



# MOLOPO AUSTRALIA LIMITED

ABN 79 003 152 154

## Letter from the Chairman

3 October 2008

Dear Shareholder,

The Annual General Meeting (AGM) of Molopo will be held in the Heritage Room, Rendezvous Hotel, Level 1, 328 Flinders Street, Melbourne, Victoria at 9.00 a.m. on Thursday, 6 November 2008.

At the AGM, a number of items of business are to be put to you for your approval. While a detailed explanation of each item can be found in the attached Notice of Meeting and Explanatory Memorandum, a summary of the items is shown below:

1. Consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June, 2008. Whilst shareholders will be provided with an opportunity to ask questions and make comment, this does not require a vote of shareholders.
2. Re-elect Mr Geoffrey Phillips and Mr Ian Gorman as Directors of the Company.
3. Approve the issue of 31,154 options to the Chairman, Mr Don Beard.
4. Approve the issue of 146,154 options to the Managing Director, Mr Stephen Mitchell.
5. Approve the issue of 138,938 options to the Chief Operating Officer, Mr Ian Gorman, who is also an executive director;
6. Approve the issue of 400,000 options to Mr Geoffrey Phillips, a Non-Executive Director;
7. Adopt the Remuneration Report in the Annual Report for the financial year ended 30 June 2008.

Shareholders are urged to consider the material in full before determining how they will vote at the Annual General Meeting.

Your directors recommend that you vote in favour of the re-election of Mr Gorman and Mr Phillips, although neither of them participated in the decision regarding their own re-election. Your directors do not make any recommendation in relation to the other resolutions as it would be inappropriate for them to do so; in the case of the resolutions for the issue of options all have an interest in the outcome of those resolutions.

If you are unable to attend the Annual General Meeting but wish to vote on Items two to six, please complete the attached proxy form and return it by delivery, mail or facsimile to:

Molopo Australia Limited  
C/- Link Market Services Limited  
Locked Bag A14 Sydney South NSW 1235

Facsimile: (02) 9287 0309

Or if you are delivering: Level 12, 680 George Street, Sydney NSW 2000.

To be valid, completed proxy forms must be received no later than 9.00 a.m. on Tuesday, 4 November, 2008, being 48 hours before the scheduled time of the meeting.

Yours faithfully,

**Molopo Australia Limited**

Don Beard

Chairman



**THIS IS AN IMPORTANT DOCUMENT**

**AND REQUIRES YOUR ATTENTION.**

**The document should be read in its entirety. If you are in doubt as to how to deal with it,  
please consult your financial or other professional adviser.**



## **MOLOPO AUSTRALIA LIMITED**

ABN 79 003 152 154

# **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM**

Notice is given that the Annual General Meeting of shareholders of Molopo Australia Limited will be held at the Heritage Room, Rendezvous Hotel, Level 1, 328 Flinders Street, Melbourne, Victoria at 9.00 a.m. on Thursday, 6 November 2008.

## NOTICE OF MEETING

The Annual General Meeting of the members of Molopo Australia Limited will be held at the Heritage Room, Rendezvous Hotel, Level 1, 328 Flinders Street, Melbourne, Victoria at 9.00 a.m. on Thursday, 6 November 2008.

### BUSINESS

#### 1. FINANCIAL STATEMENTS AND REPORTS

To consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June, 2008.

As required by s.250S of the Corporations Act, shareholders will be provided with a reasonable opportunity of asking questions about, and making comments on, the management of the Company. However, it is not necessary to consider any formal resolution.

#### 2. RE-ELECTION OF DIRECTORS – MR GEOFFREY PHILLIPS & MR IAN GORMAN

Separate resolutions will be proposed for the re-election of Mr Geoffrey Phillips and Mr Ian Gorman as directors of the Company.

Mr Geoffrey Phillips was appointed by the Board after the 2007 Annual General Meeting. Under the Company's Constitution and the ASX Listing Rules he is required to seek re-election at the 2008 annual general meeting if he wishes to continue in office. Being eligible, Mr Phillips offers himself for re-election as a director.

Mr Ian Gorman retires by rotation in accordance with clause 22 of the Company's Constitution and, being eligible, offers himself for re-election as a director.

#### 3. APPROVAL TO THE ISSUE OF INCENTIVE OPTIONS TO THE CHAIRMAN, MR DON BEARD

To consider and, if thought fit, pass the following resolution –

“Approval be given for the issue to the Company's Chairman, Mr Don Beard, of 31,154 options, and for the allotment of shares to him upon exercise of options, in accordance with the Company's Employee Incentive Scheme and the terms set out in the Explanatory Memorandum attached to and forming part of the Notice of Meeting”.

Under ASX Listing Rules, in respect of this Resolution, any vote cast by Mr Beard, Mr Mitchell, Mr Phillips, Mr Gorman, or any person who is an associate of any of them will be disregarded, except where :

- It is cast 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.

4. APPROVAL TO THE ISSUE OF INCENTIVE OPTIONS TO THE MANAGING DIRECTOR, MR STEPHEN MITCHELL

To consider and, if thought fit, pass the following resolution –

“Approval be given for the issue to the Company’s Managing Director, Mr Stephen Mitchell, of 146,154 options, and for the allotment of shares to him upon exercise of options, in accordance with the Company’s Employee Incentive Scheme and on the terms set out in the Explanatory Memorandum attached to and forming part of the Notice of Meeting.”

Under ASX Listing Rules, in respect of this Resolution, any vote cast by Mr Mitchell, Mr Beard, Mr Phillips, Mr Gorman or any person who is an associate of any of them will be disregarded except where :

- It is cast 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.

5. APPROVAL TO THE ISSUE OF INCENTIVE OPTIONS TO MR IAN GORMAN, EXECUTIVE DIRECTOR

To consider and, if thought fit, pass the following resolution –

“Approval be given for the issue to the Company’s Chief Operating Officer, Mr Ian Gorman, of 138,938 options, and for the allotment of shares to him upon exercise of options, in accordance with the Company’s Employee Incentive Scheme and the terms set out in the Explanatory Memorandum attached to and forming part of the Notice of Meeting.”

Under ASX Listing Rules, in respect of this Resolution, any vote cast by Mr Gorman, Mr Mitchell, Mr Phillips, Mr Beard or any person associated with any of them will be disregarded except where:

- It is cast 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.

6. APPROVAL TO THE ISSUE OF INCENTIVE OPTIONS TO MR GEOFFREY PHILLIPS, NON- EXECUTIVE DIRECTOR

To consider and, if thought fit, pass the following resolution –

“Contingent upon his re-election as Director at this meeting, approval be given for the issue to Mr Geoffrey Phillips of 400,000 options, and for the allotment of shares to him upon exercise of those options, in accordance with the Company’s Employee Incentive Scheme and the terms set out in the Explanatory Memorandum attached to and forming part of the Notice of Meeting.”

Under ASX Listing Rules, in respect of this Resolution, any vote cast by Mr Phillips, Mr Gorman, Mr Mitchell, Mr Beard or any person associated with any of them will be disregarded except where:

- It is cast 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.

## 7. REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution –

“That the Remuneration Report as set out in the Company’s 2008 Annual Report is adopted”.

The Corporations Act requires that this Resolution be put to a vote at the Annual General Meeting, but also provides that the Resolution is advisory only and will not bind the Company or its directors. It is a means for shareholders to express their views about the remuneration of directors and senior management.

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company has determined that, for the purposes of the meeting, shares in the Company are taken as being held by the persons who hold them as at 7.00 p.m. (Melbourne time) on Tuesday 4<sup>th</sup> November, 2008.

Further details regarding the business of the meeting are set out in Sections 1 to 7 of the Explanatory Memorandum, which accompanies and forms part of this Notice of Meeting. Terms used in this Notice of Meeting have the meaning ascribed to them in the Explanatory Memorandum.



BY ORDER OF THE BOARD

Anthony Bishop  
Chief Financial Officer and Company Secretary  
3 October 2008

If you are not able to attend the General Meeting but wish to vote, please complete and return the attached form of proxy. To be valid, completed proxy forms must be received at the address given below not later than 48 hours before the commencement of the Meeting, i.e. by no later than 9:00 am Melbourne time on Tuesday 4<sup>th</sup> November 2008. Any proxy form received after that time will not be valid for the scheduled Meeting.

Proxy forms may be lodged by posting the completed form in the reply paid envelope provided (Australia only), or delivering or faxing the completed form to the address or fax number below:

**By facsimile:**

Australian based investors: (02) 9287 0309  
Overseas based investors: +61 2 9287 0309

**By mail or hand delivery:**

Molopo Australia Limited, C/- Link Market Services Limited, Locked Bag A14 Sydney South NSW 1235.  
Delivering it to Level 12, 680 George Street, Sydney NSW 2000

**NOTES:**

The details of the resolutions contained in the Explanatory Memorandum accompanying this Notice of Annual General Meeting should be read together with and form part of this Notice of Annual General Meeting.

Under the Company’s Constitution, the Chairman of the board will act as chairman of the Meeting. Where the Chairman is appointed as proxy, he intends voting undirected proxies in favour of all resolutions set out in the Notice of Meeting.

## **PROXIES:**

1. A member entitled to attend and vote at the meeting has the right to appoint not more than two proxies.
2. 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 member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise one half of the member's votes. If the member appoints two proxies, neither proxy may vote on a show of hands.
3. A proxy need not be a member of the Company.
4. Proxies given by corporations must be signed in accordance with the constituent documents of the corporation or the laws in force in its place of incorporation, or by a duly appointed attorney. For Australian corporations, it is sufficient if the proxy is signed by two directors, a director and the secretary, or (in the case of a proprietary company) a person who is the sole director and secretary.
5. Where a proxy form is signed on behalf of a shareholder by an attorney or agent, the proxy will not be valid unless the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) is lodged with the Company by delivery or mail, to the addresses specified above for the lodgement of proxy forms, no later than 48 hours before the scheduled time for commencement of the meeting.
6. A proxy form accompanies this Notice of Meeting.

# EXPLANATORY MEMORANDUM

## IMPORTANT NOTICE

This Explanatory Memorandum is an explanation of, and contains information about, the items to be considered at the Annual General Meeting. It is given to shareholders to help them determine how to vote on the resolutions set out in the accompanying Notice of Meeting.

Shareholders should read this Explanatory Memorandum in full because individual sections may not give a comprehensive review of the proposals contemplated in this Explanatory Statement. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

If you are in doubt about what to do in relation to proposals contemplated in this Explanatory Memorandum, you should consult your financial or other professional advisor.

In this document a reference ASX is to ASX Limited and a reference to the ASX Listing Rules is to the Listing Rules of the Australian Securities Exchange, being the securities exchange administered by ASX.

This Explanatory Memorandum is dated 3 October 2008.

## 1. THE FINANCIAL STATEMENTS AND REPORTS

The 2008 Annual Report has been sent, or made available via the Company's website, to all shareholders in accordance with the Corporations Act. Shareholders wishing to attend the Annual General Meeting are invited to put questions to the Board on matters contained in that Annual Report.

The auditors of the Company, PKF Chartered Accountants, will attend the Annual General Meeting in accordance with section 250RA of the Corporations Act 2001. Shareholders are invited to ask questions to the auditors on matters contained in the Annual Report relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

## **2. RE-ELECTION OF DIRECTORS**

Mr Geoffrey Phillips was appointed by the Board after the 2007 Annual General Meeting. Under the Company's Constitution and the ASX Listing Rules he is required to seek re-election at the 2008 Annual General Meeting if he wishes to continue in office. Being eligible, Mr Phillips has offered himself for re-election as a Director.

Mr Ian Gorman, who is currently a Director, retires by rotation in accordance with clause 22 of the Company's Constitution and, being eligible, has offered himself for re-election as a director. Clause 22 of the Company's Constitution requires that at every annual general meeting 1/3<sup>rd</sup> of the Directors (except the Managing Director) must retire from office. A retiring Director is eligible for re-election. Where the number of Directors is not a multiple of 3 the number required to retire is the number nearest to 1/3<sup>rd</sup>. Also, under the ASX Listing Rules, a Director (except the Managing Director) wishing to continue in office past the end of the end of the 3<sup>rd</sup> annual general meeting after last being elected (or re-elected) must seek re-election at that meeting.

Your directors recommend that you vote in favour of the re-election of Mr Gorman and Mr Phillips, although neither of them participated in the decision regarding their own re-election.

Information regarding Mr Phillips and Mr Gorman is set out below.

### **Mr Geoff Phillips, MBA, B.E (Chem) (Hons)**

Director, Non Executive

Mr Geoffrey Phillips was appointed by the Board as a non-executive director after the 2007 Annual General Meeting.

Mr Phillips has over 30 years experience spanning several industries, including oil and gas, engineering, financial services and infrastructure. Mr. Phillips is a member of the Institute of Chemical Engineers and the Australian Institute of Company Directors. Between 1996 and 2005, he held several positions at Transurban, an ASX 200 company, including Deputy Managing Director and Finance Director. Prior to joining Transurban, Mr. Phillips was a Commercial Manager at Santos Limited, where his role had a strong focus on eastern Australian gas markets. He was also Managing Director of TMOG Resources, a successful Australian oil and gas company acquired by AGL.

Mr Phillips is Chairman of the Audit Committee and a member of the Remuneration Committee.

**Mr Ian Gorman B.A. (Hons), M.A., Grad Dip (Bus Mgt)**

Chief Operating Officer and Executive Director

Mr Gorman was appointed Non-Executive Director of Molopo Australia Limited on 13 November 2006, and became Executive Director and Chief Operating Officer on 4 April 2007.

Mr Gorman has 26 years experience in oil, gas and coal bed methane ("CBM"), 7 with Shell International in South-east Asia and 19 with BHP Billiton Ltd in a number of petroleum engineering and management roles. From 2002 to 2007 Mr Gorman was Global Technical Leader for BHP Billiton's worldwide CBM activities.

Mr Gorman was Global Technical Director (Production and Operations) for the International Society of Petroleum Engineers from 2003 to 2006. Mr Gorman was non-executive director and Chairman of ASX-listed 3D Oil Ltd from September 2006 to September 2007.

**3 – 6. APPROVAL FOR THE ISSUE OF OPTIONS TO DIRECTORS**

It is proposed that options be granted to the Company's Non-Executive Chairman, Mr Don Beard, Managing Director, Mr Stephen Mitchell, Executive Director and Chief Operating Officer, Mr Ian Gorman, and Non-Executive Director Mr Geoffrey Phillips. This will add to their existing financial stake in the Company, as disclosed in the Financial Report for the Year Ended 30 June 2008 and, in the view of each of them, will give them an additional incentive in their respective roles to maximise increases in shareholder returns generally.

ASX Listing Rules 10.11 and 10.14 preclude an issue of options to a director without the approval by the holders of ordinary shares at a general meeting of the Company. In addition, Chapter 2E of the Corporations Act prohibits the giving of a financial benefit to a related party of the Company unless a specified exception in that Chapter applies or the benefit is given in accordance with shareholder approval.

Approval under ASX Listing Rule 10.14 operates as an exception to ASX Listing Rule 7.1, otherwise restricting the Company from issuing a number of equity securities (including options) greater than 15% of its existing issued ordinary shares in any 12, month period, having regard to ASX Listing Rule 7.2 Exception 14.

The Corporations Act requires that, in relation to resolutions under Chapter 2E, shareholders must be provided with all information, known to the company, or to any of its Directors, reasonably required for shareholders to decide whether or not it is in the company's interest to issue options to related parties, such as the 4 Directors referred to in Resolutions 3 – 6. The Notice of Meeting and this Explanatory Memorandum have been provided to ASIC. ASIC's comments (if any) regarding the documents must be notified to shareholders.

Messrs Beard, Mitchell, Gorman and Phillips and any person who, under the Corporations Act, is an associate of Messrs Beard, Mitchell, Gorman and Phillips for the purposes of Chapter 2E are prohibited from voting on the Resolution except where they vote as proxy on behalf of someone who is not within those categories pursuant to a written appointment that specifies how the proxy is to vote on the resolution. If any votes are cast in contravention of that prohibition, the Resolution will not be effective unless it would have been passed if any votes so cast in favour of the Resolution were disregarded.

The options will be granted pursuant to the terms and conditions set out in the Company's Employee Incentive Scheme, shown in Annexure I. The terms and conditions of the Employee Incentive Scheme were approved at the annual general meeting of shareholders held on 8<sup>th</sup> November 2007.

The terms of options are as follows:

- Mr Beard - 31,154 options with an exercise price of \$2.08 and a term of three years.
- Mr Mitchell - 146,154 options with an exercise price of \$2.08 and a term of three years.
- Mr Gorman - 138,938 options with an exercise price of \$2.08 and a term of three years.
- Mr Phillips - 400,000 options with an exercise price of \$2.08 and a term of three years.

No funds will be raised from the above issue of options as they will be issued for nil consideration.

The maximum number of options that may be acquired by all of the Directors for whom approval is required is 716,246.

No person referred to in ASX Listing Rule 10.14 has received securities under the Company's Employee Incentive Scheme since the last approval of that Scheme.

All Directors of the Company are entitled to participate in the Company's Employee Incentive Scheme. The Scheme permits every eligible participant to nominate an Eligible Associate (as defined in the Scheme) as the grantee of options under the Scheme. None of the Directors has done so in relation to the options proposed to be issued to them.

This exercise price and the number of shares subject to the options may be adjusted for subsequent capital reorganisations in accordance with the ASX Listing Rules and the terms of the Company's Employee Incentive Scheme.

The opportunity cost and potential benefit foregone by the Company in issuing options to Messrs Beard, Mitchell, Gorman and Phillips is that on exercise of the options, the Company may be obliged to issue shares at less than their market price at the time. Shareholders will need to assess whether the grant of the options will provide an incentive for Messrs Beard, Mitchell, Gorman and

Phillips to improve shareholder wealth over the term of the options and whether any such improvement outweighs the cost and the benefit foregone by the Company in granting the options. The extent of any benefit to Messrs Beard, Mitchell, Gorman and Phillips arising from the grant of the options will depend on circumstances existing when the options are exercised, including the Company's share price at the time and the taxes payable by each of them in respect of the options and the shares issued on exercise. The value of the options issued is expensed by the Company in full in the year granted. The expense is not tax deductible.

If approval is given, all of the options will be issued within 1 month of the date of the Meeting.

No further options may be issued to Messrs Beard, Mitchell, Gorman and Phillips or any other related party under the Company's Employee Incentive Scheme without approval of the shareholders.

An assessment has been made of the value of the options being issued to Messrs Beard, Mitchell, Gorman and Phillips, using accepted option valuation techniques. This value has been determined taking into consideration the above-mentioned terms (in relation to strike price and exercise period) and assuming that the market price on the date of issue is \$1.34, the volatility is 83.00 and the risk free rate is 5.62% per annum. Of course, valuation of options is inherently problematic as it is dependent on a prediction of the likely future performance of the underlying shares subject to the options, as well as other factors such as inflation.

Using the methodology referred to above, the value of the options being issued has been determined as follows:

- Mr Beard - \$19,337.
- Mr Mitchell - \$90,718.
- Mr Gorman - \$86,239.
- Mr Phillips - \$248,280.

Mr Beard is currently paid a fee of \$75,000 per year (excluding statutory superannuation) in his role as Chairman. Mr Beard currently holds 600,000 options. These comprise 300,000 options with an exercise price of \$0.25 cents expiring 6 November 2009 and 300,000 options with an exercise price of \$0.375 cents expiring 6 November 2011.

Mr Mitchell is currently paid a fee of \$340,300 per year (excluding statutory superannuation) in his role as Managing Director. Mr Mitchell currently holds no options in the Company.

Mr Gorman is currently paid a fee of \$320,000 per year (excluding statutory superannuation) in his role as Chief Operating Officer. Mr Gorman currently holds 800,000 options. These comprise of 400,000 options with an exercise price of \$0.25 cents expiring 30 August 2010 and 400,000 options with an exercise price of \$0.375 cents expiring 30 August 2010.

Mr Phillips is currently paid a fee of \$55,000 per year (excluding statutory superannuation) in his role as Non-Executive Director. Mr Phillips currently holds no options in the Company.

The exercise of the options will not result in any material dilution of the interests of shareholders, having regard to the fact that the issued capital of the Company comprises 182,850,415 shares as at the date of this Notice of Meeting.

On 18 September 2008, being the last trading day prior to the date on which this Explanatory Statement was finalised, the closing price of ordinary shares in the Company on the Australian Stock Exchange was \$1.07. During the 12 months prior to that date the market price has varied between \$2.06 and \$0.41.

In respect of Resolutions 3 – 6 (inclusive), any vote cast by Mr Beard, Mr Gorman, Mr Phillips, Mr Mitchell or any person who is an associate of any of them will be disregarded except where it is cast as proxy for a person who is not one of those Directors or an associate of any of them and in accordance with a direction on the proxy form.

As resolutions for an issue of options to every Director will be proposed at the General Meeting, each Director considers he has an interest in the outcome of the resolutions relating to the issue of options to other Directors and that it would be inappropriate to make a recommendation regarding any such issue. Accordingly, no Director makes any recommendation in relation to Resolutions 3 – 6 (inclusive).

## **7. REMUNERATION REPORT**

As mentioned earlier, the Corporations Act requires that this Resolution be put to a vote at the Annual General Meeting, but also provides that the Resolution is advisory only and will not bind the Company or its directors. It is a means for shareholders to express their views about the remuneration of directors and senior management.

## ANNEXURE I

### MOLOPO AUSTRALIA LIMITED EMPLOYEE INCENTIVE SCHEME TERMS AND CONDITIONS

#### 1. DEFINITIONS

1.1. For the purposes of this Scheme, unless the context requires otherwise, the following words and phrases shall have the meaning given to them below:

**"Associate"** has the same meaning as in Division 13A of Part III of the Tax Act.

**"ASX"** means ASX Limited (A.C.N. 008 624 691).

**"Bonus Issue"** means a Pro-Rata Issue of securities to the holders of Shares for which no consideration is payable (including an issue by way of capitalisation of profits, share premium account, capital redemption reserve, or any other reserve).

**"Bonus Securities"** means securities issued under a Bonus Issue. "Business Day" has the same meaning as in the Listing Rules.

**"Change of Control"** means any change in the shareholding of the Company as a result of which the composition of the Board of Directors of the Company can be determined or controlled by parties who were not able to determine or control the composition of the Board of Directors at the time at which relevant Shares were issued under this Scheme.

**"Company"** means Molopo Australia Limited (ABN 79 003 152 154)

**"Date of Issue"** means the date on which Shares are issued to a Participant.

**"Directors"** means the Board of Directors of the Company from time to time.

**"Eligible Associate"** means a Relative or Associate of an Eligible Person, who is

- a) nominated by that Eligible Person, by written notice to the Directors, as the recipient of Options under this Scheme; and
- b) acceptable to the Directors.

**"Eligible Person"** means any person who is a Director, senior officer, full-time or part-time employee, or consultant, of the Company or any Related Body Corporate.

**"Exercise Date"** means the date on which an Option is exercised validly in accordance with the requirements of this Scheme.

**"Exercise Notice"** means a notice duly executed by an Optionholder, or a duly appointed attorney or personal representative of the Optionholder, stating that the Optionholder or the personal representative exercises a specified number of Options and, if that number is less than the total number of Options held by the Optionholder and the Optionholder holds Options which were issued on different dates or which have different Exercise Prices, properly identifies the Options being exercised.

**"Exercise Period"** means such period or periods as may be determined by the Directors for the purposes of this definition, and notified to the Participant at the time of inviting the Participant to apply for the grant of the Option or, if no such period is so determined, any time between the Grant Date and the Expiry Date.

**"Exercise Price"** means the Initial Exercise Price or such other price as from time to time is applicable as a result of the adjustments required to be made in accordance with the provisions of this Scheme.

**"Expiry Date"** means, in respect of any Option, the earliest of:

- a) the date determined by the Directors for the purposes of this definition, and notified to the Participant at the time of inviting the Participant to apply for the grant of the Option (which must be specified on the certificate or other statement issued to the Participant in respect of the Option);
- b) any earlier date on which the Option ceases to be exercisable, lapses, or expires under any other provision of this Scheme; and
- c) the date five years after the Option is granted, or such other period (if any) as from time to time is specified under the Corporations Act as the longest period during which a valid Option may remain exercisable.

**"Grant Date"** means, in respect of any Option, the date on which the Directors resolve to grant the Option.

**"Initial Exercise Price"** means the price determined by the Directors for the purposes of this definition, and notified to the Participant at the time of inviting the Participant to apply for the grant of the Option, which must be :

- (a) not less than the Market Price on the day on which the Directors make the determination; and
- (b) not less than the minimum Exercise Price (if any) required in respect of Options under the Listing Rules at the time on which the Option is issued; and
- (c) specified on the certificate or other statement issued to the Participant in respect of

the Option.

**"Listing Rules"** means the Official Listing Rules from time to time of ASX.

**"Market Price"** means, in respect of Shares, on the day that such a price is to be determined, the weighted average market price of the Shares calculated by reference to the Register of Sales in respect of the Shares produced by ASX in respect of the five (5) Business Day period up to, and including, the Business Day prior to the day on which such price is to be determined.

**"Option"** means an Option to subscribe for one Share (or such other number as may be applicable in accordance with the provisions for adjustment set out in this Scheme) at the Exercise Price during such period or periods prior to the Expiry Date as are applicable under this Scheme from time to time.

**"Optionholder"** means a person whose name is entered in the Register as the holder of an Option.

**"Option Certificate"** means a certificate issued by the Company certifying that the person named in the certificate is entered in the Register as the holder of a specified number of Options.

**"Participant"** means each person to whom an Option is granted under this Scheme.

**"Pro-Rata Issue"** means an issue of Shares by the Company where the Shares are offered to holders of issued Shares on a pro-rata basis.

**"Record Date"** means a date specified by the Company or any other relevant entity as the date by reference to which any entitlement regarding Shares will be determined (whether in relation to any dividend or other distribution, an issue of securities, rights to subscribe for or buy securities, or otherwise).

**"Register"** means the register of Optionholders maintained under the Corporations Act.

**"Related Body Corporate"** has the meaning given to that term under the Corporations Act.

**"Relate"** has the same meaning as in the Tax Act.

**"Scheme"** means the Molopo Australia Limited Employee Incentive Scheme established by this document.

**"Share"** means an ordinary share in the capital of the Company.

**"Tax Act"** means the Income Tax Assessment Act 1936 of Australia.

1.2. Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.

1.3. Words importing the masculine gender shall include the feminine and the neuter genders, and the singular shall include the plural and vice versa.

## **2. Establishment of the Scheme**

2.1 The Scheme created by this document shall be called the Molopo Australia Limited Employee Incentive Scheme.

2.2 Subject to these Terms and Conditions, the Directors may administer the Scheme as they may determine from time to time in their absolute discretion.

## **3. Object of the Scheme**

The object of the Scheme is to facilitate the issue of Options over shares in the capital of the Company to Eligible Persons and thereby to advance the interests of the Company and its shareholders by providing sufficient incentives to attract and retain personnel of high calibre to the Company.

## **4. Grant of Options**

4.1. Subject to these Terms and Conditions, the Directors may administer the Scheme as they may determine from time to time in their absolute discretion.

4.2. The Directors may issue invitations to Eligible Persons to apply for a specified number of Options to be granted to each Eligible Person or an Eligible Associate free of charge on the terms and conditions of this Scheme. Each invitation must specify the Initial Exercise Price, the Expiry Date, and the applicable Exercise Periods (if any). Subject to any express provision of this Scheme the Directors have an unfettered discretion to determine the persons to whom invitations will be issued, the number of Options specified in the invitation, the Initial Exercise Price, the Expiry Date, and any applicable Exercise Periods.

4.3. As soon as practicable after the Grant Date, the Directors shall issue to each Participant a certificate or a statement of the holding (depending on whether securities of the Company are held in certificated or uncertificated form) showing the number of Options granted to the Participant, the Initial Exercise Price, the Expiry Date and other terms and conditions applicable to those Options.

4.4. The total number of Shares over which Options granted under this Scheme may subsist at any time must not exceed 10 percent of the total number of issued Shares. No single Participant may be granted Options over a number of Shares greater than 5 percent of the issued Shares.

## **5. Duration of Options**

5.1. An Option expires at 4.00pm Melbourne Time on the Expiry Date applicable to it.

5.2. An Option lapses automatically if it is not exercised before that time.

## **6. Exercise of Options**

6.1. Subject to Clause 6.3, an Optionholder may exercise an Option at any time during an Exercise Period by delivering to the Company at its registered office, or such other address as may be stipulated by the Directors for the purpose of this Scheme:

- (a) A duly completed and signed Exercise Notice;
- (b) If applicable, the power of attorney under which the Exercise Notice is signed or a notarised copy;
- (c) Payment in full of the Exercise Price; and
- (d) If any Option Certificate has been issued for the relevant Options, the relevant Option Certificate.

6.2. Payment may be made by cheque but, if so:

- (a) No Shares will be issued until the Company received cleared funds; and
- (b) The Option will be regarded as having not been validly exercised if the cheque is not honoured on first presentation.

6.3. A Notice of Exercise must relate to Options conferring an entitlement to at least 1,000 Shares.

## **7. Issue of Shares**

7.1 The Company must issue Shares upon valid exercise of an Option within 10 Business Days of the Exercise Date, but in any event prior to any applicable Record Date occurring after the Exercise Date.

7.2 Subject to Clause 7.3, Shares issued upon exercise of an Option rank equally in all respects with all other issued Shares from the date of issue.

7.3 Any Bonus Securities issued as a result of the exercise of an Option rank equally in all respects with other issued securities of that type as from the date of issue.

7.4 Forthwith after the Company issues Shares as a result of the exercise of Options, it must apply to ASX for official quotation of those Shares. If any Bonus Securities are issued by the Company as a result of an Option being exercised and, at the time, those Bonus Securities are in a class of securities which are listed for official quotation by ASX, the Company must apply to ASX forthwith for official quotation of the Bonus Securities so issued.

## **8. Assignment**

An Option issued under this Scheme may not be assigned or otherwise transferred.

## **9. Reorganization of Capital**

9.1 Subject to Clause 9.2, if after the Grant Date in respect of an Option and before the Exercise Date the issued capital of the Company is reorganised (whether by consolidation, subdivision, reduction by way of return of capital on each Share, reduction by cancellation of capital that is lost or not represented by available assets, pro-rata cancellation of a specified proportion of the Shares held by each Shareholder, or otherwise) the number of Shares to be issued upon exercise of an Option and the Exercise Price ( or both) must be adjusted, as appropriate, to ensure that :

- (a) Optionholders are not disadvantaged by any such reorganisation; and
- (b) Optionholders do not receive any benefit from the reorganisation that the holders of other securities of the Company do not receive.

9.2 If the Listing Rules require that specified adjustments be made in respect of Options as a result of a reorganisation of capital, the adjustments referred to in Clause 9.1 must be made in accordance with the applicable Listing Rules, and the making of those adjustments is deemed to satisfy the requirements of Clause 9.1. *For clarity, it is recorded that, as at the date of the adoption of this Scheme, the applicable Listing Rule is 7.22.*

9.3 If, in relation to the relevant reorganisation, the Shareholders resolve that fractions are to be disregarded or, that any rounding is to occur, the adjustments under Clause 9.1 must be made on the same basis.

## **10. Bonus Issues**

10.1 If, after the Grant Date in respect of an Option, but before the Exercise Date, the Company makes any Bonus Issue, an Optionholder is entitled upon exercising the Option to receive, without cost, a number of Bonus Securities equal to the number which the Optionholder would

have received had the Optionholder exercised the Option prior to the Record Date for that Bonus Issue.

- 10.2 For clarity, if more than one relevant Bonus Issue occurs, the entitlement to Bonus Securities is determined on a cumulative basis to take account of any entitlement to Bonus Securities which would have been derived from a prior Bonus Issue.
- 10.3 If, in connection with a Bonus Issue, any Bonus Securities were paid up by the application of amounts standing to the credit of any particular account of the Company, the Bonus Securities issued to an Optionholder on exercise of an Option must be paid up by applying amounts standing to the credit of the same account. The Company must preserve a balance in each such account at all times sufficient to allow it to satisfy this requirement.

## 11 Other New Issues of Securities

- 11.1 An Option issued under this Scheme does not confer on the Optionholder any right to participate in any issue of securities, or other transaction, in respect of which entitlements are conferred by the Company on the holders of issued Shares, although if the Option is exercised before the Record Date for that issue, or other transaction, the Shares and Bonus Securities (if any) issued as a result will confer the same entitlement in respect of the issue, or other transaction, as is conferred by all other issued Shares.
- 11.2 If the Company proposes to make any issue of Shares or other securities, or to carry out any other transaction in respect of which the holders of issued Shares are to receive an entitlement, and the Optionholder has the right under this Scheme to exercise the Option before the proposed Record Date for that issue or other transaction, the Company must notify the Optionholder of the proposal at least 9 Business Days before the relevant Record Date.
- 11.3 If, after the Grant Date in respect of an Option and before the Expiry Date, the Company makes a Pro- rata Issue of Shares (other than a Bonus Issue) the Exercise Price is to be adjusted in accordance with the following formula:

$$O' = \frac{O - E [ P - (S+D) ]}{N+I}$$

O' =	the new Exercise price. The new exercise price must not be reduced below the par value (if any) of the Shares if, at the time or issuing, the Corporations Law prohibits the Company from issuing Shares at less than their par value
O =	the old Exercise Price
E =	the number of Shares into which one Option is exercisable
P =	The Market Price for the period ending on the day before the ex-rights date or ex-entitlements date

S =	the subscription price for a Share under the Pro-rata Issue
D =	the dividend due but not yet paid on the existing Shares (except those to be issued under the Pro-rata Issue)
N =	the number of Shares with rights or entitlements that must be held to receive a right to one new Share

For the avoidance of doubt, the intent is that, on exercising the Option, the Optionholder derives the benefit of any bonus element in the Pro-rata Issue. This benefit is the same as that conferred on the holder of Shares having an entitlement in the Pro-rata Issue. There is no change in the number of Shares subject to Option. Any rounding necessary to avoid fractions of a cent is to occur after aggregating the exercise price for all Options exercised at anyone time.

## **12. Notification of Adjustments**

As soon as practicable after any Bonus Issue or Pro-rata Issue, but in any event no later than required by the Listing Rules, the Company must notify each Optionholder of any change to the Exercise Price or the number of Shares subject to the Option (including any Bonus Securities).

## **13. Options not Quoted**

The Company must not apply to ASX for official quotation of any Options granted under this Scheme.

## **14. Takeovers**

- 14.1 If, after the Grant Date in respect of an Option but before the Expiry Date a takeover bid is made, in respect of Shares, or a Change of Control occurs, the Directors must notify each Optionholder of that occurrence and, if any Optionholder would not otherwise be entitled to exercise an Option during the ensuing 30 days after the notice is served, that an additional Exercise Period has arisen (being that period of 30 days, which must be specified).
- 14.2 Upon notice being given of a general meeting to consider a resolution for the winding up of the Company, each Option shall be exercisable during the period prior to the date of the meeting, despite any other provision of this Scheme.
- 14.3 If, in any scheme of arrangement relating to the Company, specific provision is not made for Options issued under this Scheme, and the other provisions of this Scheme do not provide for any adjustment to take account of the effect of the Scheme, the number of Shares subject to each Option or the Exercise Price (or both) shall be adjusted in such manner as is appropriate to ensure that, as far as possible,

- (a) Optionholders are not disadvantaged by the scheme of arrangement; and
- (b) Optionholders do not derive a benefit from the adjustment that is disproportionate to the benefits derived by the holders of other securities of the Company under the scheme of arrangement.

## **15. Determination of Adjustments**

If any event occurs as a result of which an adjustment is required to the number of Shares subject to any Option or the Exercise Price (or both) the Directors may refer the calculation of the appropriate amount of any such adjustment to the auditors or a member of the Institute of Chartered Accountants in Australia for determination. In making any determination the relevant person is regarded as acting as an expert and not as an arbitrator and the provisions of any statute relating to arbitration do not apply to the determination.

## **16. Stamp Duty**

All stamp duty (if any) payable on, or in relation to the grant of any Option, or the issue of any Share, under this Scheme is to be borne solely by the Participant who must keep the Company indemnified against any liability for the same.

## **17. Cancellation of Options**

If any of the following events occurs, each Option issued to the relevant Eligible Person, or the Eligible Associate nominated by that Eligible Person, expires and is automatically cancelled on the date, or at the end of the period, stipulated in relation to the relevant event:

- (a) termination of the employment of an Eligible Person by dismissal for fraud, defalcation, or gross misconduct - immediately on the date the event occurs;
- (b) termination of employment of an Eligible Person as a result of resignation (except as a result of total and permanent disability) – 6 months after termination;
- (c) termination of employment of an Eligible Person as a result of death, or total and permanent disability - 12 months after termination;
- (d) termination of employment for any other reason not referred to above - 6 months after termination;
- (e) resignation of the Eligible Person as a Director -6 months after the resignation becomes effective;
- (f) removal of the Eligible Person from office as a director, or the failure of that person to be re-elected as a Director at a meeting at which the person stands for re-election - 6 months after the person ceases to be a Director;

- (g) the Eligible Person ceasing to be a director as a result of a contravention of any statute, or the making of an order made by the Australian Securities Commission or a court of competent jurisdiction - immediately upon the person ceasing to be a Director;
- (h) the Eligible Person ceasing to be a Director for any other reason - 12 months after the person ceases to be a Director.

For the purposes of clause 17.1:

- (a) a person is regarded as not having resigned as, or as having ceased to be, a Director where the person is required by the Articles of Association or the Corporations Act to retire but is eligible to, and does, stand for re-election; and
- (b) a person is not regarded as having resigned from employment, or as having ceased to be an employee, if at or about the same time the person is re-engaged as an employee of the Company or a Related Body Corporate.

## **18. Administration**

The Scheme shall be administered by a sub-committee of the Board of Directors, which shall be comprised of Directors nominated by the Board, who shall have the power to:

- (a) determine appropriate procedures for the administration of the Scheme consistent with its terms;
- (b) delegate to any one or more persons for such period, and on such conditions as they may determine, the exercise of any of their powers or discretions arising under the Scheme; and
- (c) suspend or terminate the Scheme at any time, but only on the basis that such suspension or termination shall have no adverse effect on any accrued right of any Participant.

All costs associated with the administration of the Scheme shall be borne by the Company.

## **19 Power To Vary Rules**

19.1 The Directors, subject to obtaining any necessary prior approval of shareholders in accordance with the Listing Rules, may at any time, and from time to time by supplemental document, revoke, add to or vary all or any of the terms and conditions contained in this document (as varied from time to time) and may, by the same or any other document, declare any new or other terms and conditions concerning the issue of Shares to Participants, provided that the additions, alterations or variations:

- (a) relate to the issue of Shares or the Company's or the Director's powers or discretions;

- (b) do not affect a Participant's entitlement to any Shares which arose before the date of variation, alteration or addition, unless prior written consent is obtained from each affected Participant; and
- (c) except as provided in this document, do not vary, alter or add to any rights or restrictions attaching to the Shares, unless the prior written consent is obtained from each affected Participant.

19.2 This document shall not be capable of being revoked, added to or varied otherwise than as provided in this Clause.

## **20 Commencement**

Subject to the Company in general meeting passing any necessary resolutions to approve the Scheme, the Scheme shall take effect from March 1, 1997.

## **21. Notices**

21.1 Any notice required to be given pursuant to the Scheme shall be in writing and shall be given by:

- (a) delivering it to the party personally, or at their address, on a Business Day during ordinary business hours; or
- (b) by sending it to the address of the party by prepaid airmail post if overseas, otherwise by prepaid ordinary post.

21.2 A notice shall be deemed to be given and received:

- (a) if given in accordance with subclause 21.1 (a), on the Business Day next after the day of delivery; or
- (b) if given in accordance with subclause 21.1 (b ), five business days after the day of posting.

## **22. Proper Law**

The provisions of the Scheme shall be governed and construed according to the laws of Victoria, Australia.