

Auzex Resources Limited ABN 74 106 444 606 (Company)**Pre-quotation Disclosure****Annexure D – Issue of options and terms and conditions of options granted other than under the Auzex Option Plan**

On 23 September 2005 the Company issued options to the Directors, Roger Mustard (the Chief Geologist) and Phillip Chisholm (the Company's corporate adviser) as set out in the table on page 124 of the Prospectus.

The grant of options to director Paul Frederiks and Roger Mustard were in accordance with the Auzex Option Plan. The grant to Philip Chisholm was made in accordance with the terms and conditions in Attachment 1, and each other grant was made in accordance with the terms and conditions in Attachment 2.

ATTACHMENT 1

Option terms and conditions of issue (Chisholm)

Entitlement

- 1 Subject to and conditional upon these terms and conditions, the Holder is entitled to subscribe for the allotment and issue of one fully paid ordinary share in the Company upon payment of the Exercise Price during the Exercise Period (**Option**).
- 2 The Holder is not entitled to exercise any Option if the exercise of that Option would result in a contravention of the constitution of the Company, the ASX Listing Rules or the Corporations Act 2001 and any purported exercise in these circumstances is invalid.

Exercise Price

- 3 The Exercise Price of each Option is \$0.50.

Exercise Period

- 4 An Option is exercisable at any time on and from the First Exercise Date and on or before the Last Exercise Date. Options not exercised by the Last Exercise Date lapse.
- 5 The Company will at least 10 Business Days before the Last Exercise Date send a notice to the Holder stating the name of the Holder, the number of Options held and the number of securities to be issued on exercise of each Option, the Exercise Price, the due date for payment and the consequences of non-payment.

Lapse of Options

- 6 An Option will lapse on the earliest of:
 - 6.1 the Last Exercise Date; or
 - 6.2 the receipt by the Company of notice from the Holder (after a Special Circumstance has arisen with respect to the Holder) that the Holder has elected to surrender the Option.
- 7 On an Option lapsing, all rights of the Holder in respect of the Option cease and no consideration or compensation will be payable for or in relation to that lapse.

Option certificate

- 8 A certificate will be issued for the Options. If there is more than one Option on a certificate and prior to the Last Exercise Date those Options are exercised in part, the Company will issue another certificate for the balance of the Options held and not yet exercised.

Manner of exercise of Options

- 9 Each Option may be exercised by giving written notice to the Company at its registered office accompanied by the Option certificate and payment of the required Exercise Price. All cheques must be payable to the Company and be crossed not negotiable.

- 10 The Holder may not exercise less than 2,000 Options at any one time (or such other number as the Board may resolve from time to time), unless the Holder has less than 2,000 Options (or such other number as the Board may resolve from time to time) in which event the Holder must exercise all such Options together.

Timing of issue of Shares

- 11 After an Option is validly exercised, the Company must:
- 11.1 issue and allot the Shares within 10 Business Days of the exercise of the Option; and
 - 11.2 subject to the securities of the Company being listed on ASX and to any restrictions imposed on the Options or Shares issued upon exercise of the Options under the ASX Listing Rules, do all such acts matters and things to obtain the grant of quotation for the Shares on ASX no later than 3 Business Days after the date of issue and allotment of the Shares.

Ranking of Shares

- 12 Shares issued on the exercise of Options will rank equally with all existing Shares on and from the date of issue in all respects.

Participation in new Issues

- 13 A Holder may participate in new issues of securities to holders of Shares only if and to the extent that:
- 13.1 an Option has been exercised; and
 - 13.2 a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.
- 14 The Company must give written notice to the Holder of any new issue not less than 10 Business Days before the record date for determining entitlements to the issue.

Adjustment for bonus issues of shares

- 15 If the Company makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
- 15.1 the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Holder would have received if the Holder had exercised the Option before the record date for the bonus issue; and
 - 15.2 no change will be made to the Exercise Price.

Adjustment for rights issue

- 16 If the Company makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - \frac{E[P - (S+D)]}{N + 1}}$$

where

- O = the old exercise price of the Option.
- E = the number of underlying shares into which one Option is exercisable.
- P = the average market price per of Share (weighted by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).
- N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

Reconstructions

- 17 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which will not result in any benefits being conferred on the Holder which are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

Takeovers

- 18 If a takeover bid or other offer is made to acquire some or all of the issued Shares of the Company, the Board must give written notice to the Holder of the takeover bid or takeover bid (**Takeover Notice**) specifying a period of no less than 5 Business Days during which Options may be exercised.
- 19 The Holder will be entitled:
- 19.1 in the period referred to in the Takeover Notice, to exercise all or any of his Options; and
- 19.2 to receive from the offeror the consideration payable on acceptance of the takeover bid or offer.

Compromise and arrangements

- 20 If, under Part 5.1 of the Corporations Act 2001, the Court sanctions a compromise or arrangement proposed for the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies which, if implemented, would result in a change in the Control of the Company, the Board must give written notice to the Holder of the compromise or arrangement (**Reconstruction Notice**) specifying a period of not less than 5 Business Days during which Options may be exercised. The Holder will be entitled,

in the period referred to in the Reconstruction Notice, to exercise all or any of his Options.

Ability to exercise Options

21 The Holder may exercise all or any Options in accordance with clauses 19 and 8.7, regardless of whether or not:

21.1 the terms and conditions of this document have been satisfied; or

21.2 the First Exercise Date has arrived,

provided that no Option will be capable of exercise later than the Last Exercise Date.

Aggregation

22 If a number of Options are exercised simultaneously, the number of Shares or fractions of Shares which are to be issued as a consequence of those exercises, may be aggregated. Any fraction in that aggregate number only will be disregarded in determining the total entitlement of the Holder.

Interpretation

23 In these terms and conditions, the following words and expressions have the following meanings:

ASX means the licensed market operated by Australian Stock Exchange Limited ACN 008 624 691.

Board means the Board of directors of the Company from time to time.

Business Day means a day on which banks (as defined in the Banking Act 1959 (Cth)) are open for general banking business in Brisbane, excluding Saturdays and Sundays.

Control has the meaning given to it by section 50AA of the Corporations Act 2001.

Exercise Price has the meaning given by clause 3.

First Exercise Date means 1 October 2005.

Group means the Company and its Subsidiaries.

Last Exercise Date means 5pm on 30 September 2010.

Shares means fully paid ordinary shares in the capital of the Company.

Special Circumstances in relation to the Holder means that Holder's:

(a) Total and Permanent Disablement;

(b) death;

(c) redundancy; or

(d) such other circumstances as the Board may at any time determine (whether before or after the date of grant of the Options).

Subsidiary means a body corporate of which the Company is a holding company in terms of section 9 and Division 6 of Part 1.2 of the Corporations Act 2001.

Total and Permanent Disablement means that the Holder has, in the reasonable opinion of the Board, become permanently incapacitated to such an extent as to render the Holder unlikely to engage in the Holder's usual occupation again.

ATTACHMENT 2

Option terms and conditions of issue (other Directors)

Entitlement

- 1 Subject to and conditional upon these terms and conditions, the Holder is granted the First Tranche and the Second Tranche giving the right to subscribe for the allotment and issue of one fully paid ordinary share in the Company upon payment of the relevant Exercise Price during the relevant Exercise Period (**Option**).
- 2 The Holder is not entitled to exercise any Option if the exercise of that Option would result in a contravention of the constitution of the Company, the ASX Listing Rules or the Corporations Act 2001 and any purported exercise in these circumstances is invalid.

Exercise Price

- 3 The Exercise Price of each Option is, in relation to the:
 - 3.1 First Tranche - \$0.75 per Share; and
 - 3.2 Second Tranche - \$1.00 per Share.

Exercise Period

- 4 An Option is exercisable at any time on and from the relevant First Exercise Date and on or before the Last Exercise Date.
- 5 Options not exercised by the Last Exercise Date lapse.
- 6 The Company will at least 10 Business Days before the Last Exercise Date send a notice to the Holder stating the name of the Holder, the number of Options held and the number of securities to be issued on exercise of each Option, the Exercise Price, the due date for payment and the consequences of non-payment.

Lapse of Options

- 7 Subject to clause 8, an Option will lapse on the earliest of:
 - 7.1 the Last Exercise Date;
 - 7.2 a determination of the Board that the Holder has, in the Board's opinion:
 - (b) been dismissed or removed from office for a reason which entitles the Company to dismiss the Holder without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company (whether or not charged with an offence); or
 - (c) done any act which brings the Group into disrepute;
 - 7.3 the date on which the Holder ceases to be employed by any member of the Group (other than due to the occurrence of a Special Circumstance);

- 7.4 the receipt by the Company of notice from the Holder (after a Special Circumstance has arisen with respect to the Holder) that the Holder has elected to surrender the Option.
- 8 Clause 7 is subject to the Board, in its discretion, allowing the Holder to exercise all or any Options, whether or not the terms and conditions of this document have been satisfied, and whether or not the Options would otherwise have lapsed, provided that no Options will be capable of exercise later than the Last Exercise Date.
- 9 If, within 30 days of the earlier to occur of:
- 9.1 the Holder ceasing to be an Executive; or
- 9.2 the giving of notice of termination by the Holder or the Company,
- the Holder requests the Board in writing to do so, the Board must determine whether or not to exercise its discretion under clause 8 in relation to the Holder, having regard to (among other matters) the following factors:
- 9.3 the reason for the cessation of employment within the Group;
- 9.4 the length of time between the date of cessation of employment and the Last Exercise Date;
- 9.5 the total length of service of the Holder as an employee within the Group;
- 9.6 if the cessation of employment is related to the Holder's performance, then the extent to which the Holder has been given warning of his performance inadequacies;
- 9.7 information provided by the Holder to the Board to support any claim to exercise the discretion in the Holder's favour; and
- 9.8 applicable law.
- 10 On an Option lapsing, all rights of the Holder in respect of the Option cease and no consideration or compensation will be payable for or in relation to that lapse.

Option certificate

- 11 A certificate will be issued for the Options. If there is more than one Option on a certificate and prior to the Last Exercise Date those Options are exercised in part, the Company will issue another certificate for the balance of the Options held and not yet exercised.

Manner of exercise of Options

- 12 Each Option may be exercised by giving written notice to the Company at its registered office accompanied by the Option certificate and payment of the required Exercise Price. All cheques must be payable to the Company and be crossed not negotiable.
- 13 The Holder may not exercise less than 2,000 Options at any one time (or such other number as the Board may resolve from time to time), unless the Holder has less than

2,000 Options (or such other number as the Board may resolve from time to time) in which event the Holder must exercise all such Options together.

Timing of issue of Shares

- 14 After an Option is validly exercised, the Company must:
- 14.1 issue and allot the Shares within 10 Business Days of the exercise of the Option; and
 - 14.2 subject to the securities of the Company being listed on ASX and to any restrictions imposed on the Options or Shares issued upon exercise of the Options under the ASX Listing Rules, do all such acts matters and things to obtain the grant of quotation for the Shares on ASX no later than 3 Business Days after the date of issue and allotment of the Shares.

Ranking of Shares

- 15 Shares issued on the exercise of Options will rank equally with all existing Shares on and from the date of issue in all respects.

Options personal to the Holder

- 16 Options are personal to the Holder and, unless the Board resolves otherwise, may not be transferred or exercised by any other person or body corporate except that they may be transferred by transmission to the Holder's legal personal representative in the same way as shares are capable of being transferred by transmission and the Holder's legal personal representative may exercise the Options.

Participation in new issues

- 17 A Holder may participate in new issues of securities to holders of Shares only if and to the extent that:
- 17.1 an Option has been exercised; and
 - 17.2 a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.
- 18 The Company must give written notice to the Holder of any new issue not less than 10 Business Days before the record date for determining entitlements to the issue.

Adjustment for bonus issues of shares

- 19 If the Company makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
- 19.1 the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Holder would have received if the Holder had exercised the Option before the record date for the bonus issue; and
 - 19.2 no change will be made to the Exercise Price.

Adjustment for rights issue

- 20 If the Company makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N + 1}$$

where

- O = the old exercise price of the Option.
- E = the number of underlying shares into which one Option is exercisable.
- P = the average market price per of Share (weighted by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).
- N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

Reconstructions

- 21 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which will not result in any benefits being conferred on the Holder which are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

Takeovers

- 22 If a takeover bid or other offer is made to acquire some or all of the issued Shares of the Company, the Board must give written notice to the Holder of the takeover bid or takeover bid (**Takeover Notice**) specifying a period of no less than 5 Business Days during which Options may be exercised.
- 23 The Holder will be entitled:
- 23.1 in the period referred to in the Takeover Notice, to exercise all or any of his Options; and
- 23.2 to receive from the offeror the consideration payable on acceptance of the takeover bid or offer.

Compromise and arrangements

- 24 If, under Part 5.1 of the Corporations Act 2001, the Court sanctions a compromise or arrangement proposed for the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies which, if implemented, would result in a change in the Control of the Company, the Board must give written notice to the Holder of the compromise or arrangement (**Reconstruction Notice**) specifying a period of not less than 5 Business Days during which Options may be exercised. The Holder will be entitled, in the period referred to in the Reconstruction Notice, to exercise all or any of his Options.

Ability to exercise Options

- 25 The Holder may exercise all or any Options in accordance with clauses 19 and 8.7, regardless of whether or not:
- 25.1 the terms and conditions of this document have been satisfied; or
- 25.2 the relevant First Exercise Date has arrived,
- provided that no Option will be capable of exercise later than the Last Exercise Date.

Aggregation

- 26 If a number of Options are exercised simultaneously, the number of Shares or fractions of Shares which are to be issued as a consequence of those exercises, may be aggregated. Any fraction in that aggregate number only will be disregarded in determining the total entitlement of the Holder.

Interpretation

- 27 In these terms and conditions, the following words and expressions have the following meanings:
- ASX** means the licensed market operated by Australian Stock Exchange Limited ACN 008 624 691.
- Board** means the Board of directors of the Company from time to time.
- Business Day** means a day on which banks (as defined in the Banking Act 1959 (Cth)) are open for general banking business in Brisbane, excluding Saturdays and Sundays.
- Control** has the meaning given to it by section 50AA of the Corporations Act 2001.
- Executive** means a director or an employee of a Group company determined by the Board to be in an executive position.
- Exercise Price** has the meaning given by clause 3.
- First Exercise Date** means, in relation to the:
- (a) First Tranche – 1 September 2006; and
- (b) Second Tranche – 1 September 2007.

First Tranche means 250,000 Options.

Group means the Company and its Subsidiaries.

Last Exercise Date means 5.00 pm on 30 August 2010.

legal personal representative means the executor of the will or an administrator of the estate of a deceased person or the trustee of the estate of a person under a legal disability.

Second Tranche means 250,000 Options

Shares means fully paid ordinary shares in the capital of the Company.

Special Circumstances in relation to the Holder means that Holder's:

- (a) Total and Permanent Disablement;
- (b) death;
- (c) redundancy; or
- (d) such other circumstances as the Board may at any time determine (whether before or after the date of grant of the Options).

Subsidiary means a body corporate of which the Company is a holding company in terms of section 9 and Division 6 of Part 1.2 of the Corporations Act 2001.

Total and Permanent Disablement means that the Holder has, in the reasonable opinion of the Board, become permanently incapacitated to such an extent as to render the Holder unlikely to engage in the Holder's usual occupation again.