

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**For the year ended 30 June 2007****Item 2. Remuneration Report**

During this item, there will be an opportunity for shareholders at the meeting to comment on, and ask questions about, the Remuneration Report which is incorporated in the Directors' Report in the Company's Annual Report 2007.

In accordance with the Corporations Act 2001, the vote on the proposed resolution in item 2 is advisory only and will not bind the directors or the Company, however the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Directors recommend that shareholders vote in favour of item 2.

Item 3. Re-election of Director

Details of the director standing for election are as follows:

Mr John Richard Marshall, BMechE(hons), DipMechE, Hon.DEng (RMIT), FIEAust CPEng, FSAE-A, FSAE-I, MSME, age 75

Independent Non-Executive Director

Joined the Board in December 1995 after six years as a Non-Executive Director of Orbital Engine Company (Australia) Pty Ltd. Mr Marshall is currently Chairman, Industry Advisory Board Euro-Australian Cooperation Centre and was previously Co-chair of the Expert Panel in Physical Sciences and Engineering for the AusIndustry Collaborative Research Centre Program and a Finance Committee member of the Australian Conservation Foundation.

Mr Marshall has extensive experience in the automotive industry and was Vice-President - Manufacturing of Ford Australia between 1983 and 1989.

The Directors (excluding Mr Marshall) recommend that shareholders vote in favour of item 3.

Item 4. Election of Director

Details of the director standing for election are as follows:

Mr William Peter Day, LLB (Hons), M Administration, FCPA, FCA (Aust & UK), FTIA, MAICD, age 57

Chairman, Independent Non-Executive Director

Joined the Board and appointed Chairman on 22 August 2007. Mr Day was most recently Executive General Manager Finance (Chief Financial Officer) for the global packaging group Amcor; he will retire from full-time executive duties with that Company towards the end of 2007. He has a diversified background in finance and general management in mining, manufacturing, food and financial services industries, as well as a number of public interest areas.

He has held senior executive and director positions with Bonlac Foods, Rio Tinto, CRA and Comalco including Chief Financial Officer at Commonwealth Aluminium Corporation (USA) and Managing Director, CRA Business Services in Australia.

He is a former Chairman of the Australian Accounting Standards Board, and was Deputy Chairman of the Australian Securities & Investments Commission. Mr Day was recently appointed a non executive director of Ansell Limited and Financial Executives International (Australia) Limited.

The Directors (excluding Mr Day) recommend that shareholders vote in favour of item 4.

Item 5. Executive Director's Participation in Company Share Plans

ASX Listing Rule 10.14 prohibits the Company from permitting a director, an associate of a director or someone in respect of whom ASX considers approval should be obtained, to acquire shares or other securities under an employee incentive scheme without the prior approval of shareholders by ordinary resolution at a general meeting. The shares or other securities must be issued no later than 3 years after the meeting where the approval is given. Accordingly, the approval of shareholders is sought for the acquisition by Dr R A Houston, the Managing Director and Chief Executive Officer of the Company, of ordinary shares in the Company under the Employee Share Plan and under the Executive Long Term Share Plan.

This notice of meeting to approve the acquisition of shares by Dr R A Houston is required to include certain information under Listing Rule 10.15A, which is set out below.

The shares would be acquired by Dr R A Houston as part of the remuneration received by him as an employee of the Company.

Employee Share Plan

Under the Employee Share Plan, Dr R A Houston will be offered shares in the Company to the value of \$1,000, and no payment will be required from Dr R A Houston in respect of the issue of those shares. No loan is being made in relation to any acquisition pursuant to the Employee Share Plan.

Shares issued to Dr R A Houston under the Employee Share Plan may not be sold or transferred before the earlier of three years after issue or the time when Dr R A Houston ceases to be an employee of the Company.

Under the Employee Share Plan the number of shares to be allocated to Dr R A Houston will be determined by dividing \$1,000 by the weighted average market price of the Company's shares traded on the ASX during the period of five (5) business days up to and including the day on which the shares are allocated. Where the number of shares determined under this formula is not a whole number, the number shall be rounded down to the nearest whole number. By way of example, if the weighted average market price of the Company's shares is 22 cents the number of shares allocated to Dr R A Houston would be:

$$\frac{\$1,000}{0.22} = 4,545 \text{ shares (rounded down from 4,545.45 shares)}$$

It is proposed to allow Dr R A Houston to acquire up to a maximum of \$1,000 worth of ordinary shares in the Company (being the number of shares calculated in the manner set out above) under the Employee Share Plan. It is intended that the shares will be issued prior to 30 November 2007 or in any event prior to 24 October 2010 (being not later than 3 years after the 2007 Annual General Meeting).

Under the Employee Share Plan, Dr R A Houston is the only director, associate of a director or a person whom ASX considers should be approved (pursuant to Listing Rule 10.14) who has received shares since the last approval was given under Listing Rule 10.14.

Details of any shares issued under the Employee Share Plan will be published in each annual report of the Company relating to a period in which the shares have been issued and each annual report will note that approval for the issue of those shares was obtained under Listing Rule 10.14. Any additional persons who become entitled to participate in the Employee Share Plan after the resolutions were approved, who are not named in this Notice of Meeting and in respect of whom the issue of shares would require approval pursuant to Listing Rule 10.14, will not participate until approval is obtained under Listing Rule 10.14.

Executive Long Term Share Plan

Summary of terms of Executive Long Term Share Plan

The Executive Long Term Share Plan, which was approved by shareholders at the Company's Annual General Meeting on 26 October 2004, provides for a performance related offer of shares to eligible executives of the Company and is designed to align executive reward with shareholder interests.

Under the Plan shares will only be issued to executives if the terms and conditions detailed below are satisfied.

The maximum number of shares that may be issued to executives under the Executive Long Term Share Plan will be a total of 1,950,000 shares. Shares issued under the Executive Long Term Share Plan will be issued no later than 23 October 2010.

Terms and conditions

The total number of shares for which a particular executive may be eligible will be determined by the Board ("Personal Allotment").

The number of shares that the executive actually receives depends on the performance of the Company relative to a group of selected peers (being the 50 smallest companies by market capitalisation (other than resource companies and property and investment trust companies) within the S&P / ASX 300 Index. The peer group is ranked in terms of Total Shareholder Return ("TSR"). TSR is the percentage increase in a company's share price plus reinvested dividends over a 3 year "Performance Period" commencing on September 1, 2007 and ending on August 31, 2010.

The following table sets out the relevant percentages of an executive's Personal Allotment which will be issued at the conclusion of the Performance Period based on the TSR ranking of the Company relative to the peer group:

Company Performance (TSR Ranking)	% of Personal Allotment issued to each executive
Up to the 50th percentile	0%
At or above the 50th percentile but below the 75th percentile	50% to 99% (on a straight line basis)
At or above the 75th percentile but below the 90th percentile	100%
At or above the 90th percentile	125%

Personal Allotments that have not been issued at the end of the Performance Period will lapse.

Forfeiture of Personal Allotment

An executive will forfeit any rights in relation to the Executive Long Term Share Plan (including any right to their Personal Allotment which has yet to be issued) immediately if:

- (a) their employment with the Company ceases and the Board has not decided there is a “Qualifying Reason”;
- (b) they are dismissed for breach of their employment contract; or
- (c) they have committed any act of fraud or defalcation in relation to the affairs of the Company.

A “Qualifying Reason” is death, disability, ill health or redundancy. Where an executive ceases employment because of a Qualifying Reason, the Board will decide what percentage of their Personal Allotment will be issued (if any).

However, the Board of the Company maintains an absolute discretion to issue shares under the Executive Long Term Share Plan where it would be unfair not to issue the shares.

Disposal restrictions

Shares in the Company issued under the Executive Long Term Share Plan will be subject to the following disposal restrictions:

The shares will be held by a Trustee, who will not be entitled to sell or transfer a share held on behalf of an executive before the earlier of:

- (a) 10 calendar years after the share was issued;
- (b) cessation of that executive's employment with the Group;
- (c) a “Capital Event” (a change in control resulting from a takeover bid, the acquisition of a relevant interest by a resolution passed at a general meeting of the Company or pursuant to a scheme of arrangement, the winding up or liquidation of the Company, or any other event which the Board in its absolute discretion considers a Capital Event); or
- (d) the date on which the Board approves such dealing following a request from that executive.

Restrictions on Board consent

For the 12 months following the issue of the relevant shares, the Board will not approve a dealing for the purposes of (d) above which concerns:

- more than twenty percent (20%) of shares held on trust for that executive where the Company performance TSR ranking was at or above the 50th percentile but below the 75th percentile when the shares were issued;
- more than forty percent (40%) of shares held on trust for that executive where the Company performance TSR ranking was at or above the 75th percentile but below the 90th percentile when the shares were issued; or
- more than fifty percent (50%) of shares held on trust for that executive where the Company performance TSR ranking was at or above the 90th percentile when the shares were issued.

The Board has determined that Dr R A Houston's Personal Allotment will be 410,000 shares. Therefore, it is proposed to allow Dr R A Houston to acquire up to a maximum of 512,500 ordinary shares in the Company under the Executive Long Term Share Plan.

The number of shares issued to Dr R A Houston under the Executive Long Term Share Plan (being a percentage of his Personal Allotment) will be calculated using the method outlined under “Summary of terms of Executive Long Term Share Plan” above, which may result in a maximum of 512,500 shares being issued. Shares granted under the Executive Long Term Share Plan will be issued no later than 23 October 2010 (being not later than 3 years after the 2007 Annual General Meeting). Should Dr R A Houston be granted shares under the Plan, they will be issued at the prevailing market price at the time of issue. No payment will be required from Dr R A Houston in respect of the issue of those shares. No loan is being made in relation to any acquisition pursuant to the Executive Long Term Share Plan.

Under the Executive Long Term Share Plan, Dr R A Houston is the only director, associate of a director or a person whom ASX considers should be approved (pursuant to Listing Rule 10.14) and neither Dr R A Houston nor any other such person has received shares under the Executive Long Term Share Plan since the last approval was given under Listing Rule 10.14.

Details of any shares issued to Dr R A Houston under the Executive Long Term Share Plan will be published in each annual report of the Company relating to a period in which the shares have been issued and each annual report will note that approval for the issue of those shares was obtained under Listing Rule 10.14. Any additional persons who become entitled to participate in the Executive Long Term Share Plan after the resolutions were approved, who are not named in this Notice of Meeting and in respect of whom the issue of shares would require approval pursuant to Listing Rule 10.14, will not participate until approval is obtained under Listing Rule 10.14.

The Non-Executive Directors recommend that you vote in favour of this Resolution.

Item 6. Appointment of Ernst & Young as Auditors of the Company

The Company's current auditor, KPMG, has informed the Company that it intends to resign as auditor. In accordance with the requirements of the Corporations Act 2001 (Cwth), the Australian Securities and Investments Commission ("ASIC") is required to consent to the resignation of an auditor. Accordingly, KPMG has sought ASIC's consent to the resignation which has not yet been received as of the date of the Notice of Meeting. In addition, owing to the Company's statutory reporting obligations in the United States, KPMG can only resign as auditor after the Company's Form 20-F - Annual Report has been lodged with the United States Securities and Exchange Commission.

Ernst & Young have been nominated by Ms Katrina McClune to be the Company's new auditors. A copy of this nomination is enclosed. Ernst & Young have consented to this appointment in accordance with section 328A of the Corporations Act 2001 (Cwth).

However, Ernst & Young's appointment is subject to satisfaction of each of the following conditions prior to the date of the annual general meeting:

- (a) ASIC giving its consent to KPMG's resignation;
- (b) the Company's Form 20-F Annual Report being lodged with the United States Securities and Exchange Commission; and
- (c) the Company receiving notice from KPMG of its resignation.

If any of the above conditions are not satisfied prior to the date of the meeting, this resolution will be withdrawn and will not be voted on at the meeting.

The Directors recommend that shareholders vote in favour of item 6.