
INTERNATIONAL PETROLEUM LIMITED
ABN 76 118 108 615

NOTICE OF GENERAL MEETING

TIME: 9.00am (WST)

DATE: 9 November 2011

PLACE: Kailis Bros Fish Market & Café
101 Oxford Street
Leederville WA 6007

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9555.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.00am (WST) on 9 November 2011 at:

Kailis Bros Fish Market & Café
101 Oxford Street
Leederville WA 6007

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, 3001;
- (b) facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia); or
- (c) for Intermediary Online Subscribers Only, Subscribers Only (Custodians) www.intermediaryonline.com,

so that it is received not later than 9.00am (WST) on 7 November 2011.

Proxy Forms received later than this time will be invalid. Enquiries in respect of the proxy form should be made on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 9.00am (WST) on 9 November 2011 at Kailis Bros Fish Market & Café, 101 Oxford Street, Leederville, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm (Perth time) on 7 November 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE 100% OF VAMARO INVESTMENTS LIMITED

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

“That, for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Directors to allot and issue 55,000,000 Shares in part consideration for the acquisition of 100% of the issued capital of Vamaro Investments Limited on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or 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.

2. RESOLUTION 2 – ISSUE OF SHARES TO ACQUIRE 75% OF OOO VOSTOKNEFTEGAZ

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

“That, for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Directors to allot and issue 6,666,667 Shares in part consideration for the acquisition of 75% of the issued capital of OOO VostokNefteGaz on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or 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.

3. RESOLUTION 3 –ISSUE OF PLACEMENT SHARES

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

“That, for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Directors to allot and issue up to 128,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or 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.

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

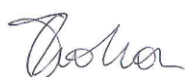
To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for all purposes, Shareholders ratify the allotment and issue of 6,200,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or 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.

DATED: 7 OCTOBER 2011

BY ORDER OF THE BOARD



**CLAIRE TOLCON
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 9.00am (WST) on 9 November 2011 at Kailis Bros Fish Market & Café, 101 Oxford Street, Leederville, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE 100% OF VAMARO INVESTMENTS LIMITED

1.1 Background

As announced to NSX on 15 August 2011, the Company has entered into a Share Purchase Agreement (**Vamaro Agreement**) to acquire 100% of the issued share capital of Vamaro Investments Limited (an entity incorporated in Cyprus) (**Vamaro**) (**Vamaro Acquisition**).

Vamaro is the holder of:

- (a) 100% of the issued share capital of Yuzhno-Sardakovsoye LLC (an entity incorporated in Russia), which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Yuzhno-Sardakovsky block in Russia; and
- (b) 100% of the issued share capital of Zapadno-Novomolodezhnoye LLC (an entity incorporated in Russia), which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Zapadno-Novomolodezhniy block in Russia,

(together, the **Vamarov Project**).

The Company has studied the data from the Vamarov Project, including an independent assessment of the original oil in place and the volume of remaining recoverable oil, and believes that the Vamarov Project may contain up to 55 mmboe of proved and probable (“**2P**”) reserves. This internal estimate is based on the original oil in place as estimated by the independent assessment, but uses different recovery factors, which the Company believes are appropriate for production using hydraulic fracturing techniques in the region.

13 wells have been drilled on the Zapadno-Novomolodezhniy block and the Company is currently evaluating wells to work over and bring into production, subject to completion of the Acquisition, by the end of December 2011. A communication corridor passes through the northern part of the Zapadno-Novomolodezhniy block and includes pipelines and a hard-surface all-weather road, which can be used throughout the year, and a power transmission line.

8 wells have been drilled on the Yuzhno-Sardakovsky block and commencement of oil production in this block is expected to occur in the first quarter of 2012. The nearest oil pipelines are 16 km from the block and the nearest hard-surface road is 11 km from the block.

Subject to Shareholder approval, in consideration for the acquisition of Vamaro the Company has agreed to pay US\$3 million in cash and issue 55,000,000 Shares (**Vamarov Consideration Shares**) to the shareholder of Vamaro.

In accordance with the terms and conditions of the Vamaro Agreement, the Company will also assume certain liabilities of Vamaro, including US\$1 million (payable by 9 November 2011) and a further US\$4 million (payable by 27 December 2011).

Settlement of the Vamaro Acquisition is subject to a number of conditions precedent including the following:

- (a) receipt of requisite approvals from the Russian Federal Anti-Monopoly Service and relevant governmental authorities to implement the transactions contemplated by the Vamaro Agreement;
- (b) receipt of Shareholder approval in relation to the Vamaro Acquisition and the issue of the Vamarov Consideration Shares;
- (c) completion of confirmatory due diligence in respect of Vamarov and the Vamarov Project to the satisfaction of the Company; and
- (d) receipt of all other consents necessary to authorise the execution and performance of the Vamarov Agreement and the transactions contemplated by it,

(together, the **Conditions**).

Settlement of the Vamaro Acquisition will occur as soon as practicable following satisfaction of the Conditions.

1.2 Technical information

Resolution 1 seeks Shareholder approval for the allotment and issue of the Vamaro Consideration Shares.

The recipient of the Vamaro Consideration Shares will not be a related party of the Company.

NSX Listing Rule 6.25 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue the Vamaro Consideration Shares in part consideration for the Vamaro Acquisition without using the Company's 15% annual placement capacity.

The following information is provided in relation to the issue of the Vamaro Consideration Shares:

- (a) the maximum number of Shares to be issued is 55,000,000;
- (b) the Vamaro Consideration Shares will be issued no later than 3 months after the date of the Meeting and it is intended that allotment will occur on the same date;
- (c) the Vamaro Consideration Shares will be issued for nil cash consideration as they are being issued in part consideration for the acquisition of 100% of Vamaro;
- (d) the Vamaro Consideration Shares will be allotted and issued to the shareholder of Vamaro (or its nominees), none of whom are related parties of the Company;

- (e) the Vamaro Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Vamaro Consideration Shares as they will be issued in part consideration for the acquisition of Vamaro.

2. RESOLUTION 2 – ISSUE OF SHARES TO ACQUIRE 75% OF OOO VOSTOKNEFTEGAZ

2.1 General

As announced to NSX on 5 August 2011, the Company entered into a memorandum of understanding (**VNG Agreement**) to acquire 75% of the issued share capital of OOO VostokNefteGaz (an entity incorporated in Russia) (**VNG**) (**VNG Acquisition**).

VNG owns an exploration licence in the Tomsk region of Western Siberia (the **Tomsk Exploration Licence** or the **Druzhny Project**).

In consideration for the acquisition of 75% of VNG the Company agreed to:

- (a) issue 6,666,667 Shares (**VNG Consideration Shares**) to the shareholder of VNG; and
- (b) fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence.

The minimum work programme as stipulated in the Tomsk Exploration Licence is as follows:

| Commitment | To be fulfilled by |
|--|--------------------|
| Develop, negotiate and obtain the approval of the programme of exploration and appraisal work | October 2011 |
| Carry out at least 1,000 line km of 2D seismic survey | October 2012 |
| Carry out at least 2,000 line km of 2D seismic survey (including 1,000 line km to be done by October 2012) | October 2013 |
| Commence drilling of the first exploration well | October 2014 |
| Complete drilling of at least three exploration wells | October 2015 |
| Implement a full program of exploration and appraisal of hydrocarbon reserves in line with the programme of exploration and appraisal work | October 2015 |

If deposits are discovered, the Company intends to carry out an operational estimate of hydrocarbon reserves and file the estimate for Russian state expert evaluation not later than six months after the production well test date.

The Company plans to meet the requirements of the minimum work programme by carrying out at least 1,000 line km of 2D seismic survey during the winter of 2011/12.

The VNG Consideration Shares will be subject to escrow until the earlier of:

- (a) a commercial discovery having been made in the Tomsk Exploration Licence;

- (b) VNG having acquired an oil-producing asset in the Tomsk region of Russia; or
 - (c) a period of five years from the date of settlement of the VNG Acquisition,
- (together, the **Escrow Restrictions**).

With effect from completion of the VNG Acquisition, the Company will be the Operator of VNG.

The recipient of the VNG Consideration Shares will not be a related party of the Company.

Resolution 2 seeks Shareholder approval for the issue of the VNG Consideration Shares (**VNG Share Approval**).

A summary of NSX Listing Rule 6.25 is set out in Section 1.2.

The effect of Resolution 2 will be to allow the Directors to issue the VNG Consideration Shares in part consideration for the VNG Acquisition without using the Company's 15% annual placement capacity.

2.2 Technical information

The following information is provided in relation to the issue of the VNG Consideration Shares:

- (a) the maximum number of Shares to be issued is 6,666,667 ;
- (b) the VNG Consideration Shares will be issued no later than 3 months after the date of the Meeting and it is intended that allotment will occur on the same date;
- (c) the VNG Consideration Shares will be issued for nil cash consideration as they are being issued in part consideration for the acquisition of 75% of VNG;
- (d) the VNG Consideration Shares will be allotted and issued to the shareholder of VNG (or its nominees), none of whom are related parties of the Company;
- (e) the VNG Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (subject to the Escrow Restrictions set out above); and
- (f) no funds will be raised from the issue of the VNG Consideration Shares as they will be issued in part consideration for the acquisition of 75% of VNG.

3. RESOLUTION 3 –ISSUE OF PLACEMENT SHARES

3.1 General

As announced to NSX on 8 September 2011, the Company intends to raise up to US\$25 million by way of a placement of up to 128,000,000 Shares to institutions and sophisticated investors (**Placement**).

None of the subscribers pursuant to the Placement will be related parties of the Company.

Resolution 3 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of up to 128,000,000 Shares (**Placement Shares**).

A summary of NSX Listing Rule 6.25 is set out in Section 1.2.

The effect of Resolution 3 will be to allow the Directors to issue the Placement Shares without using the Company's 15% annual placement capacity.

3.2 Technical information

The following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 128,000,000;
- (b) the Placement Shares will be issued no later than 3 months after the date of the Meeting and it is intended that allotment will occur on the same date;
- (c) the Placement Shares will be allotted and issued to institutions and sophisticated investors, none of whom will be related parties of the Company;
- (d) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) the funds raised from the Placement are intended to be applied as follows:
 - (i) US\$3.0 million in satisfaction of the cash consideration payment for the Vamaro Acquisition;
 - (ii) US\$5.0 million towards the liabilities of Vamaro;
 - (iii) US\$3.3 million for the remaining costs of Well No.1 and Well No. 2 at the Krasnoleninsky Project;
 - (iv) US\$1.9 million for the remaining costs of Well A-8 at the Alakol Project;
 - (v) US\$6.9 million towards the general and administrative costs until 30 June 2012;
 - (vi) US\$2.3m towards the work-over of existing wells at the Vamarov Project remaining costs of Well No.1 and Well No. 2 at the Krasnoleninsky Project; and
 - (vii) the remainder towards capital and operating expenditures and general working capital.

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

4.1 General

Since the Company's Annual General Meeting held in May 2011, the Company issued a total of 6,200,000 Options to consultants and employees of the Company as part of their contract with the Company.

None of the recipients were related parties of the Company.

Resolution 4 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of those Options (**Option Ratification**).

A summary of NSX Listing Rule 6.25 is set out in Section 1.2.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in NSX Listing Rule 6.25 without the requirement to obtain prior Shareholder approval.

4.2 Technical information

The following information is provided in relation to the Option Ratification:

- (a) 6,200,000 Options were allotted and issued;
- (b) the Options were issued for nil cash consideration;
- (c) the Options were issued on the terms and conditions set out in Schedule 1;
- (d) the Options were allotted and issued to employees and consultants of the Company pursuant to their contract with the Company. No recipient is a related party of the Company; and
- (e) no funds were raised from the issue of the Options as the Options were issued to consultants and employees of the Company in consideration for services to the Company and pursuant to contracts with the Company. Most of the Options were issued with vesting conditions linking the vesting of the Options with milestones of the Company's performance.

5. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9380 9555 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that NSX declares is not a business day.

Company means International Petroleum Limited (ABN 76 118 108 615).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS (RESOLUTION 4)

3,000,000 of the Options issued (on 22 July 2011) were issued on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
 - (b) Subject to (c), the Options will expire at 5.00pm (WST) on 15 April 2016 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) All Options (whether vested or not) will automatically lapse 90 days after Optionholder ceases to be employed by the Company.
 - (d) The amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).
 - (e) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (f) The Options will vest in the holder as long as the Optionholder is employed by the Company or providing services to the Company and the following milestones are met:
 - (i) 25% of the Options will vest on the Company share price on NSX reaching A\$0.50 and staying at or above this price for 30 consecutive days;
 - (ii) 25% of the Options will vest on the Company share price on NSX reaching A\$0.75 and staying at or above this price for 30 consecutive days;
 - (iii) 25% of the Options will vest on the Company share price on NSX reaching A\$1.00 and staying at or above this price for 30 consecutive days; and
 - (iv) 25% of the Options will vest on the Company share price on NSX reaching A\$1.50 and staying at or above this price for 30 consecutive days.
 - (g) Subject to the Options vesting, the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (j) The Options are not transferable.
 - (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

- (l) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (o) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

1,500,000 of the Options issued (on 22 July 2011) were on the following terms:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to (c), the Options will expire at 5.00pm (WST) on 8 August 2016 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) All Options (whether vested or not) will automatically lapse 90 days after Optionholder ceases to be employed by the Company.
- (d) The amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).
- (e) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) The Options will vest in the holder as long as the Optionholder is employed by the Company or providing services to the Company and the following milestones are met:
 - (i) 375,000 Options will vest on the Company share price on NSX reaching A\$0.50 and staying at or above this price for 30 consecutive days;
 - (ii) 375,000 Options will vest on the Company share price on NSX reaching A\$0.75 and staying at or above this price for 30 consecutive days ;
 - (iii) 375,000 Options will vest on the Company share price on NSX reaching A\$1.00 and staying at or above this price for 30 consecutive days; and
 - (iv) 375,000 Options will vest on the Company share price on NSX reaching A\$1.50 and staying at or above this price for 30 consecutive days.
- (g) Subject to the Options vesting, the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) The Options are not transferable.
- (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (o) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

200,000 Options issued (on 7 June 2011) were issued on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to (c), the Options will expire at 5.00pm (WST) on that date which is five (5) years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) All Options will automatically lapse 30 days after Chris Butler ceases to be employed by the Company unless the Board determines otherwise.
- (d) The amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).
- (e) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) Subject to (c), the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (i) The Options are not transferable.
- (j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (n) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

1,500,000 of the Options issued (on 19 August 2011) were issued on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to (c), the Options will expire at 5.00pm (WST) on 8 August 2016 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) All Options (whether vested or not) will automatically lapse 90 days after the Optionholder ceases to be employed by the Company.
- (d) The amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).
- (e) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) The Options will vest in the holder as long as the Optionholder is employed by the Company or providing services to the Company and the following milestones are met:
 - (i) 375,000 Options will vest on the Company share price on NSX reaching A\$0.50 and staying at or above this price for 30 consecutive days;
 - (ii) 375,000 Options will vest on the Company share price on NSX reaching A\$0.75 and staying at or above this price for 30 consecutive days;

- (iii) 375,000 Options will vest on the Company share price on NSX reaching A\$1.00 and staying at or above this price for 30 consecutive days; and
 - (iv) 375,000 Options will vest on the Company share price on NSX reaching A\$1.50 and staying at or above this price for 30 consecutive days.
- (g) Subject to the Options vesting, the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
- (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (j) The Options are not transferable.
 - (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
 - (l) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
 - (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
 - (n) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
 - (o) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.