

Terms and conditions of the Options issued to Directors

The Company currently has 11,000,000 Options on issue to Directors as follows:

- 5,400,000 Options - Vesting immediately and exercisable at 20 cents each on or before 31 January 2010; and
- 5,600,000 Options- Vesting immediately and exercisable at 40 cents each on or before 31 January 2009 if the share price exceeds 40 cents.

The terms and conditions of these Options are set out below.

- (a) Each Option entitles the holder, when exercised to one Share
- (b) Subject to paragraph (c) the Options are exercisable at any time prior to 5.00pm (WST) on 31 January 2009 and 31 January 2010 (as applicable)(**Expiry Date**);
- (c) If the Option holder (or the Director associated with the Option holder) ceases to hold office, to be employed and/or act as a consultant, as the case may be, with the Company for any reason whatsoever (except where such cessation occurs as a result of a change in control of the Company, with a change in control being where a Shareholder or group of associated shareholders become entitled to sufficient Shares in the Company to give it or them the ability to replace all or a majority of the Board of the Company), the relevant outstanding Options of that Option holder (or the Director associated with that Option holder) shall be forfeited and all rights and/or benefits in relation to those Options shall also be forfeited after a period of 3 months from the date of cessation of holding office, employment and/or consulting, as the case may be, or as otherwise determined by the other Directors;
- (d) The Options granted to each Director are exercisable at 20 cents or 40 cents (as appropriate) (**Exercise Price**);
- (e) Subject to the Corporations Act, ASX Listing Rules and the Constitution, the Options are transferable;
- (f) The Company will not apply for quotation of the Options on ASX; all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for Official Quotation of all Shares issued upon exercise of the Options;

- (h) There are no participating rights or entitlements inherent in the Options and the Option holder 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 the proposed issue notice of the new issue will be given to the Option holder at least seven (7) business days before the record date. This will give the Option holder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue;
- (i) If at any time the Company makes a bonus issue of Shares then the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue and the **Exercise Price** will remain unchanged;
- (j) If the Company makes an issue of Shares pro rata to existing Shareholders the Exercise Price of an Option will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2; and
- (k) If at any time the issued capital of the Company is reconstructed all rights of an Option holder are to be varied in a manner consistent with the Corporations Act and the ASX Listing Rules.