

**EAGLE BAY RESOURCES NL**  
**ACN 051 212 429**

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**NOTICE OF GENERAL MEETING**

**PROXY FORM**

**EXPLANATORY MEMORANDUM**

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**Date of Meeting**

9 May 2008

**Time of Meeting**

10.00am

**Place of Meeting**

Celtic Club, 48 Ord Street, West Perth

# EAGLE BAY RESOURCES NL

ACN 051 212 429

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT A GENERAL MEETING OF SHAREHOLDERS OF EAGLE BAY RESOURCES NL (“Eagle Bay”) WILL BE HELD AT THE CELTIC CLUB, 48 ORD STREET, WEST PERTH, WESTERN AUSTRALIA ON FRIDAY 9 May 2008, AT 10.00 AM.

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### 1. Change of company type

To consider, and if thought fit, to approve, the following resolution as a special resolution:

*“That, for the purposes of section 162(1) of the Corporations Act and for all other purposes, the type of the Company be changed from a public no liability company to a public company limited by shares.”*

### 2. Change of company name

To consider, and if thought fit, to approve, the following resolution as a special resolution:

*“That, subject to resolution 1 being approved, on the day that the change of type of the Company is registered by ASIC, the name of the company be changed to Strategic Energy Resources Limited.”*

### 3. Issue of Options to Mr Jonathan Salomon

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

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules of Australian Securities Exchange Limited and for all other purposes, the shareholders approve and authorise the issue of 9,000,000 free Options (“Employee Options”) to Mr Jonathan Salomon (or his permitted nominee), each to acquire a fully paid ordinary share in the capital of Eagle Bay on the terms and conditions stated in the Explanatory Statement accompanying this Notice of Meeting.”*

### 4. Issue of Options to Mr James Craib

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

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules of Australian Securities Exchange Limited and for all other purposes, the shareholders approve and authorise the issue of 2,000,000 free Options (“Employee Options”) to Mr James Craib (or his permitted nominee), each to acquire a fully paid ordinary share in the capital of Eagle Bay on the terms and conditions stated in the Explanatory Statement accompanying this Notice of Meeting.”*

### 5. Issue of Options to Mr John Roy

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

*“That, for the purpose of Listing Rule 10.11 of the Listing Rules of Australian Securities Exchange Limited and for all other purposes, the shareholders approve and authorise the issue of 2,000,000 free Options (“Employee Options”) to Mr John Roy (or his permitted nominee), each to acquire a fully paid ordinary share in the capital of Eagle Bay on the terms and conditions stated in the Explanatory Statement accompanying this Notice of Meeting.”*

**6. Issue of Options to Ms Linda Bell**

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

*“That, for the purposes of Listing Rule 10.11 of the Listing Rules of Australian Securities Exchange Limited and for all other purposes, the shareholders approve and authorise the issue of 2,000,000 free Options (“Employee Options”) to Ms Linda Bell (or her permitted nominee), each to acquire a fully paid ordinary share in the capital of Eagle Bay on the terms and conditions stated in the Explanatory Statement accompanying this Notice of Meeting.”*

**7. Issue of Options to Mr Ian Barr**

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

*“That, for the purposes of Listing Rule 7.1 of the Listing Rules of Australian Securities Exchange Limited and for all other purposes, the shareholders approve and authorise the issue of 2,000,000 free Options (“Employee Options”) to Mr Ian Barr (or his permitted nominee), each to acquire a fully paid ordinary share in the capital of Eagle Bay on the terms and conditions stated in the Explanatory Statement accompanying this Notice of Meeting.”*

**8. Ratification of Previous Issue of Options to Mr Ian Barr**

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

*“That, for the purposes of Listing Rule 7.4. of the Listing Rules of Australian Securities Exchange Limited and for all other purposes, the shareholders ratify the allotment and issue of 2,000,000 free Options to Mr Ian Barr (or his permitted nominee), each to acquire a fully paid ordinary share in the capital of Eagle on the terms and conditions stated in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusions:**

- Resolution 3: for the purposes of Listing Rule 10.13.6 and section 224 of the Corporations Act, the Company will disregard any vote cast on this resolution by Mr Jonathon Salomon or his nominee or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any of his associates if the resolution is passed;
- Resolution 4: for the purposes of Listing Rule 10.13.6 and section 224 of the Corporations Act, the Company will disregard any vote cast on this resolution by Mr James Craib or his nominee or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any of his associates if the resolution is passed;
- Resolution 5: for the purposes of Listing Rule 10.13.6 and section 224 of the Corporations Act, the Company will disregard any votes cast on this resolution by Mr John Roy or his nominee or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any of his associates if the resolution is passed;
- Resolution 6: for the purposes of Listing Rule 10.13.6 and section 224 of the Corporations Act, the Company will disregard any vote cast on this resolution by Ms Linda Bell or her nominee or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any of her associates if the resolution is passed;
- Resolution 7: for the purposes of Listing Rule 7.3.8, the Company will disregard any vote cast on this resolution by Mr Ian Barr or his nominee or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any of his associates if the resolution is passed;
- Resolution 8: the Company will disregard any vote cast on this resolution by Mr Ian Barr and any associates of Mr Ian Barr,

unless 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 the person chairing the general meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

BY ORDER OF THE BOARD

Dated 2 April 2008



Linda Bell  
Company Secretary

### **PROXY**

A member entitled to attend and to vote at the meeting is entitled to appoint a proxy to attend and to vote instead of the member. The proxy need not be a member of Eagle Bay. Proxy Forms must be lodged at the principal office of Eagle Bay at Level 1, 610 Murray Street, West Perth, Western Australia 6005, (PO Box 913 West Perth, Western Australia 6872) or by facsimile on (08) 9481 3330 OR at the company's share registry Advanced Share Registry at 150 Stirling Highway, Nedlands Western Australia 6009 (PO Box 1156, Nedlands, Western Australia 6909) or by facsimile on (08) 9389 7871 not later than 48 hours before the time of the meeting

For the determination of voting entitlements, the Directors have determined that the numbers of shares registered in the names of each member 24 hours prior to the time of the meeting will be taken, for the purposes of the meeting, to be held by the person who held them at that time.

A Proxy Form accompanies this Notice of Meeting.

# EAGLE BAY RESOURCES NL

ACN 051 212 429

## EXPLANATORY STATEMENT

This Explanatory Statement is for the information of Shareholders of Eagle Bay Resources NL (Eagle Bay) in connection with Resolutions to be considered at the General Meeting of Eagle Bay to be held on Friday, 9th May 2008 at 10.00am. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors before voting.

### **Resolutions 1 and 2 – Change of company name and type**

It is proposed to change the company name from Eagle Bay Resources NL to Strategic Energy Resources Limited. The directors consider that the new name better reflects the company's business in oil and gas and the potential use of its graphite in renewable energy technology. The company has new board members and a change of name will reflect a new era for the company. New logos are being developed along with a marketing plan to reflect the revitalised company and its activities.

Resolution 1 seeks shareholder approval for the Company to change from a public no liability company to a public company limited by shares. Your Directors consider that it is no longer appropriate for the Company to be a no liability company, and that this change of company type would better suit the Company's commercial needs. In particular, your Directors believe that there is a trend away from resources companies being no liability companies, and that the market and investors perceive public limited companies to be more attractive.

The principal differences between a public no liability company and a public company limited by shares may be summarised as follows:

(a) holders of partly paid shares in a public no liability company have no contractual liability to pay up the unpaid portion of the issue price of those shares, although the shares will generally be forfeited if a call on the shares is not paid. In a public company limited by shares, a holder of partly paid shares has a contractual liability to pay the amounts unpaid in his or her shares, as and when those amounts are called up, and any balance owing after the shares have been forfeited and disposed of for non-payment of a call remains a debt due and payable to the company;

(b) a public no liability company can only be involved in mining activities. In contrast, a public company limited by shares can undertake any type of activity and in doing so generally has all the powers of a natural person;

(c) dividends are payable in a public no liability company to shareholders in proportion to the shares held by them, regardless of the amounts paid up on those shares. However a person is not entitled to a dividend on a share in a public no liability company if a call has been made on the share and is due and unpaid. In a public company limited by shares, dividends are usually payable in proportion to the amounts paid up on shares; and

(d) surplus assets in a public no liability company available for distribution to shareholders on a winding up of the company are distributed to shareholders in proportion to the shares held by them, regardless of the amounts paid up on those shares. In a public company limited by shares, any surplus available for distribution in a winding up is generally distributed to shareholders in proportion to the amounts paid up on their shares.

It is a requirement that before conversion to a public company limited by shares, all the shares issued in a public no liability company must be fully paid up. Currently all shares in the Company are fully paid.

### **Directors' Recommendation**

The Directors unanimously recommend that shareholders approve Resolutions 1 and 2 for the Company to change its name and for it to change from a public no liability company to a public company limited by shares.

Resolutions 1 and 2 are special resolutions which must be passed by at least three quarters of the votes cast by the members entitled to vote on the resolutions.

### **Resolution 3 – Issue of options to Mr Jonathan Salomon**

Mr Jonathan Salomon was appointed to the board as an executive director on 4 February 2008. His salary is \$300,000 pa including superannuation at 9%, plus the options noted below. As part of the remuneration negotiations with Mr Salomon the Board agreed to grant 9,000,000 options to subscribe for fully paid shares in the capital of the Company subject to obtaining all necessary shareholder approvals.

Shareholder approval for the grant of the Employee Options the subject of resolution 3 is sought for the purposes of:

- Chapter 2E of the Corporations Act – which governs the giving of financial benefits to “related parties”, e.g. directors of a company; and
- ASX Listing Rule 10.11 - which requires shareholder approval by ordinary resolution prior to the issue of securities (including options) to a related party of a company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The purpose of the proposed grant of Employee Options is to provide Mr Salomon with incentive, whilst enabling the Company to preserve its cash reserves.

### ***Chapter 2E of the Corporations Act - Related Party Transactions***

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

In accordance with the requirements of Chapter 2E and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed grant of Employee Options:

- (a) being a Director of the Company, Mr Salomon is a related party of the Company (by virtue of Section 228(2)(a) of the Corporations Act) to whom the financial benefit would be given;
- (b) the nature of the financial benefit to be given to Mr Salomon is the grant of the following options:

| Number of options | Vesting period from date of issue | Exercise price | Expiry date        |
|-------------------|-----------------------------------|----------------|--------------------|
| 3,000,000         | - (no waiting period)             | 5 cents        | 5 years from issue |
| 3,000,000         | 12 months from issue              | 7.5 cents      | 6 years from issue |
| 3,000,000         | 24 months from issue              | 10 cents       | 7 years from issue |

In order to exercise any options Mr Salomon must be in the employ of the Company or have been in the employ of the Company for at least three years prior to exercising the Options.

The options will lapse if not exercised within one year of Mr Salomon ceasing to be employed by the Company.

The options will lapse immediately in the event that Mr Salomon's appointment is terminated as a result of a determination by the Board that Mr Salomon has acted fraudulently, dishonestly or in breach of his obligations to the Company or a related body corporate.

These options will not be listed on the ASX.

- (c) Mr Salomon has a material personal interest in the outcome of the resolution and therefore declines to make any comment as to how shareholders should vote in relation to the resolution;
- (d) the other Directors Mr Jim Craib, Mr John Roy and Ms Linda Bell (who have no interest in the outcome of the resolution) recommend that shareholders vote in favour of the resolution as it is an appropriate means of providing Mr Salomon with an incentive to continue to create value for shareholders;
- (d) the Employee Options are to be issued free of charge. Any funds raised from the exercise of the Employee Options will be used for the Company's general working capital requirements. Based on the Black-Scholes option pricing model, the Company estimates that the Employee Options referred to in resolution 3 are valued as per the table below. Assumptions made to determine the value of the Employee Options are an underlying share price of 4 cents on 7 February 2008, volatility values of 150% and 110% and a risk free interest rate (short term Government Bond rate) of 6.75% pa. If the Employee Options are exercised and the exercise price paid, the holder of the Employee Options will be issued with one fully paid ordinary share in the capital of Eagle Bay for each Employee Option exercised. The Employee Options have no rights to dividends or bonus issues.

The value of the options package to Mr Salomon is set out in the table below.

| Option life        | Value of Employee Options at 150% volatility |                                  | Value of Employee Options at 110% volatility |                                  |
|--------------------|--|----------------------------------|--|----------------------------------|
|                    | Cents per option                             | Total value of 3,000,000 options | Cents per option                             | Total value of 3,000,000 options |
| 5 years from issue | 2.92 cents each                              | \$87,600                         | 2.54 cents each                              | \$76,200                         |
| 6 years from issue | 2.96 cents each                              | \$88,800                         | 2.56 cents each                              | \$76,800                         |
| 7 years from issue | 3.01 cents each                              | \$90,300                         | 2.62 cents each                              | \$78,600                         |

- (e) over the last 12 months the lowest recorded price of the Company's shares in ASX trading was 2.7 cents on 1 April 2008 and the highest was 10.5 cents on 30 October 2007. At the close of trading on 1 April 2008, the last day of trading prior to the lodgement of the Notice of General Meeting with ASIC, the share price was 2.7 cents;
- (f) Capital structure:
  - (i) On granting of the Employee Options to Mr Salomon (and excluding the Options proposed in Resolutions 4, 5, 6 and 7):

|  | <b>Shares</b>      | <b>Unlisted<br/>Options</b> | <b>Listed<br/>Options</b> |
|--|--------------------|-----------------------------|---------------------------|
| Existing securities on issue as at the date of this Notice | 288,222,499        | 5,250,000                   | 88,932,845                |
| Number of Options to be granted                            | -                  | 9,000,000                   | -                         |
| Total securities after Options granted                     | <u>288,222,499</u> | <u>14,250,000</u>           | <u>88,932,845</u>         |

- (ii) Assuming all Employee Options issued to Mr Salomon are exercised (and excluding the Options proposed in Resolution 4, 5, 6 and 7):

|   | <b>Shares</b>      | <b>Unlisted<br/>Options</b> | <b>Listed<br/>Options</b> |
|---|--------------------|-----------------------------|---------------------------|
| Existing securities on issue as at the date of this Notice    | 288,222,499        | 5,250,000                   | 88,932,845                |
| Number of shares to be issued on exercise of Employee Options | 9,000,000          | -                           | -                         |
| Total securities assuming Employee Options exercised          | <u>297,222,499</u> | <u>-</u>                    | <u>88,932,845</u>         |

- (g) Other than as set out in this Explanatory Statement, it is not considered that from an economic and commercial point of view there are any costs and detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company resulting from the issue of the Employee Options. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass resolution 3 other than that (following the passing of this resolution) Mr Salomon will hold relevant interests in the following shares and options in the Company:

| <b>Director</b>     | <b>Number of Shares</b> |                 | <b>Options</b> |
|---------------------|-------------------------|-----------------|----------------|
|                     | <b>Direct</b>           | <b>Indirect</b> |                |
| Mr Jonathan Salomon | -                       | -               | 9,000,000      |

### **Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company.

A “related party” includes a director of a company and therefore Mr Salomon is a related party of the Company.

Accordingly, approval for the grant of 9,000,000 Employee Options to Mr Salomon is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the maximum number of securities to be granted by the Company is 9,000,000 Employee Options;
- (b) the allottee of the Employee Options will be Mr Salomon (or his nominee);

- (c) the terms and conditions of the Employee Options are set out in this Explanatory Statement and otherwise in Schedule 1 of this Explanatory Statement;
- (d) the Employee Options will be granted for no consideration;
- (e) the Employee Options will be granted not later than one (1) month after the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Employee Options will be granted to the allottee on one date;
- (f) there will be no funds raised from the issue of the Employee Options as they are being granted to Mr Salomon as an incentive and to encourage his contribution to the Company; and
- (g) the funds raised from the exercising of the Employee Options will be used in working capital for the company.

#### **Resolutions 4, 5 and 6 - Issue of options to other Directors**

Shareholder approval for the grant of the Employee Options the subject of resolutions 4, 5 and 6 is sought for the purposes of:

- Chapter 2E of the Corporations Act – which governs the giving of financial benefits to “related parties”, e.g. directors of a company; and
- ASX Listing Rule 10.11 - which requires shareholder approval by ordinary resolution prior to the issue of securities (including options) to a related party of a company. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The purpose of the proposed grant of Employee Options is to provide Messrs Craib and Roy and Ms Bell with incentive, and to recognise contributions to the Company, whilst enabling the Company to preserve its cash reserves.

#### ***Chapter 2E of the Corporations Act - Related Party Transactions***

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

In accordance with the requirements of Chapter 2E and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed grant of Employee Options:

- (a) being Directors of the Company, Messrs Craib and Roy and Ms Bell are related parties of the Company (by virtue of Section 228(2)(a) of the Corporations Act) to whom the financial benefit would be given;
- (b) the nature of the financial benefit to be given to the Directors is the grant of the following options:
  - (i) James Craib – 2,000,000 Employee Options;
  - (ii) John Roy – 2,000,000 Employee Options; and
  - (iii) Linda Bell – 2,000,000 Employee Options.

These options will not be listed on the ASX.

- (c) Director Mr Jonathan Salomon (who has no interest in the outcome of the resolution) recommends shareholders vote in favour of the resolution, as it is an appropriate means of providing Messrs Craib and Roy and Ms Bell with an incentive to continue to create value for shareholders. The other Directors make no recommendation in respect of this resolution in view of their personal interests in the outcomes of the resolutions.
- (d) the Employee Options are to be issued free of charge. Any funds raised from the exercise of the Employee Options will be used for the Company's general working capital requirements. The exercise price for each Employee Option will be \$0.05 (5 cents) and the exercise date for the Employee Options will be any time within five years from the issue date. The options will lapse immediately in the event that a director's appointment is terminated as a result of a determination by the Board that the director has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or a related body corporate. Based on the Black-Scholes option pricing model, the Company estimates that the Employee Options referred to in resolutions 4, 5 and 6 are valued at 2.92 cents each. Assumptions made to determine the value of the Employee Options are an underlying share price of 4 cents on 7 February 2008, a volatility value of 150% and a risk free interest rate (short term Government Bond rate) of 6.75% pa. If the Employee Options are exercised and the exercise price paid, the holder of the Employee Options will be issued with one fully paid ordinary share in the capital of Eagle Bay for each Employee Option exercised. The Employee Options have no rights to dividends or bonus issues.

The value of the options package to the Directors is set out in the table below.

| <b>Directors &amp; Officers</b> | <b>Value of Employee Options</b> |
|---------------------------------|----------------------------------|
| James Craib                     | \$58,400                         |
| John Roy                        | \$58,400                         |
| Linda Bell                      | \$58,400                         |

- (e) the above valuation of 2.92 cents per option is based on a volatility of 150%. The theoretical value of one option at 110% volatility is 2.54 cents.
- (f) over the last 12 months the lowest recorded price of the Company's shares in ASX trading was 2.7 cents on 1 April 2008 and the highest was 10.5 cents on 30 October 2007. At the close of trading on 1 April 2008, the last day of trading prior to the lodgement of the Notice of General Meeting with ASIC, the share price was 2.7 cents;
- (g) Capital structure:
- (i) On granting of the Employee Options to Directors (and excluding the Options proposed in Resolutions 3, 7 and 8):

|  | <b>Shares</b>      | <b>Unlisted<br/>Options</b> | <b>Listed<br/>Options</b> |
|--|--------------------|-----------------------------|---------------------------|
| Existing securities on issue as at the date of this Notice | 288,222,499        | 5,250,000                   | 88,932,845                |
| Number of Options to be granted                            | -                  | 6,000,000                   | -                         |
| Total securities after Options granted                     | <u>288,222,499</u> | <u>11,250,000</u>           | <u>88,932,845</u>         |

- (ii) Assuming all Employee Options issued to Directors are exercised (and excluding the Options proposed in Resolutions 3, 7 and 8):

|   | <b>Shares</b>      | <b>Unlisted<br/>Options</b> | <b>Listed<br/>Options</b> |
|---|--------------------|-----------------------------|---------------------------|
| Existing securities on issue as at the date of this Notice    | 288,222,499        | 5,250,000                   | 88,932,845                |
| Number of shares to be issued on exercise of Employee Options | 6,000,000          | -                           | -                         |
| Total securities assuming Employee Options exercised          | <u>294,222,499</u> | <u>5,250,000</u>            | <u>88,932,845</u>         |

- (h) Mr James Craib receives \$45,000 per annum (including superannuation) as a non-executive director of the Company. Mr James Craib also received payment on a casual basis for hours worked in an executive role, based on a salary of \$145,000 per annum (including superannuation) during the period from 22 September 2007 to 7 March 2008;
- (j) Mr John Roy receives \$45,000 per annum (including superannuation) as a non-executive director of the Company. Mr John Roy receives no other remuneration from the Company;
- (k) Ms Linda Bell receives \$45,000 per annum (including superannuation) for her duties as a director of the Company and a salary of \$145,000 (including superannuation) for her duties as Company Secretary and Chief Financial Officer;
- (l) Other than as set out in this Explanatory Statement, it is not considered that from an economic and commercial point of view there are any costs and detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company resulting from the issue of the Employee Options. Neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass resolutions 4, 5 and 6 other than that (following the passing of this resolution) Messrs Craib and Roy and Ms Bell will hold relevant interests in the following shares and options in the Company:

| <b>Director</b> | <b>Number of Shares</b> |                 | <b>Options</b> |
|-----------------|-------------------------|-----------------|----------------|
|                 | <b>Direct</b>           | <b>Indirect</b> |                |
| James Craib     | 49,600                  | 1,293,334       | 3,167,867      |
| John Roy        | -                       | 3,250,000       | 3,250,000      |
| Linda Bell      | -                       | 19,500          | 2,250,000      |

### **Listing Rule 10.11**

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company.

A “related party” includes a director of a company. Therefore, Messrs Craib and Roy and Ms Bell are related parties of the Company.

Accordingly, approval for the grant of 2,000,000 Employee Options to each of Mr James Craib, Mr John Roy and Ms Linda Bell is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 4, 5 and 6:

- (a) the maximum number of securities to be granted by the Company is 6,000,000 Employee Options;
- (b) the allottees of the Employee Options will be:
  - (i) Mr James Craib (or his nominee);
  - (ii) Mr John Roy (or his nominee);
  - (iii) Ms Linda Bell (or her nominee);
- (c) the terms and conditions of the Employee Options are set out in this Explanatory Statement and otherwise in Schedule 2 of this Explanatory Statement;
- (d) the Employee Options will be granted for no consideration;
- (e) the Employee Options will be granted not later than one (1) month after the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Employee Options will be granted to each of the allottees on one date;
- (f) there will be no funds raised from the issue of the Employee Options as they are being granted to Messrs Craib and Roy and Ms Bell as an incentive and to recognise their contributions to the Company; and
- (g) the funds raised from the exercising of the Employee Options will be used in working capital for the company.

#### **Resolution 7 – Issue of options to Mr Ian Barr**

This resolution deals with the issue of Employee Options to the Company's Manager – Oil & Gas who is not a director or related party of the Company.

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue more than 15% of its capital in any 12 month period without shareholder approval.

To provide the Company with the flexibility to make future issues of securities within the 15% limit during the next 12 months, Resolution 7 seeks such shareholder approval to the issue to Mr Ian Barr of 2,000,000 Employee Options to acquire a fully paid ordinary share in the capital of the Company. The purpose of the proposed grant of Employee Options is to provide Mr Barr with an incentive and for future commitment to the Company. The Employee Options will not be listed on the ASX.

In compliance with the information requirements of ASX Listing Rule 7.3:

- (a) the maximum number of securities to be issued is 2,000,000 Employee Options each to acquire a fully paid ordinary share in the capital of the Company;
- (b) the Employee Options will be granted for no consideration;
- (c) the exercise price of the Employee Options shall be 5 cents;
- (d) the Employee Options will be otherwise issued on the terms set out in Schedule 2 of this Explanatory Statement;
- (e) the Employee Options will be issued no later than 1 month after the date of the Meeting and it is anticipated that all of the Employee Options will be granted on the same date;
- (f) each Employee Option will entitle the holder to subscribe for and be allotted one share in the capital of Eagle Bay;
- (g) there will be no funds raised from the issue of the Employee Options as they are being granted to Mr Barr as an incentive and for future commitment to the Company. Any funds raised upon the exercise of the Employee Options will be used for working capital purposes.

The proposed terms and conditions of the Employee options are set out in Schedule 2 to this Explanatory Memorandum.

(i) On granting of the Employee Options to Mr Salomon, the other Directors and the Manager – Oil & Gas as proposed in resolutions 3, 4, 5, 6 and 7, the capital structure will be as follows:

|   | <b>Shares</b>      | <b>Unlisted<br/>Options</b> | <b>Listed<br/>Options</b> |
|---|--------------------|-----------------------------|---------------------------|
| Existing securities on issue as at the date of this Notice  | 288,222,499        | 5,250,000                   | 88,932,845                |
| Number of Options to be granted   | -                  | 17,000,000                  | -                         |
| Total securities after Options granted  | <u>288,222,499</u> | <u>22,250,000</u>           | <u>88,932,845</u>         |
| (ii) Assuming all Employee Options issued to Directors and staff are exercised, the capital structure will be as follows: |                    |                             |                           |

|   | <b>Shares</b>      | <b>Unlisted<br/>Options</b> | <b>Listed<br/>Options</b> |
|---|--------------------|-----------------------------|---------------------------|
| Existing securities on issue as at the date of this Notice    | 288,222,499        | 5,250,000                   | 88,932,845                |
| Number of shares to be issued on exercise of Employee Options | 17,000,000         | -                           | -                         |
| Total securities assuming Employee Options exercised          | <u>305,222,499</u> | <u>5,250,000</u>            | <u>88,932,845</u>         |

#### **Resolution 8 – Ratification of Previous Issue of options to Mr Ian Barr**

This resolution deals with the issue of Options to the Company’s Manager – Oil & Gas who is not a director or related party of the Company.

On 12<sup>th</sup> December 2007 the Company issued 2,000,000 Options to Mr Ian Barr each option to acquire a fully paid ordinary share in the capital of the Company. Shareholder approval is now sought for the issue of the options. The purpose of the issue of Options was to provide Mr Barr with an incentive, and to recognise his contribution to the Company’s success.

Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited provides that a company must not, subject to certain exceptions, issue more than 15% of its capital in any 12 month period without shareholder approval. The issue of shares to Mr Ian Barr was made out of the 15% limit available to the Company and the Company was in compliance with Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited at the time the issue was made. The Company now seeks shareholder approval for the issue pursuant to Listing Rule 7.4 of the Listing Rules of Australian Stock Exchange Limited to retain the flexibility to issue equity securities in the future up to the 15% threshold set out in Listing Rule 7.1 of the Australian Stock Exchange Limited.

The following information is provided in compliance with the information requirements of ASX Listing Rule 7.5:

- (a) the number of securities issued is 2,000,000 Options each to acquire a fully paid ordinary share in the capital of the Company;
- (b) the Options were granted for no consideration;
- (c) the exercise price of Options is 10 cents;
- (d) the Options were otherwise issued on the terms set out in Schedule 3 of this Explanatory Statement;

- (g) no funds were raised from the issue of the Options as they were granted to Mr Barr as an incentive and for future commitment to the Company. Any funds raised upon the exercise of the Options will be used for working capital purposes.

The terms and conditions of the Options are set out in Schedule 3 to this Explanatory Memorandum.

## Schedule 1

### ***Terms and Conditions of Employee Option Issue to Mr J Salomon***

The proposed terms and conditions of the Employee Options are as follows:

- *Each Employee Option entitles the holder to subscribe for one fully paid share in the capital of Eagle Bay;*
- *The number of options, vesting period from date of issue, amount payable on exercise of each Employee Option and expiry date is as follows:*

| <i>Number of options</i> | <i>Vesting period from date of issue</i> | <i>Exercise price</i> | <i>Expiry date</i>        |
|--------------------------|--|-----------------------|---------------------------|
| <i>3,000,000</i>         | <i>- (no waiting period)</i>             | <i>5 cents</i>        | <i>5 years from issue</i> |
| <i>3,000,000</i>         | <i>12 months from issue</i>              | <i>7.5 cents</i>      | <i>6 years from issue</i> |
| <i>3,000,000</i>         | <i>24 months from issue</i>              | <i>10 cents</i>       | <i>7 years from issue</i> |

- *The Employee Options are exercisable by notice in writing to Eagle Bay accompanied by payment of the exercise price on or prior to their respective expiry dates;*
- *Exercise of the Employee Options is effected by completing the notice of exercise of Employee Options and forwarding it to Eagle Bay together with the requisite exercise monies;*
- *The Employee Options are exercisable in parcels of not less than 5,000;*
- *The Employee Options are transferable;*
- *The holder must be in the employ of the Company or have been in the employ of the Company for at least three years prior to exercising the Options. The Options will lapse if not exercised within one year of the holder ceasing to be employed by the Company. The options will lapse immediately in the event that the holder's employment is terminated as a result of a determination by the Board that the holder has acted fraudulently, dishonestly or in breach of his obligations to the Company or a related body corporate;*
- *All shares issued upon exercise of the Employee Options will rank pari passu in all respect with the then existing shares of Eagle Bay;*
- *Eagle Bay will apply for quotation of the shares issued pursuant to the exercise of Employee Options within 10 days of their exercise;*
- *There are no participation rights or entitlements inherent in the Employee Options and their holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Employee Options. Eagle Bay, however, will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 10 Business Days after the issue is announced. This will give Employee Option holders the opportunity to exercise their Employee Options (should they otherwise be entitled to) prior to the date for determining entitlements to participate in any such issue;*
- *In the event of any reconstruction of the issued capital of Eagle Bay, the number of Employee Options or the exercise price of the Employee Options or both shall be reconstructed in a manner which complies with the ASX Listing Rules in force at that time and in all other respects the terms for the exercise of the Employee Options shall remain unchanged; and*
- *Employee Options not exercised by the earlier of their respective expiry dates or one year after the holder ceases to be employed by the Company will automatically expire.*

## Schedule 2

### *Terms and Conditions of Employee Option Issue to Other Directors and Manager-Oil & Gas*

The proposed terms and conditions of the Employee Options are as follows:

- *Each Employee Option entitles the holder to subscribe for one fully paid share in the capital of Eagle Bay;*
- *The amount payable on exercise of each Employee Option is 5 cents;*
- *The Employee Options are exercisable by notice in writing to Eagle Bay accompanied by payment of the exercise price on or prior to the expiry date which will be five years from the issue date;*
- *Exercise of the Employee Options is effected by completing the notice of exercise of Employee Options and forwarding it to Eagle Bay together with the requisite exercise monies;*
- *The Employee Options are exercisable in parcels of not less than 5,000;*
- *The Employee Options are transferable;*
- *The Employee Options will lapse immediately in the event that the holder's employment is terminated as a result of a determination by the Board that the holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or a related body corporate;*
- *All shares issued upon exercise of the Employee Options will rank pari passu in all respect with the then existing shares of Eagle Bay;*
- *Eagle Bay will apply for quotation of the shares issued pursuant to the exercise of Employee Options within 10 days of their exercise;*
- *There are no participation rights or entitlements inherent in the Employee Options and their holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Employee Options. Eagle Bay, however, will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 10 Business Days after the issue is announced. This will give Employee Option holders the opportunity to exercise their Employee Options (should they otherwise be entitled to) prior to the date for determining entitlements to participate in any such issue;*
- *In the event of any reconstruction of the issued capital of Eagle Bay, the number of Employee Options or the exercise price of the Employee Options or both shall be reconstructed in a manner which complies with the ASX Listing Rules in force at that time and in all other respects the terms for the exercise of the Employee Options shall remain unchanged; and*
- *Employee Options not exercised by the expiry date will automatically expire.*

### Schedule 3

#### *Terms and Conditions of Previous Option Issue to Manager-Oil & Gas*

The terms and conditions of the Options are as follows:

- *Each Option entitles the holder to subscribe for one fully paid share in the capital of Eagle Bay;*
- *The amount payable on exercise of each Option is 10 cents;*
- *The Options are exercisable by notice in writing to Eagle Bay accompanied by payment of the exercise price on or prior to 12 December 2012;*
- *Exercise of the Options is effected by completing the notice of exercise of Options and forwarding it to Eagle Bay together with the requisite exercise monies;*
- *The Options are exercisable in parcels of not less than 5,000;*
- *The Options are transferable;*
- *The holder is to be in the employ of Eagle Bay Resources NL as a consultant or employee at the time of exercising the Options;*
- *All shares issued upon exercise of the Options will rank pari passu in all respect with the then existing shares of Eagle Bay;*
- *Eagle Bay will apply for quotation of the shares issued pursuant to the exercise of Options within 10 days of their exercise;*
- *There are no participation rights or entitlements inherent in the Options and their holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. Eagle Bay, however, will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 10 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options (should they otherwise be entitled to) prior to the date for determining entitlements to participate in any such issue;*
- *In the event of any reconstruction of the issued capital of Eagle Bay, the number of Options or the exercise price of the Options or both shall be reconstructed in a manner which complies with the ASX Listing Rules in force at that time and in all other respects the terms for the exercise of the Options shall remain unchanged; and*
- *Options not exercised by 5.00 pm WST on 12 December 2012 will automatically expire.*

### GLOSSARY

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means Australian Stock Exchange Limited;

"**Company**" means Eagle Bay Resources NL ACN 051 212 429;

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Director**" means a director of the Company;

"**Listing Rules**" means the Listing Rules of the ASX;

"**Notice**" means the notice of meeting accompanying this Explanatory Memorandum;

"**WST**" means Western Standard Time

# EAGLE BAY RESOURCES NL

ACN 051 212 429

610 Murray Street, West Perth, WA 6005  
PO Box 913 West Perth, WA 6872

## PROXY FORM – GENERAL MEETING – 9<sup>th</sup> MAY 2008

I/We \_\_\_\_\_

NUMBER OF  
SHARES HELD

Of \_\_\_\_\_

Please fill in number

being a member of Eagle Bay Resources NL (“Eagle Bay”) hereby appoint:

\_\_\_\_\_ or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting to be held on 9th May 2008 and at any adjournment thereof.

### SPECIAL RESOLUTION

1. Change of company type

**FOR**

**AGAINST**

**ABSTAIN**




2. Change of company name




### ORDINARY RESOLUTION

3. Issue of Options to J Salomon




4. Issue of Options to J Craib




5. Issue of Options to J Roy




6. Issue of Options to L Bell




7. Issue of Options to I Barr




8. Ratification previous issue of Options to I Barr




#### IMPORTANT FOR ALL ITEMS

If the Chairman of the meeting is your proxy and you have not directed your proxy how to vote on items 1 to 8, please place a mark in this box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on items 1 to 8 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman intends to vote undirected proxies in favour of all of the resolutions.

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

**By:**

**Individuals and joint holders**

|           |
|-----------|
| Signature |
|-----------|

|           |
|-----------|
| Signature |
|-----------|

|           |
|-----------|
| Signature |
|-----------|

**Companies (affix common seal if appropriate)**

|          |
|----------|
| Director |
|----------|

|                            |
|----------------------------|
| Director/Company Secretary |
|----------------------------|

|  |
|--|
| Sole Director and Sole Company Secretary |
|--|

## **Instructions for Completing ‘Appointment of Proxy’ Form**

1. A member entitled to attend and vote at a Meeting is entitled to appoint a proxy to attend and vote on their behalf.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy’s authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.