



Notice of General Meeting and Explanatory Memorandum

Bow Energy Ltd

ABN 63 111 019 857

Date of Meeting: 24 June 2010

Time of Meeting: 10.00 am (Brisbane time)

Place of Meeting: Royal on the Park, Cnr Alice & Albert Street, Brisbane QLD 4000

Notice is given that a General Meeting of Shareholders of Bow Energy Ltd ABN 63 111 019 857 (**Company**) will be held at Royal on the Park, Cnr Alice & Albert Street, Brisbane, QLD on Thursday 24 June 2010 commencing at 10.00 am (Brisbane time).

Agenda

ORDINARY BUSINESS

1. Resolution One – Issue of Options to Mr Howard Stack

To consider and, if thought fit, pass the following Ordinary Resolution with or without amendment:

“That in accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 2,000,000 options to subscribe for ordinary shares in the Company exercisable at \$2.00 each and expiring on 31 January 2013 to Mr Howard Stack, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

2. Resolution Two – Issue of Options to Mr Ronald Prefontaine

To consider and, if thought fit, pass the following Ordinary Resolution with or without amendment:

“That in accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 2,000,000 options to subscribe for ordinary shares in the Company exercisable at \$2.00 each and expiring on 31 January 2013 to Mr Ronald Prefontaine, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

3. Resolution Three – Issue of Options to Mr Stephen Bizzell

To consider and, if thought fit, pass the following Ordinary Resolution with or without amendment:

“That in accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 2,000,000 options to subscribe for ordinary shares in the Company exercisable at \$2.00 each and expiring on 31 January 2013 to Mr Stephen Bizzell, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

4. Resolution Four – Issue of Options to Mr Nicholas Mather

To consider and, if thought fit, pass the following Ordinary Resolution with or without amendment:

“That in accordance with the provisions of Listing Rule 10.11 of the Official Listing Rules of the ASX and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to issue 2,000,000 options to subscribe for ordinary shares in the Company exercisable at \$2.00 each and expiring on 31 January 2013 to Mr Nicholas Mather, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

NOTES:

- A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.
- A detailed summary of the proposed terms of the Options the subject of this Notice is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT:

- The Company will disregard any votes cast on:
 - Resolution 1 by Mr Howard Stack and any associate of Mr Howard Stack;
 - Resolution 2 by Mr Ronald Prefontaine and any associate of Mr Ronald Prefontaine;
 - Resolution 3 by Mr Stephen Bizzell and any associate of Mr Stephen Bizzell;
 - Resolution 4 by Mr Nicholas Mather and any associate of Mr Nicholas Mather.
- However, the Company need not disregard a vote if:
 - 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
 - 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.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company. Specific comments relating to the Resolutions are set out in the Explanatory Memorandum.

By order of the Board

DP Cornish, Company Secretary
20 May 2010

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to Shareholders of **Bow Energy Ltd ABN 63 111 019 857 (Company)** to explain the Resolutions to be put to Shareholders at a General Meeting to be held at Royal on the Park, Cnr Alice & Albert Street, Brisbane, QLD on 24 June 2010 commencing at 10.00am (Brisbane time).

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in Section 3.

2. Resolutions One, Two, Three and Four - Issue of Options to Directors

2.1 Introduction

The Directors have resolved to refer to members for approval the issue of 2,000,000 options to each of Mr Howard Stack, Mr Ronald Prefontaine, Mr Stephen Bizzell and Mr Nicholas Mather, each a Director of the Company, or their respective nominee, exercisable at \$2.00 each and expiring on 31 January 2013 (**Options**). The Options will vest on the earlier of (**Vesting Date**) a Change of Control event occurring (as defined below), or 1 July 2012 subject to the condition set out in section 2.2 being satisfied, the intention being that the Options will be forfeited and not vest unless the change in market price of the Shares from 27 January 2010 to 1 July 2012 outperforms the change in the S&P/ASX 200 Index for the same period.

The terms of the Options are set out in more detail below.

Approval for the issue of the Options is sought in accordance with the provisions of Listing Rule 10.11 and Part 2E of the Corporations Act. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

2.2 Option Terms

A summary of the material terms of the Options is set out below:

- The securities to be issued to each option holder are options to subscribe for fully paid Shares.
- The Options are to be issued for no consideration.
- The exercise price of each Option is \$2.00 (**Exercise Price**).
- The Options will vest on the earlier of (**Vesting Date**):
 - (a) a Change in Control event occurring; or
 - (b) 1 July 2012, subject to A being greater than or equal to B, where:

$$A = \frac{C2 - C1}{C1}$$

Where:

C1 = the (closing) Market Price (as defined in the ASX Listing Rules) of the Shares on 27 January 2010 (being the date that the resolution to issue the Options was announced on ASX)

C2 = the (closing) Market Price (as defined in the ASX Listing Rules) of the Shares on 1 July 2012

$$B = \frac{D2 - D1}{D1}$$

Where:

D1 = the S&P/ASX 200 Index on 27 January 2010 (being the date that the resolution to issue the Options was announced on ASX)

D2 = the S&P/ASX 200 Index on 1 July 2012

If there has not been a Change in Control Event and the condition in (b) above has not been satisfied on 1 July 2012, the Options are forfeited and will not vest.

For the avoidance of doubt, the criteria set out above does not apply where the Options vest as a result of a Change in Control event occurring.

- For the avoidance of doubt, in the event that the Options vest as a result of a Change in Control event occurring as contemplated by sub paragraph (d) in the definition of Change in Control below, the Options will be deemed to have vested immediately prior to the relevant Director ceasing to be a Director of the Company and accordingly the Expiry Date will be as specified in sub-paragraph (c) below.
- The Options will expire and be forfeited (if the Options have not already been forfeited) on the earlier of **(Expiry Date)**:
 - (a) 31 January 2013;
 - (b) in respect of any Options which have not vested, immediately upon the relevant Director ceasing to be a Director of the Company;
 - (c) in respect of any Options which have vested, the date being 3 months after the relevant Director ceases to be a Director of the Company.
- Shares issued on exercise of the Options will rank pari passu with all existing Shares from the date of issue.
- The Options, once vested, may be exercised wholly or in part by notice in writing to the Company received at any time on or before the Expiry Date together with a cheque for the Exercise Price of the Option multiplied by the number of Shares in respect of which Options are being exercised.
- The Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.

- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Option holder which are not conferred on Shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option holder would have received if the Options had been exercised before the record date for the bonus issue.
- If, during the life of any Option, there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where

O^1 = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of underlying securities into which one Option is exercisable

P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date

S = the subscription price for a security under the pro-rata issue

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)

N = the number of securities with rights or entitlements that must be held to receive a right to one new security

- The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

For the purposes of the terms of the Options:

- **associate** has the meaning given to that term in the Corporations Act.
- **Change in Control** means:
 - (a) the Company entering into a scheme of arrangement with its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
 - (b) a Takeover Event happening;

(c) if at any time after the date of issue of the Options, any person (together with their associates) acquire a relevant interest in fifty (50%) percent or more of the Shares then on issue; or

(d) where:

(1) a person (together with their associates) (a “Relevant Person”) acquires a relevant interest in sufficient Shares to give it the ability (a “Relevant Ability”), in general meeting, to replace one or more of the Directors of the Company (having regard to the number of votes actually cast on a resolution contemplated by sub paragraph (2) whether on a show of hands or by proxy, rather than on the total number of votes that may be cast on that resolution) in circumstances where the Relevant Ability was not held by that Relevant Person at the date of issue of the Options (a “Controlling Interest”); and

(2) a Director is either:

(A) removed as a Director of the Company pursuant to Rule 37.3 of the Company’s Constitution or section 203D of the Corporations Act; or

(B) retires by rotation in accordance with Rule 39.1 of the Company’s Constitution and being eligible and nominated for re-appointment, is not re-appointed as a Director of the Company at the meeting at which he retires; and

(3) a Relevant Person voted the Shares the subject of the Controlling Interest:

(A) in favour of the removal of the relevant Director as a Director of the Company as contemplated by sub paragraph (2)(A); or

(B) against the re-appointment of the relevant Director as a Director of the Company as contemplated by sub paragraph (2)(B); and

(4) if the votes attaching to the Shares the subject of the Controlling Interest were not exercised as contemplated by sub paragraph (3):

(A) the resolution removing the relevant Director as a Director of the Company as contemplated by sub paragraph (2)(A) would not have been passed; or

(B) the resolution re-appointing the relevant Director as a Director of the Company as contemplated by sub paragraph (2)(B) would have been passed.

- **relevant interest** has the meaning given to that term in the Corporations Act.
- **Takeover Event** occurs when any person (together with their associates) acquires a relevant interest in more than fifty (50%) percent of the Shares pursuant to a takeover bid conducted in accordance with Chapter 6 of the Corporations Act.

2.3 Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of the various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A “related party” for the purposes of the Corporations Act is defined widely and includes a director of a public company.

A “financial benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed resolutions, if passed, will confer financial benefits to Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominee, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason and for all other purposes the following information is provided to Shareholders.

(a) **The related party to whom Resolutions One, Two, Three and Four would permit the financial benefit to be given**

Each of Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, being Directors of the Company (or their nominees).

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- The issue of 2,000,000 Options to each of Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominee, as referred to in Resolutions One, Two, Three and Four;
- The Options shall be issued for no cash consideration; and
- The Options shall be exercisable into fully paid Shares at an exercise price of \$2.00 each expiring on 31 January 2013.

(c) **Directors’ recommendation**

With respect to Resolution One, Mr Prefontaine, Mr Bizzell and Mr Mather recommend that Shareholders vote in favour of this Resolution. As Mr Stack is interested in the outcome of Resolution One, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution Two, Mr Stack, Mr Bizzell and Mr Mather recommend that Shareholders vote in favour of this Resolution. As Mr Prefontaine is interested in the outcome of Resolution Two, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution Three, Mr Stack, Mr Prefontaine and Mr Mather recommend that Shareholders vote in favour of this Resolution. As Mr Bizzell is interested in the outcome of Resolution Three, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution Four, Mr Stack, Mr Prefontaine and Mr Bizzell recommend that Shareholders vote in favour of this Resolution. As Mr Mather is interested in the outcome of Resolution Four, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

The reasons for the above recommendations include:

- (i) the issue of the Options will provide the Directors with reward and incentive for future services they will provide to the Company to further the progress of the Company;

- (ii) the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (iii) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could issue the Options to a third party.

(d) **Recipients' interest and other remuneration**

Resolution One - Mr Howard Stack

Mr Howard Stack has a material personal interest in the outcome of Resolution One, as it is proposed that the Stack Options be issued to him (or his nominee) as set out in Resolution One.

Excluding the Stack Options, Mr Howard Stack (and entities associated with him) holds 436,691 Shares.

Other than the Stack Options to be issued to Mr Stack (or his nominee) pursuant to Resolution One, Mr Stack currently receives director's remuneration of \$80,000 (including superannuation) per annum from the Company for his services as Non-Executive Chairman of the Company.

Resolution Two - Mr Ronald Prefontaine

Mr Ronald Prefontaine has a material personal interest in the outcome of Resolution Two, as it is proposed that the Prefontaine Options be issued to him (or his nominee) as set out in Resolution Two.

Excluding the Prefontaine Options, Mr Ronald Prefontaine (and entities associated with him) holds 10,592,045 Shares and 1,669,456 options to subscribe for Shares, exercisable at 50 cents on or before 7 November 2011.

Mr Prefontaine is employed as an Executive Director under a Consulting Agreement with Prefontaine Consulting Pty Ltd. Prefontaine Consulting Pty Ltd currently receives a retainer of \$10,000 per month with provision for additional services charged at \$350 per hour. In the year ended 30 June 2009 Prefontaine Consulting Pty Ltd received \$94,850 in salary and fees.

Resolution Three - Mr Stephen Bizzell

Mr Stephen Bizzell has a material personal interest in the outcome of Resolution Three, as it is proposed that the Bizzell Options be issued to him (or his nominee) as set out in Resolution Three.

Excluding the Bizzell Options, Mr Stephen Bizzell (and entities associated with him) holds 6,581,795 Shares.

Other than the Bizzell Options to be issued to Mr Bizzell (or his nominee) pursuant to Resolution Three, Mr Bizzell currently receives director's remuneration of \$60,000 (including superannuation) per annum for his services as a Non-Executive Director of the Company.

Resolution Four - Mr Nicholas Mather

Mr Nicholas Mather has a material personal interest in the outcome of Resolution Four, as it is proposed that the Mather Options be issued to him (or his nominee) as set out in Resolution Four.

Excluding the Mather Options, Mr Nicholas Mather (and entities associated with him) holds 4,713,663 Shares and 3,333,333 options to subscribe for Shares, exercisable at 50 cents on or before 7 November 2011.

Other than the Mather Options to be issued to Mr Mather (or his nominee) pursuant to Resolution Four, Mr Mather currently receives director's remuneration of \$60,000 (including superannuation) per annum for his services as a Non-Executive Director of the Company.

Directors' Interests in Shares

If all of the Options issued are exercised by Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominees, the following will be the effect on their holdings in the Company and the dilutionary impact on current Shareholders of the Company:

Shareholder	Current Share Holding	% of Total Share Capital (280,273,854 Shares on issue)	Shares held Upon Exercise of Options ^{1, 2, 3}	% of Total Share Capital (288,273,854 Shares on issue) ^{1, 2, 3}
Current Shareholders (other than Directors)	257,949,660	92.03%	257,949,660	89.48%
Mr Howard Stack	436,691	0.16%	2,436,691	0.85%
Mr Ronald Prefontaine	10,592,045	3.78%	12,592,045	4.37%
Mr Stephen Bizzell	6,581,795	2.35%	8,581,795	2.98%
Mr Nicholas Mather	4,713,663	1.68%	6,713,663	2.32%
Total	280,273,854	100.00%	288,273,854	100.00%

Notes:

1. Assuming that no other Shares are issued.
2. Assuming each of Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather or their nominees exercise all of their Options.
3. Assuming neither Mr Prefontaine, Mr Bizzell nor Mr Mather exercise the current options to subscribe for Shares held by them (or their associates) as noted above.

There are currently 19,887,964 options to subscribe for Shares on issue (**Current Options**). In the event that all Current Options and all Options issued to Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominees, are exercised the following will be the effect on the Directors' holdings in the Company and the dilutionary impact on current Shareholders of the Company:

Director (and entities associated with Directors)	Current Share Holding	% of Total Share Capital (280,273,854 Shares on issue)	Shares held Upon Exercise of all Current Options and Options (308,161,818 Shares on issue) ^{1, 2, 3}	% of Total Share Capital (308,161,818 Shares on issue) ^{1, 2, 3}
Current Shareholders (other than Directors)	257,949,660	92.03%	272,834,835	88.54%
Mr Howard Stack	436,691	0.16%	2,436,691	0.79%
Mr Ronald Prefontaine	10,592,045	3.78%	14,261,501	4.63%
Mr Stephen Bizzell	6,581,795	2.35%	8,581,795	2.78%
Mr Nicholas Mather	4,713,663	1.68%	10,046,996	3.26%
Total	280,273,854	100.00%	308,161,818	100.00%

Notes:

1. *Assuming that no other Shares are issued.*
2. *Assuming each of Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominees, exercise all of their Options.*
3. *Assuming all Current Options are exercised, including those Current Options held by Mr Prefontaine and Mr Mather.*

(e) **Valuation**

The Options are not currently quoted on the ASX and as such have no market value. The Options each grant the holder a right to subscribe for one Share upon exercise of the Option and payment of the Exercise Price. Accordingly, the Options may have a present value at the date of their issue.

The Options may acquire future value dependent upon the extent to which the Shares exceed the exercise price of the Options during the term of the Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (ie readily capable of being liquidated),

and so on.

The Company sought an independent valuation of the Options. The method used to value the options was the Monte Carlo Simulation method, which is the most relevant model for pricing these options due to the performance hurdle which must be met before the options are able to be exercised. The value of an option calculated by the Monte Carlo Simulation method is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate, expected dividends, the volatility of the Company's underlying share price, and the probability of the performance hurdles being met.

Inherent in the Monte Carlo method are a number of inputs, some of which must be assumed. The data relied upon in applying the Monte Carlo Simulation method was:

- The exercise price of the Options being \$2.00;
- The Share price at the time of issue of the Options, which is expected to be \$1.20 per Share;
- The Options vesting on the earlier of (**Vesting Date**):
 - a Change in Control event occurring; or
 - 1 July 2012, subject to the condition set out in section 2.2 above being satisfied, the intention being that the Options will not vest on 1 July 2012 (and will be forfeited) unless the change in the market price of the Shares from 27 January 2010 to 1 July 2012 outperforms the change in the S&P/ASX 200 Index for the same period;

- The Expiry Date being 31 January 2013;
- A volatility measure of 57.821%;
- A risk-free interest rate of 5.54%; and
- A nil dividend yield,

(assumed data).

As no dividends are paid by the Company, it is a valid assumption that the Option holders will exercise Options at the end of the Options expiry period due to the time, value of money and forgone interest if they were to exercise Options earlier. Based on this information, the Company has adopted an indicative value for the Options of \$0.133 each.

On that basis, the respective value of the Options to be issued pursuant to Resolutions One, Two, Three and Four are as follows:

- Mr Howard Stack or his nominee - \$265,880
- Mr Ronald Prefontaine or his nominee - \$265,880
- Mr Stephen Bizzell or his nominee - \$265,880
- Mr Nicholas Mather or his nominee - \$265,880

(f) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors that is reasonably required by Shareholders to make a decision with respect to the Resolutions save and except as follows:

Market Price Movement

The Option valuation noted above assumes a market price of the Shares on the date of issue of \$1.20 per share, being the most recent market price of the Shares prior to the date of this report. There is a possibility that the market price of the Shares on the date of issue of the Options will be different to this and that the market price of the Shares will change up to the date of the Meeting.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominee, is the potentially dilutionary impact on the issued share capital of the Company (in the event that the Options are exercised). Until exercised, the issue of the Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms.

It is also considered that the potential increase in the value of the Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the issue of the Options. No GST will be payable by the Company in respect of the issue of the Options (or if it is then it will be recoverable as an input credit).

AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of comprehensive income. Where the issue date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions One, Two, Three and Four.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of Shareholders to an issue of securities to a related party. Each of Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, being a Director of the Company, is a related party of the Company. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum total number of Options to be issued to Mr Stack, Mr Prefontaine, Mr Bizzell and Mr Mather, or their respective nominee, is 8,000,000 Options (being 2,000,000 Options to each Director or their nominee).
- The Options are intended to be issued as soon as possible following the Meeting, but in any event, no later than one (1) month after the date of the Meeting.
- The Options are being issued for nil consideration.
- No funds are being raised by the issue of the Options.

3. Interpretation

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ACN 008 624 691.

Board means the board of directors of the Company.

Bizzell Options means 2,000,000 options to subscribe for Shares exercisable at \$2.00 each and expiring on 31 January 2013, to be issued to Mr Stephen Bizzell or his nominee on the terms set out in the Notice and this Explanatory Memorandum.

Company means Bow Energy Ltd ABN 63 111 019 857.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors means the directors of the Company.

Listing Rules means the listing rules of the ASX.

Market Price has the meaning given to that term in the Listing Rules.

Mather Options means 2,000,000 options to subscribe for Shares, exercisable at \$2.00 each and expiring on 31 January 2013, to be issued to Mr Nicholas Mather or his nominee on the terms set out in the Notice and this Explanatory Memorandum.

Meeting means the General Meeting of the Company to be held on 24 June 2010.

Notice means this notice of meeting.

Options means the Stack Options, the Prefontaine Options, the Bizzell Options and the Mather Options.

Prefontaine Options means 2,000,000 options to subscribe for Shares exercisable at \$2.00 each and expiring on 31 January 2013, to be issued to Mr Ronald Prefontaine or his nominee on the terms set out in the Notice and this Explanatory Memorandum.

Resolution means a resolution to be proposed at the Meeting.

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

Shareholder means a holder of a Share.

Stack Options means 2,000,000 options to subscribe for Shares exercisable at \$2.00 each and expiring on 31 January 2013, to be issued to Mr Howard Stack or his nominee on the terms set out in the Notice and this Explanatory Memorandum.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Duncan Cornish (Company Secretary):

Bow Energy Ltd

Street address: Level 7, 10 Eagle Street, Brisbane QLD 4000

Postal address: GPO Box 5244, Brisbane QLD 4001

Ph: (07) 3238 6300 **Fax:** (07) 3238 6399

Email: info@bowenergy.com.au

Proxy, Representative and Voting Entitlement Instructions

Proxies and Representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001 (Cwlth)*.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, sent by facsimile transmission or lodged online at the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Bow Energy Limited

Mail: C/- Link Market Services Limited

Locked Bag A14, Sydney South NSW 1235 Australia

Hand: C/- Link Market Services Limited

Level 12, 680 George Street, Sydney NSW 2000

Fax: +61 2 9287 0309

Online: linkmarketservices.com.au

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm 22 June 2010 (Sydney time). Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

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

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.

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.

Lodging Online

You may lodge your proxy form (and any Power of Attorney under which it is signed) online at Link's website (www.linkmarketservices.com.au) in accordance with the instructions given on that website. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on Link's website.



By mail:
Bow Energy Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: (02) 8280 7454



X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Bow Energy Ltd and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 10:00am on Thursday, 24 June 2010, at Royal on the Park, Cnr Alice & Albert Street, Brisbane QLD and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2

VOTING DIRECTIONS

	For	Against	Abstain*
Resolution 1 Issue of Options to Mr Howard Stack	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Issue of Options to Mr Ronald Prefontaine	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Issue of Options to Mr Stephen Bizzell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Issue of Options to Mr Nicholas Mather	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of the Resolution/s and that votes cast by him/her for those Resolutions, other than as proxyholder, would be disregarded because of that 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 the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of all Resolutions.

STEP 4

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, all shareholders must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

BOW PRX002



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

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

Appointment of a Second Proxy

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 by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

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

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all shareholders must sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. 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.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:00am on Tuesday, 22 June 2010, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Select the 'Proxy Voting' option on the top right of the home page. Choose the company you wish to lodge your vote for from the drop down menu, enter your holding details as shown on this form, and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

If you lodge online in accordance with these instructions you will be taken to have signed your Proxy Form.



by mail:

Bow Energy Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.