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15/10/2008

## **NOTICE OF ANNUAL GENERAL MEETING - QMASTOR LIMITED**

Notice is hereby given that the Annual General Meeting of QMASTOR Limited will be held at ABN AMRO Morgans Theatre, Level 29, 123 Eagle Street, Brisbane at 4pm on Wednesday 19 November, 2008.

The default option for receiving the annual report has changed from a printed copy to be via our website. Notice is hereby given that the 2008 Annual Report is now available at [www.qmastor.com](http://www.qmastor.com)

### **Agenda**

#### **1. Reports**

To receive and consider the Financial Report and the Directors' Report together with the Auditor's Report for the year ended 30 June 2008.

#### **2 Election of Directors**

Mr Allan Davies retires in accordance with s.201H(3) of the Corporations Act 2001 and, being eligible, offers himself for election.

Information about the candidate is set out on in the Explanatory Notes to this Notice of Meeting;

#### **3 Adoption of Remuneration Report**

To consider, and if thought fit, to pass the following resolution as a non-binding ordinary resolution:

"That the Remuneration Report (contained within the Directors' Report on pages 13-16 of the Company's Annual Report for the year ended 30 June 2008) be adopted".

#### **4 Special Business**

##### **(a) Issue of Options under the QMASTOR Employee Option Plan**

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

For the purposes of ASX Listing Rule 10.14 that approval is given for the issue of securities under the existing QMASTOR Employee Option Plan enacted in 2001.

##### **(b) Approval to Increase the remuneration of non-executive Directors**

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

"That, with effect from and including the financial year commencing 1 July, 2008, the sum per annum which non-executive Directors may be paid out of the funds of the Company by way of remuneration for their services be increased from \$30,000 per annum since listing in 2001 to \$55,000 per annum for non-executive directors and \$75,000 per annum for the Chairman."

## **NOTICE OF ANNUAL GENERAL MEETING - QMASTOR LIMITED**

### **Voting Exclusion Statement**

In accordance with ASX Listing Rule 14.11.1, QMASTOR will disregard any votes cast on Item [4] by:

- (a) any eligible employee and their associates; and
- (b) any director of the company and their associates.

However, QMASTOR need not disregard a vote if:

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

By Order of the Board



Alana Gudgeon  
Company Secretary

Date: 15th October 2008

### **Proxies**

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the enclosed proxy form. Proxies must be deposited or faxed to the registered office of the Company by 5pm on Friday 14 November 2008. A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the member's voting rights. A proxy need not be a member of the Company.

Under Regulation 7.11.37 of the Corporations Regulation the Company has determined that voting entitlements for the purpose of the meeting will be based on registered holdings at 9am on Thursday 20 November 2008.

## Explanatory Notes

### Agenda Item 2 - Information about the candidate for election as Director:

#### ALLAN DAVIES

Mr Davies was appointed as a non-executive Director in October 2007. Mr Davies is 56 years of age.

Mr Davies experience includes positions as Founder and Executive Director Operations of Excel Coal Limited. He was also Director of Operations for Patrick Corporation for a number of years. Currently Mr Davies is a Director of XLX Pty Ltd, a private investment company and is a member of the Advisory Board of the Kaplan Infrastructure and Logistics Fund (KIL) which raised \$200 million and was listed on the ASX in 2007 to invest in infrastructure and logistics projects and businesses. He has recently been appointed as a director to the board of Queensland Rail.

Mr Davies has a Bachelor of Engineering (Mining) Honours degree with over 30 years experience in the Australian and international coal and Metalliferous mining industries. He is a registered mine manager in Australia and South Africa.

#### Recommendation

**Mr Davies has abstained from making a recommendation in relation to his own election. The Directors not directly involved in the above resolution recommend that Shareholders vote in favour of the Director standing for election.**

### Agenda Item 4 (a) – Employee Option Plan

Under ASX listing rule 10.14 the Company is required to obtain approval for the issue under the QMASTOR Employee Option Plan to a director.

The QMASTOR Employee Option Plan was enacted in 2001. The terms of the QMASTOR Employee Option Plan proposed by this resolution are the same as those enacted in 2001.

The Company has issued 250,000 options under the existing QMASTOR Employee Option Plan in 2001 (200,000 to Mr Trent Bagnall – Managing Director and 50,000 to Mr John Plumb Illawarra Operations Manager). All options were not exercised and subsequently lapsed.

The Company wishes to continue to use the QMASTOR Employee Option Plan as part of an overall strategy of incentivising senior management. If approved the company intends to issue the following options:

Mr Trent Bagnall –Managing Director

Three separate tranches of 200,000 share options each at no consideration; the maximum number of share options being 600,000. The exercise price of the options is 25 cents which represents the ten consecutive trading days VWAP immediately following the 1<sup>st</sup> of April 2008. Exercisable in the following manner;

- First Tranche of 200,000 at 40 cents ordinary market share price
- Second Tranche of 200,000 at 60 cents ordinary market share price
- Third Tranche of 200,000 at 80 cents ordinary market share price

Mr Steve Maxwell –General Manager

Three separate tranches of 100,000 share options each at no consideration; the maximum number of share options being 300,000. The exercise price of shares is 25 cents which represents the ten consecutive trading days VWAP immediately following the 1<sup>st</sup> of April 2008. Exercisable in the following manner;

- First Tranche of 100,000 at 40 cents ordinary market share price
- Second Tranche of 100,000 at 60 cents ordinary market share price
- Third Tranche of 100,000 at 80 cents ordinary market share price

Options granted will be in accordance with the QMASTOR Employee Option Plan, and will be granted within 12 months of the date of the 2008 Annual General Meeting.

The key terms of the QMASTOR Employee Option Plan (EOP) are summarised as follows.

- **Eligibility**

The Board may from time to time invite Employees to participate in the EOP and acquire options over Shares in the Company.

- **Eligible Directors**

Non-executive directors are not eligible to participate in the scheme. Mr Trent Bagnall in his capacity as Managing Director is eligible to participate.

- **Maximum number of options that can be issued**

The maximum number of unexercised options, subject to the rules of the EOP shall not exceed 5% of the issued capital of the Company.

- **Manner of acquisition**

The Employees will be invited to accept an issue of options at nil consideration. The exercise price of the options must not be less than the greater of \$0.20 or the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the ten consecutive trading days immediately following a date determined by the committee and advised immediately to the Board.

- **Cancellation**

Should any Employees not elect to exercise their options then the options will expire at the end of 4 years from the date of grant.

- **Other Provisions**

Options granted under the plan carry no dividend or voting rights.

Options granted under the Plan are non-transferrable.

Each participant in the EOP may request the Company extend an interest free loan to exercise the options granted.

The EOP rules also contain various provisions relating to administration of the EOP, variation of the EOP rules and termination of the EOP.

Details of any Options issued under the EOP and listing rule ASX 10.14 will be published in the annual report at the end of each period.

Any additional persons who become entitled to participate in the EOP who were not named in this Notice of Meeting will not participate until approval is obtained under listing rule ASX 10.14.

Options will be granted under this resolution within 3 years of the date of the 2008 Annual General Meeting.

- **Summary of Loan Terms**

Subject to sub-section 260C(4) of the Corporations Act 2001, the Company may, at the request of an Employee, extend an interest free loan to the Employee to enable him to exercise any Options granted.

The loan is repaid from dividends, from the Employee's own resources and/or from the proceeds of sale of the Option shares. The loan must be repaid the earlier of:

- 4 years from the date of the loan
- The date of cessation of employment with the Company
- The date of sale or transfer of the Option shares

The Company will be entitled to retain any share certificates relating to an Employee's Option Shares so long as any part of the Loan to that Employee remains outstanding.

### ***Effect of the granting of the financial assistance on the Company***

As the loan funds are used for payment of the exercise price payable on exercise of the Options, the funds will be immediately returned to the Company in the form of subscription money. The granting of the loans will therefore have no effect on the Company's cash flow (other than in respect of any costs associated with the granting of the loans which are not expected to be material).

Upon issue of the Shares, the Company's books of account will reflect an increase in contributed equity and, until such time as the loan is repaid, a current asset in the form of the loan outstanding from the relevant employee. Upon the repayment of the loan the funds received will be available to the Company as working capital.

The main negative effect the financial assistance may have is where the Shares subject to the loans are sold at a value less than the amount outstanding on the loan resulting in the Company not receiving full repayment of the loan. The Directors, however, do not consider that such an effect is material due to relatively small amounts of the loan and the unlikelihood that employees will be willing to sell the Shares at a loss. It is not therefore expected that the giving of the financial assistance will have any significant effect on the financial position of the Company, although any loss of the Company will need to be included in its accounts.

The Directors do not consider that the provision of the loans will materially affect the Company's ability to pay its creditors as it does not involve any actual payments of cash nor does it involve the Company disposing of any assets. For these reasons, the Directors do not consider that the giving of the financial assistance will be likely to materially prejudice the interests of the Company or its Shareholders or the Company's ability to pay its creditors.

### ***Reasons for providing the financial assistance***

The financial assistance will assist employees (including salaried Directors) to participate in the EOP by exercising Options that are granted or to be granted under the EOP, or that are brought under the EOP.

The success of the Company and its Shareholders depends greatly on the people employed by the Company. To maintain and improve performance, the Company has an ongoing need to motivate, incentivise and retain an excellent and dedicated management team and key employees and to recognise the significant past contributions of key employees.

The provision of the financial assistance when used as part of the EOP provides additional means to achieve this goal and will continue to:

- provide an incentive to employees to work to improve the performance of the Company;
- attract and retain valued employees essential for the continued growth and development of the Company;
- establish a sense of ownership in the Company for the employees;
- promote and foster loyalty and support amongst employees for the benefit of both the employees and the Company;
- enhance the relationship between the Company and its employees for the long term mutual benefit of all parties; and
- enable the Company to attract high calibre individuals, who can bring expertise to the Company.

### **Director's recommendation**

**Mr Bagnall, being eligible to participate in the EOP, has abstained from make a recommendation in relation to this resolution. The Directors not directly involved in the above resolution recommend that shareholders vote in favour of this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.**

#### **Agenda Item 4 (b) – Increase in Directors Remuneration**

Under ASX Listing Rule 10.17, the Company must not increase the total amount of Directors' fees payable by it without the approval of shareholders.

Director fees have remained constant since listing in 2001 at \$30,000 per director per annum with an aggregate of \$90,000 per annum.

The Board has received advice from an independent consultant as to the current industry benchmarks for directors' remuneration. The consultants used a number of independent surveys and recruitment experience to determine current remuneration benchmarks.

The nominated amount is \$55,000 for each non-executive director per annum and \$75,000 for the chairman per annum with an aggregate of \$185,000 per annum. This amount is based on three non-executive directors including the chairman.

The nominated amounts are below the median of the recommended range which the Directors believe is appropriate considering where QMASTOR is in its growth and development phases.

The board also considers that the increase is appropriate to attract, retain and motivate qualified and experienced professionals to act as a Director of QMASTOR Limited.

The remuneration provided to each non-executive Director for the financial year ended 30 June 2008 is detailed in the Remuneration Report contained within the Directors' Report on page 14 of the Company's Annual Report.

#### **Director's recommendation**

**The Directors do not make any recommendation in respect of this resolution given the interest of the non-executive Directors in the resolution. The Chairman intends to vote undirected proxies in favour of this resolution.**



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«HOLDER\_IDENTIFIER»

**PROXY FORM**

The default option for receiving the annual report has changed from a printed copy to be via our website. Notice is hereby given that the 2008 Annual Report is now available at [www.qmastor.com](http://www.qmastor.com)

Please see the instructions for the completion of this proxy form on the reverse.

Box 92	22 Frith Street
HRMC NSW 2310	MAYFIELD WEST NSW 2304
Phone: 612 4908 2222	Facsimile: 612 4968 2043

**1. Appointment of Proxy**

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

being a member/s of **QMASTOR Limited** and entitled to attend and vote hereby appoint:

\_\_\_\_\_  
 or, failing the person named, or if no person is named, the Chairman of the meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no instructions have been given as the proxy sees fit) at the annual general meeting of QMASTOR ABN AMRO Morgans Theatre, Level 29,123 Eagle Street, Brisbane at 4pm on Wednesday 19 November, 2008 and at any adjournment of that meeting.

**2. Voting directions to proxy**

For each item of business on the agenda, please mark 'X' in one box only to indicate how you wish your vote to be cast. If you mark the 'Abstain' box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll. Unless otherwise instructed, your proxy may vote as he/she thinks fit.

Agenda Item:	FOR	AGAINST	ABSTAIN
2 Election of Mr. Allan Davies as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report as a non-binding ordinary resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(a) Issue of Options under the QMASTOR Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(b) Approval to Increase the remuneration of non-executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**The Chairman intends to vote in favour of each item of business.**

**3. Signature of shareholder/s**

Shareholder 1/Sole Director \_\_\_\_\_  
 Shareholder 2/Director \_\_\_\_\_  
 Shareholder 3/Director/Secretary \_\_\_\_\_  
 Date: \_\_\_\_\_

## Instructions for completion of proxy form

### Appointment of Proxy

If the person you wish to appoint as your proxy is someone other than the Chairman of the meeting, please insert that person's name in the appropriate space. If you leave this section blank, or your named person does not attend the meeting, the Chairman of the meeting will be your proxy. Your proxy may be an individual or a body corporate and need not be a shareholder of the company.

### Appointment of second proxy (optional)

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained from the company's administration office or you may copy this form.

To appoint a second proxy:

- a) on the first proxy form, state the number of shares or the percentage of your voting rights applicable to the first proxy
- b) on the second form, state the number of shares or the percentage of voting rights applicable to the second proxy
- c) return both forms in the same envelope.

If the forms do not specify the number or percentage of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of vote will be disregarded.

### Voting directions to proxy

You may direct your proxy how to vote by placing an 'X' in one of the four boxes opposite each item of business. All your shares will be voted in accordance with your direction unless you indicate only a portion of voting rights are to be voted on an item by inserting the number or percentage of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on an item, your proxy may decide how to vote on that item. If you place an 'X' in more than one box on an item, your vote on that item will be invalid.

### Signature/s

You must sign the form as follows in the spaces provided:

- Individual: where the shareholding is in one name, the shareholder must sign
- Joint holding: where the shareholding is in more than one name, all the shareholders must sign
- Power of attorney: to sign under power of attorney, the power of attorney must have been lodged with the share registry or a certified copy of it must accompany this form.
- Companies: where the company has a sole director this form must be signed by that person. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

### Lodgement of proxy

The complete proxy form (and any power of attorney under which it is signed) must be received by QMASTOR Limited by no later than 5pm (Sydney time) on Friday 14 November 2008. Any proxy received after that time will be invalid. Documents may be lodged by posting, delivery or facsimile to the registered office of QMASTOR Limited at 22 Frith Street, Mayfield West NSW 2304.