



Drillsearch Energy Limited
ABN 73 006 474 844

Notice of Annual General Meeting
and Explanatory Statement

2009 Annual Report:

<http://www.drillsearch.com.au/2009AnnualReport.html>

**THIS IS AN IMPORTANT DOCUMENT
AND REQUIRES YOUR ATTENTION**

This document does not take into account your individual circumstances. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.

**12:00 noon
Friday, 27 November 2009
Hilton Sydney
Level 2, Room 2
488 George Street, Sydney**

Notice of Annual General Meeting

NOTICE is given that the Annual General Meeting of Drillsearch Energy Limited (ABN 73 006 474 844) (“**Company**”) will be held at the Hilton Sydney, 488 George Street, Sydney, New South Wales at 12.00 noon on Friday, 27 November 2009.

ORDINARY BUSINESS

- 1. Receipt of the Company's Financial Report for the year ended 30 June 2009**

To receive and consider of the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 30 June 2009.
- 2. Remuneration Report**

To put the following Resolution to a non-binding advisory vote:

“That the Remuneration Report in the Company’s Annual Report be adopted.”
- 3. Re-elect Dato’ Beng Kai Choo as a Director of the Company**

To elect Dato’ Beng Kai Choo as a Director of the Company, who was appointed as a Director since the last annual general meeting of the Company, and being eligible, offers himself for re-election.
- 4. Re-elect Ms Fiona Robertson as a Director of the Company**

To elect Ms Fiona Robertson as a Director of the Company, who was appointed as a Director since the last annual general meeting of the Company, and being eligible, offers herself for re-election.
- 5. Re-elect Mr Ross Wecker as a Director of the Company**

To elect Mr Ross Wecker as a Director of the Company, who was appointed as a Director since the last annual general meeting of the Company, and being eligible, offers himself for re-election.

SPECIAL BUSINESS

- 6. Approval to refresh the Company's 15% placement capacity**

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

"That the issue of 191,674,739 fully paid ordinary shares to institutional and sophisticated investors pursuant to a placement allotted on 18 September 2009 be approved for the purposes of Listing Rule 7.4 and for all other purposes."

The terms of the shares, the price at which they were issued and the use of the funds are summarised in the Explanatory Statement.

Voting Restriction on Resolution 6

The Company will disregard any votes cast on Resolution 6 by shareholders who participated in the placement and their associates.

However, the Company need 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 the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Remuneration of Non-Executive Directors

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

“That, for the purpose of clause 49.1 of the Constitution of the Company, the remuneration for the services of the Non-Executive Directors be increased to an aggregate maximum sum of \$400,000 per annum.”

Voting Restriction on Resolution 7

The Company will disregard any votes cast on Resolution 7 by all the Directors and their associates.

However, the Company need 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 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.

8. Approve the Grant of Options to Mr Jim McKerlie (Chairman)

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

“That, for the purposes of ASX Listing Rule 10.11 and all other purposes, the Company be authorised to issue to **Mr Jim McKerlie** a total of twelve million (12,000,000) options to purchase fully paid ordinary shares at an exercise price of 7.25 cents per share, in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.

Voting Restriction on Resolution 8

The Company will disregard any votes cast on Resolution 8 by Mr Jim McKerlie and any associate of Mr McKerlie.

However, the Company need 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 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.

9. Approve the Grant of Options to Dato' Beng Kai Choo (Director)

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

“That, for the purposes of ASX Listing Rule 10.11 and all other purposes, the Company be authorised to issue to **Dato' Beng Kai Choo** a total of eight million (8,000,000) options to purchase fully paid ordinary shares at an exercise price of 7.25 cents per share, in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Meeting.”

Voting Restriction on Resolution 9

The Company will disregard any votes cast on Resolution 9 by Dato' Beng Kai Choo and any associate of Dato' Beng Kai Choo.

However, the Company need 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 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 at Sydney, on the 26 October 2009



**By order of the Board
Ian W. Bucknell
Company Secretary**

2009 Annual Report:

The 2009 Annual Report is available on the Company's Website:
www.drillsearch.com.au

and

<http://www.drillsearch.com.au/2009AnnualReport.html>

Proxies

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
2. Where two proxies are appointed:
 - (i) a separate proxy Form, should be used to appoint each proxy;
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
3. A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held e.g. "the Chair of the Meeting".
4. In the case of shareholders who are individuals, the Proxy Form must be signed:
 - (i) if the shares are held by one individual, by that shareholder;
 - (ii) if the shares are held in joint names, by any one of them.
5. In the case of shareholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form);
 - (ii) in the case of any other company by either two directors or a director and secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

6. If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy form, must be received by the Company by the time and at the place specified below.
7. A Proxy Form accompanies this notice of meeting and contains additional information. To be valid, duly completed proxy forms and any proxy appointment authorities under which a proxy form is signed, such as a power of attorney, must be received by the Company no later than 48 hours before the time in Sydney of the commencement of the meeting and must be lodged with the Company either:
 - in person at the Registered Office at Level 8, 16 Spring Street, Sydney NSW 2000 Australia or at the Share registry at Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street Sydney NSW 2000 Australia; or
 - by mail to the Registered Office at Level 8, 16 Spring Street Sydney NSW 2000 Australia or to the Share Registry at Computer Share Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001, Australia; or
 - by facsimile to 1800 783 447 or + 61 3 9473 2555 (Share Registry) or + 61 2 9241 4404 (Registered Office).
8. For the purpose of the meeting, shares in the Company will be taken to be held by those persons who are registered holders at the close of business on Wednesday 25 November 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and vote at the meeting.

9. The constitution of the Company provides that a quorum for a general meeting of the Company is three shareholders.

10. Attached to and forming part of this notice of meeting is an Explanatory Memorandum which provides shareholders with background information and further details of the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and effect of the resolutions, if passed.

DRILLSEARCH ENERGY LIMITED

(ABN 73 006 474 844)

EXPLANATORY STATEMENT

IMPORTANT NOTICE

This Explanatory Statement contains an explanation of, and information about, each of the resolutions to be considered at the Annual General Meeting. It is given to Drillsearch Energy Limited's Shareholders to help them determine how to vote on the matters set out in the accompanying Notice of Meeting.

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

If you are in doubt about how you should vote, you should consult your financial or other professional adviser.

ORDINARY BUSINESS

1. Financial Report – Year ended 30 June 2009

The *Corporations Act 2001* (Cth) (“**Corporations Act**”) requires the financial report (which includes the financial statements and the directors’ declaration), the directors’ report and the auditor’s report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or in the Constitution of the Company for Shareholders to approve the financial report, the directors’ report or the auditor’s report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the financial report.

The auditor will be attending the Annual General Meeting.

Shareholders are entitled to submit a written question to the auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Annual Financial Report.

The auditor will answer written questions submitted prior to the Annual General Meeting. All written questions must be received by the Company no later than 18 November 2009. All questions must be sent to the Company and may not be sent direct to the auditor. The Company will then forward all questions to the auditor.

The auditor will also answer questions at the meeting from shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

2. Resolution 2 – Remuneration Report

The Directors’ Report for the year ended 30 June 2009 contains a Remuneration Report which sets out the policy on remuneration of the directors of the Company and specified executives of the Company.

The Corporations Act requires that a resolution that the Remuneration Report be adopted be put to a vote. The Corporations Act expressly provides that the vote is advisory and does not bind the directors of the Company.

Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The directors recommend that shareholders vote in favour of the resolution.

3. Resolution 3 - Re-election of Beng Kai Choo

The Board appointed Dato’ Beng Kai Choo on 2 March 2009. The Company's constitution and the ASX Listing Rules require a director (other than the Managing Director) who is newly appointed by the board to stand for re-election at the next annual general meeting after their appointment. Accordingly Dato’ Beng Kai Choo offers himself for re-election.

Dato' Beng Kai Choo is a Malaysian national with extensive business interests in Malaysia through his role as Group Managing Director of Masmeyer Holdings Sdn Bhd.

4. Resolution 4 - Re-election of Fiona Robertson

The Board appointed Ms Fiona Robertson on 6 October 2009. The Company's constitution and the ASX Listing Rules require a director (other than the Managing Director) who is newly appointed by the board to stand for re-election at the next annual general meeting after their appointment. Accordingly Ms Fiona Robertson offers herself for re-election.

Fiona Robertson currently works as the Chief Financial Officer of Petsec Energy Limited and has a background of more than 30 years in corporate finance and the resources sector. She has extensive experience in financial reporting, international corporate finance, corporate governance and in working with emerging resource companies. Her career includes roles with Delta Gold and The Chase Manhattan Bank in New York, London and Sydney.

5. Resolution 5 - Re-election of Ross Wecker

The Board appointed Mr Ross Wecker on 6 October 2009. The Company's constitution and the ASX Listing Rules require a director (other than the Managing Director) who is newly appointed by the board to stand for re-election at the next annual general meeting after their appointment. Accordingly Mr Ross Wecker offers himself for re-election.

Ross Wecker was until recently the Managing Director of Innamincka Petroleum Limited and has more than 35 years' experience in the oil and gas industry. He is a highly experienced geologist with extensive exploration knowledge of the Cooper and Eromanga Basins. Prior roles include the direction of an exploration team in the Cooper Basin for Delhi Petroleum Pty Ltd and Esso Australia Limited and providing specialist technical advice to several Australian and American companies regarding the acquisition and management of exploration acreage in the Cooper and Eromanga Basins.

SPECIAL BUSINESS

6. Resolution 6 – Approval to refresh the Company's 15% placement capacity

On 18 September 2009, the Company allotted 191,674,739 fully paid shares at \$0.05 per share pursuant to a placement (**Placement**) to sophisticated and institutional investors.

Under Listing Rule 7.1, a listed company is prohibited from issuing or agreeing to issue equity securities without shareholder approval if in doing so it would mean that the number of equity securities issued in the preceding 12 month period would exceed 15% of the number of fully paid ordinary shares on issue at the beginning of the 12 month period.

However, under Listing Rule 7.4, an issue of shares made without specific approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the original issue did not breach Listing Rule 7.1, and is subsequently approved by shareholders.

By issuing the shares under the Placement without shareholder approval under Listing Rule 7.1, the Company has used its 15% capacity under Listing Rule 7.1. Accordingly, the Company wishes to restore its capacity and thereby increase its financial flexibility by seeking approval for the Placement shares under Listing Rule 7.4.

The Company provides the following additional information for the purposes of Listing Rule 7.5:

- The participants in the Placement were institutional and sophisticated investors who are clients of Taylor Collison Limited and Patersons Securities Limited.
- The Placement shares which were issued rank equally with all existing shares in the capital of the Company at the allotment date.
- The proceeds from the Placement will be used by the Company to fund:
 - development of the recent Chiton Oil Discovery in the Western Flank Oil Fairway in PEL 91 and the expansion of exploration efforts including additional seismic studies and exploratory well drilling;
 - commercialisation of the Western Cooper Gas & Liquids Project targeting conventional gas, condensate and LPG resources in PEL 106;
 - appraisal of the non-conventional gas potential – deep coal seam and shale gas, tight and Basin-centered gas and shallow coal seam gas identified in the several key project areas in the Cooper Basin; and
 - general working capital.

The Directors recommend that shareholders vote in favour of the resolution.

7. Resolution 7 - Remuneration of Non-Executive Directors

It is three years since shareholders were asked to approve an increase in the aggregate limit of Non-Executive Directors' fees to the present level of \$300,000 per annum. Approval is sought to increase the maximum aggregate sum that may be paid as fees to the Non-Executive Directors by \$100,000 per annum to \$400,000 per annum in order to:

- provide for flexibility in the number of Non-Executive Directors in the future;
- ensure the Company continues to be able to attract the most appropriate Directors.

Non-executive directors were paid a total of \$265,854 in fees for the year 2008/09.

It should be noted that the proposed increase in the Non-Executive Directors' remuneration pool does not relate to salaries paid to Executive Directors in their capacity as executives of the Company. Executive Directors do not receive remuneration in the form of directors' fees in addition to their salaries.

8. Resolutions 8 – Approval of issue of securities to the Chairman.

This resolution seeks shareholder approval for the issue of 12,000,000 options to the Chairman of the Company, namely Jim McKerlie.

ASX Listing Rules

ASX Listing Rule 10.11 provides that a company must not issue equity securities to a related party of the company, such as a director, without the company obtaining the approval by ordinary resolution of its shareholders. The Company is seeking approval of shareholders under ASX Listing rule 10.11 to allow the Company to issue these options (12,000,000 options) to Mr McKerlie. If shareholders approve the issue of options under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

The options will be issued for no cost and no funds will be raised from the issue of the options unless and until they are exercised. The amount of funds raised from the exercise of all of the options the subject of Resolution 8 will amount to a total of \$870,000. If such options are exercised these funds will form part of the working capital of the Company.

The issue of options to Mr McKerlie forms part of his remuneration and is designed

to align his interests with those of the Company and its shareholders. It is also intended to provide an incentive for him to further enhance the growth and value of the Company.

Option Terms

The principal terms of the options are as follows:

- The options are issued for no consideration.
- The exercise price payable on each option is 7.25 cents per share.
- The options may be exercised any time after issue.
- The term of the options shall be 4 years.
- In order to exercise any options the Chairman must be a director of the Company 90 days prior to the exercise date. The options will lapse if not exercised within 90 days of the Chairman ceasing to be a director of the Company unless the Board otherwise determines.
- Exercise of the options is not subject to any performance criteria.
- Shares issued upon the exercise of the options rank equally in all respects with the existing shares of the Company.
- The Company will apply for shares issued upon the exercise of options to be quoted on the ASX.
- The options may be granted to an Eligible Person in respect of the Chairman and may only be transferred to such an Eligible Person. Eligible Persons in respect of the Chairman are:
 - (a) the spouse of the Chairman;
 - (b) a body corporate in which the Chairman holds and beneficially owns not less than 50% of the issued voting share capital;
 - (c) the trustee of a trust in which the Chairman is a beneficiary or object; or
 - (d) the trustee of a superannuation fund of which the Chairman is a member.
- In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which the Chairman is entitled or the exercise price of the options or both or any other terms will be reconstructed in a manner determined by the Directors which complies with the provisions of the Listing Rules. There are no participating rights or entitlements inherent in the options and the Chairman will not be entitled to participate in new issued capital offered to shareholders during the currency of the options unless the options have been exercised by him.
- If the Company makes a bonus issue, the holder of options which have not expired at that time for determining entitlements to the bonus issue shall be entitled to have issued to them upon exercise of any of those options, the number of shares which would have been issued under the bonus issue to the person registered as holding the same if the options had been exercised prior to the entitlement date for participation in the bonus issue.

The full terms of these options will be provided to any shareholder on request and will be available for inspection at the AGM.

Subject to the approval of Resolution 8 the issue of twelve million (12,000,000) options, as referred to in this resolution, will be made as soon as practicable after the date of the meeting and in any event within one month after the meeting.

Corporate Governance

The Board considers the issue of the options contemplated by this resolution to be an effective means to compensate Mr McKerlie more adequately at no cash cost to the

Company, allowing it to constrain the levels of salaries and fees that would otherwise be payable.

The Board believes that the issue of these options to the Chairman is an appropriate form of compensation as the exercise period of the options is tied to the period of service of the Chairman and considers that an improvement in the share price of the Company is the simplest measure of the effectiveness of the Chairman's performance.

Corporations Act

Section 208 of the Corporations Act prohibits a Company from giving a financial benefit to a related party without the prior approval of members.

A "related party" for the purposes of the Corporations Act includes a director of a public company. A "financial benefit" for the purposes of the Corporations Act is widely defined and includes a public company granting options to a related party. The granting of options to a related party as contemplated by Resolution 8 may constitute the giving of a financial benefit and accordingly the Company is seeking shareholder approval under section 208 of the Corporations Act to approve the grant of options contemplated by each of these resolutions.

The nature of the financial benefit is apparent on the face of the terms of the options as outlined above. Further details of the financial benefit are set out below.

Other Information that is reasonably required by the shareholders to make a decision and that is known to the Company or any of its Directors

If all of the options to be issued under Resolution 8 are exercised and no further shares are issued by the Company in the meantime, the total number of ordinary fully paid shares issued would increase by 12,000,000 to 1,946,106,336 and the newly issued shares would comprise 0.6% of the issued shares at that time.

The following table sets out the current entitlement of the Chairman to ordinary fully paid shares in the Company and his entitlement if he exercised all of the options referred to in Resolution 8 and his currently held options, and no other shares are issued by the Company.

| Director | No. of Shares <i>(current)</i> | No. of Options <i>(current)</i> | No. of Shares <i>(post resolutions and post exercise)</i> | % of Issued Capital <i>(post resolutions and post exercise)</i> |
|-----------------|--|---|---|---|
| Jim McKerlie | 2,810,000 | 6,000,000 | 20,810,000 | 1.07% |

Details of other remuneration received by the Chairman during the financial year ended 30 June 2009 and disclosed in the 2009 Annual Report are as follows:

| Director | Salary Directors Fee | Superannuation | Total |
|-----------------|-----------------------------|-----------------------|--------------|
| Jim Mckerlie | \$7,645 | \$33,778 | \$41,424 |

The exercise price of 7.25 cents represents a 39.42% premium to the closing price of shares in the Company on 8 October 2009.

The Bi-Nomial option price calculation method has been used to value these options at 3.038 cents each. Accordingly, the total balance sheet impact attributable to the granting of these options to the Chairman is \$364,536.

From an economic and commercial point of view the Board considers that the potential cost and detriment to the Company resulting from the granting of these options is acceptable. Furthermore, the Board considers it important to adequately compensate Directors in order to attract and retain members with appropriate qualifications and skills to be able to contribute to the success of the Company.

In determining the number and terms of the options to be issued to the Chairman, consideration was given to his relevant experience and role, his overall remuneration terms, the current market price of shares in the Company and the terms of the recent option packages granted to directors of other companies within the sector in which the Company operates.

Directors Interests and Recommendations

Jim McKerlie has an interest in the outcome of Resolution 8 by reason of the benefit that he will receive if the resolution is passed and therefore declines to make a recommendation to shareholders in respect of Resolution 8. Given that it is also proposed that Dato' Beng Kai Choo be issued options pursuant to this meeting, Mr Choo declines to make a recommendation in relation to resolution 8.

Your Directors (other than Mr McKerlie and Mr Choo) recommend that members vote in favour of Resolution 8.

9. Resolution 9 – Approval of issue of securities to Dato' Beng Kai Choo

This resolution seeks shareholder approval for the issue of 8,000,000 options to Non-Executive Director, Dato' Beng Kai Choo.

ASX Listing Rules

ASX Listing Rule 10.11 provides that a company must not issue equity securities to a related party of the company, such as a director, without the company obtaining the approval by ordinary resolution of its shareholders. The Company is seeking approval of shareholders under ASX Listing rule 10.11 to allow the Company to issue these options (8,000,000 options) to Dato' Beng Kai Choo. If shareholders approve the issue of options under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

The options will be issued for no cost and no funds will be raised from the issue of the options unless and until they are exercised. The amount of funds raised from the exercise of the options the subject of Resolution 9 will amount to a total of \$580,000 . If such options are exercised these funds will form part of the working capital of the Company.

The issue of options to Dato' Beng Kai Choo forms part of his remuneration and is designed to align his interests with those of the Company and its shareholders. It is also intended to provide an incentive for him to further enhance the growth and value of the Company.

Option Terms

The terms of these options are the same as for the options to be issued to the Chairman noted above in respect of Resolution 8.

The full terms of these options will be provided to any shareholder on request and will be available for inspection at the AGM.

Subject to the approval of Resolution 9 the issue of eight million (8,000,000) options, as referred to in this resolution, will be made as soon as practicable after the date of the meeting and in any event within one month after the meeting.

Corporate Governance

The Board considers the issue of the options contemplated by this resolution to be an effective means to compensate Dato' Beng Kai Choo more adequately at no cash cost to the Company, allowing it to constrain the levels of salaries and fees that would otherwise be payable.

The Board believes that the issue of these options to Dato' Beng Kai Choo is an appropriate form of compensation as the exercise period of the options is tied to the period of service of Mr Choo. The Board considers that an improvement in the share price of the Company is the simplest measure of the effectiveness of a Non-Executive Directors' performance.

Corporations Act

Section 208 of the Corporations Act prohibits a Company from giving a financial benefit to a related party without the prior approval of members.

A "related party" for the purposes of the Corporations Act includes a director of a public company. A "financial benefit" for the purposes of the Corporations Act is widely defined and includes a public company granting options to a related party. The granting of options to a related party as contemplated by Resolution 9 may constitute the giving of a financial benefit and accordingly the Company is seeking shareholder approval under section 208 of the Corporations Act to approve the grant of options contemplated by this resolution.

The nature of the financial benefit is apparent on the face of the terms of the options as outlined above. Further details of the financial benefit are set out below.

Other Information that is reasonably required by the shareholders to make a decision and that is known to the Company or any of its Directors

If all of the options to be issued under Resolution 9 are exercised and no further shares are issued by the Company in the meantime, the total number of ordinary fully paid shares issued would increase by 8,000,000 to 1,942,106,336 and the newly issued shares would comprise 0.4% of the issued shares at that time.

The following table sets out the current entitlement of the Dato' Beng Kai Choo to ordinary fully paid shares in the Company and his entitlement if he exercised all of the options referred to in Resolution 9, and no other shares are issued by the Company.

| Director | No. of Shares (current) | No. of Options (current) | No. of Shares (post resolutions and post exercise) | % of Issued Capital (post resolutions and post exercise) |
|-----------------|------------------------------------|---|---|---|
| Beng Kai Choo | 10,420,000 | - | 18,420,000 | 0.95% |

Details of other remuneration received by the Dato' Beng Kai Choo during the financial year ended 30 June 2009 and disclosed in the 2009 Annual Report are as follows, it being noted that Dato' Beng Kai Choo was a director from March 2009 only and that he will receive cash fees of \$50,000 per annum from the date of the AGM:

| Director | Salary Directors Fee | Superannuation | Total |
|-----------------|---------------------------------|-----------------------|--------------|
| Beng Kai Choo | \$15,291 | - | \$15,291 |

The exercise price of 7.25 cents represents a 39.42% premium to the closing price of shares in the Company on 8 October 2008.

The Bi-Nomial option price calculation method has been used to value these options at 3.038 cents each. Accordingly the total balance sheet impact attributable to the granting of these options is \$243,024.

From an economic and commercial point of view the Board considers that the potential cost and detriment to the Company resulting from the granting of these options is acceptable. Furthermore, the Board considers it important to adequately compensate Directors in order to attract and retain members with appropriate qualifications and skills to be able to contribute to the success of the Company.

In determining the number and terms of the options to be issued to Mr Choo, consideration was given to his relevant experience and role, his overall remuneration terms, the current market price of shares in the Company and the terms of the recent option packages granted to directors of other companies within the sector in which the Company operates.

Directors Interests and Recommendations

Dato' Beng Kai Choo has an interest in the outcome of resolution 9 by reason of the benefit that he will receive if the resolution is passed, and therefore declines to make a recommendation to shareholders in relation to this resolution. Given that it is also proposed that Jim McKerlie be issued options pursuant to this meeting, Mr McKerlie declines to make a recommendation in relation to resolution 9.

Your Directors (other than Dato' Beng Kai Choo and Jim McKerlie) recommend that members vote in favour of Resolution 9.