
QUESTUS LIMITED

ACN 100 460 035

NOTICE OF GENERAL MEETING

TIME: 10:30am (WST)

DATE: 14 January 2011

PLACE: Questus Boardroom
884 Canning Highway
Applecross WA 6153

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6310 5040.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30am (AWST) on 14 January 2011 at:

Questus Boardroom
884 Canning Highway
Applecross WA 6153

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

NOTICE OF GENERAL MEETING

Notice is given that the general meeting of Shareholders will be held at 10:30am (WST) on 14 January 2011 at Questus Boardroom, 884 Canning Highway, Applecross WA.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 7.00pm (Sydney time) on 12 January 2011.

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

AGENDA

1. RESOLUTION 1 – ISSUE OF DIRECTOR OPTIONS – DAVID SOMERVILLE

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 2,025,000 Director Options to Mr David Somerville (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr David Somerville (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – ISSUE OF DIRECTOR OPTIONS – ROBERT OLDE

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 2,025,000 Director Options to Mr Robert Olde (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Robert Olde (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – ISSUE OF DIRECTOR OPTIONS – ALEXANDER KELLY

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 540,000 Director Options to Mr Alexander Kelly (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Alexander Kelly (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 15 DECEMBER 2010

BY ORDER OF THE BOARD

**ALEXANDER KELLY
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10:30am (WST) on 14 January 2011 at Questus Boardroom, 884 Canning Highway, Applecross Western Australia.

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

1. RESOLUTIONS 1 TO 3 – ISSUE OF DIRECTOR OPTIONS

1.1 General

The Company has previously issued options to the Related Parties as an incentive in their role as Directors of the Company. As announced to ASX on 30 October 2009, the Company was required to cancel those Options on the basis that the appropriate approvals were not obtained prior to their issue. The Directors now seek the approval of Shareholders to issue new Options to the Directors to replace those previously cancelled options.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to Messrs Robert Olde, David Somerville and Alexander Kelly (**Related Parties**) requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as current Directors, Messrs Somerville and Olde are related parties of the Company. In addition, although Mr Kelly has recently resigned, pursuant to Section 228(5) of the Corporations Act, Mr Kelly remains a related party of the Company.

It is the view of the Directors that in the circumstances, the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

1.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Somerville, Olde and Kelly. Mr Somerville and Mr Olde are related parties by virtue of being Directors, while Mr Kelly is a related party as he was a Director within the last six (6) months;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 2,025,000 Director Options to David Somerville;
 - (ii) 2,025,000 Director Options to Robert Olde; and
 - (iii) 540,000 Director Options to Alexander Kelly;
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 1;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
David Somerville	15,130,75	5,000,000 ¹
Robert Olde	643,373	Nil
Alexander Kelly	20,000	Nil

¹ 5,000,000 Options exercisable at \$0.50 each on or before 31 December 2010

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
David Somerville	\$218,000	\$218,000
Robert Olde	\$195,540	\$195,540
Alexander Kelly	\$109,020	\$109,020

- (i) if the Director Options granted to the Related Parties are exercised, a total of 4,590,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 40,426,701 to 45,016,701 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 10.2% as set out below:

Related Party	Shareholding %
David Somerville	4.5%
Robert Olde	4.5%
Alexander Kelly	1.2%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	8 cents	23 December 2009 7 January 2010 15, 23 February 2010 17, 18, 30, 31 March 2010
Lowest	2 cents	15 and 16 July 2010
Last	5 cents	14 December 2010

- (k) as outlined above, the Directors had previously proposed to issue Options to the Related Parties as an incentive for the Directors in their role as Directors of the Company, however, due to an inadvertent omission to obtain all relevant approvals, the Company had to cancel those Options. The primary purpose of the grant of the Director Options to Messrs Somerville and Olde remains to provide cost effective consideration to the those Directors for their ongoing commitment and contribution to the Company in their respective roles as Directors and to provide an incentive to those Directors in their continued role as Directors of the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.
- (l) the primary purpose of the issue of Director Options to Mr Kelly is to recognise the previous issue of Options to him while he was a Director, which the Company had to cancel due to the inadvertent omission to get all relevant approvals. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.

- (m) Mr David Somerville declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1. The Board (other than Mr Somerville) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.
- (n) Mr Robert Olde declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. The Board (other than Mr Olde) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.
- (o) Mr Alexander Kelly declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3. The Board (other than Mr Kelly) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

As outlined above, the Directors have previously had to cancel options issued to them as the correct approvals were inadvertently not obtained prior to the issue of those options.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

2. ENQUIRIES

Shareholders are requested to contact Mr Alexander Kelly on (+ 61 8) 6310 5040 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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

Company means Questus Limited (ACN 100 460 035).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an Option granted pursuant to Resolutions 1 to 3 with the terms and conditions set out in Schedule 1.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

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

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

Optionholder means a holder of an Option or Director Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

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

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

Shareholder means a holder of a Share.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Director Options will expire at 5.00pm (WST) on 4 January 2012 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Director Option will be \$0.05 (**Exercise Price**).
- (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (h) The Director Options are not transferable.
- (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (m) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 1, 2 and 3 have been independently valued.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:			
Valuation date	14 December 2010		
Market price of Shares	5 cents		
Exercise price	5 cents		
Expiry date	13 January 2014		
Risk free interest rate	4.8%		
Volatility	75%	60%	100%
Discount for being unlisted	20%		
Indicative value per Director Option	2.07 cents	1.75 cents	2.55 cents
Total Value of Director Options	\$95,013	\$80,325	\$117,045
- David Somerville	\$41,917	\$35,437	\$51,637
- Robert Olde	\$41,917	\$35,437	\$51,637
- Alexander Kelly	\$11,178	\$9,450	\$13,770

Note: The valuation noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

PROXY FORM

**APPOINTMENT OF PROXY
QUESTUS LIMITED
ACN 100 460 035**

GENERAL MEETING

I/We

of

being a member of Questus Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR

☐

the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 10:30am (WST), on 14 January 2011 at Questus Boardroom, 884 Canning Highway, Applecross WA, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

☐

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 3** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 3 and that votes cast by the Chair of the General Meeting for Resolutions 1 to 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 3.

OR

Voting on Business of the General Meeting

Resolution 1 – Issue of Director Options – David Somerville
Resolution 2 – Issue of Director Options – Robert Olde
Resolution 3 – Issue of Director Options – Alexander Kelly

FOR	AGAINST	ABSTAIN
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signature of Member(s):

Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

QUESTUS LIMITED
ACN 100 460 035

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Questus Limited, 884 Canning Highway, Applecross WA 6153; or
 - (b) facsimile to the Company on facsimile number +61 8 9364 7333; or
 - (c) email to the Company at jamie.kelly@questus.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy forms received later than this time will be invalid.