



27 October 2010

The Company Announcements Office  
Australian Stock Exchange Limited  
Level 10 Exchange Centre  
20 Bond Street  
Sydney NSW 2000

**By: e-lodgement**

Dear Sirs

**LETTER TO SHAREHOLDERS AND ANNUAL GENERAL MEETING  
DOCUMENTS**

Please find attached a letter from the Chairman, Notice of Meeting, Explanatory Statement and Proxy to be dispatched shortly to all shareholders prior to the Annual General Meeting of the Company, scheduled for Monday, 29 November 2010 at 11.00am (Perth time).

Yours faithfully

**Mark Maitland**  
**Company Secretary**



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

**Date of Meeting**

29 November 2010

**Time of Meeting**

11.00 am (Perth time)

**Place of Meeting**

Celtic Club, 48 Ord Street, West Perth

**A Proxy Form is enclosed**

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

The Annual Report is available on the company website at [www.ipernica.com](http://www.ipernica.com)

ipernica Ltd (ACN 083 702 907)

Postal Address: P O Box 1327, West Perth, WA 6872, Australia

Street Address: Level 1, 16 Ord Street, West Perth, WA

Tel: +61 8 9420 8500 Fax: +61 8 9420 8547 Email: [ipernica@ipernica.com](mailto:ipernica@ipernica.com)

## INVITATION FROM THE CHAIRMAN

8 October 2010

Dear Shareholder

I have pleasure in inviting you to the Annual General Meeting of Shareholders of ipernica ltd that will be held at the Celtic Club, 48 Ord Street, West Perth at 11am (Perth time) on 29 November 2010. The Notice of Annual General Meeting is enclosed.

Your vote is important and therefore if you are unable to attend the meeting, I encourage you to complete and return the enclosed Proxy Form. You may appoint an individual of your choice as your proxy or, if you prefer, you may appoint the person chairing the meeting. Your completed Proxy Form must be lodged with ipernica by 11am (Perth time) on 28 November 2010 (24 hours before the commencement of the meeting) to be valid. More detailed instructions regarding the completion and lodgement of the Proxy Form can be found in the Notice of Annual General Meeting.

I look forward to welcoming you to the meeting.

A handwritten signature in black ink, appearing to read 'Ross Norgard', with a long, sweeping flourish extending to the right.

Ross Norgard  
Chairman

# ipernica ltd

ABN 37 083 702 907

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of ipernica ltd ABN 37 083 702 907 ("Company") will be held at the Celtic Club, 48 Ord Street, West Perth, on 29 November 2010 at 11am (Perth time) for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

## AGENDA

### ITEMS OF BUSINESS

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#### Financial Reports

To receive and consider the financial statements of the Company for the year ended 30 June 2010, together with the Directors' Report and the Auditor's Report as set out in the Annual Report.

#### 1. Resolution 1 – Non Binding Resolution to adopt Remuneration Report

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

*"That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2010 be adopted."*

**Note:** The vote on this resolution is advisory only and does not bind the Directors or the Company.

#### 2. Resolution 2 – Re-election of Mr Conrad Crisafulli as a Director

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

*"That, Mr Conrad Crisafulli, who retires in accordance with clause 75 of the Company's Constitution and, being eligible for re-election, be re-elected as a Director of the Company."*

#### 3. Resolution 3 – Election of Mr Stuart Nixon as a Director

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

*"That, Mr Stuart Nixon, who ceases to hold office in accordance with clause 71.2 of the Company's Constitution and, being eligible, offers himself for election, be elected a Director of the Company."*

#### 4. Resolution 4 – Amendment of the Company's Employee Share Option Plan to Allow Financial Assistance and the Taking of Security for the Purposes of Sections 260C(4) and 259B(2) of the Corporations Act

*"That for the purposes of section 260C(4) and section 259B(2) of the Corporations Act and for all other purposes, approval be and is hereby given to the amendments to the Company's Employee Share Option Plan ("Plan") on the terms and conditions set out in the Explanatory Memorandum (including Annexure B to the Explanatory Memorandum) to insert: (a) a new category of Options that will allow the granting of financial assistance by the Company by way of a loan to enable employees (including salaried Directors), or their permitted nominees, as the case may be, to exercise any vested Options that they (or their permitted nominees) hold; and (b) a new loan application date that will allow employees to apply for a loan once all vesting conditions of the Options (if any) have been satisfied."*

**5. Resolution 5 – Grant of Director Options to Mr Graham Griffiths**

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

*"That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.14 and for all other purposes the Directors be and are hereby authorised to grant up to 900,000 Director Options under the Plan for no consideration (each Director Option having an exercise price of the greater of (a) 20 cents; and (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting, vesting in three equal tranches; one third 12 months following issue, one third 24 months following issue and the remaining third 36 months following issue, all expiring 48 months following issue) to Mr Graham Griffiths or his nominee, on the terms and conditions set out in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum)."*

**6. Resolution 6 – Financial Assistance to Mr Graham Griffiths for the Purposes of Section 208 of the Corporations Act**

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

*"That, pursuant to and in accordance with section 208 of the Corporations Act and for all other purposes, approval be and is hereby given to the granting to Mr Graham Griffiths, a Director (or his nominee), of financial assistance by way of loan to assist him to exercise any eligible Options held by him or his permitted nominee, such loan to be in accordance with the terms of the Employee Loan Scheme, which terms form part of the Company's Employee Share Option Plan, and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

**7. Resolution 7 – Approval of Amended Employee Share Option Plan Pursuant to Listing Rule 7.2, Exception 9(b)**

Subject to the passing of Resolution 4, to consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That for the purposes of Listing Rule 7.2, Exception 9(b) and for all other purposes, approval be and is hereby given to the Plan, as amended in accordance with this Explanatory Memorandum (including Annexure B to the Explanatory Memorandum) the Company approves the issue of securities under the employee incentive option scheme for employees and directors known as "ipernica Limited Employee Share Option Plan" as an exception to Listing Rule 7.1."*

**8. Resolution 8 – Approval of Unamended Employee Share Option Plan Pursuant to Listing Rule 7.2, Exception 9(b)**

In the event that Resolutions 4 and 7 are not passed, to consider and if thought fit, pass the following as an **ordinary resolution**:

*"That for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, approval be and is hereby given to the Plan, as approved by Shareholders on 29 November 2007 and as amended by the Board on 24 November 2008, the Company approves the issue of securities under the employee incentive option scheme for employees and directors known as "ipernica Limited Employee Share Option Plan" as an exception to Listing Rule 7.1."*

## **VOTING EXCLUSION STATEMENT**

The following voting exclusion statement applies to the Resolutions under the Listing Rules or where applicable, the provisions of the Corporations Act to the following persons ("**Excluded Persons**"). The Company will disregard any votes on the specified Resolutions cast by the following Excluded Persons:

<b>Resolution</b>	<b>Title</b>	<b>Persons excluded from voting on the Resolution</b>
<b>Resolution 5</b>	Issue of Director Options to Mr Graham Griffiths	G Griffiths and any associate of G Griffiths.
<b>Resolution 6</b>	Financial assistance to Mr Graham Griffiths for the Purposes of Section 208 of the Corporations Act	G Griffiths and any associate of G Griffiths.
<b>Resolution 7</b>	Approval of Amended Plan Pursuant to Listing Rule 7.2, Exception 9	All Directors of the Company (except those who are ineligible to participate in any Company employee incentive scheme) and any associates of those Directors.
<b>Resolution 8</b>	Approval of Unamended Plan Pursuant to Listing Rule 7.2, Exception 9	All Directors of the Company (except those who are ineligible to participate in any Company employee incentive scheme) and any associates of those Directors.

In relation to Resolutions 7 and 8, the Company need not disregard a vote if:

- (a) it is cast by an Excluded Person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or
- (b) it is cast by an Excluded 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.

In relation to Resolutions 5 and 6, under section 224 of the Corporations Act, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution and it is not cast on behalf of G Griffiths or an associate of G Griffiths.

## **OTHER BUSINESS**

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To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

Capitalised terms used in this Notice are defined on page 18 of the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

**By order of the Board**



**Mark Maitland**  
Company Secretary

Dated: 8 October 2010

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### How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting or by submitting their proxy appointment and voting instructions by facsimile.

### Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 10 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and attendances recorded. A properly executed original (or certified copy) of an appropriate power of attorney under which an attorney has been authorised must be lodged with the Company by 11am (Perth time) on 28 November 2010 (24 hours before the commencement of the Meeting).

### Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The original evidence of appointment (or certified copy) should be produced for admission to the meeting.

### Voting by proxy

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the Meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit.
- Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Meeting, the Chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice.
- To be effective, proxies must be lodged by 11am (Perth time) on 28 November 2010 (24 hours before the commencement of the Meeting). Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:
  - by returning a completed proxy form in person (during business hours) or by post to:

**Delivery:** Level 1, 16 Ord Street,  
West Perth WA 6005

**Post:** PO Box 1327,  
West Perth WA 6872

- by faxing a completed proxy form to (08) 9420 8547.

The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 11am (Perth time) on 28 November 2010 (24 hours before the commencement of the meeting). If facsimile transmission is used, the power of attorney must be certified.

### Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (Perth time) on 27 November 2010.

# PROXY FORM

**ipernica ltd**  
**ABN 37 083 702 907**

The Company Secretary  
 ipernica ltd  
 Registered Office Address: Level 1, 16 Ord St, West Perth WA 6005  
 Facsimile: (08) 9420 8547

I/We (name of Shareholder) .....  
 of (address) ..... being a member/members of ipernica ltd HEREBY APPOINT  
 (name) .....of (address).....  
 and/or failing him/her (name) ..... of (address) .....  
 or failing that person then the Chair of the Annual General Meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Celtic Club, 48 Ord Street, West Perth on 29 November 2010 at 11am (Perth time) and at any adjournment of the Meeting.

### Appointment of Proxy

If appointing a proxy to attend the Annual General Meeting on your behalf, please complete the form and submit it in accordance with the directions on the reverse of the page.

I/We being a Shareholder/Shareholders of ipernica ltd pursuant to my/our right to appoint not more than two proxies, appoint



The Chairman of the Meeting **OR**  
 (mark with an "X")


Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

Write here the name of your second proxy (if any).

or failing him/her, (if no proxy is specified above), the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held at the Celtic Club, 48 Ord Street, West Perth at 11am (Perth time) on 29 November 2010 and at any adjournment of that Meeting.

This proxy is to be used in respect of \_\_\_\_\_% of the ordinary shares I/we hold.

### Voting directions to your proxy – please mark to indicate your directions

RESOLUTION	For	Against	Abstain
1. Non Binding Resolution to adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr Conrad Crisafulli as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Election of Mr Stuart Nixon as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Amendment of the Company's Employee Share Option Plan to Allow Financial Assistance and the Taking of Security for the Purposes of Sections 260C(4) and 259B(2) of the Corporations Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Grant of Director Options to Mr Graham Griffiths	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Financial Assistance to Mr Graham Griffiths for the Purposes of Section 208 of the Corporations Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Approval of Amended Employee Share Option Plan Pursuant to Listing Rule 7.2, Exception 9(b)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Approval of Unamended Employee Share Option Plan Pursuant to Listing Rule 7.2, Exception 9(b)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Executed in accordance with section 127 of the Corporations Act:

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3




Sole Director & Sole Company Secretary

Director

Director/ Company Secretary

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Contact Name: \_\_\_\_\_ Contact Business Telephone / Mobile: \_\_\_\_\_



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**INSTRUCTIONS FOR COMPLETING PROXY FORM**

1. Completion of a proxy form will not prevent individual Shareholders from attending the Annual General Meeting in person if they wish. Where a Shareholder complete and lodges a valid proxy form and attend the Annual General Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Annual General Meeting.
2. A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes.
3. A proxy need not be a Shareholder.
4. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing required majority on a poll.
5. Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
6. If a representative of a company Shareholder is to attend the Meeting, a properly executed original of evidence of appointment (or certified copy) should be produced for admission to the Annual General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act.
7. If a representative as power of attorney of a Shareholder is to attend the meeting, a properly executed original (or certified copy) of an appropriate power of attorney under which an attorney has been authorised must be lodged with the Company by 11am (Perth time) on 28 November 2010.

**8. Signing Instructions**

You must sign this form as follows in the spaces provided:

**Individual:** Where the holding is in one name, the holder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary this form must be signed by that person.

If the company (pursuant to section 204A of the Corporations Act) does not have a Company Secretary, a Sole Director can also sign alone.

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

**9. Lodgement of a Proxy**

This Proxy Form (and any power of Attorney under which it is signed) must be received at the address below not later than 11am (Perth time) on 28 November 2010 (24 hours before the commencement of the Meeting). Any Proxy Form received after that time will not be valid for the scheduled Meeting.

**Hand deliveries:** Level 1, 16 Ord Street, West Perth, WA 6005

**Postal address:** PO Box 1327, West Perth, WA 6872

**Fax number:** 08 9420 8547

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of ipernica ltd ("**ipernica**" or the "**Company**").

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### **FINANCIAL REPORTS**

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated annual financial statements of the Company for the financial year ended 30 June 2010 together with the Directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company. The Chairman will also provide Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

### **RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

In accordance with section 250R(2) of the Corporations Act the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's 2010 Annual Report. The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Report which is available on the Company's website ([www.ipernica.com](http://www.ipernica.com)).

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors and key management personnel of the Company, sets out remuneration details and any service agreements and sets out the details of any share based compensation.

### **RESOLUTION 2 – RE-ELECTION OF MR CONRAD CRISAFULLI AS A DIRECTOR**

Pursuant to Clause 75 of the Company's Constitution, Mr Conrad Crisafulli, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Mr Crisafulli was appointed as a Director of the Company in October 2000.

He has extensive experience in all aspects of technology commercialisation, including his previous role as Director for IP Commercialisation at Curtin University of Technology, and prior to that as Managing Director of TechStart Australia Pty Ltd, a boutique venture capital firm and its investee companies.

Mr Crisafulli is a director of numerous start-up technology ventures, including Virtual Observer Pty Ltd and Medevco Pty Ltd.

### **RESOLUTION 3 – ELECTION OF MR STUART NIXON AS A DIRECTOR**

Mr Nixon was appointed to the Board on 3 August 2010 and pursuant to Clause 71.2 of the Company's Constitution ceases to hold office at the next annual general meeting of the Company. Mr Nixon, being eligible, offers himself for election as a Director.

Mr Nixon is the former Chief Executive Officer of NearMap Pty Ltd. He previously founded ER Mapper in 1989 and successfully built a global business which he subsequently sold.

He is the inventor of the industry standard ECW image format that is used by millions worldwide, architect of the ER Mapper application and the Image Web Server technology that pioneered serving image maps over the web.

Mr. Nixon was the recipient of the Grahame Sands award for innovation in applied geophysics and is an Honorary Fellow of the Spatial Sciences Institute of Australia. He was a founding member of Australia's Spatial Information Steering Group and is a member of various spatial information organisations.

### **RESOLUTION 4 – AMENDMENT OF THE COMPANY'S EMPLOYEE SHARE OPTION PLAN TO ALLOW FINANCIAL ASSISTANCE AND THE TAKING OF SECURITY FOR THE PURPOSES OF SECTIONS 260C(4) AND 259B(2) OF THE CORPORATIONS ACT**

The Company has an employee share option plan under which employees are offered the opportunity to subscribe for Options to acquire Shares in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees. The substantive current terms of the "ipernica Limited Employee Share Option Plan" ("**Plan**") were approved by Shareholders on 29 November 2007. The Board subsequently amended the Plan on 24 November 2008 to broaden the definition of "Company" to include all associated bodies corporate of the Company.

The current Plan includes provisions that permit the Company to grant financial assistance to employees (or their permitted nominees) by way of loan to exercise Options and acquire Shares. The Company also has the right to obtain security over any Shares that are acquired by employees, or their permitted nominees as the case may be, using loans granted under the Plan.

The Company now wishes to amend the Employee Loan Scheme as contained within the Plan to allow employees:

- (a) to request financial assistance from the Company by way of loan to enable employees to exercise **any** vested Options which are brought under the Employee Loan Scheme (which forms part of the Plan) which they (or their permitted nominees) hold regardless of how those Options were acquired, or issued; and
- (b) to apply for financial assistance once all the vesting conditions (if any) of the eligible Options have been satisfied, rather than requiring employees to wait to within 45 days of expiry of the eligible Options.

Pursuant to section 260A of the Corporations Act, a company may financially assist persons to acquire shares in itself only if:

- (a) giving the assistance does not materially prejudice:
  - (i) the interests of the company or its shareholders; or
  - (ii) the company's ability to pay its creditors;
- (b) the assistance is approved by the company's shareholders in accordance with section 260B of the Corporations Act; or
- (c) the assistance is exempt under section 260C.

Under section 260C(4), the granting of assistance will not require shareholder approval if the assistance is made under an employee share scheme that has been previously approved by shareholders. Section 259B

prevents a company from taking security over its shares unless this security is obtained pursuant to an employee share scheme that has been approved by shareholders.

Although the Company has previously sought, and obtained, Shareholders' approval for the Plan, the Company considers it prudent to seek Shareholders' approval for the amendments proposed above.

### ***Summary of current terms of Plan***

The Plan is limited to employees of the Company (including associated bodies corporate of the Company). Employees of the Company include salaried Directors of the Company. Contractors and consultants of the Company (or its subsidiaries) will not be eligible to participate in the Plan. An employee's eligibility to participate in the Plan will be determined by the Board based on the seniority of the employee, their length of service with the Company, their record of employment, the potential contribution of that person to the growth of the Company, the employee's level of existing participation under the Plan (if any) and any other matters which the Board considers relevant.

Options under the Plan will be granted for no monetary consideration. The exercise price of an Option under the Plan will be determined by the Board with regard to the market value of Shares at the time it resolves to offer the Options to Eligible Persons.

The total number of Options that may be offered under the Plan to employees that are not executive officers (including any Options previously issued under the Plan, any Options issued and exercised in the 5 years prior to the date of the offer and any Share or Options issued under any other employee share schemes) must not exceed 5% of the total number of issued Shares in the Company as at the time any offer under the Plan is made.

The Company can grant financial assistance by way of loans to enable Eligible Persons, or permitted nominees as the case may be, to exercise Options that have been granted to them (or brought under) under the Plan. The Company can take security over Shares obtained by Eligible Persons, or permitted nominees as the case may be, to secure repayment of the loan.

Eligible Persons, or permitted nominees as the case may be, are currently able to apply for a loan at a date not earlier than the date that is 45 days before the expiry date of the relevant Options. The Company will then decide whether to grant the loan after considering the seniority of the employee, their length of service with the Company, their record of employment, the potential contribution of that person to the growth of the Company, any loans already granted to the employee (if any), the market value of the Shares at the time in comparison to the exercise price of the Options and any other matters which are relevant. The Company will only be able to grant a loan to enable the exercise of the Options where the volume weighted average price of Shares as listed on the ASX for the preceding 20 days is greater than the exercise price of the relevant Option.

The loans will bear interest at the "Statutory Interest Rate" as defined in section 136 of the Fringe Benefits Assessment Act 1986 (Cth) and as published each year by the Commissioner of Taxation and will have a term of 3 years from the date the Options are exercised subject to early repayment in the event that the relevant employee ceases to be employed by the Company or when the employee, or permitted nominee as the case may be, sells the Shares obtained using the loan. The Board may extend the period of repayment of the loan where it sees fit. Shares acquired using the loans will be subject to a holding lock which will effectively prevent the Shares from being transferred unless the loan and any interest is either repaid or the Shares are sold to enable the loan and any interest to be repaid. The Company may also obtain further security over the Shares (for instance, by way of a lien or share mortgage) if it decides that this is necessary.

The loans will also be of limited recourse. That is, in the event the Shares obtained under the loan are sold for an amount less than the amount of the loan and any interest, the employee, or permitted nominee as the case may be, will only be required to repay the loan and any interest to the amount of the sale proceeds. The Company will have no other recourse against the employee, or permitted nominee as the case may be, in respect of the balance of the loan and any interest not met by the sale proceeds. In the event that the Shares obtained under the loan are sold for an amount greater than the amount of the loan and any interest, the

employee, or the permitted nominee as the case may be, would be entitled to any excess of the sale proceeds over the outstanding amount of the loan and any interest.

Any dividends paid in respect of the Shares acquired using the loans will be automatically directed towards repaying the loan and any interest (subject to a 50% allowance for tax purposes if the dividends are not fully franked). The employee, or permitted nominee, as the case may be, will be entitled to exercise any voting rights attached to Shares acquired using the loans as he or she sees fit.

The loans will be available to employees of the Company only. Salaried Directors (currently G Griffiths, S Nixon, S Crowther, S Cope and A Young are salaried Directors of the Company or its associated bodies corporate) will also be eligible to receive loans for Options granted under, or brought under, the Plan.

### ***Proposed amendments to the Plan***

Pursuant to clause 9 of the Plan, the Board has the power to amend the terms of the Plan. The Board has resolved to, subject to approval being obtained under this Resolution, amend the terms of the Plan as follows:

- (a) New categories of Options: employees (or permitted nominees) of the Company, including salaried Directors, will be able to apply for financial assistance by way of loans to enable them to exercise **any** vested Option they hold, which is brought under the Employee Loan Scheme (which forms part of the Plan) regardless of how the Option was issued or acquired; and
- (b) New loan application date: employees (or their permitted nominees) will be able to apply for financial assistance once the vesting conditions (if any) of the eligible Options are satisfied.

The proposed amendments to the Employee Loan Scheme (which forms part of the Plan) are marked up in Annexure B.

### ***Effect of the amendments***

The Directors do not consider that the amendments to the Plan (as discussed below) or the provision of the loans will materially affect the Company's ability to pay its creditors as it does not involve any actual payments of cash nor does it involve the Company disposing of any assets.

The Directors do not consider that the giving of the financial assistance will be likely to materially prejudice the interests of the Company or its Shareholders or the Company's ability to pay its creditors.

The maximum value of loans that may be provided to related parties of the Company, and other persons specified in Listing Rule 10.1, under this Resolution may not be equal to or greater than 5% of the Equity Interests of the Company as set out in the latest accounts provided to the ASX from time to time. As disclosed in the Financial Report for the year ended 30 June 2010, the value of the Equity Interests in the Company is \$19,761,503, with 5% of that figure being \$988,075.

As the loan funds are used for payment of the exercise price payable on exercise of the Options, the funds will be immediately returned to the Company in the form of subscription money. The granting of the loans will therefore have no effect on the Company's cashflow (other than in respect of any costs associated with the granting of the loans which are not expected to be material).

#### ***(a) New categories of Options***

Approval of this Resolution will allow loans to be provided to employees who are, or had previously been, granted Options otherwise than under the terms of the Plan or pursuant to an exemption in section 708 of the Corporations Act 2001. Employees (or their permitted nominees) will now be able to apply for financial assistance in respect of any Options that they hold, irrespective of how those Options are, or were, issued, however, such Options must be brought under the Employee Loan Scheme (which forms part of the Plan).

If Shareholders approve this Resolution 4, these following additional Options (either held by the employee or his associates) as at the date of this Notice could fall within the Employee Loan Scheme (as amended):

<b>Employee</b>	<b>Number of Options</b>
Mr Simon Crowther, or his associates	5,000,000 Options exercisable at 40c, expiry date 21/11/11.
Mr Stuart Nixon, or his associate*	3,130,544 Options exercisable at 40c, expiry date 21/11/11.

*\*The Company would need to obtain Shareholder approval prior to granting any financial assistance to Mr Stuart Nixon as he is a related party. No such financial assistance is being sought.*

In addition, there are 9,119,457 outstanding Options which are held by other parties who are not Eligible Persons as at the date of this Notice.

*(b) New loan application date*

Approval of this Resolution will allow employees (or their permitted nominees) to apply for financial assistance once the vesting conditions (if any) of the eligible Options are satisfied. Currently, the request may be made no earlier than the date that is 45 days before the expiry date of the Options. The Company is aware that increasing the application period could potentially increase the number of applications for financial assistance resulting in some additional administrative work.

If this Resolution is approved the period during which an Eligible Person may apply for a loan increases from 45 days prior to expiry to on vesting through to expiry. The impact of this is that the difference between the market price of the Shares (which is secured for the purposes of the loan) and the loan amount (which is based on the exercise price) is potentially subject to greater fluctuation and therefore may increase the risk of not being able to cover loan funds if the Shares are later sold at a loss. The Directors, however, do not consider that such an effect is material due to: (i) the requirement that the Company will only be able to grant a loan to enable the exercise of the Options where the volume weighted average price of Shares as listed on the ASX for the preceding 20 days prior to the date of grant of a loan is greater than the exercise price of the relevant Option; and (ii) the unlikelihood that employees will be willing to sell the Shares at a loss. It is not therefore expected that changing the loan application date will have any significant effect on the financial position of the Company, although any loss of the Company will need to be included in its accounts.

By way of example, the tables below illustrate the effect of this amendment for the period within 12 months of the date of the Meeting.

If Shareholders do not approve Resolution 4, under the terms of the current Plan, an Eligible Person (or his/her permitted nominee) may apply for a loan within the next 12 months for the following Options:

<b>Issue Date</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
31/07/07	1,300,000	\$0.20	31/07/11
30/11/07	2,200,000	\$0.20	30/11/11

If Shareholders approve Resolution 4, an Eligible Person (or his/her permitted nominee) may apply for a loan for the following Options which will have vested over the following 12 months:

<b>Issue Date</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Last Vesting Date</b>
30/11/07	2,200,000	\$0.20	30/11/10
31/07/07	1,300,000	\$0.20	31/07/11
11/07/08	3,360,000	\$0.16	11/07/11
21/11/08	4,400,000	\$0.16	21/11/11
14/10/09	949,998	\$0.20	6/08/11
24/11/09	1,666,666	\$0.20	24/11/11
5/07/10	400,000	\$0.20	5/07/11
24/11/08	1,000,000	\$0.20	24/11/11
14/10/09	2,466,664	\$0.20	6/08/11
1/07/10	566,667	\$0.20	1/07/11
5/07/10	866,667	\$0.20	5/07/11
29/07/10	3,500,000	\$0.20	15/09/11

***Reasons for providing the financial assistance***

The financial assistance will assist employees (including salaried Directors) to participate in the Plan by exercising Options that they hold. The Company believes that the amendments to the Plan will enable the Company to administer the Plan with greater efficiency and will better achieve the purpose of the financial assistance clauses contained with the current Plan.

The success of the Company and its Shareholders depends greatly on the people employed by the Company. To maintain and improve performance, the Company has an ongoing need to motivate, incentivise and retain an excellent and dedicated management team and key employees and to recognise the significant past contributions of key employees.

The provision of the financial assistance when used as part of the Plan provides additional means to achieve this goal and will continue to:

- provide an incentive to employees to work to improve the performance of the Company;
- attract and retain valued employees essential for the continued growth and development of the Company;
- establish a sense of ownership in the Company for the employees;
- promote and foster loyalty and support amongst employees for the benefit of both the employees and the Company;
- enhance the relationship between the Company and its employees for the long term mutual benefit of all parties; and
- enable the Company to attract high calibre individuals, who can bring expertise to the Company.

The Directors consider that the limited recourse nature of the loan will provide a strong incentive to employees, or their permitted nominees as the case may be, to exercise their Options and enable the Company to achieve the goals stated above as it removes the risk of the employee, or Permitted Nominee as the case may be, suffering any loss if Shares acquired under the Plan are subsequently sold for a value less than their exercise price and any interest on the loan. The Directors consider that the benefits that will be achieved by offering a limited recourse loan exceeds the potential detriment to the Company of the loan and any interest on the loan not being fully repaid in the event of a loss on the sale of the Shares.

***Approval sought***

Approval is therefore sought under Resolution 4 to the amendments to the Plan described above and in the amended Employee Loan Scheme which forms part of the Plan (Annexure B as marked up). If approval to this Resolution is obtained, the Company will be able to grant loans to Eligible Persons, or their permitted nominees, as the case may be, and to obtain security over Shares acquired using the loan in accordance with



the amended rules of the Plan without the need for further Shareholder approval to be obtained each time the loans are granted. In the event that loans are granted to a salaried Director, additional shareholder approval under section 208 (related party approval) and Listing Rule 10.11 with respect to the Options proposed to be granted will need to be obtained.

***Recommendation of Directors (other than G Griffiths and S Nixon)***

In the Directors' view, the financial assistance that may be given to Eligible Persons, or permitted nominees as the case may be, who exercise Options granted under the Plan is for the benefit of the Company and its Shareholders and accordingly the Directors (other than G Griffiths and S Nixon) recommend that Resolution 4 be passed.

As G Griffiths and S Nixon (being the only salaried Directors) are eligible to participate in the Plan they do not make any recommendation on this Resolution.

**RESOLUTION 5 – GRANT OF DIRECTOR OPTIONS TO MR GRAHAM GRIFFITHS**

The Company proposes to grant a total of 900,000 Director Options (each Director Option with an exercise price of the greater of (a) 20 cents; or (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting, vesting in three equal tranches; one third 12 months following issue, one third 24 months following issue and one third 36 months following issue, all expiring 48 months following issue) to Mr Griffiths (or his nominees).

The terms of the Director Options are set out in Annexure A to this Explanatory Memorandum. The proposed grant of Director Options to Mr Griffiths will be subject to the terms of the Plan. If, however, there is any inconsistency between the terms of the Director Options as set out in Annexure A and the Plan, the terms as set out in Annexure A prevail to the extent of the inconsistency.

At the time the Directors proposed the issue of these Director Options to Mr Griffiths, being 21 September 2010, the Company's Shares were trading at approximately 12.5 cents.

The grant of Director Options encourages Mr Griffiths to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. In the Company's current circumstances the Directors consider (in the absence of Mr Griffiths) that the incentives intended for Mr Griffiths represented by the grant of these Director Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Director Options to be granted to Mr Griffiths has been determined based upon a consideration of:

- the remuneration of Mr Griffiths;
- the Directors wish to ensure that the remuneration offered is competitive with market standards. The Directors believe that the proposed number of Director Options to be granted will ensure that Mr Griffiths' overall remunerations is in line with market standards; and
- incentives to attract and ensure continuity of service of directors who have appropriate knowledge and expertise.

**Related Party Transactions Generally**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.



For the purposes of Chapter 2E of the Corporations Act, Mr Griffiths is considered to be a related party of the Company as he is a Director. Resolution 5 provides for the grant of Director Options to Mr Griffiths which is a financial benefit which requires Shareholder approval.

### Current Holdings

Set out below are details of each of Mr Griffiths' relevant interest in Shares (either held by Mr Griffiths or his associates) as at the date of this Notice:

Director	Number of Shares
Graham Griffiths, or his associates	6,326,159*

*\*Note: 1,755,004 of these Shares are held by Graham John Griffiths and Jillian Griffiths as trustees for the Griffiths Private Super Fund. Mr Griffiths is a member of the Griffiths Private Super Fund.*

Set out below are details of each of Mr Griffiths' relevant interest in Options (either held by Mr Griffiths or his associates) as at the date of this Notice:

Director	Number of Options
Graham Griffiths, or his associates*	<ul style="list-style-type: none"> <li>• 2,200,000 Options exercisable at 20c, vesting in three equal tranches commencing 30/11/08, expiry date 30/11/11.</li> <li>• 4,400,000 Options exercisable at 16c, vesting in three equal tranches commencing 21/11/09, expiry date 21/11/12.</li> <li>• 2,500,000 Options exercisable at 20c, vesting in three equal tranches commencing 24/11/10, expiry date 24/11/13.</li> </ul>
<b>Total</b>	<b>9,100,000</b>

*\*Note: These Options are held by Jillian Griffiths as trustee for the Sunnycrest Investment Trust. Jillian Griffiths is the wife of Graham Griffiths.*

### INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

#### ***The related parties to whom the proposed resolutions would permit the financial benefit to be given:***

Subject to Shareholder approval, 900,000 Director Options will be granted to Mr Graham Griffiths, or his nominee.

#### ***The nature of the financial benefit***

The proposed financial benefit to be given is the grant of Director Options for no consideration to Mr Griffiths as noted above.

#### ***Directors' recommendation***

All the Directors were available to make a recommendation. For the reasons noted above:

Messrs Norgard, Crisafulli, Agerup and Nixon (who have no interest in the outcome of Resolution 5) recommend that Shareholders vote in favour of Resolution 5. Mr Griffiths declines to make a recommendation about Resolution 5 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Director Options to him or his nominee.

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.**

The proposed ordinary Resolution 5 would have the effect of giving power to the Directors to grant a total of 900,000 Director Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above.

As at the date of this Explanatory Memorandum, the Company has 323,056,101 listed Shares on issue and 48,968,333 outstanding unlisted Options.

The abovementioned Shares held by Mr Griffiths represent 1.96% of the total Shares on issue on an undiluted basis and, together with all of his Options (assuming they are exercised) represent 4.16% on a fully diluted basis. If, in addition, all the 900,000 Director Options to be issued under Resolution 4 are exercised, Mr Griffiths' percentage holding in Shares would increase to 4.40% on a fully diluted basis based on the Company's issued share capital as at the last practicable date before printing this Notice.

The market price of the Shares during the period of the Director Options will normally determine whether or not the Director Options are exercised. At the time any Director Options are exercised and Shares are issued pursuant to the exercise of the Director Options, the Shares may be trading at a price which is higher than the exercise price of the Director Options.

Mr Griffiths' salary per annum (including superannuation) and the total financial benefit to be received by him in this current period as a result of the grant of the Director Options the subject of Resolution 5 is as follows:

<b>Director</b>	<b>Salary and superannuation</b>	<b>Value of Director Options</b>
Graham Griffiths	\$450,000	\$72,990

The indicative option valuation of 8.11 cents is a theoretical valuation of each Director Option using the Black and Scholes Option Pricing Model.

**Valuation of Director Options**

The Company has valued the Director Options to be granted to Mr Griffiths using the Black & Scholes Model. The value of an option calculated by the Black & Scholes Model is a function of a number of variables. The valuation of the Director Options has been prepared using the following assumptions:

<b>Variable</b>	<b>Input</b>
Share price	\$0.13
5 Day VWAP	\$0.13
Exercise price	\$0.20
Risk free interest rate	6.25%
Volatility	94.53%
Time (years to expiry)	4 years

The Company has calculated the value of each option based on the following assumptions:

1. They have based the underlying value of each Share on the ASX's closing price of 13.0 cents on 6 October 2010;
2. The 5 Day VWAP has been calculated for the period from 30 September 2010 until 6 October 2010;
3. Risk free rate of return – 6.25% (estimated, being the Commonwealth 4 year indicator bond rate as at 6 October 2010); and
4. Volatility of the share price of 94.53%, as determined from the daily movements in share price over the last 12 months.

Based on the assumptions, it is considered that the estimated average value of the Director Options to be granted to Mr Griffiths is 8.11 cents per Director Option.

Any change in the variables applied in the Black & Scholes calculation between the date of the valuation and the date the Director Options are granted would have an impact on their value.

The following table gives details of the highest, lowest and latest price of the Shares trading on ASX over the past 12 months ending on 6 October 2010:

Highest Price (cents) / Date	Lowest Price (cents) / Date	Latest Price / Date
18.0 cents on 17 December 2009	6.8 cents on 7 October 2009	13.0 cents on 6 October 2010

#### **Other Information**

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Director Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Director Options pursuant to Resolution 5.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed Resolution.

#### **Listing Rule 10.14**

Listing Rule 10.14 broadly requires Shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires Shareholders to approve the issue of Director Options under the Plan to Mr Griffiths.

For the purposes of Listing Rule 10.15, the following information is provided to Shareholders with respect to Resolution 5:

- (a) the Director Options will be granted to Mr Griffiths, or his nominee, as noted above. Mr Griffiths is a Director;
- (b) the maximum number of Director Options to be granted is 900,000;
- (c) under Resolution 5 Mr Griffiths will be issued 900,000 Director Options (each with an exercise price of the greater of (a) 20 cents; and (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting, vesting in three equal tranches; one third 12 months following issue, one third 24 months following issue and the remaining third 36 months following issue, all expiring 48 months following issue and will otherwise be issued on the terms and conditions set out in Annexure A to this Explanatory Memorandum);
- (d) the Director Options will be granted for no consideration;
- (e) no funds will be raised by the grant of the Director Options;
- (f) all salaried Directors, or their permitted nominees, are entitled to participate in the Plan. Mr Griffiths is a salaried Director;
- (g) since the last approval of the Plan, Mr Griffiths has been the only Director to have been granted Options under the Plan. He was issued 2,200,000 Options for no consideration following approval of the grant at the Company's 2007 annual general meeting and 4,400,000 Options for no consideration following approval at the Company's 2008 annual general meeting and issued 2,500,000 Options for no consideration following approval of the grant at the Company's 2009 annual general meeting;
- (h) any loan in relation to the exercise of the Director Options will be provided on the terms of the Employee Loan Scheme summarised below with respect to Resolution 6. The terms of the Employee Loan Scheme form part of the Plan; and
- (i) the Director Options will be issued on a date, being no later than 12 months after the date Shareholder approval is obtained for Resolution 5.

## RESOLUTION 6 – FINANCIAL ASSISTANCE TO MR GRAHAM GRIFFITHS FOR THE PURPOSES OF SECTION 208 OF THE CORPORATIONS ACT

As discussed under Resolution 5 of this Explanatory Memorandum, Chapter 2E (particularly section 208) of the Corporations Act requires Shareholder approval for the giving of financial benefits to a director, with the granting of options being an example of such a financial benefit. The granting of financial assistance by way of a loan to enable the exercising of options would also be classified as a financial benefit. Section 208 of the Corporations Act provides that once shareholder approval is obtained a financial benefit must be given within 15 months of the date of shareholder approval.

As Mr Graham Griffiths, a Director, or his nominee, might benefit from the granting of financial assistance under the Plan, Shareholder approval is sought pursuant to Chapter 2E of the Corporations Act to allow this grant of financial assistance to Mr Griffiths. Shareholder approval pursuant to Chapter 2E of the Corporations Act would be required each time the Company proposes to grant Options to Mr Griffiths under the terms of the Plan and for Mr Griffiths to be eligible to participate in the Employee Loan Scheme.

### Financial assistance to Mr Graham Griffiths under the current Employee Share Option Plan

In the event that Resolution 4 is not passed to amend the Plan, then any financial assistance granted to Mr Griffiths will be granted under the terms of the current Plan. Employees or their permitted nominees, as the case may be, are able to apply for a loan to enable the exercise of Options at a date not earlier than the date that is 45 days before the expiry date of the relevant Options. The Company decides whether to grant the loan after considering the seniority of the employee, their length of service with the Company, their record of employment, the potential contribution of that person to the growth of the Company, loans already granted to the employee (if any), the market value of the Shares at the time in comparison to the exercise price of the Options and any other matters which are relevant. The Company will only be able to grant a loan to enable the exercise of the Options where the volume weighted average price of Shares as listed on the ASX for the preceding 20 days is greater than the exercise price of the relevant Option.

The loans will be available to employees of the Company only. Salaried Directors will also be eligible to receive loans for Options granted under, or brought under, the Plan. At the Company's annual general meeting in 2007, Shareholders approved amendments to the Plan to allow for employees or their permitted nominees, as the case may be, to apply for such abovementioned loans. At that meeting also, Shareholders approved the giving of financial assistance to Mr Graham Griffiths in respect of previous Options granted to him (or his nominees, as the case may be) as well as in respect of Options proposed to be granted to him subject to Shareholder approval at that meeting, to enable the exercise of those Options.

The terms of the loan, which terms form part of the Plan, are set out in the Employee Loan Scheme (Annexure B, disregarding the mark-ups).

Mr Griffiths, as the Company's only salaried Director, would be eligible to receive a loan for the exercise of any Options granted to Mr Griffiths under the terms of the Plan. Mr Griffiths would be eligible to receive a loan for the exercise of the following Options:

Director	Number of Options
Graham Griffiths, or his associates*	<ul style="list-style-type: none"><li>• 2,200,000 Options exercisable at 20c, vesting in three equal tranches commencing 30/11/08, expiry date 30/11/11.</li><li>• 4,400,000 Options exercisable at 16c, vesting in three equal tranches commencing 21/11/09, expiry date 21/11/12.</li><li>• 2,500,000 Options exercisable at 20c, vesting in three equal tranches commencing 24/11/10, expiry date 24/11/13.</li></ul>

Director	Number of Options
	<ul style="list-style-type: none"> <li>900,000 Director Options exercisable at the greater of (a) 20 cents; or (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting, vesting in three equal tranches commencing 29/11/11, expiry date 29/11/14 (being the Director Options the subject of Resolution 5).</li> </ul>

The terms of the Employee Loan Scheme (Annexure B, disregarding the mark-ups) provide that an application for a loan to enable the exercise of Options may be made at a date not earlier than the date that is 45 days before the expiry date of the relevant Options. Any Shareholder approval that is obtained pursuant to this Resolution is valid only for a financial benefit that is given within 15 months of the receipt of that Shareholder approval. Financial assistance approval could therefore be granted only for the exercise of the 2,200,000 Options, exercisable at 20c, expiring on 30 November 2011. These are the only Options held, by Mr Griffiths (or a nominee) which will expire within 15 months of the date of the Meeting.

#### **Financial assistance to Mr Graham Griffiths under the amended Employee Share Option Plan**

If Shareholders approve Resolution 4 then under the terms of the Plan, as amended, employees or their permitted nominee, as the case may be, are able to apply for a loan to enable the exercise of Options once the vesting conditions (if any) of the eligible Options are satisfied. Any Shareholder approval that is obtained pursuant to this Resolution is valid only for a financial benefit that is given within 15 months of the receipt of that Shareholder approval.

The terms of the loan, which terms form part of the Plan, are set out in the Employee Loan Scheme (Annexure B, including the mark-ups).

Financial assistance approval could therefore be granted only for the exercise of:

Number of Options	Exercise Price	Last Vesting Date
2,200,000	20c	30 November 2010
4,400,000	16c	21 November 2011
1,666,666	20c	24 November 2011
300,000	The greater of (a) 20 cents; and (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting	29 November 2011

These are the only Options held by Mr Griffiths (or a nominee) which have vested or will vest within 15 months of the date of the Meeting.

#### **INFORMATION REQUIREMENTS**

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

##### ***The related party to whom the proposed resolution would permit the financial benefit to be given***

Mr Graham Griffiths, a Director and the Managing Director of the Company, is the related party to whom the proposed Resolution would permit the financial benefit to be given.

##### ***The nature of the financial benefit***

The financial benefit to be given is a loan to Mr Graham Griffiths, or his nominee, as the case may be, to enable them to exercise any of the Options set out in the table on pages 11 to 12 of this Explanatory Memorandum (noting, the applicable Options will be dependent upon whether Resolution 4 is passed as set out below).

If Mr Griffiths, or his nominee, as the case may be, wishes to obtain a loan for the exercising of the Options noted above, he will first need to apply to the Board for approval of the loan. On the terms of the current Plan (as unamended), application for a loan can only be made on or after the date that is 45 days before the expiry date of the relevant Options. If Shareholders approve Resolution 4, then under the terms of the Plan (as amended) Mr Griffiths or his permitted nominee will be able to apply for a loan to enable the exercise of Options once the vesting conditions (if any) of the eligible Options are satisfied. In any case, the Board will then decide whether to grant the loan after considering Mr Griffiths' seniority within the Company, his length of service, his record of employment, his potential contribution to the growth of the Company, loans already granted to him (if any), the market price of Shares in comparison to the exercise price of the Options and any other matters which the Board considers to be relevant. The Company will only be able to grant a loan to enable the exercise of the Options where the volume weighted average price of Shares as listed on the ASX for the preceding 20 days is greater than the exercise price of the relevant Option.

#### ***Amount of the financial benefit***

If Shareholders do not approve Resolution 4, the following Options held, by Mr Griffiths (or a nominee) will expire within 15 months of the date of the Meeting and Mr Griffiths will be able to apply for a loan in relation to the exercise of these Options:

- 2,200,000 Options exercisable at 20c, vesting in three equal tranches commencing 30 November 2008, expiry date 30 November 2011.

If Shareholders approve Resolution 4, the following Options held, by Mr Griffiths (or a nominee) will have vested within 15 months of the date of the Meeting and Mr Griffiths will be able to apply for a loan in relation to the exercise of these Options:

- 2,200,000 Options, exercisable at 20c, last vesting date 30 November 2010;
- 4,400,000 Options, exercisable at 16c, last vesting date 21 November 2011;
- 1,666,666 Options, exercisable at 20c, last vesting date 24 November 2011; and
- 300,000 Options, exercisable at the greater of (a) 20 cents; or (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting, last vesting date 29 November 2011.

Notwithstanding the approval of this Resolution, the maximum value of the loans that may be provided to Mr Griffiths (or a nominee) under this Resolution or as previously approved by Shareholders, whilst he is a person specified in Listing Rule 10.1, must not, without further Shareholder approval, exceed an amount equal to or greater than 5% of the Equity Interests of the Company as set out in the latest accounts provided to the ASX at the time the loan(s) is provided. As disclosed in the Company's financial report for the year ended 30 June 2010, the value of the Equity Interests in the Company is \$19,761,503, with 5% of that figure being \$988,075.

The highest, lowest and latest closing prices of the Shares trading on the ASX are set out above with respect to Resolution 5.

The details of Mr Griffiths' relevant interest in Shares and Options (either held by Mr Griffiths or his associates) as at the date of this Notice are also set out above with respect to Resolution 5.

#### ***Terms of the financial benefit and summary of loan terms***

The Company will decide within 14 days of receiving an application for the loan whether to grant the loan.

The Company decides whether to grant the loan after considering the seniority of the employee, their length of service with the Company, their record of employment, the potential contribution of that person to the growth of the Company, loans already granted to the employee (if any), the market value of the Shares at the time in comparison to the exercise price of the Options and any other matters which are relevant. The Company will only be able to grant a loan to enable the exercise of the Options where the volume weighted average price of

Shares as listed on the ASX for the preceding 20 days is greater than the exercise price of the relevant Option. Mr Griffith is eligible to apply for a loan under the Plan.

A summary of the loan terms (with and without amendments) is set out above with respect to Resolution 4.

The full terms and conditions of the Plan and the Employee Loan Scheme (including marked up versions of these documents) are available at the Company's website at: [www.ipernica.com](http://www.ipernica.com) under Corporate Governance.

***Total remuneration package of the related party***

The granting of the loan will form part of the total remuneration package granted to Mr Griffiths. For the financial year **from 1 July 2010 to 30 June 2011**, Mr Griffiths' total remuneration package is proposed to be as follows:

- Salary and superannuation: \$450,000 (no increase from previous year).
- Director Options (if approved under Resolution 5): 900,000 with an attributed value under the Black & Scholes Model (see Resolution 5 above) of \$72,990.
- Maximum amount of loan proposed to be granted: \$180,000 (based on exercise price of 20c).

The proposed total remuneration package for the financial year of 2010/2011 is considered by the Directors as being appropriate remuneration for Mr Griffiths in light of his skill, experience, reputation and past performance and future duties in his role as Managing Director of the Company.

***The value of the financial benefit***

The financial benefit that Mr Griffiths is receiving is a limited recourse loan to fund the exercise of Options to enable him to acquire Shares.

In the event the Shares obtained under the loan are sold for an amount less than the amount of the loan and any interest, Mr Griffiths (or his nominee) will only be required to repay the loan and any interest to the amount of the sale proceeds. In this event, Mr Griffiths would receive a financial benefit in the form of the Company forgiving the amount of the loan and any interest that is not repaid using the sale proceeds.

In the event that the Shares obtained under the loan are sold for an amount greater than the amount of the loan and any interest, Mr Griffiths, or his nominee, as the case may be, would be entitled to any excess of the sale proceeds over the amount of the loan and any interest. In this event, Mr Griffiths would have received a financial benefit as he was able to earn a capital gain on the Shares obtained by exercising the Options without having to fund the acquisition of the Shares with his own funding or alternatively with a loan from a third party at commercial interest rates. Mr Griffiths, or his nominee, as the case may be, will have also held the voting rights in the Shares and associated rights for the duration of the loan.

***Benefit, costs and detriments that the loan will have on the Company***

In the Company's current circumstances, the Directors consider that the incentive to Mr Griffiths which would be represented by a loan allowing the exercise of the Options would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure executives and directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The financial assistance, together with the issue of Director Options to Mr Griffiths the subject of Resolution 5, is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging Mr Griffiths to acquire and retain significant shareholdings in the Company which will align his interests with those of other Shareholders.

A summary of the loan terms (with and without amendments) is set out above with respect to Resolution 4.



The Directors do not consider that the provision of the loans will materially affect the Company's ability to pay its creditors as it does not involve any actual payments of cash nor does it involve the Company disposing of any assets.

For these reasons, the Directors do not consider that giving financial assistance will be likely to materially prejudice the interests of the Company or its Shareholders or the Company's ability to pay its creditors.

The Directors consider that the limited recourse nature of the loan will provide a strong incentive to Mr Griffiths (or his nominee) to exercise the relevant Options and enable the Company to adequately incentivise Mr Griffiths and encourage him to increase his shareholdings in the Company to align his interests with those of other Shareholders. The limited recourse nature of the loans removes the risk of Mr Griffiths, or his nominee, as the case may be, suffering any loss if Shares acquired by him are subsequently sold for a value less than their exercise price and any interest on the loan. The Directors therefore consider that the benefits achieved by offering a limited recourse loan exceeds the potential detriment to the Company of the loan and any interest not being fully repaid in the event of a loss on the sale of the Shares.

Other than as described in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences (including any fringe benefit tax) for the Company or benefits foregone by the Company in issuing of the loans to Mr Griffiths pursuant to this Resolution.

#### ***Directors' recommendation***

Under the Company's current circumstances, the Directors consider that the incentive to Mr Griffiths which would be represented by the granting of the loan would be a cost-effective and efficient incentive for the Company to provide, as opposed to alternative forms of incentives.

The Directors (other than Mr Griffiths) consider that enabling Mr Griffiths, or his nominee, as the case may be, to exercise his Options will create a further incentive to Mr Griffiths to enhance the Company's prospects and thereby promote an increase in the Company's share price for the benefit of all Shareholders.

All the Directors were available to make a recommendation. For the reasons noted above, Messrs Norgard, Crisafulli, Agerup and Nixon (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6. Mr Griffiths, being the proposed recipient of the loan, has an interest in the outcome of the Resolution and therefore declines to make a recommendation about Resolution 6.

#### ***Other Information***

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by the proposed Resolution.

#### **RESOLUTION 7 – APPROVAL OF AMENDED EMPLOYEE SHARE OPTION PLAN PURSUANT TO LISTING RULE 7.2, EXCEPTION 9(b)**

The Directors considered that it was desirable to establish an option plan under which employees may be offered the opportunity to subscribe for Options to acquire Shares in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees. The substantive current terms of the Plan were approved by Shareholders on 29 November 2007. The Board subsequently amended the Plan on 24 November 2008 to broaden the definition of "Company" to include all associated bodies corporate of the Company.

Listing Rule 7.1 requires listed entities to obtain shareholder approval for any issue of equity securities in any 12 month period that amounts to more than 15% of the number of fully paid ordinary securities in the company then on issue. Listing Rule 7.2 lists a number of exemptions to this rule. Listing Rule 7.2, Exception 9 exempts securities issued under an employee incentive scheme from Listing Rule 7.1 where the scheme was approved by shareholders at a general meeting within 3 years prior to the issue provided that the terms of the



scheme do not change in those 3 years. In the event that Resolution 4 is passed to amend the Plan, approval is sought for the approval of the issue of Securities under the terms of the Plan (as amended) for the purposes of Listing Rule 7.2, Exception 9(b).

The Plan is designed to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. In the Company's current circumstances the Directors consider that the incentives to employees are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan.

Under the Plan, the Board may offer to Eligible Persons the opportunity to subscribe for such number of Options as the Board may decide and on the terms set out in the rules of the Plan. Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the Eligible Person to the Company.

The Plan also allows Eligible Persons to apply for a loan on the terms summarised in Resolution 6.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the current Plan is accessible at [www.ipernica.com](http://www.ipernica.com) under Corporate Governance;
- (b) a summary of the amendments made to the Plan pursuant to Resolution 4 are contained in the section dealing with Resolution 4 of this Explanatory Memorandum and a marked up copy of the Plan is accessible at [www.ipernica.com](http://www.ipernica.com) under Corporate Governance;
- (c) this will be the first approval sought under Listing Rule 7.2 Exception 9(b) with respect to the current Plan (as amended). The Company obtained approval for the issue of Options under the terms of the previous Plan for the purposes of Listing Rule 7.2 Exception 9(b) at its Annual General Meeting on 29 November 2007. The table below sets out the number of Options issued under the Plan since the date of last approval; and

Issue Date	Number of Options	Exercise Price	Expiry Date
11 July 2008	6,250,000	\$0.16	11 July 2012
24 November 2008	5,000,000	\$0.20	24 November 2012
14 October 2009	6,000,000	\$0.20	6 August 2013
1 July 2010	1,700,000	\$0.20	1 July 2014
2 July 2010	3,800,000	\$0.20	2 July 2014

- (d) a voting exclusion statement has been included for the purposes of Resolution 7.

Approval is hereby sought for the issue of Options under the terms of the Plan as amended by Resolution 4 for the purposes of Listing Rule 7.2, Exception 9(b).

**RESOLUTION 8 – APPROVAL OF UNAMENDED EMPLOYEE SHARE OPTION PLAN PURSUANT TO LISTING RULE 7.2, EXCEPTION 9(b)**

In the event that Resolution 4 is not passed to amend the Plan, approval is sought for the approval of the issue of securities under the current terms of the Plan (as unamended) for the purposes of Listing Rule 7.2, exception 9(b). The three year time period from the date of the last approval has now expired and approval is sought for a further three year period.

A summary of Listing Rule 7.2 Exception 9(b) and the purpose of the approval sought is set out above with respect to Resolution 7.

In accordance with the requirement of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) the current terms of the Plan are available at [www.ipernica.com](http://www.ipernica.com) under Corporate Governance;
- (b) the number of Options issued under the Plan since the date of its last approval for the purposes of Listing Rule 7.2, Exception 9(b) is set out above with respect to Resolution 7. This is the second approval sought under Listing Rule 7.2 Exception 9(b) with respect to the current Plan (as unamended); the terms of the Plan are substantively the same as those of the plan approved by Shareholders in 2007; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 8.

## GLOSSARY

"**5 Day VWAP**" means the volume weighted average price of Shares as listed on the ASX over the 5 business day period immediately prior to the stipulated date;

"**Annual Report**" means the annual report of the Company for the year ended 30 June 2010;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the board of Directors of the Company;

"**Company**" means ipernica ltd ABN 37 083 702 907;

"**Constitution**" means the constitution of the Company;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Director Option**" means an option with an exercise price of the greater of (a) 20 cents; and (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting and expiry date 48 months from the date of issue to acquire a Share, the full terms of which are set out in Annexure A;

"**Eligible Person**" means at any time a person who then is an employee (whether full-time or part-time) of the Company including salaried Directors;

"**Employee Loan Scheme**" means the loan scheme which forms part of the Plan and is attached as Annexure B;

"**Equity Interests**" has the meaning ascribed to that term in the Listing Rules;

"**Explanatory Memorandum**" means the explanatory memorandum accompanying this Notice;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Meeting**" means the annual general meeting the subject of the Notice;

"**Notice**" means the notice of annual general meeting which accompanies this Explanatory Memorandum;

"**Option**" means an option to acquire a Share;

"**Plan**" means the Company's Employee Share Option Plan;

"**Resolution**" means a resolution proposed pursuant to the Notice;

"**Share**" means a fully paid ordinary share in the capital of the Company; and

"**Shareholder**" means a holder of Shares.

## ANNEXURE A

### TERMS OF DIRECTOR OPTIONS – MR GRAHAM GRIFFITHS (RESOLUTION 5)

#### General Terms:

1. The exercise price of each Option is the greater of (a) 20 cents; and (b) an amount calculated as 45% above the 5 Day VWAP prior to the date of the Meeting (“**Exercise Price**”).
2. The following number of Options will vest on the following dates:

Number of Options	Vesting Date
One third of the Options granted	12 months after date of issue
One third of the Options granted	24 months after date of issue
One third of the Options granted	36 months after date of issue

Subject to Term 12, the Options may not be exercised prior to these Vesting Dates.

3. The Options will expire in 48 months after the date of issue (“**Expiry Date**”).
4. Each Option shall confer the right to subscribe for one Share, ranking pari passu with existing issued Shares.
5. To the extent possible, the Options must be exercised in multiples of 25,000, unless all of the Options, to the extent that they have vested, noted on this Option Certificate are exercised at that time. The exercise of some of the Options does not affect the option holder’s right to exercise other Options at a later time.
6. The Options are exercisable by notice in writing to ipernica (in substantially the form attached to the Option Certificate) received at any time after the Vesting Date but on or before the Expiry Date, specifying the number of Options being exercised and must be accompanied by the Exercise Price, and the Option Certificate for these Options, for cancellation by ipernica.
7. The Company shall allot the resultant Shares and deliver the holding statement within 5 Business Days of the exercise of the Option.
8. The Company will not apply for official quotation on ASX of the Options.
9. The Company shall in accordance with the Listing Rules make application to have Shares allotted pursuant to an exercise of Options listed for official quotation.
10. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, the number of the Options or the Exercise Price of the Options or both shall be reconstructed (as appropriate) in accordance with the Listing Rules.
11. An Option granted to the Holder may not be transferred and lapses immediately on purported transfer, unless the Board in its absolute discretion approves the transfer, or the transfer or transmission is effected by force of law on death or legal incapacity to the Holder's legal personal representative.
12. Notwithstanding any other terms and conditions, all Options may be exercised:
  - (a) during a Bid Period;
  - (b) at any time after a Change in Control Event has occurred; or
  - (c) on an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection

with a scheme for the reconstruction of the Company or its amalgamation with any other company.

13. If the Eligible Person or ipernica terminates the Eligible Person's employment or directorship then:
- (a) any Unvested Options immediately lapse; and
  - (b) the Holder may exercise any Vested Options held at any time prior to the earlier of the Expiry Date and the date which is 180 days from the date on which either ipernica or the Eligible Person terminated the employment or directorship. If the Options are not exercised within this 180 day period they will lapse.
14. If the employment or directorship is terminated pursuant to section 203B of the Corporations Act:
- (a) any Unvested Options immediately lapse; and
  - (b) such Eligible Person, or Permitted Nominee as the case may be, may exercise any Vested Options held by the Eligible Person, or Permitted Nominee as the case may be, at any time prior to the earlier of the Expiry Date and the date which is 30 days from the date on which the employment or directorship is terminated.
15. If the Holder dies or suffers Total and Permanent Disablement, then the Holder or his legal personal representative may exercise any Vested Options held by the Holder or his legal personal representative during the period of 180 days following the Holder's death or date of disablement but prior to the Expiry Date. During this period the Holder's legal personal representative may:
- (a) elect to be registered as the new Holder of the deceased Holder's Options;
  - (b) whether or not he becomes so registered, exercise those Options as if he were the Holder of them; and
  - (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

If the Holder is a Permitted Nominee, then the references to death, Total and Permanent Disablement and legal person representative in this clause are to those of the Eligible Person to whom the initial offer of Options was made.

16. The following conditions also apply to the Options:
- (a) Holders may only participate in new issues of securities to holders of Shares if the Options have been exercised, if that is permitted by their terms, and the Shares in respect of the exercise of the Options have been allotted before the date for determining entitlements to the issue. ipernica must give notice as required under the Listing Rules to the Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
  - (b) If ipernica makes an offer of Shares pro rata to all or substantially all holders of Shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted in respect of the Options before the date for determining entitlements to the pro rata issue, then the Exercise Price of the Options will be adjusted in the manner provided for in the Listing Rules.
  - (c) If ipernica makes a bonus issue of Shares or other securities ("**Bonus Issue**") pro rata to holders of Shares (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted in respect of the Options before the date for determining entitlements to the Bonus Issue, then the number of securities over

which the Options are exercisable will be increased by the number of securities which the Holder would have received if the Options had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by ipernica out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.

17. Term 12 of these terms and conditions will be subject to clause 16.5 of the Plan.
18. Term 16(b) of these terms and conditions will be applied in accordance with the Plan.
19. The Specific Rules of the Plan (i.e. Rules 15 – 23), applicable as at the date the Options are granted to the Eligible Person (or their Permitted Nominee), will be incorporated into the terms and conditions of the Options to be granted to the Eligible Person (or their Permitted Nominee).
20. The Options are otherwise issued pursuant to the terms of the Plan.

*Glossary:*

21. In these terms and conditions:

"**5 Day VWAP**" means the volume weighted average price of Shares as listed on the ASX over the 5 Business Day period immediately prior to the stipulated date;

"**ASX**" means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Bid Period**" in relation to a takeover bid in respect of shares in the Company, means the period referred to in the definition of that expression in section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement;

"**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 ASX declares is not a business day;

"**Change of Control Event**" means a Shareholder, or a group of associated Shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability and that ability is successfully exercised, in a general meeting, to replace all or a majority of the Board;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of ipernica or a wholly owned subsidiary of ipernica from time to time but does not include a person who is only a director by virtue of being an alternate director;

"**Eligible Person**" means at any time a person who then is an employee (whether full-time or part-time) of ipernica including Directors;

"**Holder**" means, in relation to an Option, the person (whether an Eligible Person, a Permitted Nominee or their legal personal representative) entered into ipernica's register of Options as the holder of that Option;

"**Listing Rules**" means the Official Listing Rules of ASX as they apply to the Company;

**"Permitted Nominee"** means a person or entity permitted by the Board, pursuant to clause 7.2 of the Plan, to accept an offer of Options made to an Eligible Person in place of the Eligible Person;

**"Plan"** means the ipernica Employee Share Option Plan, as amended from time to time;

**"Total and Permanent Disablement"** means that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as is reasonable, become incapacitated to such an extent as to render the Eligible Person unlikely to ever be able to engage in any occupation for which he is reasonably qualified by education, training or experience;

**"Unvested"** means an Option that is not yet capable of being exercised; and

**"Vested"** means an Option that is capable of being exercised.

## ANNEXURE B

### EMPLOYEE LOAN SCHEME (AS EXTRACTED FROM THE PLAN)

#### 1. INTERPRETATION

In these Rules:

"**ASX**" means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Associated Body Corporate**" of an issuer means:

- (a) a body corporate that is a related body corporate of the issuer; or
- (b) a body corporate that has voting power in the issuer of not less than 20%; or
- (c) a body corporate in which the issuer has voting power of not less than 20%.

"**Board**" means the board of Directors;

"**Borrower**" means an Eligible Person and, where appropriate, a Permitted Nominee, who elects to exercise whole or part of the [Loan](#) Options granted to him or her and makes a request for the Company to provide a Loan and, in the event of his or her death after the grant to him or her of a Loan, his or her executors, administrators or other legal personal representatives;

"**Company**" or "**ipernica**" means ipernica Ltd ACN 083 702 907 and an Associated Body Corporate;

"**Directors**" means directors of the Company;

"**Eligible Executive Options**" means Options granted pursuant to an exemption in section 708 of the Corporations Act 2001 whose terms are consistent with the terms of the ESOP Rules;

"**Eligible Person**" means an employee of ipernica (whether full-time or part-time) and includes salaried Directors but excludes non-salaried Directors;

"**Equity Interests**" has the meaning ascribed to that term in the Listing Rules and as set out in the latest accounts provided to the ASX under the Listing Rules;

"**General Rules**" means Rules 1 to 14J (inclusive) of this Plan.

"**Interest Rate**" means the Statutory Interest Rate as defined in section 136 of the *Fringe Benefits Assessment Act 1986* (Cth) and as published each year by the Commissioner of Taxation;

"**Listing Rules**" means the listing rules of the ASX;

"**Loan**" means the amount of money lent to the Eligible Person or Permitted Nominee, as the case may be, as approved under clause 2, and where the context permits, includes any interest charged on the Loan in accordance with clause 3.1;

"**Loan Options**" means any Option (as defined in these Rules) and any option to acquire a Share held by an Eligible Person or their Permitted Nominee;

"**Loan Shares**" means Shares in the Company issued to the Borrower using funds provided from a Loan that has not yet been repaid;



"**Option**" means an option to acquire a Share as issued pursuant to these Rules, or an Eligible Executive Option brought under the operation of these Rules with the consent of the Optionholder, as the case may be;

"**Permitted Nominee**" means a person or entity permitted by the Board, pursuant to clause 7.2 of the ESOP Rules, to accept an offer of Loan Options made to an Eligible Person in place of the Eligible Person;

"**Plan**" means the ipernica Ltd Employee Share Option Plan established in accordance with these Rules;

"**Scheme**" means this employee loan scheme;

"**Secretary**" means the company secretary of ipernica from time to time; and

"**Shares**" means fully paid ordinary shares in the Company; and

"**Specific Rules**" means Rules 15 to 23 (inclusive) of this Plan.

## 2. GRANT OF THE LOAN

2.1 Subject to clause 2.7, any Eligible Person or Permitted Nominee, as the case may be, who wishes to exercise Loan Options may make a written request (in the form as may be prescribed by the Company) to the Company, no earlier than the date that ~~is 45 days before the expiry date of the~~ the vesting conditions in relation to the Loan Options (if any) are satisfied, for a Loan to fund the exercise of the Loan Options.

2.2 A written request for a Loan must be accompanied by a valid notice of exercise of the Loan Options to be funded by the Loan and addressed to, in the case of Permitted Nominee and Eligible Persons that are not Directors, the chief executive officer of the Company, and in the case of Eligible Persons that are Directors, the Board ("**Loan Approver**").

2.3 (a) If the Loan Options are Eligible Executive Options, the written request for a Loan referred to in clause 2.2 must also include the consent of the Optionholder for the Eligible Executive Options to be brought under the ESOP Rules.

(b) If the Loan Options are not Eligible Executive Options or were not issued pursuant to the ESOP Rules, the written request for a Loan referred to in clause 2.2 must also include the agreement of the Optionholder to comply with the Rules.

2.4 The Loan Approver will decide within 14 days of receipt of the request for the Loan whether to approve the Loan. The Loan Approver will determine whether the Company should grant the Loan after considering the following matters:

- (a) the seniority of the relevant Eligible Person and the position the Eligible Person occupies within ipernica;
- (b) the length of service of the Eligible Person with ipernica;
- (c) the record of employment of the Eligible Person with ipernica;
- (d) the potential contribution of the Eligible Person to the growth of ipernica;
- (e) any Loans already granted to the Eligible Person, or Permitted Nominee as the case may be (if any);
- (f) the current sale price of Shares as listed on the ASX as compared to the exercise price of the Loan Options proposed to be exercised; and

(g) any other matters which the Loan Approver considers relevant.

If the applicant for a Loan is a Permitted Nominee, the Loan Approver shall consider the matters set out in paragraphs (a) to (d) above as they apply to the Eligible Person to whom the initial offer of Loan Options, that was then accepted by the Permitted Nominee, was made.

- 2.5 If the Loan is approved, the Company will grant the Eligible Person, or Permitted Nominee as the case may be, a Loan for an amount of the combined exercise price of all the Loan Options intended to be exercised, such Loan to be used solely to fund the exercise of those Loan Options.
- 2.6 The Loan referred to in clause 0 shall be provided in accordance with these Rules and the Borrower agrees to comply with these Rules, or the Scheme only, as the case may be.
- 2.7 The exercise of any Loan Options must be in compliance with, and is subject to, the terms of issue of the relevant Loan Options.
- 2.8 The maximum amount to be loaned to a Borrower who comes within Listing Rule 10.1 must not be equal to or exceed 5% of the Equity Interests in the Company, unless shareholder approval has been obtained under Listing Rule 10.1.
- 2.9 The Company may only grant Loans to an Eligible Person, or Permitted Nominee as the case may, be where the volume weighted average price of Shares as listed on the ASX over the 20 days prior to the grant of the Loan is greater than the exercise price of the Loan Options proposed to be exercised by that Eligible Person or Permitted Nominee.

### 3. INTEREST

- 3.1 The Borrower must pay interest on the Loan to the Company at the Interest Rate, such interest to be calculated daily on the outstanding balance of the loan and accrued interest.
- 3.2 The interest will be payable, together with the balance of the Loan, on the Maturity Date as defined in clause 4.1, and otherwise on the same terms and conditions as repayment of the Loan.

### 4. REPAYMENT

- 4.1 Subject to clause 5, the Loan will mature and be repayable by the Borrower on the day three (3) years after the grant of the Loan ("**Maturity Date**"), being the date of exercise of the Loan Options the subject of the Loan. If the Loan is not repaid in full within 14 days of the Maturity Date, the Company may sell those Loan Shares in respect of the matured Loan in accordance with clause 6.3. The Board may extend the Maturity Date at its discretion.
- 4.2 Whilst the Loan is not fully repaid, the Borrower irrevocably directs ipernica to use:
- (a) all franked dividends;
  - (b) one half of any unfranked dividend; and
  - (c) any capital returns or other amounts attributable to shareholders,

in respect of the Loan Shares towards the reduction of the amount outstanding on the Loan in respect of those Loan Shares. Such repayment shall be used to reduce the amount outstanding in respect of each Share covered by the Loan on a pro rata basis.

- 4.3 In the event ipernica announces a renounceable rights issue and the Borrower elects to sell his or her rights in respect of any Loan Shares then half of the proceeds from the sale of such rights shall be paid to ipernica by way of instalment payment of the Loan in respect of those Loan Shares.
- 4.4 The Borrower hereby irrevocably appoints the Secretary as his or her attorney in the name of and on behalf of himself or herself, to execute all documents and papers and do such things as the attorney thinks fit for the purposes of satisfying and paying any instalment owing under the Loan to ipernica pursuant to clauses 4.1 and 4.3. The Borrower agrees that the Secretary as attorney for the Borrower may, in complete satisfaction of each Loan instalment owing to ipernica, negotiate over and endorse such negotiable instruments including cheques as may be receivable by the Borrower from ipernica or any broker member of the ASX.
- 4.5 The Borrower may elect to arrange for the Loan to be repaid by instalments by way of deduction from the Borrower's salary where approved by, and on terms to be agreed with, the Board.

## 5. EARLY REPAYMENT OF THE LOAN

- 5.1 The Borrower may elect to repay the balance of any amount outstanding in respect of the Loan at any time.
- 5.2 If the Borrower:
- (a) ceases to be employed by ipernica or ceases to be a salaried Director (including by way of resignation, retirement, dismissal, redundancy or disqualification from office);
  - (b) dies or suffers a permanent disability; or
  - (c) becomes bankrupt,
- then the Borrower may elect, by serving written notice on ipernica within 1 month (subject to clause 5.3) from the date of the happening of any of the events referred to above, to:
- (d) have the Company sell the Loan Shares and apply the net proceeds of the sale in repayment of the Loan in accordance with clause 6.4; or
  - (e) repay the outstanding amount on the Loan.

If the Borrower is a Permitted Nominee, the relevant person for the purposes of paragraphs (a) to (c) above is the Eligible Person to whom the initial offer of Loan Options was made, that was accepted by the Permitted Nominee.

- 5.3 If the Borrower, and in the case of a Permitted Nominee the Eligible Person to whom the initial offer of Loan Options was made that was accepted by the Permitted Nominee, ceases to be an employee because of his or her death, permanent disability or redundancy, the period of 1 month shall be extended to 6 months. The Board may in its sole discretion extend the period for the Borrower or Permitted Nominee, as the case may be, to make the election referred to in clauses 5.2 or 5.3 for as long as it sees fit.
- 5.4 In the event that the Borrower or Permitted Nominee, as the case may be, fails to make an election within the time period specified in clause 5.2 as may be extended under clause 5.3, the Borrower will be deemed to have elected to have the Company sell the Loan Shares in accordance with clause 5.2(d).

- 5.5 At any time after 12 months from the date of grant of the Loan, the Borrower may inform the Company that it wishes to sell the Loan Shares. Upon receipt of this request in writing, the Company will, subject to the ipernica employee share trading policy that may exist from time to time and clause 5.6, sell the Loan Shares in accordance with clause 6.3 and apply the net proceeds of the sale in accordance with clause 6.4.
- 5.6 The Company, at the discretion of the Board, may refuse to comply with a request to sell the Loan Shares from the Borrower where the sale of the Loan Shares would be likely to lead to the net proceeds from the sale being less than the outstanding Loan amount in respect of the Loan Shares being sold.

## **6. HOLDING LOCK AND POWER OF SALE**

- 6.1 Until such time as a Loan is repaid in full (in accordance with these Rules):
- (a) ipernica will hold all Share certificates (if any) or statements of holding in respect of the Loan Shares;
  - (b) the Borrower must not mortgage, charge or otherwise encumber the Loan Shares until the Loan is repaid in full, unless it has first obtained the prior approval of the Board, which approval may be withheld at its absolute discretion;
  - (c) the Borrower must not sell or transfer or attempt to sell or transfer the Loan Shares except in accordance with these Rules; and
  - (d) a holding lock (as that term is defined in Chapter 19 of the Listing Rules) will be placed on all Loan Shares, and for so long as the holding lock remains in place, the Borrower will effectively be prevented from having the Loan Shares transferred to another person.
- 6.2 In the event that the Borrower breaches any of these Rules and (if such breach is capable of being remedied) fails to remedy such breach within 14 days of written notice, the Board may demand that the Loan be immediately repaid, failing which the Company may sell the Loan Shares in accordance with clause 6.3 and apply the net proceeds of the sale in accordance with clause 6.4.
- 6.3 The Borrower hereby irrevocably appoints the Secretary as his or her attorney in the name of and on behalf of himself or herself, to execute all documents, transfers and papers and do such acts or things in the name of the Borrower as the attorney thinks fit for the purposes of:
- (a) giving effect to the sale of the Loan Shares referred to in clauses 4.1, 5.2(d), 5.5 and 6.2; and
  - (b) apply the net proceeds of the sale of the Loan Shares in accordance with clause 6.4.
- 6.4 If, after the Secretary sells the Loan Shares pursuant to clause 6.3:
- (a) the net proceeds of the sale is less than or equal to the outstanding Loan amount owed by the Borrower in respect of such Loan Shares, the Loan shall be repaid using the amount of the net proceeds and the Loan will be deemed to be fully repaid at that point; or
  - (b) the net proceeds of the sale is more than the outstanding Loan amount owed by the Borrower in respect of such Loan Shares, the Loan shall be repaid using the amount of the net proceeds of the sale and the Borrower shall be entitled to the excess of the net proceeds over the amount of the outstanding Loan amount at the time of the sale.

6.5 ipernica and the Secretary will have complete discretion in respect of the sale of the Loan Shares under clause 6.3 and will not be liable to the Borrower in respect of the timing of or price obtained on or any other circumstances relating to such sale.

## **7. EFFECT OF REPAYMENT OF LOAN**

Upon a Loan being fully repaid in accordance with these Rules:

- (a) the Loan Shares shall become the free and unencumbered property of the Borrower and no longer deemed to be Loan Shares under these Rules (but still subject to the Company's constitution); and
- (b) ipernica will deliver to the Borrower the share certificate(s) or holding statements (if any) in respect of the Loan Shares held by ipernica.

## **8. SECURITY FOR THE LOAN**

Where requested by the Company, the Borrower agrees to grant to the Company a lien, share mortgage or any other security over the Loan Shares as security for the repayment of the Loan. The Borrower appoints the Secretary as his or her attorney to do all things required and to execute all documents necessary to effect this security over the Loan Shares and to enforce this security against the Borrower. The security shall be in the form as prescribed by the Company.

## **9. RIGHTS UNDER THE SHARES**

9.1 Other than in respect of the restrictions contained in these Rules, the Loan Shares will rank pari passu with all other fully paid ordinary shares in the Company from the date of issue including in respect of all voting rights and rights under any reconstructions, rights issues and bonus issues.

9.2 In addition to these Rules, the Loan Shares will be subject to the Company's constitution.

## **10. BONUS ISSUES**

If shares are issued pursuant to a bonus issue by ipernica during the period of the Loan in respect of Loan Shares subject to a Loan, then those bonus shares will be deemed to also be acquired under the Loan and subject to the terms of these Rules.

## **11. ADMINISTRATION OF THE SCHEME**

11.1 The Board may establish and administer the Scheme in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.

11.2 The Board may terminate the Scheme, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

11.3 The Board may not grant any Loans after the Scheme has been terminated. However, these Rules will continue to apply, subject to any variation in accordance with clause 11.4, to Loans on issue at the date of such termination until the last of those Loans is repaid in accordance with these Rules.

11.4 Subject to the Listing Rules, the Board may at any time by resolution amend all or any of the provisions of these Rules (including this clause). The Board may amend the terms of any Loans granted in accordance with these Rules with the approval of the Borrower for those Loans.

**12. NOTICES**

12.1 Any notice required to be given to any person shall be deemed to have been validly given if it is in writing and either handed to the person or sent by post in a properly prepaid envelope addressed to the person at the residential address of that person.

12.2 Any notice given by post shall be deemed to have been served on the third day following the day when it was posted.

**13. PROPER LAW**

These Rules shall be governed and construed according to the laws of Western Australia.