's shares is greater than the exercise price of the Options, there will be a detriment insofar as the Company will be required to issue shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

From an economic and commercial point of view the Board considers that the potential cost and detriment to the Company resulting from the granting of the Options is nominal given that the Options are out of the money at the date of the agreement to issue the Options subject to Shareholder approval.

If all of the Options to be issued under Resolution 9 are exercised and no further shares are issued by the Company in the meantime, the total number of ordinary fully paid shares issued would increase by 10,000,000 to 196,074,833 and the newly issued shares would comprise 5.1% of the issued shares at that time. The effect will be to dilute the shareholding

of existing shareholders by approximately 5.1% on an undiluted basis (based on 186,074,833 shares currently on issue) and not taking into account the rights issue announced on 28 September 2010.

The lowest and highest price of shares in the Company in the past 12 months on the ASX was 2.4 cents on 1 December 2009 and 7.5 cents on 30 September 2010 respectively.

The closing price of shares in the Company on 6<sup>th</sup> October 2010, the last trading day before lodgement of the Notice of Annual General Meeting and Explanatory Memorandum with the ASX was \$0.065.

### Valuation of Options

The Options are not currently quoted on the ASX and as such have no market value. It is not intended for the Options to be listed on the ASX. The Options will grant Mr Fontaine a right to one share in the Company upon exercise of an Option and payment of the exercise price of the Option. Accordingly, the Options may have a present value at the date of their grant. The Options may acquire future value dependent upon the extent to which the shares exceed the exercise price of the Options during the term of the Options.

It is a requirement of ASIC that a dollar value be placed on the Options to be issued in these circumstances.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated),

and so on.

There are various formulae which can be applied to determining the theoretical value of options including the formula known as the Binomial option price calculation.

The Binomial option price calculation method has been used to value the Options based on the assumed exercise price of 6 cents. In determining the value of the Options as at the agreement date, the following inputs have been assumed:

- For personal use only
- a) the Options are granted for nil consideration and have less than a three year life vesting immediately;
  - b) assumed exercise price: 6 cents (71% more than estimated share price at grant date);
  - c) grant date: 30/11/10
  - d) expiry date: 30/6/12
  - e) share price at grant date: 30/11/10 estimated 3.5 cents
  - f) expected price volatility of the Company's shares: 15%
  - g) expected dividend yield: 0
  - h) risk-free interest rate: 5%

Using the Binomial option price calculation method and the assumed data outlined above, the Options have been valued at \$0.00031 each. Accordingly, the total value of the proposed Options to be granted to Mr Fontaine is \$3,107 over the term of the Options.

Accordingly, the total balance sheet impact attributable to the granting of the Options is \$3,107 over the term of the Options. In determining the number and terms of the Options to be issued to Mr Fontaine, consideration was given to the relevant experience and role of Mr Fontaine and his remuneration terms, the current market price of shares in the Company and the terms of the recent option packages granted to directors of other companies within the sector in which the Company operates.

#### Taxation Consequences

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

#### Terms and Conditions of the Options

Subject to shareholder approval, the Options will be issued on the following terms:

- Each Option entitles the holder to subscribe for one ordinary share in the Company at a price of 6 cents per share.
- The Options will be issued a nil issue price and will vest immediately.
- The Options will be issued to the Managing Director (effective as at the date of this meeting) as soon as practicable after the date of the meeting and in any event not later than one month from the date of the meeting.
- The Options will have an expiry date of 30<sup>th</sup> June 2012. The Options will vest immediately.
- The Options may be exercised by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
- The Company will not apply to the ASX for official quotation of the Options but will

apply for granting of official quotation of shares issued pursuant to exercise of the Options as soon as practicable after the date of allotment of the shares.

- Shares issued on the exercise of the Options will rank equally with the then existing issued fully paid ordinary shares in the Company.
- If there is a pro rata issue (except a bonus issue) to shareholders, the exercise price of the option 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 into which one option is Exercisable;

Note: E is one unless the number has changed because of a bonus issue.

P = the average market Price per security (weighted by reference to volume) of the underlying securities during the 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); and

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

- In the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the Options will be reorganised as required by the ASX Listing Rules, so that the holder will not receive a benefit that the existing holders of ordinary shares do not receive but in all other respects the terms of exercise will remain the same.
- In the event of the Company effecting a Rights Issue at a discount, the exercise price of the Options shall be adjusted in accordance with the ASX Listing Rules. This clause will not come into effect as a result of any rights issue pursuant to the announcement to the ASX of 24 August 2010.
- Holders of the Options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the Options without first exercising their Options.

- For personal use only
- If a takeover bid is made for the shares of the Company then, at any time during the Takeover Period, any unvested Options will vest and the Option holder may exercise each Option at the exercise price, despite the fact that it is then outside an exercise period specified in the Option. The “Takeover Period” referred to is from the start of the offer period until one month after the end of the offer period.
  - The Options will otherwise be in accordance with the requirements of the ASX Listing Rules.

The Options will be issued for no cost and no funds will be raised from the issue of the Options unless and until they are exercised. If all of the Options are exercised the amount of funds raised from the Options the subject of Resolution 9 will amount to a total of \$600,000. The funds raised will form part of the working capital of the Company.

The Options will have issued not later than one month after the date of the meeting.

### ***Resolution 10***

#### **Approval of Share Placement**

Under ASX Listing Rule 7.1 your directors, in effect have the authority to make placements of up to 15% of the issued share capital of the Company without having to obtain shareholder approval.

The purpose of Resolution 10 is, therefore to permit the directors to issue further capital within three months of the date of the passage of the resolution, without impacting on the Company’s ability to issue up to a further 15% subsequently (without shareholder approval).

#### Terms of issue

Under Resolution 10, the maximum number of shares to be issued is 50,000,000. Those shares will be placed at not less than 4 cents per share.

These shares are to be placed to “excluded offerees” in the context of the Corporations Act 2001 (Cth) being sophisticated investors and institutional investors. These shares will not be placed with any “related party” of the Company. These shares will not be placed with any director of the Company, any specified members of the family of a director of the Company, or any other company under the control of any director (or their family) of the Company.

The new shares, when issued, will have the same rights and rank equally with the existing ordinary fully paid shares of the Company.

The funds raised by means of the issue of shares referred to in Resolution 10 will be used to pursue the Company’s corporate objectives and for working capital.

The shares will be issued and allotted not later than three months after the date of the passage of the resolution

***Resolution 11***

**Remuneration of Directors**

Clause 13.8(a) governs the aggregate amount payable per annum to the directors, excluding the Managing Director. The amount is currently \$100,000.

The Company seeks to raise the aggregate amount to \$160,000 per annum.

Given the expected increase in activities of the Company under its joint venture agreement with Apex Energy N.L. and its shareholding in that Company the Directors will be more heavily involved in the Group's activities than heretofore.

Accordingly the directors believe that the aggregate level of remuneration should be increased so as to enable the Company to more appropriately remunerate the Non-Executive Directors in view of their increased responsibility.