

15 August 2008

Dear Shareholder

**ZOOM DEVELOPERS PRIVATE LTD**

I enclose a notice of extraordinary general meeting, explanatory statement and proxy form which has been convened for 15 September 2008. The purpose of the meeting is to seek shareholder approval for the Company to progress with a series of negotiations with Zoom in relation to the joint development of the Indian Hythane® / hydrogen project, the UK / Welsh coal bed methane project and the Australian energy assets.

Zoom is a diversified international project development group which is based in India. It has successfully developed projects in infrastructure, energy, real estate, engineering, metals, mining, telecommunications and financial services.

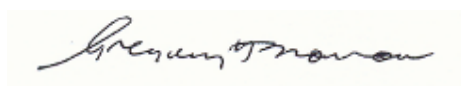
It was incorporated in 1991 and has grown significantly both in India and overseas. Today it has a multibillion dollar project bank, and is also undertaking numerous projects around the world. It has acquired an impressive portfolio of businesses operating on a worldwide basis, in oil and gas engineering and construction, marketing of chemicals, production of steel and aluminium billets, mining of industrial minerals, manufacturing of automotive components, processing of cotton and a cluster of companies offering various “smart card” solutions.

Zoom is head-quartered in Mumbai, India, and has offices throughout India and across Europe, Middle East, Far East, China and the United States.

Zoom is interested in forming joint ventures with Eden in relation to the Indian hydrogen / Hythane® project, the Welsh and UK gas projects and the Natural Gas and geothermal projects in Australia. In order to enable these joint ventures to be negotiated, Zoom has agreed to provide a loan of \$5,000,000.00 to Eden, which will be secured by a convertible note. The Company has also agreed, subject to concluding a joint venture with Zoom in relation to development of one or more of these joint development projects, to grant two further options to Zoom to acquire further shares in Eden.

The issue of the convertible note and the two further options to Zoom require shareholder approval, and that is the purpose for convening the shareholders meeting.

Yours sincerely



**Gregory H Solomon**  
Executive Chairman

# **EDEN ENERGY LTD**

ACN 109 200 900

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is given that an Extraordinary General Meeting of the members of Eden Energy Ltd A.C.N. 109 200 900 (“the Company”) will be held at Level 40, Exchange Plaza, 2 The Esplanade, Perth, Western Australia on Monday, the 15<sup>th</sup> day of September 2008 at 10.30am.

### **SPECIAL BUSINESS**

The business of the meeting is to consider and (if thought fit) to pass, with or without modification, the following ordinary resolutions (all of which are conditional upon all 3 resolutions being passed):

#### **Resolution 1. Issue of Convertible Note**

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue to Zoom Developers (P) Ltd (a company incorporated in India) (“Zoom”) a convertible note (“the Note”) to secure an advance by Zoom to the Company of \$5,000,000 (“the Capital Sum”) which is convertible into fully paid ordinary shares in the Company (“Shares”) at a price of 20 cents per Share:

- (i) at the election of Zoom at any time on or before 5.00pm WST on 7 November 2008; or
- (ii) automatically if Zoom executes a heads of agreement in relation to one or more joint development agreement(s) with the Company in relation to one of the Company’s four current projects (as more specifically identified in the Explanatory Statement attached hereto) (“a JDA”),

and otherwise on the terms and conditions set out in the Explanatory Statement attached hereto.”

Note: The Note will be issued no later than three months from the date of this meeting.

#### **Resolution 2. Issue of First Options**

That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, if and subject to:

- 2.1 one or more JDA(s) being entered into between Zoom and the Company; and
- 2.2 the entirety of the Capital Sum having been converted into Shares in the Company pursuant to the Note,

on or before 7 November 2008, approval is given for the Company to issue to Zoom 10,000,000 options (“the First Options”), exercisable at any time from and including 8 November 2008 up to and including 7 January 2009, each to acquire 1 Share in the Company at an issue price of 25 cents per Share and otherwise on the terms and conditions set out in the Explanatory Statement attached hereto.”

Note: The First Options will be issued no later than three months from the date of this meeting.

**Resolution 3. Issue of Second Options**

3.1 That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, if and subject to:

3.2 one or more JDA(s) having been entered into between Zoom and the Company; and

the entirety of the Capital Sum having been converted into Shares in the Company pursuant to the Note,

on or before 7 November 2008, approval is given for the Company to issue to Zoom 10,000,000 options (“the Second Options”) exercisable at any time from and including 8 January 2009 up to and including 7 April 2009 (subject to and conditional upon Zoom having duly exercised all of the First Options), each to acquire 1 Share in the Company at an issue price of 30 cents per Share and otherwise on the terms and conditions set out in the Explanatory Statement attached hereto.”

Note: The Second Options will be issued no later than three months from the date of this meeting.

Dated this 14th day of August 2008.

By order of the Board



RF Buscall  
Company Secretary

**NOTES RELATING TO PROXIES:**

A shareholder entitled to attend and vote at the Extraordinary General Meeting of the Company may appoint not more than two proxy’s to attend and vote in his/her place. Where more than one proxy is appointed each proxy must be appointed to represent a specified proportion of the shareholder’s voting rights. A proxy may be, but need not be, a member of the Company.

Proxy forms (and the Power of Attorney or other authority, if any, under which the proxy form is signed) must be deposited at the registered office of the Company at Level 40, Exchange Plaza, 2 The Esplanade, Perth, Western Australia, 6000 not less than 48 hours before the time for holding the Extraordinary General Meeting.

## EXPLANATORY STATEMENT

This Explanatory Statement is an important document and you should read this statement carefully. If you have any queries regarding the matters set out in this Explanatory Statement or the preceding Notice please contact the Company or your professional advisor.

### **Resolution 1 - Issue of convertible note to Zoom Developers (P) Ltd (“Zoom”)**

Resolution 1 seeks shareholder approval, for the purposes of ASX Listing Rule 7.1 and for all other purposes, to authorise the Directors to issue to Zoom a convertible note (“the Note”), to secure an advance by Zoom to the Company of \$5,000,000 (“the Capital Sum”), which is convertible:

- (a) at the election of Zoom at any time on or before 5.00pm WST on 7 November 2008; or
- (b) automatically if Zoom executes a heads of agreement in relation to one or more joint development agreement(s) with the Company in relation to one of the Company’s four projects (as more specifically identified below in paragraph A) (“a JDA or “JDAs” as the case may be”),

into fully paid ordinary shares in the Company (“Shares”) at a price of 20 cents per Share.

#### A. Background

The Company is a diversified alternative energy company with operations, projects and technology in various parts of the world, including projects in the following four areas (“the Projects”):

- 1 hydrogen and Hythane® operations in India being conducted by its wholly owned subsidiary company, Eden Energy India (Private) Ltd (“EEI”);
- 2 coal bed methane / abandoned coal mine methane / conventional hydrocarbon project in UK being conducted in 50/50 joint venture with UK Onshore Gas Ltd and Coastal Oil and Gas Ltd (“ the UK gas project”);
- 3 a 100% owned conventional hydrocarbon play in South Australia (“the SA gas project”); and
- 4 a 100% owned series of geothermal licences in South Australia, which are held by or proposed to be held by its wholly owned subsidiary company, Terratherma Ltd (“the geothermal project”).

Zoom is a large diversified international project developer with worldwide operations and affiliates, and with significant experience, skills and major operations in India which wishes to invest in the share structure of the Company and to enter into a JDA or JDAs with the Company in relation to the development of EEI, the UK gas project (subject to agreement with the Company’s joint venture partner), the SA gas project, and/or the geothermal project. Zoom has successfully completed major development projects in infrastructure, energy, real estate, engineering, metals, mining, telecommunications and financial services sectors. It is headquartered in Mumbai, and has offices throughout India and across Europe, UK, Middle East, Far East, China and USA.

The Company needs to raise additional working capital to fund its ongoing operations. The Company has therefore entered into a letter of intent (“LOI”) with Zoom in relation to a proposed investment by Zoom in the Company’s Shares and Projects. The LOI is subject to and conditional upon shareholder approval being obtained in accordance with this Notice. All resolutions contained in this Notice are conditional upon all 3 resolutions being passed.

Under the LOI, in order to assist the Company with its ongoing cash flow requirements whilst the JDAs are being negotiated and concluded, Zoom will make a loan to the Company of the Capital Sum which will be secured by the Note. The Note will be issued by the Company to Zoom (subject to shareholder approval in accordance with this resolution 1) on the following terms and conditions:

1. The Capital Sum will be paid by Zoom within 5 working days of the date of shareholder approval of all of the resolutions contained in the Notice.
2. The Capital Sum shall be convertible into Shares at an issue price of 20 cents per Share (in full satisfaction of, and deemed repayment of, the amount of the Capital Sum which is so converted):
  - 2.1 by a written election by Zoom given to the Company at any time on or before the earlier of 5.00pm WST 7 November 2008 and the date upon which the parties shall execute the heads of agreement of all of the JDAs;
  - 2.2 automatically if Zoom shall execute the heads of agreement for one or more JDA.
3. The Shares will be issued within 5 business days after satisfaction of the event referred to in paragraph 2.1 or 2.2 above, and will rank pari passu with all of the then existing issued Shares of the Company.
4. The Capital Sum will accrue non-compounding interest at the rate of 15% per annum, computed from the day the Capital Sum is received by the Company. The interest will be calculated on a pro-rata daily basis from and after the date of receipt by the Company of the Capital Sum up to and including the earlier of the date of conversion of the Capital Sum into Shares in accordance with paragraph 2 above or the date of repayment of the Capital Sum in accordance with paragraph 5 below and will be payable in full on the earlier of the date of repayment of the Capital Sum and the date of issue of Shares to Zoom (as the case may be).
5. If for any reason the Capital Sum is not converted into Shares on or before 7 November 2008, the Capital Sum will be deemed as senior debt to the Company secured by a loan note which will be issued in accordance with the terms and conditions set out in Appendix 1 and the Capital Sum will be repayable in full, together with any accumulated interest, on or before 28 February 2009.
6. Upon Zoom converting the Capital Sum into Shares in accordance with clause 2 above, the directors of the Company will appoint a representative nominated by Zoom to the board of directors of the Company, to hold office as a non-executive director on and subject to the same terms as the other non-executive directors of the Company. If Zoom shall, pursuant to the exercise of either or both of the options referred to in resolutions 2 or 3 of this Notice (assuming shareholder approval is obtained to the grant of those options), increase its shareholding in the Company to 45 million Shares, and if after all of these Shares are issued to Zoom, this shareholding shall represent not less than 18% of the then expanded issued Share capital of the Company, Zoom will then be entitled to nominate a second non-executive director who will be appointed on the same basis as above.

If Zoom fails to comply with its obligations under clause 1 above, the LOI shall, at the election of the Company forthwith upon despatch of a notice of termination to Zoom, be at an end and no further obligation of either party will exist.

The LOI provides for heads of terms of the JDAs to be negotiated by the parties and to be concluded and incorporated into executed agreements on or before 7 November 2008 (time being

of the essence). The LOI provides that the following facts are confirmed or principles shall apply to each JDA:

1. The amount of financial contribution of Zoom and the percentage interest which Zoom may earn in relation to each JDA will be proportional to the value of the Projects (both tangible and intangible) that Zoom and the Company agree that the Company will contribute both at the commencement and during the period of each JDA (if not paid for by Zoom).
2. It is intended that Zoom alone will contribute all capital and operating expenses required for each JDA until such time as Zoom shall have met its agreed contribution obligations for that JDA. Where the Company shall provide personnel, assets or other services, these will be paid for under the JDA with funds contributed by Zoom, to the intent that during the period that Zoom alone is contributing, the Company will not be required to contribute any funds or incur any expenses or costs in relation to the JDA.
3. The parties have not discussed values or possible percentage interests for the JDAs and will negotiate these before the draft formal agreements are prepared.
4. Each JDA will maintain a separate bank account into which Zoom shall deposit its agreed contribution at the start of the JDA, and to which account Zoom will be the sole signatory whilst it is the sole contributing party and is operating in accordance with an approved budget. At any other times, all withdrawals from the JDA bank account will require the joint signatures of both parties.
5. Each JDA will be structured either as a separate special purpose joint venture company in which each party shall hold its agreed percentage of issued shares, or if the parties agree, as an unincorporated joint venture in which each party shall hold its own joint venture interest as a tenant in common. In either case, there will be a board of directors which will establish policy, overall direction, strategy and guidance. All management decisions will be taken by a manager, who will be appointed by Zoom with the board's consent, which shall not be unreasonably withheld. The manager will report to the board of directors. If the interests of the parties in a JDA are at any time equal, the parties will endeavour to agree upon the appointment of an independent director for the purpose of resolving deadlocks, and in the absence of such an independent director being appointed, each JDA will contain a mechanism for resolving any deadlocked issues. Zoom alone will be entitled to nominate the manager whilst it is the sole funding party to a JDA, provided that the manager will at all time report and answer to the board of directors.
6. All decisions of the board of directors of each JDA will be decided by simple majority of votes except the following which shall require unanimous resolution unless effected in accordance with the express terms in the JDA (if any):
  - 6.1 Sale or disposal of the primary undertaking or any asset of the JDA that represents more than 10% of the net asset value of the JDA.
  - 6.2 The entry by the JDA into any contract that is not a bona fide arms length contract, agreement or arrangement of any sort including but not limited to any agreement for the sale, disposal or acquisition of any tangible or intangible asset, any service contract or agreement, with any company, person, or other entity or where any party with whom the JDA may contact or engage is an associate of, controlled by, related to (as defined in the Corporations Act 2001 ("the Act") where applicable) or otherwise could reasonably be expected to be influenced by either party.
  - 6.3 Any decision to borrow money by the JDA or to grant security over JDA assets.

- 6.4 Any decision to change the primary nature of the business of the JDA.
  - 6.5 Any decision to introduce new parties to the JDA or vary the percentage interests of the existing parties to the JDA.
  - 6.6 Any decision to change the auditors of the JDA.
  - 6.7 Any decision to pay a dividend or distribution as the case may be of less than 40% of the annual net profit (after tax if the JDA is a company or taxed as an entity).
7. The board will meet in such place as the parties may agree not less than quarterly.
8. Full and complete accounts and records will be maintained at such location as the parties may agree and will be audited annually by an independent auditor and will at all times be open to inspection by both parties and their agents.

If and to the extent that the Company is required by the Listing Rules to obtain the approval of its shareholders to enter into any one or more of the JDAs, such shareholder approval will be sought once the heads of terms of the applicable JDA(s) have been negotiated between the parties.

The issued Share and option capital of the Company, if shareholder approval is obtained to issue the Note to Zoom and Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note, will be as follows:

|   | <b>Shares</b> | <b>Options (listed and unlisted)</b> |
|---|---------------|--------------------------------------|
| Current issued Share and option Capital                               | 180,441,339   | 96,804,585                           |
| Issue of Shares to Zoom if Convertible Note converted in its entirety | 25,000,000    | N/A                                  |
| Total new issued Share and option Capital                             | 205,441,339   | 96,804,585                           |

Zoom does not currently hold any Shares or other securities in the Company. If Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note, this will result in Zoom's interest in the Company increasing from nil to 12.17% of the Shares (assuming that none of the existing options in the Company have been exercised). Additional securities are also proposed to be issued to Zoom pursuant to resolutions 2 and 3, which may further increase Zoom's interest in Shares in the Company (as to which, see the further information provided below).

The Company has agreed to pay a commission to Taylor Collison, in consideration of its introduction of Zoom to the Company, equal to 5% of any part of the Capital Sum (or other amounts) converted to Shares (including pursuant to the Note).

#### B. Listing Rule 7.1

Listing Rule 7.1 prohibits a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without the approval of holders of its ordinary securities. An equity security includes a convertible security (i.e. a security which is convertible by the holder or otherwise by their terms of issue into, inter alia, shares) and will therefore encompass the Note.

Equity securities issued with the approval of holders of a company's ordinary securities in accordance with Listing Rule 7.1 or under an exception in Listing Rule 7.2 are not required to be included in the 15% limit imposed by Listing Rule 7.1. Exception 4 of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue of equity securities on the conversion of

convertible securities if, inter alia, the company complied with the Listing Rules when it issued the convertible securities.

As set out above, if the Note is issued and subsequently Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note, the Company will issue 25,000,000 Shares to Zoom, which represents 13.85% of its current issued capital (of 180,441,339 Shares). The Company seeks shareholder approval to issue the Note pursuant to Listing Rule 7.1 with the result that Listing Rule 7.1 will not apply to the issue of the Shares on the conversion of the Note.

The following information is provided in accordance with Listing Rule 7.3:-

1. The (maximum) number of Shares the Company will issue to Zoom if the entirety of the Capital Sum is converted into Shares pursuant to the Note is 25,000,000 Shares.
2. The Note will be issued within three months of the date of this extraordinary general meeting. The Capital Sum secured by the Note can only be converted into Shares prior to 7 November 2008.
3. There is no issue price for the Note (as it is being issued as security for the Capital Sum). The issue price for the Shares if the Capital Sum is converted under the Note is 20 cents per Share. This price is based on the market price of the Company's Shares at the time of negotiation of the LOI.
4. The Note (and, if it is converted, the Shares issued upon conversion) will be issued to Zoom Developers (P) Ltd (a company incorporated in India). Zoom is not a related party to the Company.
5. The Note will be issued on the terms and conditions set out in paragraph A above. The Note will not be quoted on the ASX. If the Note is converted into Shares, the Shares will be issued on the same terms as, and rank pari passu with, the existing issued Shares of the Company and will be quoted on the ASX.
6. The purpose of the proposed issue of the Note is to provide security for the advance to the Company by Zoom of the Capital Sum. No funds will be raised from the conversion of the Convertible Note as the issue price for the Shares will be applied in satisfaction and repayment of the Capital Sum.
7. Shares will be issued in one parcel or progressively as and when the Note is converted.

The Company will disregard any votes cast on Resolution 1 by Zoom (if a member of the Company at the time of this extraordinary general meeting) or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed, or any of their associates. However, the Company will not disregard the vote if:

- (i) 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
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

### **Resolution 2 - Issue of First Options to Zoom**

Resolution 2 seeks shareholder approval, for the purposes of ASX Listing Rule 7.1 and for all other purposes, if and subject to on or before 7 November 2008:

1. one or more JDA(s) having been entered into between Zoom and the Company; and

2. the entirety of the Capital Sum having been converted into Shares in the Company pursuant to the Note,

to authorise the Directors to issue to Zoom 10,000,000 options (“the First Options”), exercisable at any time from and including 8 November 2008 up to and including 7 January 2009, each to acquire 1 Share at an issue price of 25 cents per Share and otherwise on the terms and conditions set out in section A below.

#### A. Background

As set out above, the Company needs to raise further working capital to fund its ongoing operations. Under the LOI, in addition to agreeing (subject to receiving shareholder approval) to issue the Note to Zoom (which is the subject of resolution 1), the Company has agreed (also subject to receiving shareholder approval) to issue to Zoom the First Options (which are the subject of this resolution) and the further (second) options (which are the subject of resolution 3).

The First Options will only be issued to Zoom if and subject to, on or before 7 November 2008:

1. one or more JDA(s) having been entered into between Zoom and the Company; and
2. the entirety of the Capital Sum having been converted into Shares in the Company pursuant to the Note.

The First Options will be issued on the following terms and conditions:

1. The First Options are exercisable at any time from and including 8 November 2008 up to and including 7 January 2009 (“the FO Expiry Date”). Any First Options not exercised on or before the FO Expiry Date will automatically lapse.
2. The First Options are subject to and conditional upon neither Zoom nor any associate as defined in the Act during the 30 trading day period on the ASX prior to the exercise of any of the First Options (and ending at the close of business on the date of exercise of any of the First Options) having sold or short-sold any securities in the Company nor procured any other third party to have sold or short sold any securities in the Company during that period. A breach of this clause, on any occasion, will automatically terminate all of the (unexercised) First Options and any subsequent options that Zoom may hold to acquire Shares in the Company.
3. The First Options may be exercised wholly or in part by completing a notice of exercise to be delivered to the Company’s registered office and received by it any time prior to the FO Expiry Date. The notice of exercise must be in writing and must be personally delivered between 9.30am and 4.30pm on a day that banks are open for business, to the address of the Company or else despatched by prepaid registered airmail to that address, and such despatch by registered airmail will be deemed to be received on the third business day after the date of posting. Shares issued pursuant to the exercise of a First Option will be issued not more than 14 days after the notice of exercise is received by the Company.
4. The First Options entitle Zoom to subscribe (in respect of each First Option held) for a Share at an exercise price per First Option of 25 cents.
5. Upon the exercise of the First Options and receipt of all relevant documents and payment, Shares will be issued ranking pari passu with the then issued Shares and the Company will apply to ASX to have the Shares granted official quotation.

6. There are no participating entitlements inherent in the First Options to participate in new issues of capital, which may be offered to shareholders during the currency of the First Options. Prior to any new pro rata issue of securities to shareholders, Zoom will be notified by the Company and will be afforded 10 Business Days before the record date (to determine entitlements to the issue), to exercise First Options.
7. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the FO Expiry Date the number of First Options or the exercise price of the First Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Zoom which are not being conferred on shareholders and (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), in all respects the terms for the exercise of the First Options shall remain unchanged. For those purposes, the rights of Zoom will be treated in the manner set out in the ASX Listing Rules applying to reconstructions at that time.
8. The First Options may not be transferred at any time prior to the FO Expiry Date.

If all of the First Options are exercised by Zoom, the Company will raise \$2.5 million by the issue to Zoom of 10 million Shares. The money raised will be applied for the purposes of the Company's general working capital.

There are currently 96,804,585 listed and unlisted Options on issue in the Company.

The issued Share capital of the Company (assuming the conversion of the entirety of the Capital Sum into Shares pursuant to the Note the subject of the resolution 1) if shareholder approval is obtained to issue the First Options and all of the First Options are exercised will be as follows:

|   | Shares      |
|---|-------------|
| Current issued Share Capital  | 180,441,339 |
| Issue of Shares to Zoom assuming the conversion of the entirety of the Capital Sum pursuant to the Note the subject of resolution 1 | 25,000,000  |
| Issue of Shares to Zoom assuming the exercise of all of the First Options the subject of this resolution 2                          | 10,000,000  |
| Total new issued Share Capital  | 215,441,339 |

Zoom does not currently hold any Shares or other securities in the Company. If Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note the subject of resolution 1 and exercises all of the First Options (the subject of this Resolution 2), this will result in Zoom's interest in the Company increasing to 16.25% of the Shares (assuming that none of the existing options in the Company have been exercised). Additional securities are also proposed to be issued to Zoom pursuant to resolution 3 which may further increase Zoom's interest in Shares in the Company (as to which, see the further information provided below). As set out above, the Company has agreed to pay Taylor Collison a commission equal to 5% of money subscribed for Shares consequent upon the exercise of the First Options.

#### B. Listing Rule 7.1

Listing Rule 7.1 prohibits a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without the approval of holders of its ordinary securities. An equity security includes an option over an unissued share and will therefore encompass the First Options.

Equity securities issued with the approval of holders of a company's ordinary securities in accordance with Listing Rule 7.1 or under an exception in Listing Rule 7.2 are not required to be included in the 15% limit imposed by Listing Rule 7.1. Exception 4 of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue of equity securities on the conversion of convertible securities if, inter alia, the company complied with the Listing Rules when it issued the convertible securities.

As set out above, if the entirety of the Capital Sum is converted into Shares pursuant to the Note the subject of resolution 1, the Company will issue 25 million Shares to Zoom, representing 13.85% of its current issued capital (of 180,441,339 Shares). When that is aggregated with the 10,000,000 Options which the Company proposes to issue to Zoom in accordance with this resolution 2, the Company proposes to issue equity securities representing 19.40% of its current issued Share capital. The Company therefore seeks shareholder approval to issue the First Options to Zoom pursuant to Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.3:-

1. The (maximum) number of Shares to be issued to Zoom upon exercise of all of the First Options (the subject of this Resolution 2), is 10 million Shares. In addition, if Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note the subject of resolution 1 it will be issued with an additional 25 million Shares resulting in a maximum of 35 million Shares being issued.
2. Assuming the conditions set out above are satisfied, the First Options will be issued by no later than 7 November 2008 (which is within three months of the date of this extraordinary general meeting). The First Options are exercisable in the period from and including 8 November 2008 up to and including 7 January 2009.
3. No consideration is payable by Zoom for the issue of the First Options. The issue price for the Shares upon exercise of the First Options is 25 cents per Share. This price represents a 25% increase above the market price of the Company's Shares as at the date of negotiation of the LOI.
4. The First Options (and the Shares, if the First Options are exercised) will be issued to Zoom Developers (P) Ltd (a company incorporated in India). Zoom is not a related party to the Company.
5. The First Options will be issued on the terms and conditions set out in paragraph A above. If the First Options (or any of them) are exercised, the Shares will be issued on the same terms as, and rank pari passu with, the existing issued Shares of the Company and will be quoted on the ASX.
6. No funds will be raised from the issue of the First Options, which are being issued for no consideration. If the First Options (or any of them) are exercised, the funds raised will be applied towards the Company's general working capital requirements.
7. The Shares will be issued in one parcel or progressively upon the exercise of the First Options.

The Company will disregard any votes cast on Resolution 2 by Zoom (if a member of the Company at the time of this extraordinary general meeting) or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed or any of their associates. However, the Company will not disregard the vote if:

- (i) 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

- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

### **Resolution 3 - Issue of Second Options to Zoom**

Resolution 3 seeks shareholder approval, for the purposes of ASX Listing Rule 7.1 and for all other purposes, if and subject to on or before 7 November 2008:

1. one or more JDA(s) having been entered into between Zoom and the Company; and
2. the entirety of the Capital Sum having been converted into Shares in the Company pursuant to the Note,

to authorise the Directors to issue to Zoom 10,000,000 options (“the Second Options”) exercisable at any time from and including 8 January 2009 up to and including 7 April 2009 (subject to and conditional upon Zoom having duly exercised all of the First Options), each to acquire 1 Share in the Company at an issue price of 30 cents per Share and otherwise on the terms and conditions set out below.

#### **A. Background**

As set out above, the Company needs to raise further working capital to fund its ongoing operations. Under the LOI, in addition to agreeing (subject to shareholder approval) to issue the Note to Zoom (which is the subject of resolution 1), the Company has also agreed (subject to shareholder approval) to issue to Zoom the First Options (which are the subject of resolution 2) and the Second Options (which are the subject of this resolution 3).

The Second Options will only be issued to Zoom if on or before 7 November 2008:

1. one or more JDA(s) having been entered into between Zoom and the Company; and
2. the entirety of the Capital Sum having been converted into Shares in the Company pursuant to the Note.

The Second Options will be issued on the following terms and conditions:-

1. The Second Options are exercisable at any time from and including 8 January 2009 up to and including 7 April 2009 (“the SO Expiry Date”). Any Second Options not exercised on or before the SO Expiry Date will automatically lapse.
2. The Second Options are subject to and conditional upon neither Zoom nor any associate as defined in the Act during the 30 trading day period on the ASX prior to the exercise of any of the Second Options (and ending at the close of business on the date of exercise of any of the Second Options) having sold or short-sold any securities in the Company nor procured any other third party to have sold or short sold any securities in the Company during that period. A breach of this clause, on any occasion, will automatically terminate all of the (unexercised) Second Options and any subsequent options that Zoom may hold to acquire Shares in the Company.
3. The Second Options may be exercised wholly or in part by completing a notice of exercise to be delivered to the Company’s registered office and received by it any time prior to the SO Expiry Date. The notice of exercise must be in writing and must be personally delivered between 9.30am and 4.30pm on a day that banks are open for business, to the address of the Company or else despatched by prepaid registered airmail to that address, and such despatch

by registered airmail will be deemed to be received on the third business day after the date of posting. Shares issued pursuant to the exercise of a Second Option will be issued not more than 14 days after the notice of exercise is received by the Company.

4. The Second Options entitle Zoom to subscribe (in respect of each Second Option held) for a Share at an exercise price per Second Option of 30 cents.
5. Upon the exercise of the Second Options and receipt of all relevant documents and payment, Shares will be issued ranking pari passu with the then issued Shares and the Company will apply to ASX to have the Shares granted official quotation.
6. There are no participating entitlements inherent in the Second Options to participate in new issues of capital, which may be offered to shareholders during the currency of the Second Options. Prior to any new pro rata issue of securities to shareholders, Zoom will be notified by the Company and will be afforded 10 Business Days before the record date (to determine entitlements to the issue), to exercise Second Options.
7. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the SO Expiry Date the number of Second Options or the exercise price of the Second Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Zoom which are not being conferred on shareholders and (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), in all respects the terms for the exercise of the Second Options shall remain unchanged. For those purposes, the rights of Zoom will be treated in the manner set out in the ASX Listing Rules applying to reconstructions at that time.
8. The Second Options may not be transferred at any time prior to the SO Expiry Date.
9. The Second Options are only exercisable if Zoom has duly exercised all of the First Options.

If the Second Options are all exercised by Zoom, the Company will raise \$3 million by the issue to Zoom of a further 10 million Shares. The money will be applied for the purposes of the Company's general working capital.

There are currently 96,804,585 listed and unlisted Options on issue in the Company.

The issued Share capital of the Company (assuming the conversion of the entirety of the Capital Sum into Shares pursuant to the Note the subject of the resolution 1 and the exercise of all of the First Options) if shareholder approval is obtained to issue the Second Options and all of the Second Options are exercised will be as follows:

|   | Shares      |
|---|-------------|
| Current issued Share Capital  | 180,441,339 |
| Issue of Shares to Zoom assuming the conversion of the entirety of the Capital Sum pursuant to the Note the subject of resolution 1 | 25,000,000  |
| Issue of Shares to Zoom assuming the exercise of all of the First Options the subject of resolution 2                               | 10,000,000  |
| Issue of Shares to Zoom assuming the exercise of all of the Second Options the subject of this resolution                           | 10,000,000  |
| Total new issued Share Capital  | 225,441,339 |

Zoom does not currently hold any Shares or other securities in the Company. If Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note the subject of resolution 1, exercises

all of the First Options the subject of resolution 2 and exercises all of the Second Options the subject of this resolution, this will result in Zoom's interest in the Company increasing to 19.96% of the Shares (assuming that none of the existing options in the Company have been exercised).

As set out above, the Company has agreed to pay Taylor Collison a commission equal to 5% of money subscribed for Shares consequent upon the exercise of the Second Options.

#### B. Listing Rule 7.1

Listing Rule 7.1 prohibits a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without the approval of holders of its ordinary securities. An equity security includes an option over an unissued share and will therefore encompass the Second Options.

Equity securities issued with approval of holders of a company's ordinary securities in accordance with Listing Rule 7.1 or under an exception in Listing Rule 7.2 are not required to be included in the 15% limit imposed by Listing Rule 7.1. Exception 4 of Listing Rule 7.2 provides that Listing Rule 7.1 does not apply to an issue of equity securities on the conversion of convertible securities if, inter alia, the company complied with the Listing Rules when it issued the convertible securities.

As set out above, if the entirety of the Capital Sum is converted into Shares pursuant to the Note, the Company will issue 25 million Shares to Zoom, representing 13.85% of its current issued capital (of 180,441,339 Shares). When that is aggregated with the 10,000,000 First Options and the 10,000,000 Second Options, the Company proposes to issue equity securities representing 24.94% of its current issued capital. The Company therefore seeks shareholder approval to issue the Second Options to Zoom pursuant to Listing Rule 7.1.

The following information is provided in accordance with Listing Rule 7.3:-

1. The (maximum) number of Shares the Company will issue to Zoom if all of the Second Options (the subject of this Resolution 3), are exercised is 10 million Shares. In addition, if Zoom converts the entirety of the Capital Sum into Shares pursuant to the Note the subject of resolution 1 and exercises all of the First Options the subject of resolution 2 it will be issued with an additional 35 million Shares, resulting in a maximum of 45 million Shares being issued.
2. Assuming the conditions set out above are satisfied, the Second Options will be issued by no later than 7 November 2008 (which is within three months of the date of this extraordinary general meeting). The Second Options are exercisable (subject to and conditional upon Zoom having duly exercised all of the First Options) in the period from and including 8 January 2009 up to and including 7 April 2009.
3. No consideration is payable by Zoom for the issue of the Second Options. The issue price for the Shares upon exercise of the Second Options is 30 cents per Share. This price represents a 50% increase above the market price of the Company's Shares as at the date of negotiation of the LOI.
4. The Second Options (and the Shares, if the Second Options are exercised) will be issued to Zoom Developers (P) Ltd (a company incorporated in India). Zoom is not a related party to the Company.
5. The Second Options will be issued on the terms and conditions set out in section A above. If the Second Options (or any of them) are exercised, the Shares will be issued on the same terms as, and rank pari passu with, the existing issued Shares of the Company and will be quoted on the ASX.

6. No funds will be raised from the issue of the Second Options, which are being issued for no consideration. If the Second Options (or any of them) are exercised, the funds raised will be applied towards the Company's general working capital requirements.
7. The Shares will be issued in one parcel or progressively upon the exercise of the Second Options.

The Company will disregard any votes cast on Resolution 3 by Zoom (if a member of the Company at the time of this extraordinary general meeting) or a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed or any of their associates. However, the Company will not disregard the vote if:

- (i) 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
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

## **APPENDIX A**

### **Senior Debt Facility Terms and Conditions**

**Loan Amount (Capital Sum)** – AU\$ 5 million

**Loan Term** – The Capital Sum is to be repaid in full on or before 28 February 2009 unless converted to Shares in the Company pursuant to the Note.

**Interest Rate** – 15% per annum

**Interest Accrual and Payment** - The Capital Sum will accrue non-compounding interest at the rate of 15% per annum, computed from and after the day the Capital Sum is received by the Company into its bank account. The interest will be calculated on a pro-rata daily basis from and after the date of receipt by the Company of the Capital Sum up to and including the earlier of the date of conversion of the Capital Sum into Shares pursuant to the Note or the date of repayment of the Capital Sum as provided above and will be payable in full on the earlier of the date of repayment of the Capital Sum and the date of issue of the Shares to Zoom, as the case may be.

**Security** - If for any reason Zoom does not duly elect to convert the Capital Sum into Shares on or before 7 November 2008 pursuant to the Note, the Capital Sum will be deemed as senior debt to the Company to be secured by a Fixed and Floating Charge over the assets and undertakings of the Company. This charge will be prepared and registered by solicitors appointed by Zoom at the reasonable cost of the Company on normal and reasonable terms typical of a senior loan note consistent with these terms and conditions and will secure both the Capital Sum and the accumulated interest. The charge will be fixed and floating and will permit the Company and all its subsidiaries to continue to operate and to dispose of stock and other assets in the normal course of business.

**Events of Default** – Any material breach by the Company of any term of the LOI or of the Fixed and Floating Charge which continues for at least 7 days after service of written notice of default by Zoom on the Company will constitute an event of default for the purposes of the Fixed and Floating Charge.

