

TERMS AND CONDITIONS OF ISSUE OF OPTIONS

[TRANCHE ONE]

1. Entitlement

Each option (**Option**) entitles the Option holder (**Holder**) to subscribe for and be issued one fully paid ordinary share (**Share**) in Clean TeQ Holdings Limited ACN 127 457 916 (**Company**), subject to any adjustment required in accordance with these terms.

The Options are issued:

- (a) in accordance with the Clean TeQ Holdings Option Plan (as adopted on 24 September 2007) (**Plan**);
 - (b) the terms and conditions of the Plan (as amended from time to time); and
 - (c) otherwise, on the terms and conditions set out below,
- and in the event of conflict, these terms and conditions prevail.

2. Issue Price

No amount is payable on the issue of the Options.

3. Exercise Price & Period

Subject to clause 4, an Option may only be exercised by:

- (a) payment of the exercise price of \$0.50 (**Exercise Price**) on or before 5.00pm AEST on 9 November 2010 (**Final Exercise Time**); and
 - (b) delivery to the Company of an Exercise Notice,
- and an Option that is not exercised before the Final Exercise Time will lapse.

4. Exercise Restrictions

4.1 Primary restrictions

Subject to clause 4.2, such other restrictions as set out in the Plan on the exercise of the Options will apply:

4.2 Exceptions

Restrictions on exercise of the Options may be waived in circumstances set out in the Plan.

4.3 Option Lapsing

An Option may lapse, and the Final Exercise Time brought forward, in circumstances set out in the Plan.

5. Transferability

Except for:

- (a) transfers which do not effect a change in beneficial ownership (such as transfers to superannuation funds or trusts associated with and controlled by the Holder); or

(b) circumstances set out in the Plan,

the Options are non-transferable and may not be sold, assigned, transferred or otherwise dealt with in any way, without the prior written consent of the Board, at its absolute discretion.

If the Options are transferred in accordance with this clause 5, the Company may impose any conditions on the transferee, including a condition that the transferee agree to be bound by such terms and conditions that the Company in its sole discretion determines to be appropriate.

6. Certificate

The Company must give the Holder a certificate or holding statement stating:

- (a) the number of Options issued to the Holder;
- (b) the exercise price of the Options; and
- (c) the date of issue of the Options.

7. Participation rights, bonus issues, rights issues and reorganisations

7.1 Participation

The Holder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.

7.2 Notice of new issue

The Company must give the Holder, in accordance with the Listing Rules of ASX Limited (**ASX**), notice of:

- (a) the proposed terms of the issue or offer proposed under clause 7.1; and
- (b) the right to exercise their Options under clause 7.1.

7.3 Bonus issues

If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying shares over which the Option is exercisable is increased by the number of shares which the Holder would have received if the Holder had exercised the Option before the record date for determining entitlements to the issue.

7.4 Pro rata issues

If the Company makes a pro rata issue of shares (except a bonus issue) to existing shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option is reduced in accordance with the ASX Listing Rules.

7.5 Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Holder (including the number of Options to which the Holder is entitled and/or the Exercise Price) must be changed to the extent necessary to

comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

7.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under clause 7 will be made by the Board and will, in the absence of error, be final and conclusive and binding on the Company and the Holder.

7.7 Notice of change

The Company must within a reasonable period give to the Holder notice of any change under clause 7 to the Exercise Price of any Options held by the Holder or the number of shares for which the Holder is entitled to subscribe on exercise of an Option.

8. Method of exercise of Options

8.1 Method and payment

To exercise the Options, the Holder must give the Company:

- (a) a written exercise notice (in the form approved by the Board from time to time) (**Exercise Notice**) specifying the number of Options being exercised and the number of Shares to be issued (**Option Shares**);
- (b) payment of the Exercise Price for the Option Shares the subject of the Exercise Notice by way of bank cheque or by other means of payment approved by the Company; and
- (c) the certificate for the Options.

8.2 Exercise all or some Options

- (a) The Holder may only exercise Options in multiples of 1,000 unless the Holder exercises all Options held by the Holder.
- (b) Options will be deemed to have been exercised on the date the Exercise Notice is delivered to the Company.

8.3 Option certificates

If the Holder exercises less than the total number of Options registered in the Holder's name:

- (a) the Holder must surrender their Option certificate (if any); and
- (b) the Company must cancel the Option certificate (if any) and issue the Holder a new Option certificate stating the remaining number of Options held by the Holder.

8.4 Issue of Option Shares

Within 10 days after receiving an Exercise Notice and payment by the Holder of the Exercise Price, the Company must issue the Holder the Option Shares.

9. Ranking of shares issued on exercise of Options

Subject to the Company's constitution, all Option Shares rank in all respects (including rights relating to dividends) *pari passu* with the existing ordinary shares of the Company at the date of issue of the Option Shares.

10. Quotation

The Company will not apply to ASX for official quotation of the Options but will apply to ASX for quotation of the Option Shares, as soon as practicable after the date of issue of the Option Shares (and within the time permitted under the ASX Listing Rules).

11. Governing law

These terms and the rights and obligations of the Holder are governed by the laws of Victoria, Australia. The Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.