

# **APOLLO GOLD MINING LIMITED**

**ABN 49 087 360 996**

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## **NOTICE OF GENERAL MEETING**

## **EXPLANATORY MEMORANDUM**

## **PROXY FORM**

Date of Meeting: Wednesday, 2 June 2004  
Time of Meeting: 11am (WST)  
Place of Meeting: The Terrace Room, Chifley Hotel, 185 St Georges  
Terrace, Perth, Western Australia

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These documents should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

**APOLLO GOLD MINING LIMITED**  
**ABN 49 087 360 996**

**NOTICE OF GENERAL MEETING**

Notice is hereby given that a general meeting of shareholders of Apollo Gold Mining Limited (*Company*) will be held at The Terrace Room, Chifley Hotel, 185 St Georges Terrace, Perth, Western Australia on Wednesday, 2 June 2004 at 11am (WST).

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered at the meeting and includes a glossary of defined terms.

**AGENDA**

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

**RESOLUTIONS**

**1. Change of name to Crescent Gold Limited**

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

*"That, subject to the approval of ASIC and in accordance with section 157 of the Corporations Act, the name of the Company be changed from "Apollo Gold Mining Limited" to "Crescent Gold Limited"."*

**2. Placement of Shares and 2006 Options**

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

*"That for the purposes of ASX Listing Rules 7.1 and 10.11, section 208 of the Corporations Act and for all other purposes, the members of the Company hereby authorise the Directors to issue up to 17,416,667 Shares at an issue price of \$0.15 per Share and, each Share having one free attached 2006 Option, up to 17,416,667 2006 Options each exercisable on or before the date which is 2 years after the date of issue at \$0.15 in the first year and at \$0.18 in the second year, under the Placement which is described in the Explanatory Memorandum"*

<p>The Company will disregard any votes cast on this resolution by a person who participates in the Placement, a person who might obtain a benefit if the resolution is passed (except a benefit solely in the capacity of a holder of ordinary shares) and an associate 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.</p>
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**3. Issue of 2005 Options to Mr Neil O'Loughlin in lieu of Directors' Fees**

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

*"That for the purpose of ASX Listing Rule 10.11, section 208 of the Corporations Act 2001 and for all other purposes, the members of the Company approve the issue of up to 1,000,000 2005 Options to Mr Neil O'Loughlin, a Director of the Company, or his nominee(s), in lieu of*

*payment of directors' fees for the period 17 November 2003 to 16 November 2004 to which Mr O'Loughlin is or may become entitled and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue, a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed) and any associate of those persons. However, the Company need not disregard a vote if it is cast by a Director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a 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.

## **PROXY INSTRUCTIONS**

In accordance with section 249L of the Corporations Act 2001, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise half of the votes.

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

In accordance with section 250BA of the Corporations Act 2001, the Company specifies that the proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be:

- posted to the Company's Share Registry, Computershare Investor Services Pty Limited, GPO Box D182, Perth, Western Australia 6840; or
- delivered to the Company's Share Registry, Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace, Perth, Western Australia; or
- sent by facsimile to the Company's Share Registry, Computershare Investor Services Pty Limited on +61 8 9323 2033; or
- posted or delivered to the registered address of the Company at Level 5, 89 St Georges Terrace, Perth, Western Australia.

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

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

A proxy form is attached to this Notice.

## **VOTING ENTITLEMENT**

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 11am (WST) on Monday, 31 May 2004. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## **BY ORDER OF THE BOARD**

Alan S Phillips  
Chairman  
20 April 2004

**APOLLO GOLD MINING LIMITED**  
**ABN 49 087 360 996**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be considered at the general meeting of Shareholders to be held at The Terrace Room, Chifley Hotel, 185 St Georges Terrace, Perth, Western Australia on Wednesday, 2 June 2004 at 11 am (WST).

The Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting which sets out the resolutions to be considered at the Meeting. The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass those Resolutions.

For the assistance of Shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

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**1. Resolution 1 – Change of Name to Crescent Gold Limited**

Resolution 1 seeks approval for a change in the Company's name from "Apollo Gold Mining Limited" to "Crescent Gold Limited".

The proposed change of name will eliminate confusion, amongst North American investors, of the Company with a Canadian listed gold company having a similar name and will also reflect the Company's expansion of its activities into China.

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**2. Resolution 2 - Placement of Shares and 2006 Options**

**2.1 Background**

On 20 April 2004, the Company announced an issue of 16,666,667 Shares at an issue price of \$0.15 and, each Share having one free attached 2006 Option, 16,666,667 2006 Options to raise \$2,500,000 under a Placement to sophisticated and professional or overseas investors. It was also announced that a fee equal to 7.5% of the value of Placement Securities issued to them, would be paid to certain of these investors as an arrangement fee to be satisfied by the issue by the Company to those investors of additional Placement Securities. This would result in the issue under the Placement of a further 750,000 Shares and 750,000 2006 Options to bring the total of the Placement Securities to 17,416,667 Shares and 17,416,667 2006 Options. Pursuant to section 708 of the Corporations Act, the offer of Shares and 2006 Options to these investors does not require the issue of a prospectus. The number of Shares issued under the Placement represents approximately 20.5% of the Company's share capital on issue prior to the Placement (including in that share capital the 1,056,926 Shares subscribed for by Shareholders under the initial offer pursuant to the Share Purchase Plan which closed on 19 April 2004 but not including placement of the shortfall of 13,943,074 Shares under that offer, which placement was approved by Shareholders on 19 April 2004).

It is proposed that a company affiliated with a Director, Mr Neil O'Loughlin, will subscribe as an investor under the Placement.

The funds raised by the Placement will be used to continue with the feasibility study in respect of the Company's Laverton Project and to provide initial exploration funding for the Company's expansion into China.

## 2.2 Listing Rule 7.1

Subject to certain exemptions (none of which is relevant here), Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities (which include the Shares and 2006 Options) in any 12 month period which amount to more than 15% of the company's ordinary securities on issue, without shareholder approval. However, issues of equity securities made with the prior approval of the shareholders in a general meeting are not subject to this restriction and will not be counted as part of the 15% limit.

As required by Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the Placement:

- (a) The maximum number of Placement Securities to be issued pursuant to Resolution 2 is 17,416,667 Shares and, each Share having one free attached 2006 Option, 17,416,667 2006 Options.
- (b) The Placement Securities and will be issued no later than 3 months after the date of the Meeting, or such longer period as ASX may approve in the event that the Company applies for a waiver of Listing Rule 7.3.2.
- (c) The issue price of the Shares will be \$0.15 per Share. Each Share subscribed for will have one free attached 2006 Option.
- (d) The names of the allottees of the Placement Securities, being either institutional, sophisticated and other professional investors (within the meaning of section 708 of the Corporations Act) or overseas investors, are as follows:
  - AMP Capital Investors
  - Indi Holdings Pty Ltd
  - Exploration Capital Partners Limited Partnership
  - Fastrack Capital Partners
  - Middlemarch Partners Ltd
  - Edward L Mercaldo as trustee of the Mercaldo Family Trust
  - Edward L Mercaldo (or nominee)
- (e) The Shares issued under the Placement will rank pari passu in all respects from date of issue with the existing fully paid ordinary shares of the Company. The Company intends to apply to ASX for official quotation of all Shares issued under the Placement. The terms of the 2006 Options are set out in Annexure A. Application will not be made to ASX for official quotation of the 2006 Options.
- (f) It is intended that the funds raised pursuant to the issue of the Placement Securities will be used to continue with the feasibility study in respect of the Company's Laverton Project and to provide initial exploration funding for the Company's expansion into China.
- (g) The Directors presently intend to issue the Placement Securities as one allotment. However, they reserve the right to allot the placement Securities progressively.

## 2.3 Listing Rule 10.11

Listing Rule 10.11 generally provides that a listed company may not, without the approval of ordinary shareholders, issue equity securities to a related party. The Company proposes to issue up to 4,666,667 Shares to Indi Holdings, a company affiliated with Mr Neil O'Loughlin. Mr O'Loughlin is a Director and therefore a related party of the Company. He is also a director and shareholder of Indi Holdings and accordingly Indi Holdings is considered a

related party of the Company.

In accordance with the requirements of Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed issue of Placement Securities to Indi Holdings under Resolution 2:

- (a) The maximum number of Placement Securities to be issued to Indi Holdings pursuant to Resolution 2 is 4,666,667 Shares and 4,666,667 2006 Options.
- (b) The issue of the Placement Securities to Indi Holdings will occur no later than 1 month after the date of the Meeting, or such longer period as ASX may approve in the event that the Company applies for a waiver of Listing Rule 10.13.3.
- (c) The issue price of the Shares issued to Indi Holdings will be \$0.15 per Share. Each Share subscribed for will have one free attached 2006 Option.
- (d) It is intended that the funds raised pursuant to the issue of the Placement Securities will be used for the purposes set out in section 2.2(f) above.

## **2.4 Chapter 2E of the Corporations Act**

Subject to certain exceptions (none of which are relevant here), section 208 of Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company without prior shareholder approval. The proposed issue of Placement Securities to Indi Holdings, which is a related party of the Company, may constitute the giving of a financial benefit to a related party under section 229(3)(e) of the Corporations Act and shareholder approval is required.

For the purpose of obtaining shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess the proposed issue of a number of Placement Securities to Indi Holdings:

- (a) The related party of the Company to which a financial benefit may be given under Resolution 2 is Indi Holdings which is a related party of the Company by virtue of section 228(4) of the Corporations Act being a company controlled by a Director, Mr O'Loughlin. Neither Mr O'Loughlin nor Indi Holdings currently has a relevant interest in any Shares or options over Shares.
- (b) The nature of the financial benefit to be given to Indi Holdings is the issue of 4,666,667 Shares and 4,666,667 2006 Options.
- (c) Mr O'Loughlin does not wish to make a recommendation to Shareholders about Resolution 2 in view of his personal interest in the outcome of that resolution. Each of the other Directors recommends that Shareholders vote in favour of Resolution 2 as the funds raised by the Placement will enable the Company to fund the activities referred to in section 2.1 above.
- (d) Apart from Mr O'Loughlin, none of the Directors has a personal interest in the outcome of Resolution 2.
- (e) The Shares issued pursuant to Resolution 2 will have an issue price of \$0.15 per Share. Each Share will have one free attached 2006 Option.
- (f) Based on the Black & Scholes option valuation method, the Company estimates that the 2006 Options to be issued under Resolution 2 have a value of approximately 2.9

cents per 2006 Option. The following assumptions have been used in arriving at this value:

Current Share price	\$0.155
Exercise price	\$0.15/\$0.18
Risk free rate of return	5.4% per annum
Unexpired term of 2006 Options	24 months
Volatility of Share price	30%

- (g) The highest and lowest recorded sale price of Shares in SEATS trading in the 12 months prior to the date of this Notice has been as follows:

**Shares**

Highest	29 cents on 26 September 2003
Lowest	12 cents on 25 June 2003
Last recorded	15.5 cents on 19 April 2004

The issue of Shares to Indi Holdings pursuant to Resolution 2 will result in existing Shareholders' interests in the Company being diluted by less than 5%. If all of the 2006 Options issued to Indi Holdings pursuant to Resolution 2 were to be exercised, existing Shareholders' interests in the Company would be further diluted by less than 5% (assuming no other Shares are issued prior to the exercise of those 2006 Options).

- (h) Based on the last recorded sale price of \$0.155 per Share and the value of the 2006 Options referred to in paragraph (f) above, the aggregate amount of the financial benefit to be given to Indi Holdings under Resolution 2 is approximately \$861,466. This is for payment of subscription monies for the Placement Securities of \$700,000. However, as at the date of issue of the Placement Securities, the trading price of Shares on ASX may have gone up or down which would increase or reduce the amount of the financial benefit respectively.
- (i) Other than the information set out in this Explanatory Memorandum, the Company believes there is no other information known to the Directors or the Company that would reasonably be required by Shareholders in order to decide whether or not it is in the best interests of the Company to pass Resolution 2.

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### **3. Resolution 3 – Issue of 2005 Options to Mr Neil O’Loughlin in lieu of Directors’ Fees**

#### **3.1 Background**

Mr Neil O’Loughlin was appointed Director of Exploration of the Company on 17 November 2003. In accordance with the terms of his engagement, the Board agreed, subject to shareholder approval being obtained, to issue to Mr O’Loughlin or his nominee, 500,000 2005 Options immediately and 500,000 2005 Options on 17 May 2004, exercisable at \$0.20 each, in lieu of directors’ fees of \$36,000 per annum for the period from the date of his appointment until 16 November 2004. It was also agreed to pay Mr O’Loughlin \$600 per day in

consultancy fees commencing on 17 November 2003 for providing services for a minimum of 3 days per month. No other emolument is received by Mr O'Loughlin from the Company.

The GST component of the above directors' fees will be paid in cash and will be recovered by the Company in the normal course of business. The GST component is estimated to be approximately \$3,600.

As Mr O'Loughlin is a Director of the Company, shareholder approval of the issue of 2005 Options to him or his nominee(s) is required for the purposes of Listing Rule 10.11.

By reason of Listing Rule 7.2 (Exception 14), if the approval of Shareholders for the issue of the 2005 Options is obtained pursuant to Listing Rule 10.11, approval is not required under Listing Rule 7.1. Accordingly, if Shareholders approve the issue of the 2005 Options under Resolution 3, the issue will not erode the Company's ability to issue equity securities up to the 15% annual limit prescribed by Listing Rule 7.1 without further shareholder approval.

### **3.2 Listing Rule 10.11**

Listing Rule 10.11 generally provides that a listed company may not, without the approval of shareholders, issue equity securities to a related party. Mr O'Loughlin is a Director of the Company and accordingly is a related party of the Company.

In accordance with the requirements of Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed issue of 2005 Options to Mr O'Loughlin:

- (a) The allottee of the 2005 Options under Resolution 3 will be Mr O'Loughlin or his nominee, Indi Holdings.
- (b) The maximum number of 2005 Options that may be acquired by all persons for whom approval is required under Resolution 3 is 1,000,000 2005 Options.
- (c) The issue of the 2005 Options will occur no later than one month after the date of the Meeting.
- (d) The terms of issue of the 2005 Options are set out in Annexure B. The Company intends to apply to ASX for official quotation of those 2005 Options.
- (e) No funds will be raised pursuant to the issue of the 2005 Options under Resolution 3 as the 2005 Options are being issued in lieu of directors' fees of \$36,000 (plus GST) which would be otherwise be payable to Mr O'Loughlin.

### **3.3 Chapter 2E of the Corporations Act**

Subject to certain exceptions (none of which are relevant here), section 208 of Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company without prior shareholder approval. The proposed issue of 2005 Options to Mr O'Loughlin, who is a related party of the Company, or his nominee Indi Holdings, which is also a related party of the Company, may constitute the giving of a financial benefit for this purpose and shareholder approval is required.

For the purpose of obtaining shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess the proposed issue of 2005 Options to Mr O'Loughlin:

- (a) The related party of the Company to whom a financial benefit may be given under Resolution 3 is Mr Neil O'Loughlin, a Director of the Company and a related party of the Company by virtue of section 228(2)(a) of the Corporations Act, or Indi Holdings, which is a related party of the Company by virtue of section 228(4) of the Corporations Act being a company controlled by a Director, Mr O'Loughlin. Neither Mr O'Loughlin nor Indi Holdings currently has a relevant interest in any Shares or options over Shares (save as may be issued pursuant to Resolution 2).
- (b) The nature of the financial benefit to be given to Mr O'Loughlin or Indi Holdings is the issue of 1,000,000 2005 Options referred to in Resolution 3.
- (c) Mr O'Loughlin does not wish to make a recommendation to Shareholders about Resolution 3 in view of his personal interest in the outcome of that resolution. Each of the other Directors recommends that Shareholders vote in favour of the resolution for the reasons given in section 3.1 of this Explanatory Memorandum.
- (d) Apart from Mr O'Loughlin, none of the Directors has a personal interest in the outcome of Resolution 3.
- (e) Based on the Black & Scholes option valuation method, the Company estimates that the 2005 Options have a value of approximately 1.3 cents per option. The following assumptions have been used in arriving at this value:

Current Share price	\$0.155
Exercise price	\$0.20
Risk free rate of return	5.4% per annum
Unexpired term of options	18.5 months
Volatility of Share price	30%

- (f) The highest and lowest recorded sale price of Shares and 2005 Options in SEATS trading in the 12 months prior to the date of this Notice has been as follows:

	<b>Shares</b>	<b>2005 Options</b>
Highest	29 cents on 26 September 2003	11 cents on 25 September 2003
Lowest	12 cents on 25 June 2003	2.2 cents on 22 April 2004
Last recorded	15.5 cents on 19 April 2004	4.7 cents on 19 April 2004

If all of the 1,000,000 2005 Options to be issued pursuant to Resolution 3 were to be exercised, existing Shareholders' interests in the Company would be diluted by less than 1.5% (assuming no other Shares are issued prior to the exercise of those options).

- (g) Based on value of the 2005 Options referred to in paragraph (e) above, the amount of the financial benefit to be given to Mr O'Loughlin under Resolution 3 is approximately \$13,000. If the value of the 2005 Options is taken as the last recorded sale price, the amount of the financial benefit is approximately \$47,000. This is in lieu of directors' fees of \$36,000. However, as at the date of issue of the 2005 Options and the Shares issued on exercise of those options, the trading price of 2005 Options and Shares on ASX may have gone up or down which would increase or reduce the amount of the financial benefit respectively.

- (h) There is no other information known to the Directors or the Company that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 3.

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#### 4. Recommendation

All the Directors (excluding Mr O'Loughlin in relation to Resolutions 2 and 3) recommend that Shareholders vote in favour of the Resolutions.

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#### 5. Glossary of Terms

In this Notice and Explanatory Memorandum the following words and expressions have the following meanings:

*ASIC* means Australian Securities and Investments Commission.

*ASX* means Australian Stock Exchange Limited ABN 98 008 624 691.

*Company* means Apollo Gold Mining Limited ABN 49 087 360 996.

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

*Director* means a director of the Company from time to time.

*Explanatory Memorandum* means this explanatory memorandum.

*Indi Holdings* means Indi Holdings Pty Ltd ABN 800 766 059 39 of 5 Strathcona Street, West Perth, WA 6005.

*Listing Rules* means the official listing rules of ASX.

*Meeting* and *General Meeting* means the general meeting of shareholders of the Company or any adjournment thereof, convened by the Notice.

*Notice* and *Notice of General Meeting* means the notice of general meeting which accompanies this Explanatory Memorandum.

*Placement* means a placement of a total of 17,416,667 Shares, each Share having attached one free 2006 Option, to raise \$2,500,000 (with the total of 17,416,667 Shares being inclusive of a placement fee in lieu of cash of 750,000 Shares, each Share having attached one free 2006 Option).

*Placement Securities* means the Shares and 2006 Options to be issued under the Placement.

*Resolution* means a resolution referred to in the Notice of General Meeting.

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

*Shareholder* means a registered holder of Shares.

*2005 Option* means an option to acquire a Share in the Company on the terms set out in Annexure B.

*2006 Option* means an option to acquire a Share in the Company on the terms set out in Annexure A.

## Annexure A

### TERMS AND CONDITIONS OF THE 2006 OPTIONS

The terms and conditions of the 2006 Options to be issued pursuant to Resolution 2 are as follows:

1. The 2006 Options will expire on the date which is 2 years after the date of issue (*Expiry Date*).
2. The exercise price of each 2006 Option is \$0.15, if exercised in the first year after the date of issue, and \$0.18, if issued in the second year after the date of issue (*Exercise Price*).
3. The exercise of each 2006 Option will entitle the holder to one fully paid ordinary Share in the capital of the Company.
4. The 2006 Options may be exercised at any time on or before the Expiry Date, in whole or in part, upon payment of the Exercise Price per option.
5. Exercise of the 2006 Options is effected by completing the notice of exercise of options on the reverse side of the option certificate and forwarding it to the Company, together with payment of the relevant Exercise Price.
6. An option holder is required to exercise the 2006 Option in order to participate in a bonus or entitlement issue of shares made by the Company. Option holders will be provided with written notice of the terms of the issue to Shareholders and afforded that period as determined by the Listing Rules before the record closing date to determine entitlements to the issue, to exercise their 2006 Options.
7. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the 2006 Options will be reorganised in accordance with the Listing Rules.
8. Shares allotted and issued pursuant to the exercise of an option will be allotted and issued not more than 14 days after the receipt of a properly executed notice of exercise of option and the application monies. The Company will apply for official quotation of Shares issued pursuant to the exercise of 2006 Options, in accordance with the Listing Rules.
9. A certificate will be issued for 2006 Options. On the reverse side of the certificate there will be endorsed a notice that is to be completed when exercising the 2006 Options. If there is more than one option on a certificate and prior to the Expiry Date those 2006 Options are exercised in part, the Company will issue another certificate for the balance of the 2006 Options held and not yet exercised.
10. Application will not be made for official quotation of the 2006 Options on ASX.
11. 2006 Options are transferable.

## **Annexure B**

### **TERMS AND CONDITIONS OF THE 2005 OPTIONS**

The terms and conditions of the 2005 Options granted pursuant to Resolution 3 are as follows:

1. The 2005 Options will expire on 30 November 2005 (*Expiry Date*).
2. The exercise price of each option is \$0.20 (*Exercise Price*).
3. The exercise of each 2005 Option will entitle the holder to one fully paid ordinary Share in the capital of the Company.
4. The 2005 Options may be exercised at any time on or before the Expiry Date, in whole or in part, upon payment of the Exercise Price per option.
5. Exercise of the 2005 Options is effected by completing the notice of exercise of options on the reverse side of the option certificate and forwarding it to the Company, together with payment of the relevant Exercise Price.
6. An option holder is required to exercise the option in order to participate in a bonus or entitlement issue of shares made by the Company. Option holders will be provided with written notice of the terms of the issue to Shareholders and afforded that period as determined by the Listing Rules before the record closing date to determine entitlements to the issue, to exercise their 2005 Options.
7. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the 2005 Options will be reorganised in accordance with the Listing Rules.
8. Shares allotted and issued pursuant to the exercise of a 2005 Option will be allotted and issued not more than 14 days after the receipt of a properly executed notice of exercise of option and the application monies. The Company will apply for official quotation of Shares issued pursuant to the exercise of 2005 Options, in accordance with the Listing Rules.
9. A certificate will be issued for 2005 Options. On the reverse side of the certificate there will be endorsed a notice that is to be completed when exercising the 2005 Options. If there is more than one Option on a certificate and prior to the Expiry Date those 2005 Options are exercised in part, the Company will issue another certificate for the balance of the 2005 Options held and not yet exercised.
10. Application will be made for official quotation of the 2005 Options on ASX.
11. 2005 Options are transferable.