



# BUILDING MOMENTUM

NOTICE OF  
ANNUAL GENERAL MEETING  
28TH NOVEMBER 2003



## >>> NOTICE OF ANNUAL GENERAL MEETING

VIROTEC INTERNATIONAL LTD  
ACN 004 801 398

Notice is given that the Annual General Meeting of Virotec International Ltd ('Company') will be held at 10.00am on 28 November 2003 at the Jock Robertson Auditorium, McCullough Robertson Lawyers, Level 16, Central Plaza Two, 66 Eagle Street, Brisbane, Queensland, Australia.

### ITEMS OF BUSINESS

#### *Item 1: Financial Statements and Reports*

To receive and consider the Financial Report and the Reports of the Directors and the Auditor in respect of the year ended 30 June 2003.

#### *Item 2: Election of Directors*

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

*'That Bruno Bamonte who retires by rotation in accordance with the Company's constitution, and being eligible, be re-elected as a director of the Company.'*

#### *Item 3: Election of Director*

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

*'That Michael Nissen who retires as previously required by the Corporations Act, be re-elected as a director of the Company.'*

#### *Item 4: Ratification of Share Issue*

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

*'That for the purposes of ASX Listing Rule 7.1, the issue of 25,000,000 ordinary shares in the Company which was conducted in September 2003 be ratified.'*

#### *Item 5: Equity Components of Remuneration*

##### *– Brian Sheeran, Chairman and Chief Executive Officer*

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

*'That each of the following is approved for the purpose of ASX Listing Rules 7.1 and 10.14 and sections 200B and 200E of the Corporations Act:*

- (a) the issue to Brian Sheeran, as part of a short-term incentive plan of Virotec International Ltd (Virotec) and on the basis, at the times and subject to the conditions described in the Explanatory Notes to the Notice convening this Meeting including the Annexures (Explanatory Notes), of:*
  - (i) Virotec Shares having an aggregate value of a maximum of Mr Sheeran's short-term incentive award in respect of the years ending on 30 June 2003, 2004 and 2005; and*
  - (ii) up to one additional Virotec Share for each Virotec Share previously issued to Mr Sheeran with approval under sub-paragraph (a)(i) of this resolution;*
- (b) the grant to Mr Sheeran, as part of a long-term incentive plan of Virotec and on the basis, at the times and subject to the conditions described in the Explanatory Notes, of up to 2,000,000 Performance Rights and the issue to Mr Sheeran of Virotec Shares upon the exercise of those Performance Rights; and*
- (c) the giving by Virotec of benefits in connection with Mr Sheeran's retirement or resignation from, or loss of, office (including through death) as Chairman and Chief Executive Officer of Virotec as part of a long-term incentive plan or short-term incentive plan of Virotec and on the basis described in the Explanatory Notes.'*

**Item 6: Equity Components of Remuneration**  
**– Bruno Bamonte, Director and Chief Financial Officer**

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

*'That each of the following is approved for the purpose of ASX Listing Rules 7.1 and 10.14 and sections 200B and 200E of the Corporations Act:*

- (a) the issue to Bruno Bamonte, as part of a short-term incentive plan of Virotec International Ltd (Virotec) and on the basis, at the times and subject to the conditions described in the Explanatory Notes to the Notice convening this Meeting including the Annexures (Explanatory Notes), of:*
  - (i) Virotec Shares having an aggregate value of a maximum of Mr Bamonte's short-term incentive award in respect of the year ending on 30 June 2003, 2004 and 2005; and*
  - (ii) up to one additional Virotec Share for each Virotec Share previously issued to Mr Bamonte with approval under sub-paragraph (a)(i) of this resolution;*
- (b) the grant to Mr Bamonte, as part of a long-term incentive plan of Virotec and on the basis, at the times and subject to the conditions described in the Explanatory Notes, of up to 1,400,000 Performance Rights and the issue to Mr Bamonte of Virotec Shares upon the exercise of those Performance Rights; and*
- (c) the giving by Virotec of benefits in connection with Mr Bamonte's retirement or resignation from, or loss of, office (including through death) as Director and Chief Financial Officer of Virotec as part of a long-term incentive plan or short-term incentive plan of Virotec and on the basis described in the Explanatory Notes.'*

**Item 7: Issue of Shares – Non-executive Directors**

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

*'That for the purposes of ASX Listing Rules 10.11 and 7.1, the issue of shares to non-executive directors Dr Michael Nissen, Dr David McConchie and Mr John Glynn on the basis described in the Explanatory Notes be approved.'*

**Item 8: Grant of Options – Associate of Director**

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

*'That for the purposes of ASX Listing Rules 10.14 and 7.1, the grant of options to acquire ordinary shares in the Company to Ms Fiona Davies-McConchie, an associate of Dr David McConchie, on the basis described in the Explanatory Notes be approved.'*

By Order of the Board

**A J Craig**

Company Secretary  
20 October 2003

## >>> NOTICE OF ANNUAL GENERAL MEETING

VIROTEC INTERNATIONAL LTD  
ACN 004 801 398

### *Venue for Meeting*

The Annual General Meeting is to be held in the Jock Robertson Auditorium, McCullough Robertson Lawyers, Level 16 Central Plaza Two, 66 Eagle Street, Brisbane, Queensland, Australia.

### *Determination of entitlement to attend and vote at the Meeting*

Virotec has determined, in accordance with the Corporations Act, that for the meeting or any adjourned meeting, shares will be taken to be held by those persons recorded in the Company's register of members as at 7.00pm AEST on 26 November 2003.

### *Voting exclusion statement*

Virotec will disregard:

- > any votes cast on the proposed resolution set out in Item 4 (Ratification of Share Issue) by any person or entity that participated in the issue or any of their associates;
- > any votes cast on the proposed resolution set out in Item 5 (Equity Components of Remuneration – Brian Sheeran, Chairman and Chief Executive Officer) by Brian Sheeran or any associate of his;
- > any votes cast on the proposed resolution set out in Item 6 (Equity Components of Remuneration – Bruno Bamonte, Director and Chief Financial Officer) by Bruno Bamonte or any associate of his; and
- > any votes cast on the proposed resolution set out in Item 7 (Share Issue to Non-executive Directors) by Michael Nissen, John Glynn or David McConchie or any of their associates.
- > any votes cast on the proposed resolution set out in Item 8 (Share Issue to Fiona Davies McConchie) by Fiona Davies-McConchie, David McConchie or any of their associates.

### *However, Virotec will not disregard a vote if:*

- > it is cast by any of those persons as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- > it is cast by the Chairman of the 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.

### *Voting by proxy*

A shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote at the Meeting on behalf of that shareholder. A proxy need not be a shareholder of Virotec. If a shareholder is entitled to cast two or more votes at the Meeting, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or the number of the shareholder's votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes on a poll.

Proxies may be lodged with Virotec:

- > by mail: Virotec International Ltd, PO Box 188, Sanctuary Cove QLD 4212, Australia
- > by facsimile: +617 5530 8052

Proxies may be lodged with Computershare Investor Services Pty Ltd:

- > by mail: Computershare Investor Services, GPO Box 523, Brisbane QLD 4001
- > by facsimile: +617 3229 9860

To be effective, Virotec must receive the completed proxy form and, if the form is signed by the shareholder's attorney or authorised representative, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10.00am AEST on 26 November 2003.

**Item 1: Financial Statements and Reports**

The Corporations Act and Virotec's Constitution require the following reports in respect of the financial year of Virotec ended on 30 June 2003 to be laid before the Meeting:

- > the Financial Report (which includes the financial statements and Directors' declaration); and
- > the Directors' Report and the Auditor's Report.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these Reports and on the business, operations and management of Virotec and the Virotec Group.

There is no requirement either in the Corporations Act or Virotec's Constitution for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report.

**Item 2: Election of Director**

**Mr. Bruno Bamonte - Director and Chief Financial Officer – (45 years)**

Mr. Bamonte is a Chartered Accountant and a member of the Australian Institute of Company Directors. He has consulted to a number of public companies on a range of areas including preparation of prospectuses, assistance to gain admission to the official list of the Australian Stock Exchange, assistance to seek re-quotations of shares for suspended companies, corporate governance, and other financial areas. Mr. Bamonte has been a Director since 1997 and is a member of the audit committee.

In accordance with the Company's Constitution, Bruno Bamonte automatically retires at the next meeting of members and, being eligible, has offered himself for re-election as a director of the Company. The Company's remaining directors recommend to members that Mr Bamonte be re-elected.

**Item 3: Election of Director**

**Dr. Michael Nissen - Non Executive Director – (75 years)**

Dr Nissen is a qualified medical practitioner who graduated from Melbourne University and is a Member of Royal College of Physicians (UK). He was responsible for the building and was a co-owner of Florence Nightingale Hospital in Brighton, Victoria. He was also responsible as the Chief Executive and part owner in the development of Cedar Court Hospital in Camberwell, Victoria. He was for 25 years the honorary medical Director of the Montefiore Homes for the aged in Melbourne. He is a non executive director of the public company, Banque Tec Limited. Dr. Nissen has been a Director since 17 March 2000 and is the Chairman of the audit committee and remuneration and nomination committee.

Under provisions of the Corporations Act which were repealed this year, a director who is over 72 years of age was required to be offered for election each year. Although the requirement that he be re-elected annually has been repealed, it is proposed that Dr Nissen be re-elected as a director of the Company at this Meeting as effectively Dr Nissen was elected for a one year term last year. In future meetings, Dr Nissen will retire by rotation in accordance with the Company's constitution, and the Corporations Act. The Company's remaining directors recommend to members that Dr Nissen be elected as a director of the Company.

**Item 4: Ratification of Share Issue**

On 27 August 2003, Virotec announced that it had entered into a placing agreement with Numis Securities Limited for the issue of 25,000,000 ordinary shares at a price of GBP £0.14 (approximately AUD\$0.34) per share. The placement was completed on 2 September 2003 raising approximately AUD\$8.19 million with the shares being issued to clients of Numis Securities Limited.

The issue was conducted to satisfy increasing investor demand for the Company's securities in the UK and to provide additional working capital for the Company's ongoing commercialisation and marketing of its technologies.

In accordance with Listing Rule 7.1 of the ASX listing rules, approval of this resolution will permit the Company to issue up to 15% of the existing equity in the Company during the next 12 months without seeking the prior approval of shareholders. This will provide the Company with the ability to take advantage of any opportunities that may arise without delay to further the commercialisation of the technologies. However, there is no specific intention to issue any further shares at this time, other than as contemplated in these meeting documents.

The Directors recommend that shareholders vote in favour of this resolution. Participants in the placement will not be permitted to vote on this resolution.

*Items 5 and 6 – Equity components of remuneration – Brian Sheeran, Chairman and Chief Executive Officer, and Bruno Bamonte, Director and Chief Financial Officer*

Shareholder approval is being sought for the equity components of Mr Sheeran's and Mr Bamonte's remuneration agreements which were approved by the board in September 2003. These resolutions will be considered separately at the meeting, however for the purposes of providing background information the incentive plans are being presented together.

In structuring the remuneration packages offered to Mr Sheeran and Mr Bamonte (referred to in the following information as the 'Executives' or the 'Executive' as the context requires) as part of their terms of employment as CEO and CFO, the Board decided that:

- > most of the rewards potentially available to the Executives for their services to Virotec should be performance-based; and
- > significant components should consist of equity in Virotec in order to more closely align the Executive's financial interests with those of Virotec's shareholders.

In making that decision, the Board took into account the scope of Mr Sheeran's and Mr Bamonte's roles, the immediate and longer term business challenges facing Virotec, and market practice for executives in positions of similar responsibility.

The Executives' remuneration packages contain a mix of base salary, short-term incentives and long-term incentives.

The Board is proposing that the majority of the Executives' potential short-term incentive awards and all of their potential long-term incentive awards should be provided in the form of Virotec shares. Shareholder approval is being sought to provide Virotec shares to the Executives as part of two separate plans:

- > a Short-Term Incentive (STI) plan; and
- > a Long-Term Incentive (LTI) plan.

In broad terms, the extent to which the Executives can benefit under the plans will be linked to Virotec's performance and will depend on their continuing employment as CEO and CFO.

These STI and LTI plans provide for the issue of shares to the Executives. As required by the ASX listing rules, the prior approval of shareholders is required before any securities may be issued to a director of a listed company. Accordingly, shareholder approval is being sought in order to permit future issues which may occur as a result of the STI and LTI plans.

Also, Virotec's STI plan and LTI plan may provide benefits to the Executives in connection with their retirement, resignation, death or loss of office. The Corporations Act requires shareholder approval for Virotec to give such benefits to the Executives. Shareholder approval is being sought in order to permit Virotec to provide these benefits.

You can read more information about these benefits and the effect of the ending of Mr Sheeran's or Mr Bamonte's employment on their entitlements under the Short-Term Incentive plan in Annexure A and under the Long-Term Incentive plan in Annexure B.

The Executives joined the Company in 1997 at a time when the Company (known as Norminco Limited) was struggling to survive with a receiver appointed and operating under a Deed of Administration. The Executives have been instrumental in transforming the Company from a struggling mining company to an international environmental technology company listed both in Australia and London.

This has been an exhaustive process and has involved:

- > Raising sufficient funds to retire the receiver.
- > Restructuring the company debt.
- > Overseeing the restructuring of the Board of Directors and implementing a new corporate culture to the Company.
- > Seeking the requote of the Company's shares on the ASX.
- > Dealing with the problems inherent in the Company's mining assets and seeking to reposition the Company so that shareholder value would be optimised.
- > Identifying the potential in, and supporting the trialling of the Bauxsol™ Technology to assist the Company in overcoming one of its major environmental concerns from its mining operations and at the same time recognising its potential to transform the business of the Company.
- > Obtaining a global distribution and marketing licence for the Bauxsol™ Technology.
- > Preparing and implementing a strategic plan to commercialise the technology globally.
- > Supporting an ongoing research and development programme that has led to the expansion of the platform from which the Bauxsol™ Technology applies and additional technologies being developed.
- > Raising further funds in the United Kingdom on two occasions, and achieving a dual listing on the Alternate Investment Market of the London Stock Exchange.

The above process has transformed the Company from being on the verge of liquidation (with potentially a negative value) to a Company with a market capitalisation of approximately \$100 million over a six year period.

The Directors, apart from Mr Sheeran and Mr Bamonte, recommend that shareholders approve the Incentive Plans to provide the Executives with sufficient incentive to commit to stay with the Company for a further five years and will provide them with appropriate bonuses should the pre-determined goals be reached.

#### **SUMMARY OF THE INCENTIVE PLANS**

The Incentive Plans are the same for both Executives except to the extent of the number of securities which may be issued.

Under the STI plan, the Executives will be eligible to receive an annual award (STI Award) of up to 200% of their base salary based on performance for the relevant year against various measurable criteria.

In any year, the STI Award the Executive may receive would be provided in two parts:

- > up to 30% as a cash payment; and
- > at least 70% by way of an issue of shares in Virotec (Virotec Shares) to the Executive.

Shareholder approval is being sought to provide the Executives with the proposed share-based component of their annual STI Award for the years 2003, 2004 and 2005.

The following table sets out details of the Executives' proposed maximum STI Award for each of those years, and the maximum share-based component of that Award.

*Proposed maximum share-based component of the STI Award*

<i>STI PERIOD</i>	<i>OUTLINE OF STI AWARD</i>
Period to 30 June 2003	<p>During this period, the Executive has the opportunity to earn an STI Award of a value up to 200% of his base salary, which may be paid by way of an issue of Virotec Shares.</p> <p>The actual STI Award is based on the Board's (other than the Executive's) assessment of his performance against agreed criteria and the financial performance of Virotec over the period. (Refer to Annexure A for more information).</p> <p>The Board has not yet determined the STI Awards in respect of this period.</p>
1 July 2003 to 30 June 2004	<p>During this period, the Executive will have the opportunity to earn an STI Award of a value up to 200% of his base salary, which may be paid by way of an issue of Virotec Shares.</p> <p>The actual STI Award is based on the Board's (other than the Executive's) assessment of his performance against agreed criteria and the financial performance of Virotec over the period.</p>
1 July 2004 to 30 June 2005	<p>During this period, the Executive will have the opportunity to earn an STI Award a value up to 200% of his base salary, which may be paid by way of an issue of shares.</p> <p>The actual STI Award is based on the Board's (other than the Executive's) assessment of his performance against agreed criteria and the financial performance of Virotec over the period.</p>

The number of shares to be issued under an STI Award will be calculated using the weighted average market price of the ordinary shares traded on ASX over the last ten trading days before the end of the relevant period. The remuneration agreements recently approved by the Board of Virotec provide for a base salary for Mr Sheeran of \$650,000 and for Mr Bamonte of \$450,000, to be increased annually in line with the Australian Consumer Price Index. Under both the STI and LTI, it is proposed that shares may be issued over a period of five years if the various criteria of the plans (including performance hurdles) are satisfied. The approval being sought pursuant to the ASX Listing Rules places a three year time limit on such issues, and as a result any shares eligible to be issued in accordance with these plans after 3 years from the date of the meeting may require a further shareholder approval prior to being issued.

If the Executive remains employed by Virotec on the third anniversary of any date on which Virotec Shares are issued to the Executive through the STI Plan (STI Shares), then Virotec intends to provide the Executive with one additional Virotec Share (a Matching Share) for each STI Share that was issued on or before that date.

If, before the third anniversary of the date on which STI Shares are issued to the Executive under the STI Plan, either:

- > Virotec terminates the Executive's employment (other than for serious misconduct or a similar event); or
- > the Executive resigns from his employment as a result of a change to his duties or responsibilities (without his agreement) which has the effect of materially changing his status or authority,

Virotec intends to provide to the Executive a pro-rated number of the Matching Shares that he would have received had he remained in Virotec's employment for the full three year period. The number of these Matching Shares will be calculated by reference to the proportion of the three year period which had elapsed before the Executive's employment ended. The value of this benefit will depend upon the market value of the Matching Shares provided to the Executive after the ending of his employment.

Under the STI Plan, when the Executive's employment ends, the Executive may receive Matching Shares and a three year restriction on the disposal of his STI Shares will in some circumstances cease to apply.

You can read more information about the basis on which Virotec Shares are proposed to be provided to the Executives under the STI Plan (and the benefits connected with the ending of the Executive's employment) in Annexure A.

To provide the Executives with long-term incentives that more closely align their interests with the interests of Virotec shareholders, the Board proposes to give the Executives Performance Rights under the LTI plan that would require Virotec to provide the Executive with one Virotec Share for each Performance Right that the Executive exercises. (Certain terms and conditions would apply to the Performance Rights, see Annexure B).

The Board proposes that five separate tranches of Performance Rights (totalling a maximum of 2,000,000 for Mr Sheeran and 1,400,000 for Mr Bamonte) be granted under the LTI plan. Each tranche will represent a different performance period over the next five years.

The Executive would be able to exercise the Performance Rights in a particular tranche only if specified performance hurdles are met at the end of the applicable performance period for that tranche (except in the circumstances described in Annexure B).

The following table sets out details of each tranche of Performance Rights for which approval is sought, and the performance period applicable to that tranche.

<i>TRANCHE PERFORMANCE PERIOD</i>	
Year ended 30 June 2004	500,000 Performance Rights to Mr Sheeran 280,000 Performance Rights to Mr Bamonte
Year ended 30 June 2005	500,000 Performance Rights to Mr Sheeran 280,000 Performance Rights to Mr Bamonte
Year ended 30 June 2006	500,000 Performance Rights to Mr Sheeran 280,000 Performance Rights to Mr Bamonte
Year ended 30 June 2007	500,000 Performance Rights to Mr Sheeran 280,000 Performance Rights to Mr Bamonte
Year ended 30 June 2008	500,000 Performance Rights to Mr Sheeran 280,000 Performance Rights to Mr Bamonte

For each tranche of Performance Rights, the Board proposes that there be two different performance hurdles. In general terms:

- > the vesting of 50% of the Performance Rights in each tranche will depend on achievement of a hurdle linked to Virotec's performance against other Australian listed companies; and
- > the vesting of 50% of the Performance Rights in each tranche will depend on achievement of a hurdle linked to Virotec's increased financial performance from exploitation of its technologies.

Under the LTI plan, when the Executive's employment ends, the performance period for the Executive's Performance Rights may be shortened, Performance Rights may be exercisable irrespective of whether performance hurdles have been met and whether performance hurdles have been met may be assessed by reference to a period during which the Executive was no longer employed by Virotec.

You can read more information about the effect of the ending of the Executive's employment on the Performance Rights proposed to be granted to the executive in Annexure B. Annexure B also contains important additional information about the terms and conditions of those Performance Rights (including details of the applicable performance hurdles).

*The Board's recommendation of the proposed resolutions 5 and 6*

The Board, with Mr Sheeran and Mr Bamonte abstaining, recommends that shareholders vote in favour of the proposed resolutions in Items 4 and 5.

*Item 7: Issue of Shares to Non-Executive Directors*

As required by the ASX listing rules, the prior approval of shareholders is required before any securities may be issued to a director of a listed company. This item seeks shareholders' approval to issue shares to Virotec's non-executive directors in recognition of their service and commitment to the Company over a number of years.

Dr Nissen and Mr Glynn were appointed as directors in March 2000 and Dr McConchie was appointed in July 2000. All of these directors have contributed to the development of the Company during a challenging period. The non-executive directors have been paid \$24,000 per annum plus superannuation for their services during this time which is below the current market rate for such services (Dr McConchie has also been paid for additional specialist advice provided during this time). Dr Nissen has also acted as Chairman of both the Audit Committee and Remuneration and Nomination Committee since their respective inceptions.

It is proposed that shares be issued on the following basis:

Dr Nissen	100,000 ordinary shares
Mr Glynn	50,000 ordinary shares
Dr McConchie	50,000 ordinary shares

It is proposed that if this item is approved, the shares will be issued on the business day following the annual general meeting at the closing price on ASX on that day. No amounts will be payable by the directors as consideration the issue of these shares.

The directors, apart from the non-executive directors, recommend that shareholders vote in favour of this resolution. The non-executive directors participating in this issue and their associates will not be permitted to vote on this resolution.

*Item 8: Grant of Options to Associate of Director*

As required by the ASX listing rules, the prior approval of shareholders is required before any securities may be issued to a director or an associate of a director of a listed company. This item seeks shareholders' approval to grant options to acquire ordinary shares in the Company to Fiona Davies-McConchie, an associate of Dr McConchie (being his wife), in recognition of her service and commitment to the Company over a number of years in her role as an integral part of the Virotec research team.

The Directors of the Company recently conducted an issue of options to Virotec employees under Virotec's Option Incentive Scheme (the "Scheme"). As part of the issue, Fiona Davies-McConchie received an allocation of options. Due to her association with a director of the Company, approval of shareholders at this meeting is required before the options can be granted.

It is proposed that an issue of 50,000 options exercisable at 50 cents each on or before 30 September 2006 be made to Fiona Davies-McConchie on the terms and conditions as provided in the Option Incentive Scheme (a copy of which is available on request). If this item is approved, it is proposed that the issue will occur on the business day following the meeting.

Directors do not participate in the Scheme, and there have been no issues to any associates of any directors since the last approval of the Scheme in November 2002.

The directors, apart from David McConchie, recommend that shareholders vote in favour of this resolution. Fiona Davies-McConchie, David McConchie and their associates will not be permitted to vote on this resolution.

### THE SHORT-TERM INCENTIVE PLAN

Under the STI plan, the Executive will be eligible to receive an annual award (STI Award) of up to 200% of the base remuneration based on performance for the relevant year against various measurable criteria.

For the years ended 30 June 2003, 2004 and 2005, the STI Award the Executive may receive would be provided in two parts:

- > Up to 30% as a cash payment; and
- > The balance (between 70% and 100%) be satisfied by the issue of an equivalent number of shares in the Company based on the weighted average market price for the last 10 trading days of the relevant financial year.

Shareholder approval is required to provide the Executive with the proposed share-based component of their annual STI Award.

It is proposed that any actual awards granted to the Executive under the STI plan will be based on a consideration of quantitative and qualitative measures to be determined by the Board (other than the Executive) each year. These criteria are as follows:

- > quantitative measures include cost management, and value of new business; and
- > qualitative measures include performance relative to competitors and market conditions, stakeholder perspectives, personal leadership, effective teamwork at senior management levels and strategic positioning of Virotec.

The following table sets out details of the Executive's proposed maximum share-based component of that Award.

<i>STI PERIOD</i>	<i>OUTLINE OF STI AWARD</i>
Year ended 30 June 2003	During this period, The Executive had the opportunity to earn an STI Award of up to 200% of his base remuneration. His actual STI Award will be based on the Board's (other than any of the Executive's representatives) assessment of his performance against agreed criteria and the financial performance of Virotec over the period.  The Board has not yet considered the Executive's STI Award for this period.
Year ending 30 June 2004	For 2004, the Executive will have the opportunity to earn an STI Award of up to 200% of the average base remuneration paid for the year.
Year ending 30 June 2005	For 2005, the Executive will have the opportunity to earn an STI Award of up to 200% of his average base remuneration paid for the year.

### *Matching Shares*

To ensure there is incentive to retain the services of the Executive, it is proposed that on the third anniversary of any date on which Virotec Shares are issued for the Executive through the STI plan (STI Shares), then Virotec provide the Executive with one additional Virotec Share (a Matching Share) for each STI Share that was issued on or before that date.

If, before the third anniversary of the date on which STI Shares are issued to the Executive under the STI plan, either:

- > Virotec terminates the Executive's contract (other than for serious misconduct); or
- > The Executive resigns as a result of a change to his duties or responsibilities (without his agreement) which has the effect of materially changing his status or authority,

It is proposed that Virotec provide to the Executive a pro-rated number of the Matching Shares that would have been received had the Executive remained engaged by Virotec's for the full three year period. The number of these Matching Shares will be calculated by reference to the proportion of the three year period which had elapsed before the Executive's contract ended.

#### *Termination of Contract*

Under the proposed STI plan, when the Executive's contract ends, the Executive may receive Matching Shares and any restriction on the disposal of his STI Shares will cease to apply.

#### *Rights Attaching to Shares*

Virotec Shares issued as part of a particular STI Award (STI Shares) will be issued in the relevant person's name. Accordingly, that person:

- > will be able to exercise voting rights attaching to the STI Shares;
- > will be entitled to receive any dividend paid on the STI Shares, even though the STI Shares will be subject to a restriction on disposal (see below); and
- > will be entitled to participate in any bonus issue or pro rata rights issue (or to sell renounceable rights acquired) in respect of the STI Shares.

#### *Capital Reconstruction and or Share Splits*

The number of Matching Shares Virotec may provide to the Executive will be adjusted to reflect any capital reconstructions (eg share splits or consolidations) that Virotec undertakes between the time of the acquisition of STI Shares and the acquisition of Matching Shares.

#### *Disposal of shares*

It is proposed that the Executive will not be able to dispose of the STI Shares until one year after the issue of those Shares. However, this restriction on the disposal of the STI Shares will cease to apply:

- > to all of the STI Shares if a takeover bid for Virotec Shares or a scheme of arrangement (or an acquisition of Virotec Shares approved at a general meeting) results in either:
  - > a change in legal or beneficial interests in more than 50% of Virotec Shares; or
  - > any person having voting power (as defined in the Corporations Act) in Virotec of greater than 50%;
- > if and to the extent that the Board waives or reduces the restrictions;
- > if, the Executive ceases to be engaged by Virotec due to total and permanent disablement, death of the Executive's representative or other circumstances determined by the Board.

These restrictions on disposal will apply only to STI Shares. They will not apply to any Matching Shares that Virotec provides to the Executive under the STI plan.

**THE LONG-TERM INCENTIVE PLAN**

It is proposed under the Long Term Incentive plan that five separate tranches of Performance Rights be granted to the Executive. These Performance Rights would require Virotec to provide the Executive with one Virotec Share for each Performance Right that is exercised.

For each tranche of Performance Rights, it is proposed that there be two different performance hurdles. In general terms:

- > the vesting of 50% of the Performance Rights in each tranche will depend on achievement of a hurdle linked to Virotec's performance against other Australian listed companies; and
- > the vesting of 50% of the Performance Rights in each tranche will depend on achievement of a hurdle linked to Virotec's performance in the growing of the revenues generated in the exploitation of the company's Technologies.

The Executive will be able to exercise the Performance Rights in a particular tranche only if specified performance hurdles are met at the end of the applicable performance period for that tranche.

Each tranche will become available to be granted on 31 July each year, commencing on 31 July 2004. The performance hurdles will be assessed in relation to the financial year ending 30 June each year.

**Proposed Performance Hurdles**

For each tranche of Performance Rights granted to the Executive there will be two different performance hurdles. The following table summarises the operation of each different performance hurdle and shows the percentage of the Performance Rights in each tranche to which that performance hurdle will apply.

% OF TRANCHE	PERFORMANCE HURDLE
50%	<p>If Virotec's Total Shareholder Return ("TSR") (i.e. the change in share price plus any dividends paid over the applicable performance period, expressed as a percentage) when compared to the TSR of a comparison group made up of ASX 300 Index as at the start of the applicable performance period:</p> <ul style="list-style-type: none"> <li>&gt; is below the 50th percentile of the comparison group, then none of these Performance Rights will vest.</li> <li>&gt; is at the 50th percentile of the comparison group, then only half of these Performance Rights will vest.</li> <li>&gt; is between the 50th and 75th percentile of the comparison group, then these Performance Rights will vest on a straight line basis with Virotec's TSR ranking against the comparison group.</li> <li>&gt; is in at least the 75th percentile of the comparison group, then all of these Performance Rights will vest.</li> </ul>
50%	<p>If Virotec's revenue growth in relation solely to the exploitation of the company's Technologies relative to the base year being the year ended 30 June 2003, the amount of performance rights that accrue will be determined by taking the average annual growth achieved from 1 July 2004 to the end of each financial year and if the</p> <ul style="list-style-type: none"> <li>&gt; average growth is below 40% p.a. then none of these Performance Rights for that year will vest.</li> <li>&gt; average growth is between 40% p.a. and 60% p.a. then only half of the Performance Rights for that year will vest.</li> <li>&gt; average growth is above 60% p.a. and below 100% p.a. then three quarters of the Performance Rights for that year will vest.</li> <li>&gt; average growth is above 100% p.a., then all of these Performance Rights for that year will vest.</li> </ul>

It is proposed that after the end of the performance period that applies to a tranche of Performance Rights, the Board will determine whether (and the extent to which) the performance hurdles have been achieved in respect of that tranche and report to the Board on such findings.

If the performance hurdles that apply to a tranche of Performance Rights are not met at the end of the relevant performance period, then those Performance Rights will lapse.

If it is determined that the performance hurdles have been achieved in respect of some or all of the Performance Rights in a tranche, the Executive will generally have three months from the end of the relevant performance period to exercise those Performance Rights. The Executive will not be required to pay anything when they exercise those Performance Rights to receive Virotec Shares.

The number of Virotec Shares that the Executive is entitled to when the Performance Rights are exercised will be adjusted to reflect any bonus issues or capital reconstructions (eg share splits or consolidations) that Virotec undertakes between the grant of a Performance Right and the exercise of the Performance Right. The adjustment will be in accordance with ASX requirements.

Shares provided to the Executive following the exercise of a Performance Right will rank equally with other existing Virotec Shares and they will be entitled in full to dividends that have a record date after the Virotec Shares are registered.

If the Executive is no longer contracted by the Virotec Group while holding Performance Rights, the treatment of those Performance Rights will depend on:

- > whether the Performance Rights had vested at the time the contracts ended (that is, whether the applicable performance hurdles had been met in respect of those Performance Rights); and
- > the reason the contracts ended.

If Performance Rights have vested, then:

- > if the Executive's contract is terminated by mutual agreement or is terminated by the Virotec Group (other than for misconduct), they will generally have 30 days in which to exercise their Performance Rights. After that period any unexercised Performance Rights will lapse;
- > if the Executive cease to be engaged due to special circumstances (namely, total and permanent disablement, death of the Executive's representative or the sale of the shares or business of the Virotec group), the Executive will generally be able to exercise their Performance Rights until the end of the original three month exercise period; and
- > If the Executive's contract is terminated for misconduct or a breach of contract, the Performance Rights will lapse immediately.

If any Performance Rights have NOT vested when the Executive's contract ends, then the unvested Performance Rights will generally lapse unless:

- > The Executive contract is terminated by mutual agreement later than 30 days before the end of the applicable performance period and the Board (other than the Executive's representative) determines that the performance hurdles have been achieved in respect of some or all of the Performance Rights. In that case, those Performance Rights will vest and be exercisable within the next 30 days following the determination; or
- > the Board decides otherwise. For example, in circumstances of retrenchment, retirement, the sale of the shares or business of the employing company or in other circumstances the Board (other than the Contractor's representative) considers appropriate.

A personalised proxy voting form accompanies these Notes

[www.virotec.com](http://www.virotec.com)

Virotec International Ltd

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ABN 81 004 801 398

# Virotec International Ltd

ABN 81 004 801 398

## PROXY FORM

### IF YOU ARE ATTENDING THE MEETING PLEASE BRING THIS FORM FOR REGISTRATION

I/We being a member/members of **Virotec International Ltd**, hereby appoint

(Print name of proxy in block letters)

or failing that person, or if no person is named, the chairman of the meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at **28 November 10.00am** and at any adjournment thereof.

#### Important: Chairman's Voting Intention For Items 4,5,6,7 & 8 below:

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote on **Items 4,5,6,7 & 8** below, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the Item and that votes casts by him, other than as proxyholder, would be disregarded, because of that interest. If you do not mark this box, the Chairman will not cast your votes on **Items 4,5,6,7 & 8** and your votes will not be counted in computing the required majority if a poll is called on this Item. **The Chairman intends to vote undirected proxies in favour of Items 4,5,6,7 & 8.**

I/we understand that if I/we have not directed my/our proxy how to vote, my/our proxy may vote or abstain from voting as they think fit.

*(A tick or a cross should be placed in the appropriate box if the Member wishes to direct the proxy to vote on a poll.)*

#### Ordinary Business

	FOR	AGAINST	ABSTAIN
Item 2 – Election of Director – Mr Bruno Bamonte	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 – Election of Director – Dr Michael Nissen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 – Ratification of Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 – Equity components of remuneration – Brian Sheeran	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 – Equity components of remuneration – Bruno Bamonte	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 – Equity Issue – Non Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 – Equity Issue – Associate of Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Sign Here - This section must be signed for your instruction to be executed.**

Individual or Securityholder

Individual/Sole Director and  
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company  
Secretary

**SEE REVERSE FOR SIGNING AND OTHER INSTRUCTIONS**

**GENERAL SIGNING INSTRUCTIONS**

In the case of joint holders each holder must sign.

Where the holder is an incorporated body it must sign in accordance with its Constitution.

If this form has been signed by an Attorney and the relative Power of Attorney has not been produced to the company, a certified copy or the original Power of Attorney must be forwarded with this form for noting.

**INSTRUCTIONS**

A proxy need not be a shareholder of the Company.

A corporation may elect to appoint a representative in accordance with the Corporations Act 2001. The Company will require written proof of the representative’s appointment to be lodged with or presented to the Company before the Meeting.

**If you wish to make effective appointment of a proxy, you must complete and lodge the form at either:**

Virotec International Ltd  
Building 50B Pinewood Drive  
(PO Box 188)  
Sanctuary Cove QLD 4212  
Australia

or

Virotec International Limited  
c/- Computershare Investor Services  
Level 27, Central Plaza One  
345 Queen Street  
Brisbane Qld 4000  
Australia

**Or by facsimile to:**

+61 7 5530 8052

or

+61 7 3229 9860

**Appointing a second Proxy**

Mark with an 'X' if you wish to appoint a second proxy

**AND**

%

**OR**

State the percentage of your voting rights or the number of shares for this Proxy Form.

**If you would like to appoint a second proxy, an additional proxy form can be obtained by contacting Computershare Investor Services on 1300 552 270.**

Proxies must be received by our share registrar, Computershare Investor Services Pty Limited, at least 48 hours before the time of holding the meeting (ie 10.00 AEST 26 November 2003).