



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of *Southern Gold Limited* will be held at the National Wine Centre, Cnr Hackney Road and Botanic Road, ADELAIDE SA, 5000 on Thursday 29th November 2007 at 11.00 am

Ordinary Business

Financial Report

To receive and consider the Company's financial statements and independent audit report for the year ended 30 June 2007.

Resolution 1. Remuneration Report

To approve the Remuneration Report contained in the Directors Report for the year ended 30 June 2007.

Resolution 2. Election of a Director

Mr Cedric Murray Horn retires as a Director in accordance with the Company's Constitution and being eligible, offers himself for re-election.

Resolution 3. Election of a Director

Mr Michael Walsh McDonald retires as a Director in accordance with the Company's Constitution and being eligible, offers himself for re-election.

Other Business

Resolution 4. Ratification of an issue of shares

That for the purpose of Listing Rule 7.4 of the listing rules of the Australian Securities Exchange, and for all other purposes the issue of 5,000,000 ordinary shares in the capital of the Company at 30 cents per share on 28 September 2007, in accordance with the attached Explanatory Memorandum, be approved.

The Company will disregard any votes cast on this resolution by Macquarie Bank Limited, CITIC Australia Pty Ltd, Talbot Group Holdings or any associate of those entities.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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.*

Resolution 5. Approval for placement of up to 20,000,000 shares

That for the purpose of Listing Rule 7.1 of the listing rules of the Australian Securities Exchange, and for all other purposes the issue of up to 20,000,000 ordinary shares in the capital of the Company, at an issue price equal to not less than 80% of the volume weighted average price of Shares in the 5 trading days immediately preceding the issue in accordance with the terms of the attached Explanatory Memorandum, be approved.



Resolution

6. Directors Fees

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

“That the maximum pool of fees payable to non-executive directors of the Company be \$300,000 per annum, to be divided amongst the non-executive directors in such proportions and in such manner as they may agree.”

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However the Company need not disregard a vote if it is cast by a director 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 a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution

7. Approval of the issue of options for Mr Stephen Biggins

That for the purpose of Listing Rule 10.11 of the listing rules of the Australian Securities Exchange, and for all other purposes the Company approves the issue to the Managing Director, Mr Stephen Biggins, of 500,000 options to acquire ordinary shares in the company, in accordance with the attached Explanatory memorandum, at an exercise price of 75 cents per share.

The Company will disregard any votes cast on this resolution by Mr Stephen Biggins or any associate of Mr Biggins.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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.*

Resolution

8. Approval of the issue of options for Mr Ric Horn

That for the purpose of Listing Rule 10.11 of the listing rules of the Australian Securities Exchange, and for all other purposes the Company approves the issue to Mr Cedric Murray Horn, director of 500,000 options to acquire ordinary shares in the company, in accordance with the attached Explanatory memorandum, at an exercise price of 75 cents per share.

The Company will disregard any votes cast on this resolution by Mr Horn or any associate of Mr Horn.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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.*

Resolution

9. Approval of the issue of options for Mr John Anderson

That for the purpose of Listing Rule 10.11 of the listing rules of the Australian Securities Exchange, and for all other purposes the Company approves the issue to Mr John Alexander Anderson, director of 500,000 options to acquire ordinary shares in the company, in accordance with the attached Explanatory memorandum, at an exercise price of 75 cents per share.

The Company will disregard any votes cast on this resolution by Mr Anderson or any associate of Mr Anderson.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*



- *It is cast by a 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.*

Resolution 10. Approval of the issue of options for Mr Mike McDonald

That for the purpose of Listing Rule 10.11 of the listing rules of the Australian Securities Exchange, and for all other purposes the Company approves the issue to Michael Walsh McDonald, director of 500,000 options to acquire ordinary shares in the company, in accordance with the attached Explanatory memorandum, at an exercise price of 75 cents per share.

The Company will disregard any votes cast on this resolution by Mr McDonald or any associate of Mr McDonald.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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.*

Resolution 11. Approval of the issue of options for Mr Mick Billing

That for the purpose of Listing Rule 10.11 of the listing rules of the Australian Securities Exchange, and for all other purposes the Company approves the issue to Michael Robert Billing, director of 500,000 options to acquire ordinary shares in the company, in accordance with the attached Explanatory memorandum, at an exercise price of 75 cents per share.

The Company will disregard any votes cast on this resolution by Mr Billing or any associate of Mr Billing.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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.*

By order of the Board

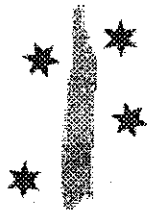
M R Billing
Company Secretary
Dated this 29th Day of October 2007

Voting Entitlements

Pursuant to the Corporations Regulations 2001.7.11.37 made pursuant to Section 1074E(2)(g) of the Corporations Act 2001, the Directors have determined that the shareholding of each shareholder for the purposes of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register at close of business on 27 November 2007.

Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at Level 5, 115 Grenfell Street, Adelaide SA 5000 or at the Company's registered office, 58 North Terrace, Kent Town SA 5067, or by facsimile to Computershare on 61 8 8236 2305 or to the Company on 61 8 8132 0199 not later than 48 hours before the commencement of the meeting.



Southern Gold Limited

SOUTHERNGOLD ABN 30 107 424 519

Mark this box with an "X" if you have made any changes to your address details (see reverse)

Proxy Form

All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 1903 Adelaide
South Australia 5001 Australia
Enquiries (within Australia) 1300 556 161
(outside Australia) 61 3 9415 4000
Facsimile 61 8 8236 2305
www.computershare.com

Appointment of Proxy

I/We being a member/s of Southern Gold Limited and entitled to attend and vote hereby appoint

 the Chairman of the Meeting (mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Southern Gold Limited to be held at National Wine Centre, Chr Hackney Road and Botanic Road, Adelaide, South Australia, 5000 on Thursday 29 November 2007 at 11.00 am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 6 AND 8 BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 6 and 8 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 6 and 8 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

Voting directions to your proxy - please mark

to indicate your directions

	For	Against	Abstain*		For	Against	Abstain*
1. Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. Issue of options for Mr S Biggins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-elect Mr CM Horn as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. Issue of options for Mr R Horn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-elect Mr MW McDonald as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Issue of options for Mr J Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. Issue of options for Mr M McDonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Placement of up to 20,000,000 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. Issue of options for Mr M Billing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Directors Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* 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.

Appointing a second Proxy

I/We wish to appoint a second proxy

 Mark with an "X" if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE

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

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

In addition to signing the Proxy Form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

SAU

5PR

How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's Securities register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'X') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's Securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 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 securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, 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, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) 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.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's Securities registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00 am on Thursday 29 November 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON	Registered Office - 58 North Terrace, Kent Town, South Australia, 5067, Australia Share Registry - Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide, South Australia, 5000, Australia
BY MAIL	Registered Office - 58 North Terrace, Kent Town, South Australia, 5067, Australia Share Registry - Computershare Investor Services Pty Limited, GPO Box 1903, Adelaide, South Australia, 5001, Australia
BY FAX	Registered Office +61 8 8132 0199 Share Registry +61 8 8236 2305



SOUTHERN GOLD LIMITED
ACN 107 424 519
EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist shareholders in consideration of resolutions proposed for the Annual General Meeting of the Company to be held on 29 November 2007 at The National Wine Centre, cnr Hackney & Botanic Roads, ADELAIDE, SA commencing at 11.00am.

It should be read in conjunction with the Notice of Annual General Meeting.

Resolution 4 - Ratification of an issue of shares

Resolution 4 seeks approval, pursuant to Australian Securities Exchange ASX Listing Rule 7.1 for the issue of 2,500,000 shares to Macquarie Bank Limited, and 1,250,000 to each of Talbot Group Holdings and CITIC Australia Pty Ltd, on 28 September 2007.

Under ASX Listing Rule 7.1, a company may not issue more than 15% of issued capital in any 12 month period without obtaining shareholder approval or being within certain exceptions set out in ASX Listing Rule 7.2. ASX Listing Rule 7.4 states that an issue of securities made without approval under Listing Rule 7.1 will be made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and holders of ordinary shares subsequently approve the issue.

Shareholder approval is therefore retrospectively sought pursuant to ASX Listing Rule 7.4 for the issue of 5,000,000 shares at 30 cents per share to the abovementioned parties. The shares shall be issued on the same terms as all existing shares in the Company.

Although the issue of these securities was not in excess of the limits prescribed by ASX Listing Rule 7.1, shareholder approval is sought to ensure the Company maintains flexibility during the upcoming 12 month period to supplement the Company's working capital requirements, should the Board determine this to be in the best interests of the Company.

Funds raised through the issue of the shares, the subject of this resolution 4, will be used for ongoing exploration and development of the company's portfolio of projects

The Company will disregard any votes cast on this resolution by Macquarie Bank Limited, Talbot Group Holdings and CITIC Australia Pty Ltd or any associate of those entities.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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*

Resolution 5 - Approval for a placement of up to 20,000,000 shares

Resolution 5 seeks approval for the issue of up to 20,000,000 ordinary shares to institutional, professional, and sophisticated investors.

Under ASX Listing Rule 7.1, a company may not issue more than 15% of issued capital in any 12 month period without obtaining shareholder approval or being within certain exceptions set out in ASX Listing Rule 7.2. Resolution 5 has been included so that shareholders may approve, for the purposes of Listing Rule 7.1, the issue of 20,000,000 shares to institutional, professional, and sophisticated investors. The shares will be issued at an issue price not less than 80% of the volume weighted average price of the shares in the 5 trading days immediately prior to the issue.



Information required by ASX Listing Rule 7.1

For the purpose of Listing Rule 7.1 the following is provided:

- The maximum number of shares to be allotted under Resolution 5 is 20,000,000 shares;
- The shares will be issued to institutional, professional, and sophisticated investors no later than 3 months after the date of this meeting;
- The shares will be issued at a price not less than 80% of the average market price for the shares to be determined using the volume weighted average price of the shares in the 5 trading days immediately preceding the issue in which sales were recorded;
- The shares will be allotted to institutional, professional, and sophisticated investors;
- The shares to be issued are fully paid ordinary shares in the capital of the Company and will rank equally in all respects with existing fully paid shares in the capital of the Company; and
- All funds raised through the issue of the shares, the subject of this resolution 5, will be used for ongoing exploration and development of the company's portfolio of projects.

The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any associate of those persons and a person who may obtain a benefit, except a benefit solely in the capacity of a shareholder if this Resolution 5 is passed. However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*

It is cast by a 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

Resolution 6 Directors Fees

The Company seeks shareholder approval to increase the pool of fees payable to non-executive directors each year from \$200,000 to \$300,000 per annum.

The increase in aggregate Director's fees is to enable the Board to be in a position to pay and retain Directors at commercial rates commensurate with their experience and expertise and to ensure that the Company is able to attract and retain appropriately qualified and experienced Directors and also allow for any future increase in Board numbers.

The company will disregard any votes cast on this resolution by a director of the Company and any associate of such director. However the Company need not disregard a vote if it is cast by a director 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 a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

Resolution 7 - Issue of options to Mr Stephen Biggins

It is proposed that 500,000 options be issued to Mr Biggins. The options will have a 5 year term, become exercisable one month after the date of the Annual General Meeting at which this resolution is considered by shareholders at an exercise price of 75 cents per share.

The options shall not be quoted on the ASX, will be transferable only with the consent of the Board and will otherwise be issued on standard terms set out in ASX Listing Rules insofar as treatment of the options in the case of reconstructions, bonus and rights issues.

ASX Listing Rule 10.11 requires, subject to certain exceptions, shareholder approval for the issue of securities to a related party of the Company. Mr Biggins is a director (and Managing Director) of the Company. Accordingly, approval under Listing Rule 10.11 is sought for the grant of options to him. As approval of shareholders is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1.



The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- I. The options shall be issued to or as directed by, Mr Stephen Biggins
- II. The options shall be issued no later than one month after the date of the Annual General Meeting at which this resolution is considered, or such later date as approved by the ASX
- III. The options will be issued for no consideration; they are exercisable at 75 cents per share
- IV. The terms and conditions of the options are set out in Appendix A.
- V. No funds will be raised by the issue of the options. In the event of exercise of the options, funds raised will be used to augment the working capital of the Company

The Company will disregard any votes cast on this resolution by Mr. Biggins or any of his associates.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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*

Resolution 8 - Issue of options to Mr Ric Horn

It is proposed that 500,000 options be issued to Mr Horn. The options will have a 5 year term, become exercisable one month after the date of the Annual General Meeting at which this resolution is considered by shareholders at an exercise price of 75 cents per share.

The options shall not be quoted on the ASX, will be transferable only with the consent of the Board and will otherwise be issued on standard terms set out in ASX Listing Rules insofar as treatment of the options in the case of reconstructions, bonus and rights issues.

ASX Listing Rule 10.11 requires, subject to certain exceptions, shareholder approval for the issue of securities to a related party of the Company. Mr Horn is a director of the Company. Accordingly, approval under Listing Rule 10.11 is sought for the grant of options to him. As approval of shareholders is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- VI. The options shall be issued to or as directed by, Mr Ric Horn
- VII. The options shall be issued no later than one month after the date of the Annual General Meeting at which this resolution is considered, or such later date as approved by the ASX
- VIII. The options will be issued for no consideration; they are exercisable at 75 cents per share
- IX. The terms and conditions of the options are set out in Appendix A.
- X. No funds will be raised by the issue of the options. In the event of exercise of the options, funds raised will be used to augment the working capital of the Company

The Company will disregard any votes cast on this resolution by Mr. Horn or any of his associates.

However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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*

Resolution 9 - Issue of options to Mr. John Anderson

It is proposed that 500,000 options be issued to Mr Anderson. The options will have a 5 year term, become exercisable one month after the date of the Annual General Meeting at which this resolution is considered by shareholders at an exercise price of 75 cents per share.



The options shall not be quoted on the ASX, will be transferable only with the consent of the Board and will otherwise be issued on standard terms set out in ASX Listing Rules insofar as treatment of the options in the case of reconstructions, bonus and rights issues.

ASX Listing Rule 10.11 requires, subject to certain exceptions, shareholder approval for the issue of securities to a related party of the Company. Mr Anderson is a director of the Company. Accordingly, approval under Listing Rule 10.11 is sought for the grant of options to him. As approval of shareholders is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- XI. The options shall be issued to or as directed by, Mr John Anderson
- XII. The options shall be issued no later than one month after the date of the Annual General Meeting at which this resolution is considered, or such later date as approved by the ASX
- XIII. The options will be issued for no consideration; they are exercisable at 75 cents per share
- XIV. The terms and conditions of the options are set out in Appendix A.
- XV. No funds will be raised by the issue of the options. In the event of exercise of the options, funds raised will be used to augment the working capital of the Company

The Company will disregard any votes cast on this resolution by Mr. Anderson or any of his associates. However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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*

Resolution 10 - Issue of options to Mr. Mike McDonald

It is proposed that 500,000 options be issued to Mr McDonald. The options will have a 5 year term, become exercisable one month after the date of the Annual General Meeting at which this resolution is considered by shareholders at an exercise price of 75 cents per share.

The options shall not be quoted on the ASX, will be transferable only with the consent of the Board and will otherwise be issued on standard terms set out in ASX Listing Rules insofar as treatment of the options in the case of reconstructions, bonus and rights issues.

ASX Listing Rule 10.11 requires, subject to certain exceptions, shareholder approval for the issue of securities to a related party of the Company. Mr McDonald is a director of the Company. Accordingly, approval under Listing Rule 10.11 is sought for the grant of options to him. As approval of shareholders is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- XVI. The options shall be issued to or as directed by, Mr Mike McDonald
- XVII. The options shall be issued no later than one month after the date of the Annual General Meeting at which this resolution is considered, or such later date as approved by the ASX
- XVIII. The options will be issued for no consideration; they are exercisable at 75 cents per share
- XIX. The terms and conditions of the options are set out in Appendix A.
- XX. No funds will be raised by the issue of the options. In the event of exercise of the options, funds raised will be used to augment the working capital of the Company

The Company will disregard any votes cast on this resolution by Mr. McDonald or any of his associates. However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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*



Resolution 11 - Issue of options to Mr. Mick Billing

It is proposed that 500,000 options be issued to Mr Billing. The options will have a 5 year term, become exercisable one month after the date of the Annual General Meeting at which this resolution is considered by shareholders at an exercise price of 75 cents per share.

The options shall not be quoted on the ASX, will be transferable only with the consent of the Board and will otherwise be issued on standard terms set out in ASX Listing Rules insofar as treatment of the options in the case of reconstructions, bonus and rights issues.

ASX Listing Rule 10.11 requires, subject to certain exceptions, shareholder approval for the issue of securities to a related party of the Company. Mr Billing is a director of the Company. Accordingly, approval under Listing Rule 10.11 is sought for the grant of options to him. As approval of shareholders is being sought pursuant to Listing Rule 10.11, Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under Listing Rule 7.1.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- XXI. The options shall be issued to or as directed by, Mr Mick Billing
- XXII. The options shall be issued no later than one month after the date of the Annual General Meeting at which this resolution is considered, or such later date as approved by the ASX
- XXIII. The options will be issued for no consideration; they are exercisable at 75 cents per share
- XXIV. The terms and conditions of the options are set out in Appendix A.
- XXV. No funds will be raised by the issue of the options. In the event of exercise of the options, funds raised will be used to augment the working capital of the Company

The Company will disregard any votes cast on this resolution by Mr. Billing or any of his associates. However the company will not disregard a vote if:

- *It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or*
- *It is cast by a 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*



APPENDIX A

Terms of options

Following is a summary of the material terms of the options subject to Resolution 9

1. The Options are options to subscribe for ordinary shares in the capital of the Company;
2. The exercise price of the Options is set at 75 cents per ordinary share;
3. Shares issued on exercise of the Options will rank pari passu with all existing ordinary shares in the Company from the date of issue;
4. The Options may be exercised wholly or in part by notice in writing to the Company received at any time on or before 28th November 2012, together with payment for the exercise price and the Option certificates (if any) for those Options for cancellation by the Company;
5. The Company will allot the number of shares the subject of any exercise notice, and apply, at its cost, for quotation of the shares so allotted;
6. The Option holder will be permitted to participate in new issues of securities of the Company on the prior exercise of the Options, in which case the holder of the Options will be afforded the period of at least 14 days notice prior to and inclusive of the books closing date (to determine the entitlements to the issue) to exercise the Options;
7. In the event of any reconstruction (including consolidation, reduction, or return) of the issued capital of the Company;
 - 7.1. the number of Options, the exercise price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX listing rules, but with the intention that such reconstruction will not result in any benefits being conferred on the holder of the Option which are not conferred on shareholders; and
 - 7.2. subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
8. If there is to be a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formulae:

$$O^n = O - \frac{E[P-(S+D)]}{N + 1}$$

Where

- O^n = the new exercise price of the Option;
 - O = the old exercise price of the Option;
 - E = the number of underlying securities into which one Option is exercisable;
 - P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 day trading period ending on the day before the ex right date or the ex entitlement date;
 - S = the subscription price for a security under the pro rata issue
 - D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
 - N = the number of securities with rights or entitlements which must be held to receive a right to one new security.
9. If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the option had been exercised prior to the record date for the bonus issue.
 10. The terms of the options shall be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve such a change. However the terms of the Options shall not be changed to reduce the exercise price, increase the number of options, or change any period for exercise of the options.
 11. In the event that a director ceases to be a director of the Company, for any reason, any Options not exercised prior to that event will lapse.