

Village Roadshow Limited

ACN 010 672 054

Notice of Meeting and Explanatory Statement

Date: Wednesday 29 June 2011

Time: 10.00 a.m. AEST

Location: Cinema No. 11, Village Cinemas Jam Factory
500 Chapel Street, South Yarra, Victoria

This is an IMPORTANT DOCUMENT and requires your immediate attention. If you are in doubt as to how to deal with this document, please consult your financial or other professional adviser.

In this document you will find:

- A letter from the Chairman recommending how you should vote.
- A notice of meeting.
- An explanatory statement containing an explanation of, and information about, the resolutions set out in the accompanying notice of meeting.

Enclosed separately is a proxy form with attendance and registration details.

Important dates

Date of this Booklet	Friday 27 May 2011
Last time by which proxy forms for the Meeting can be lodged	10.00 a.m. AEST on Monday 27 June 2011
Voting Entitlement Time, i.e. time for determining entitlements to vote at the Meeting	7.00 p.m. AEST on Monday 27 June 2011
Meeting	10.00 a.m. AEST on Wednesday 29 June 2011
Shares trade without an entitlement to the Reduction of Share Capital ('ex' entitlement)	Monday 4 July 2011
Record Date for determining entitlements to participate in the Reduction of Share Capital	7.00 p.m. AEST on Friday 8 July 2011
Payment of the Reduction of Share Capital	Tuesday 19 July 2011

IMPORTANT NOTICE

For the reasons set out in this Booklet, the Directors unanimously recommend that Shareholders approve Resolution 1.

Shareholders should note that if Resolution 1 is not passed, then the Reduction of Share Capital will not proceed.

For the reasons set out in this Booklet, the Independent Directors unanimously recommend that Shareholders approve Resolution 2. Mr Graham Burke, Mr John Kirby and Mr Robert Kirby decline to make any recommendation in relation to Resolution 2.

Important notice

General

You should read this Booklet in its entirety before making a decision on how to vote on the Resolutions set out in the Notice of Meeting. The Notice of Meeting is contained on page 8 and the Explanatory Statement on page 12. A proxy form for this Meeting is enclosed with this Booklet.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary on page 6 or where the relevant term is first used.

Purposes of the Explanatory Statement

The purposes of the Explanatory Statement are to:

- (a) explain the terms and effect of each Resolution to Shareholders;
- (b) explain the manner in which each Resolution is to be considered and, if approved, implemented; and
- (c) provide such information as is prescribed by the Corporations Act, Corporations Regulations and ASX Listing Rules or as is otherwise material to the decision of Shareholders whether to pass the Resolutions.

Investment decisions

This document does not take into account the investment objectives, financial situation or particular needs of any Shareholder or any other person. This document should not be relied on as the sole basis for any investment decision in relation to Shares. Shareholders should consider obtaining independent advice before making any decision in relation to the Resolutions. VRL is not licensed to provide financial product advice in relation to its Shares or any other financial products.

Forward looking statements

Certain statements in this document relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of VRL or the VRL Group or both to be materially different from expected future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. These statements reflect the expectations of relevant parties only as of the date of this Booklet.

Letter to Shareholders



Web Site: www.villageroadshow.com.au

Dear Shareholders

Following a number of recent significant restructuring transactions, including the sale of VRL's interest in Austereo Group Limited and its aquarium and attractions businesses, VRL has generated substantial surplus funds. On 28 March 2011 VRL announced to ASX an intention to distribute to Shareholders \$1.00 for every Share held.

VRL has implemented a number of alternative value enhancement strategies in 2010, which led to increased Shareholder value. In this regard, the terms of the existing Options issued to VRL's CEO, Mr Graham Burke, should be clarified.

Both matters require Shareholder approval. Accordingly, VRL has called a Meeting of its Shareholders, as set out in the attached Notice of Meeting, to consider the following two proposals:

- (a) the payment to Shareholders of \$1.00 for every Share held as a Reduction of Share Capital; and
- (b) the clarification of the Option Terms for the exercise of Options held by VRL's CEO.

Reduction of Share Capital

The Directors consider that VRL has substantial surplus cash beyond its current and reasonably foreseeable needs. If approved by Shareholders, the Directors will pay \$1.00 per Share to all Shareholders, amounting to a total payment of approximately \$151.4 million.

The Company anticipates receiving approval from the ATO that \$0.20 of the \$1.00 Reduction of Share Capital will be a Capital Return and the balance of \$0.80 will be a fully franked distribution.

If approved, the Record Date for the \$1.00 per Share payment will be 7.00 p.m. AEST on Friday 8 July 2011, with payment occurring on Tuesday 19 July 2011.

Amendment of Option Terms

On 17 July 2008, Shareholders approved the issue of 6 million Options over Ordinary Shares to Mr Graham Burke, VRL's CEO. The Options are subject to two exercise hurdles, one relating to VRL having achieved particular growth in earnings per Share and one relating to VRL having achieved a particular growth rate in dividends to Shareholders.

As the payment of a dividend to Shareholders is a VRL Board decision, it is possible that the VRL Board may determine that in a particular year it is not in Shareholders' best interests to pay a dividend – preferring to either conserve funds or use capital for other purposes or to improve shareholder value in other ways (such as share buy-backs). Accordingly the dividend growth hurdle test was always intended to be capable of being retested in the following year. However, the current wording of the Option Terms does not fully reflect the intention of the VRL Board and the Directors seek to make an amendment to the Option Terms to clarify the operation of this retesting mechanic.

In 2010 the VRL Board chose to improve total shareholder value through various initiatives other than by the payment of a dividend. This course of action included an on-market buyback of Shares and the conversion of the Company's preference shares into Ordinary Shares. The financing of the buy-back precluded the payment of dividends until the financing had been repaid. This corporate funding has now

been repaid in full. No dividend was paid to Shareholders in 2010, however a \$0.20 dividend, being an interim and special dividend of \$0.08 and \$0.12 per Share respectively, was paid to Shareholders on 5 May 2011. These corporate actions have significantly benefitted VRL Shareholders as a whole, but have the potential to unfairly adversely impact Mr Burke in a way not intended by VRL.

The Independent Directors consider the proper operation of the performance hurdles for the exercise of the Options align Mr Burke's interests with those of the Company's Shareholders and failing to clarify the Option Terms in the manner sought in Resolution 2 would undermine the significant benefit to VRL and the VRL Group of this alignment of interests.

Shareholder Meeting

Enclosed with this letter is a Booklet setting out details of the two proposals. A Meeting of Shareholders has been called for 29 June 2011 to approve the Resolutions.

You are urged to consider all of this material carefully, determine how you wish to vote and cast your vote accordingly.

Recommendations and voting intentions

Your Directors unanimously recommend the proposal for the Reduction of Share Capital as set out in Resolution 1. Each Director with a relevant interest in VRL Shares as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of the proposal for the Reduction of Share Capital, the subject of Resolution 1.

Your Independent Directors unanimously recommend the proposal to amend the Option Terms for VRL's CEO as set out in Resolution 2. Each Independent Director with a relevant interest in VRL Shares as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of the proposal to clarify the Option Terms, the subject of Resolution 2. Mr Graham Burke, Mr John Kirby and Mr Robert Kirby and their associates are precluded from voting their Shares on Resolution 2.

Voting Entitlements

Only holders of Shares registered as such as at the Voting Entitlement Time of 7.00 p.m. AEST on 27 June 2011 are eligible to vote on the Resolutions, subject to the Voting Exclusion Statement.

Proxies

If you cannot attend the Meeting you are strongly urged to complete the proxy form and return it to the share registrar of VRL as soon as possible and in any event before 10.00 a.m. AEST on 27 June 2011. Please note that you may appoint the Chairman of the meeting as your proxy.

Chairman

The Board has appointed Mr Peter Jonson to act as Chairman of the Meeting.

Yours sincerely



Robert Kirby
Board Chairman

27 May 2011

Glossary

In this Booklet, including in the Notice of Meeting:

AEST means Australian Eastern Standard Time.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited ACN 008 624 691 trading as Australian Securities Exchange.

ATO means the Commissioner of Taxation or his delegate.

Booklet means this Booklet, comprising the Notice of Meeting, Explanatory Statement and Annexure 1.

Capital Return means the portion of the Reduction of Share Capital to be debited to the Company's share capital account.

Class Ruling means the ATO's response to VRL's ruling request in relation to the Capital Return.

Company or **VRL** means Village Roadshow Limited ACN 010 672 054.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of VRL.

Eligible Shareholder means a Shareholder registered on the Register as such on the Record Date.

Explanatory Statement means the explanatory statement contained in this Booklet in relation to the Resolutions to be considered at the Meeting.

Franked Distribution means the portion of the Reduction of Share Capital to be treated as a frankable distribution (a dividend for Australian tax purposes).

Meeting means the meeting of VRL Shareholders, notice of which is given in the Notice of Meeting.

Independent Director means a Director other than Mr John Kirby, Mr Robert Kirby or Mr Graham Burke.

Listing Rules means the Listing Rules of ASX.

Notice of Meeting means the notice of meeting contained in this Booklet.

Option means an option to acquire a Share by way of issue.

Ordinary Share or **Share** means a fully paid ordinary share in VRL.

Ordinary Shareholder or **Shareholder** means a holder of at least one Ordinary Share.

Option Terms means the terms of the Options approved by Shareholders on 17 July 2008.

Record Date means 7.00 p.m. AEST on the record date for the Reduction of Share Capital, being one month after the date that Resolution 1 is passed, or any earlier date after the date Resolution 1 is passed, determined by the Directors and announced by VRL to ASX. It is currently proposed that the Record Date will be 7.00 p.m. AEST on Friday 8 July 2011.

Reduction of Share Capital means the payment to Eligible Shareholders of \$1.00 per Share the subject of Resolution 1.

Register of Members means the register of members of the Company.

Resolution 1 means resolution 1 set out in the Notice of Meeting.

Resolution 2 means resolution 2 set out in the Notice of Meeting.

Resolutions means Resolution 1 and Resolution 2.

Share Capital means the Total Equity of the Company.

Total Equity means the share capital, the retained profits and other reserves of the Company.

Voting Entitlement Time means 7.00 p.m. AEST on 27 June 2011.

Voting Exclusion Statement means the statements set out in the Notice of Meeting in this Booklet under the heading 'Voting Exclusion Statement'.

VRC or Village Roadshow Corporation means Village Roadshow Corporation Pty Ltd ACN 004 318 610, VRL's controlling shareholder, which is controlled by Mr Robert Kirby, Mr John Kirby and Mr Graham Burke, each of whom is a Director of VRL.

VRL Group means the Company and each of its controlled entities.

A reference to **dollars, \$, AUD, cents, A\$ or \$A** is to the lawful currency of Australia.

Notice of Meeting

Village Roadshow Limited ABN 43 010 672 054

Notice is given that a meeting of Shareholders of VRL will be held in Cinema Number 11, Village Cinemas Jam Factory, 500 Chapel Street, South Yarra, Victoria at 10.00 a.m. AEST on Wednesday 29 June 2011 (**Meeting**).

Business

The purpose of the Meeting is to consider and, if thought fit, pass the following Resolutions.

Resolution 1 – Equal Reduction of Share Capital

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

That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), the following reduction of the Share Capital of the Company is approved:

*Effective from the Record Date, the Company reduce its Total Equity by an amount equal to the product of one dollar (\$1.00) (**Reduction Amount**) and the total number of issued Ordinary Shares as at the Record Date without:*

- (a) *cancelling any Shares; or*
 - (b) *creating or increasing any unpaid amount on any Shares,*
- by:*
- (c) *allocating \$0.20 of the Reduction Amount to the Company's share capital account and the balance of \$0.80 of the Reduction Amount to the Company's retained earnings, for each issued Ordinary Share as at the Record Date; and*
 - (d) *paying, in the same manner as provided in the Constitution for the payment of dividends, (on such date determined by the Directors and announced to ASX prior to the Record Date) to each Eligible Shareholder the amount of one dollar (\$1.00) for each Ordinary Share held by that Eligible Shareholder on the Record Date.*

Resolution 2 – Amendment of Option Terms

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

That approval is given for the Option Terms to be amended in the manner set out in Annexure 1 to the Explanatory Statement accompanying the Notice of this Meeting.

Voting Exclusion Statement

VRL will disregard any votes cast on Resolution 2 by:

- (a) Mr Graham Burke; and
- (b) his Associates.

However, VRL is not required to disregard a vote if:

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

Required voting majorities

As ordinary resolutions, the Resolutions require the approval of a simple majority of votes cast by Shareholders present and voting at the Meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative.

Directors' recommendations and voting

Resolution 1

The Directors believe that, taking into account all relevant matters, the Reduction of Share Capital is in the best interests of the Company and its Shareholders, and will not materially prejudice the ability of the Company to pay its creditors.

The Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 1.

Each Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolution 1. The Directors have been informed that VRC intends to vote its Shares in favour of Resolution 1.

Resolution 2

The Independent Directors believe that, taking into account all relevant matters, the amendment to the Option Terms is in the best interests of the Company and its Shareholders and the Independent Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 2.

Mr Graham Burke is the holder of the Options, and accordingly declines to make any recommendation on Resolution 2. Mr John Kirby and Mr Robert Kirby are Associates of Mr Graham Burke and accordingly they decline to make any recommendation in relation to Resolution 2.

Each Independent Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolution 2. VRC is precluded from voting on Resolution 2.

How to Vote

Voting Entitlements

VRL has determined that for the purposes of voting at the Meeting or at any adjourned meeting, Shares will be taken to be held by those persons recorded on the Register of Members at the Voting Entitlement Time.

Joint holders

When joint holders are named in the Register of Members only one joint holder may vote. If more than one of the joint holders is present at the Meeting, only the person whose name appears first in the Register of Members will be entitled to vote.

Voting in person or by attorney

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Attendees are asked to arrive at least 15 minutes prior to the time the Meeting is to commence, so that their shareholding may be checked against the Register and their attendance noted. Shareholders should bring their bar coded proxy form with them to assist in Shareholder identification and registration. Attorneys should bring the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

Voting by corporate representative

Corporate Shareholders or proxies wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from Computershare Investor Services Pty Ltd;
- (b) complete and sign the form in accordance with the instructions on the form; and
- (c) bring the completed and signed form with them to the Meeting.

Proxies

Appointment

1. A Shareholder who is entitled to vote at the Meeting may appoint:
 - (a) one proxy if the Shareholder is only entitled to one vote; or
 - (b) one or two proxies if the Shareholder is entitled to more than one vote.
2. Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a Shareholder of VRL. A proxy may be an individual or a body corporate.
4. If the proxy form is signed by the Shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Meeting, the Chairman may either act as proxy or complete the proxy form by inserting the name of a Director.
5. If you require an additional proxy form, VRL will supply it on request.
6. To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.
7. Proxies given by corporate shareholders must be executed in accordance with their constitutions and section 127 of the Corporations Act, or signed by a duly authorised officer or attorney.
8. Please refer to the other notes appearing on the enclosed proxy form.
9. Shareholders wishing to vote by proxy must complete, sign, and deliver the enclosed personalised proxy form in accordance with the instructions on the form prior to 10.00 a.m. AEST on Monday 27 June 2011 by:
 - (a) post in the reply paid envelope provided, to:

Village Roadshow Limited
C/- Computershare Investor Services Pty Ltd
PO Box Reply paid 242
Melbourne, Victoria, 3001;
 - (b) hand delivered, to:

Village Roadshow Limited
C/- Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria, 3067; or
 - (c) fax, to:

Village Roadshow Limited
C/- Computershare Investor Services Pty Ltd
on 1800 783 447 (within Australia) or;
+61 3 9473 2555 (outside Australia).

Voting

1. If a member appoints one proxy, that proxy may, subject to the Corporations Act, vote on a show of hands. If a member appoints two proxies, neither proxy may vote on a show of hands, but each may vote on a poll.
2. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in his or her capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may only vote on the item as directed. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
3. If the abstention box on the proxy form for any item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant Shares will not be counted in calculating the required majority on a poll.
4. The Chairman of the Meeting intends to vote all undirected proxies from Shareholders who are eligible to vote **in favour of** the Resolutions. The Chairman will not vote any undirected proxies from Shareholders ineligible to vote.

Recording devices

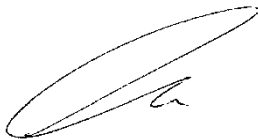
In the absence of special permission, the Chairman will require that any recording or broadcasting device (including tape recorders, mobile telephones, still cameras and video cameras) and any article which may be dangerous, offensive or liable to cause disruption, be turned off or deposited outside the Meeting.

Further information

Further information on the Meeting and the Resolutions is contained in the remainder of the Booklet.

Dated 27 May 2011

By Order of the Board



Shaun Driscoll
Secretary

Explanatory Statement

Reduction of Share Capital

1. Overview of Proposed Reduction of Share Capital

1.1 Return to Shareholders

On 28 March 2011 the Company announced to ASX a proposal to distribute \$1.00 per Share to Shareholders, which would amount to a payment to Shareholders totalling approximately \$151.4 million.

On 9 May 2011 the Company announced to ASX the Directors' intention to treat \$0.20 per Share as a Capital Return with the balance of \$0.80 per Share of the Reduction of Share Capital being treated as a fully franked distribution.

Subject to the passing of Resolution 1, the Record Date for determining entitlements to receive the Reduction of Share Capital is proposed as 7.00 pm AEST on Friday 8 July 2011.

1.2 Payment information

If the proposed Reduction of Share Capital is approved by Shareholders, it will be paid to Eligible Shareholders using the payment method selected by Eligible Shareholders for the payment of their dividends.

Eligible Shareholders who wish to receive their payment in a form that is different from their current instructions for payment of dividends must contact the Company's Share Registry prior to the Record Date. Cheques and direct credit advices will be sent by mail to Eligible Shareholders to the address recorded on the Company's Register on the Record Date.

Payment is expected to be completed on or about Tuesday 19 July 2011.

1.3 Tax treatment

Refer to section 6 below for information about the tax implications of the Reduction of Share Capital for Eligible Shareholders.

2. Rationale for the Reduction of Share Capital

Over the last year, VRL has undertaken significant initiatives aimed to restructure the business operations and capital structure of the VRL Group. These initiatives have included:

- elimination of the preference share class;
- the sale of the Company's aquarium and attractions businesses;
- the sale of the Company's majority shareholding in Austereo Group Limited to Southern Cross National Network Pty Ltd; and
- the consequent repayment in full of VRL's corporate debt from the proceeds of the above sales.

After allowing for the payment of tax and VRL's anticipated requirements for future capital to fund its planned investments, VRL considers its remaining retained cash is in excess of its immediate, known and currently planned requirements, and accordingly has determined that it is appropriate to return funds to Shareholders.

3. Regulatory requirements for Reduction of Share Capital

3.1 Corporations Act requirements

Under the Corporations Act, VRL may reduce its Share Capital if the reduction:

- is fair and reasonable to the Shareholders as a whole;
- does not materially prejudice the ability of VRL to pay its creditors; and
- is approved by Shareholders under section 256C of the Corporations Act.

Fair and reasonable

The Directors have concluded that the Reduction of Share Capital is fair and reasonable to Shareholders as a whole. All Shareholders will be treated in the same manner since the Reduction of Share Capital will apply equally to all Shareholders.

Does not materially prejudice VRL's ability to pay creditors

The Directors have carefully reviewed VRL's assets, liabilities, expected cash flows and expenditures. In the opinion of the Directors, the Reduction of Share Capital will not materially prejudice the ability of the Company to pay its creditors. In reaching this conclusion, the Directors have considered:

- VRL's financial position prior to and after the Reduction of Share Capital;
- the strength of VRL Group's business and position in the market, the outlook for, and the earnings and cash flows generated by, VRL Group's business; and
- VRL's continued access to funding arrangements and financial markets.

Refer to sections 3 and 4 below for further information.

Approved by Shareholders under 256C of the Corporations Act

This final requirement is the reason Shareholder approval is being sought at the Meeting. As required by 256C(5) of the Corporations Act, a copy of the Booklet has been lodged with ASIC.

3.2 Requirements for equal reduction

A reduction of capital may be either an 'equal reduction' or a 'selective reduction'. The Reduction of Share Capital proposed is an equal reduction since:

- it relates only to Ordinary Shares;
- it applies to each holder of Shares in proportion to the number of Shares they hold; and
- the terms of the reduction are the same for each Shareholder.

Since the Reduction of Share Capital is proposed to be an equal reduction, Resolution 1 is proposed as an ordinary resolution and must be passed by a simple majority of votes cast by Shareholders present and voting at the Meeting.

4. Effect of the Reduction of Share Capital on VRL

4.1 Effect on capital structure

If Resolution 1 is passed, VRL will pay \$1.00 to Eligible Shareholders for each Share they hold as at 7.00 p.m. on the Record Date.

Based on the number of VRL's Shares currently on issue, the Reduction of Share Capital, if approved by Shareholders, will total approximately \$151.4 million.

No Shares will be cancelled and accordingly the Reduction of Share Capital will not reduce the number of Shares on issue, nor affect control of VRL. All Shares will remain fully paid Shares.

4.2 Impact on VRL's strategic outlook

Given the financial position of VRL, the operating profits of the VRL Group's existing businesses, and VRL's capacity to raise additional finance if required, in the opinion of the Directors, the Reduction of Share Capital is not expected to materially impact VRL's ability to fund new investment in its core businesses and other development and expansion initiatives currently being considered, such as Sydney Wet 'n' Wild and opportunities in China.

The Directors believe that the proposed Reduction of Share Capital will leave VRL capitalised to grow its business whilst also taking into account the interests of all stakeholders.

4.3 Impact on VRL's share price

If the proposed Reduction of Share Capital is approved, Shares may trade at a lower price following the 'ex' date for the Reduction of Share Capital than they would have done had the Reduction of Share Capital not been made. This is due to the significant outflow of funds from the Company to Shareholders.

4.4 Impact on VRL's financial position and prospects

Subject to the risks associated with the business and operations of the VRL Group, the Company believes that the only material effect on the Company's financial position as a result of the Reduction of Share Capital will be the reduction in Total Equity of the amount expended by the Company in paying the Reduction of Share Capital (i.e. a reduction in Total Equity of approximately \$151.4 million).

The Directors do not believe that there will be any material adverse effect on the prospects of the Company arising from the Reduction of Share Capital.

The cash used for the Reduction of Share Capital would otherwise have been earning interest. Accordingly, there will be a cost to VRL representing this foregone interest. However, the annualised 'interest cost' is not expected to exceed (on an after tax basis) \$5.6 million per annum, based on current interest rates.

4.5 Tax implications to VRL

No adverse tax consequences are expected to arise for VRL from the Reduction of Share Capital.

5. Ability to pay creditors not materially prejudiced

The Directors have carefully reviewed VRL's assets, liabilities, expected cash flows and expenditures. In the opinion of the Directors, the Reduction of Share Capital will not materially prejudice the ability of the Company to pay its creditors, considering:

- VRL's financial position prior to, and after, the Reduction of Share Capital;
- the strength of VRL Group's business and market positions, the outlook for, and the earnings and cash flows generated by, its business; and
- VRL's continued access to funding arrangements and financial markets.

6. Tax implications for VRL Shareholders

The summary in this section is general in nature. In addition, particular taxation implications will depend on the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither VRL nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Reduction of Share Capital.

6.1 Capital Return

VRL anticipates receiving a Class Ruling from the ATO confirming that no part of the proposed Capital Return component (\$0.20 per VRL Share) will be treated as an unfranked dividend for tax purposes. The Class Ruling will be published by the ATO and notice will be included in the Gazette. VRL will place a copy of the Class Ruling on its website as soon as it becomes available and will make an announcement to the ASX at that time.

The following paragraphs contain a general description of the Australian tax consequences that arise for Shareholders as a result of the Capital Return if the Class Ruling is issued in accordance with the Company's ruling application. This general description (other than the first paragraph) is only relevant in relation to the taxation position of Shareholders who hold Shares on capital account. This general description (other than the first paragraph) does not apply to Shareholders who hold Shares on revenue account or as trading stock:

- (a) the proposed Capital Return amount is not a dividend for Australian tax purposes;
- (b) if the cost base (after adjustment, as may be relevant, for any indexation or any previous capital returns) of a VRL Share is less than the Capital Return amount (on a cents per Share basis) then an immediate capital gain may arise for the difference;
- (c) otherwise, the cost base for each VRL Share will be reduced by the Capital Return amount (on a cents per Share basis) for the purpose of calculating any capital gain or loss on a future transaction or event in respect of that Share;
- (d) for those VRL Shareholders who are not tax residents of Australia, no Australian capital gain or loss should arise as a consequence of the Capital Return. Any non-resident Shareholder with a beneficial interest equal to or greater than a 10% shareholding in VRL should seek confirmatory advice on this point. Further, VRL Shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the Capital Return under the laws of their country of residence.

Generally, any gain on the disposal of any VRL Shares may be eligible to be treated as a discount capital gain provided that the VRL Shares were acquired at least 12 months prior to the Shares being sold. However, in respect of the proposed Capital Return component, in the event that any VRL Shares were disposed of after Record Date and prior to the receipt of the proposed Capital Return, the eventual receipt of the proposed Capital Return will give rise to the disposal of a separate capital gains tax asset (being the right to receive the proposed Capital Return) which would not be eligible to be treated as a discount capital gain.

6.2 Franked Distribution

The balance of the payment allocated to retained earnings (\$0.80 per VRL Share) will be a frankable distribution (dividend for tax purposes) which the Company intends will be fully franked. Shareholders will receive a distribution statement at the time of payment advising, *inter alia*, the franking percentage of the proposed Franked Distribution. The Australian taxation implications for Shareholders (including those who are not residents of Australia for tax purposes) will be those that apply in the case of ordinary dividends paid by VRL.

7. Impact on existing Options

As at the date of this Booklet, the Company has on issue 6,000,000 Options to acquire by way of issue a like number of Ordinary Shares. The exercise or strike price of each Option is \$3.00. All Options are held by VRL's managing director, Mr Graham Burke.

Listing Rule 7.22.3 has the effect that following a Reduction of Share Capital, the number of Options must remain the same, however the exercise price of each Option will be reduced by the amount paid to Shareholders in relation to each Share (that is, by \$1.00). Accordingly the exercise price of the Options will be reduced to \$2.00 if the Reduction of Share Capital is approved.

8. Directors' recommendation

The Directors believe that, taking into account all relevant matters, the Reduction of Share Capital is in the best interests of the Company and its Shareholders, and will not materially prejudice the ability of the Company to pay its creditors.

The Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 1.

Each Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolution 1.

9. Directors' interests

The following table sets out the relevant interest in the number of Shares and Options held by or on behalf of each Director:

	Ordinary Shares	Ordinary Options
Robert G. Kirby	77,859,352	-
John R. Kirby	77,859,352	-
Graham W. Burke	77,859,352	6,000,000
Peter D. Jonson	58,421	-
Timothy Antonie	1,133	-
David J. Evans	84,739	-
Peter M. Harvie	500,300	-
Robert Le Tet	4,384	-
D. Barry Reardon	18,552	-

In addition, Mr Peter Jonson, Mr Tim Antonie, Mr David Evans and Mr Robert Le Tet will be allotted Shares on 9 June 2011 under the Non Executive Director Share Plan. The number that will be issued to each of them is unknown as at the date of this Booklet, however the allotment will be announced by the Company to ASX on 9 June 2011.

Directors will benefit from the proposed Reduction of Share Capital in relation to these interests on the same basis as other Shareholders.

Of the total issued Ordinary Shares, VRC currently directly holds 74,517,432 Ordinary Shares. If the Reduction of Share Capital is approved by Shareholders, VRC will receive 74,517,432 based on its current holding of Ordinary Shares.

10. ASIC and ASX lodgement

This Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and has also been provided to ASX. Neither ASIC nor ASX takes any responsibility for the contents of this Booklet.

11. Disclosure to Shareholders

Under section 256C(4) of the Corporations Act, the Company must disclose to Shareholders all information known to the Company that is material to the decision on how to vote on Resolution 1.

The Directors believe that all information known to the Company or its Directors that is material to the decision on how to vote on Resolution 1 is disclosed in this Booklet or has previously been disclosed to Shareholders.

VRL is a 'disclosing entity' for the purposes of the Corporations Act and as such is subject to periodic reporting and continuous disclosure obligations. Specifically, as a listed entity, VRL is subject to the Listing Rules which require continuous disclosure of any information which VRL has concerning itself that a reasonable person would expect to have a material effect on the price or value of Shares.

Copies of certain announcements made by VRL on ASX are available from ASX or on VRL's website, www.villageroadshow.com.au.

In addition, VRL is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by VRL may be obtained from, or inspected at, ASIC offices.

Amendment of Option Terms

1. Overview of Option Terms

On 17 July 2008, Shareholders approved the issue of 6,000,000 Options to Mr Graham Burke, the Managing Director and Chief Executive Officer of VRL. The Option terms were annexed to the notice convening that meeting, and were summarised in the explanatory statement prepared for that meeting.

The notice and explanatory statement explained that the Options are exercisable in three tranches of 2,000,000 based on VRL's performance over the three years prior to vesting. The explanatory statement summarised the two exercise hurdles: one relating to VRL achieving a particular rate of dividend growth (being applicable to 1,000,000 Options which is 50% of the Options in the relevant tranche), the other relating to VRL achieving a particular growth rate of earnings per share, which would apply to the remaining 1,000,000 Options (being the other 50% of the relevant tranche).

The dividend growth target is for VRL's compound annual dividend growth to be between 5% and 10%. From a base of \$0.09 per Share, the compound annual dividend growth must be at least 5% over the relevant three year testing period in at least two of the three years. A similar measure was used for the earnings per Share growth target.

In relation to the dividend growth measure, it was recognised that "*... circumstances may arise which cause VRL's Board to determine not to pay a dividend in a given year, for example where the Board decides to conserve funds for a potential acquisition or for other reasons, the dividend hurdle differs slightly from the EPS hurdle in that it is **retested** the following year.*"¹ (emphasis added)

¹ Notice of General Meeting and Explanatory Statement dated 16 June 2008, p 13.

Accordingly, the explanatory statement explained the following additional measure by which Mr Burke may achieve the dividend growth target:

*"To the extent First Tranche Options or Second Tranche Options do not vest because of failure to achieve the dividend growth target hurdle, the compound annual growth rate of the Company's dividends will be retested against that hurdle 12 months later and to the extent the hurdle is satisfied at the end of that 12 month period, the relevant proportion of the First Tranche Options and Second Tranche Options will vest."*²

The intention of the provision was that if the dividend growth target is not met at the end of the relevant three year period, it would be retested the following year in relation to that same three year period plus the subsequent year (i.e. over a four year period). The Options will be exercisable at this later point in time if the compound annual dividend growth is at least 5% over the relevant testing period of four years in at least two of the four years.

2. Amendment to Option Terms

The explanatory statement prepared to convene the VRL Shareholder meeting held on 17 July 2008 made it clear that if the dividend growth target is not met over the three year testing period, it may be retested on the first anniversary of the relevant vesting date. At this later point, the dividend growth target must be met in two of the prior four years.

However, the Option Terms do not make this sufficiently clear. Accordingly, Resolution 2 has been proposed to approve a technical amendment to the Option Terms to clarify the operation of the Option Terms. The Independent Directors consider that the amendment of the Option Terms contemplated by Resolution 2 does not increase the period for the vesting of the Options (which for the First Tranche Options and the Second Tranche Options remain capable of being retested in the year following vesting) nor increase the period for exercising the Options (which remains as defined in the Option Terms). The proposed amendment to the Option Terms may be made if approved by Shareholders.

The amendment is marked up in Annexure 1 to this Booklet. Specifically, the amendment is sought since the Option Terms state that if the dividend growth test is not satisfied at the end of the relevant three year testing period, it may be retested on the first anniversary of the relevant vesting date. However, the Option Terms state that at this later testing point, the dividend growth target must be met in two of the prior three years, not in two of the prior four years at this later testing point.

The Option Terms do not reflect the intent of VRL in granting the Options to Mr Burke. VRL's concern was that the Board may determine in a particular year that it is inappropriate to pay a dividend, and so this measure should be retested the following year to avoid unduly prejudicing Mr Burke. If the Option Terms were to operate in their current manner, Mr Burke is unfairly disadvantaged by a Board decision to not pay a dividend later in the testing period than he would be if the Board failed to pay the dividend at the start of the relevant testing period.

3. Reason for Amendment to Option Terms

Mr Burke has not qualified to exercise the Options in the First Tranche (which vested 1 March 2011) since VRL did not pay a sufficient dividend in 2009 and 2010 (however did pay a sufficient dividend in 2008). The 2011 dividend will satisfy the dividend growth hurdle.

² Ibid, p 12

If the additional limb of the dividend growth test were applied as explained and understood in the explanatory booklet prepared at the time the Option Terms were approved, Mr Burke will qualify to exercise a portion of the Options on 1 March 2012 since the dividend growth hurdle will have been met in two of the prior four years (2008 and 2011).

However, Mr Burke will not qualify to exercise a portion of the Options on 1 March 2012 if the relevant dividend growth hurdle is required to be satisfied in two of the prior three years since 2008 will not be considered for testing purposes.

The Options were offered by the Company as an inducement for Mr Burke to continue the roles and responsibilities of his senior executive position. Mr Burke has led the VRL Group to a position where the VRL Group is able to capitalise on significant opportunities and provide material returns to Shareholders. The Independent Directors consider these exercise hurdles align Mr Burke's interests with those of Shareholders and to fail to amend the Option Terms in the manner sought by Resolution 2, would undermine the significant benefits to VRL and the VRL Group this alignment of interests brings.

When the Options were issued to Mr Burke in 2008, the target dividend growth hurdles set for Mr Burke totalled 45.95 cents per share over the 2008-2011 period. The actual dividends paid by VRL in that period (to date) have been 56.25 cents per share for ordinary shareholders and 62.75 cents per share for former preference shareholders. The Independent Directors consider that Mr Burke should not be unfairly prejudiced due to the Board changing the timing of the payment of dividends, when total dividends paid have significantly exceeded the hurdles set in 2008.

4. Independent Directors' recommendation

The Independent Directors believe that, taking into account all relevant matters, the amendment to the Option Terms is in the best interests of the Company and its Shareholders and the Independent Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 2.

Mr Graham Burke is the holder of the Options, and accordingly declines to make any recommendation on Resolution 2. Mr John Kirby and Mr Robert Kirby are Associates of Graham Burke and accordingly they decline to make any recommendation in relation to Resolution 2.

Each Independent Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolution 2.

Annexure 1 – Amended Option Terms

1. Definitions

The following definitions apply to these option Terms:

ASX means ASX Limited.

Base EPS means EPS for the year ended 31 December 2007, being 27 cents per Ordinary Share.

Board means all or some of the Directors acting as a board or its delegate under section 198D of the Corporations Act.

Company or **VRL** means Village Roadshow Limited ABN 43 010 672 054.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Dividend Growth means, in respect of any Tranche and any calendar year in the period commencing 1 January 2008 and ending on the first anniversary of the Vesting Date of that Tranche, the growth in Dividends Paid in that calendar year (if any) as compared to the level of dividends paid by the Company on Ordinary Shares in respect of profits of the Company in preceding calendar years in that period:

- (a) using as a base, 9 cents per Ordinary Share (being the dividend paid in respect of the financial year ended 30 June 2007);
- (b) compounded annually on 31 December of each calendar year in the period; and
- (c) expressed as a percentage rate per annum,

as calculated by the Company as at 31 December of that calendar year.

Dividends Paid means, in respect of a calendar year, the cumulative dividends per Ordinary Share paid (if any) on Ordinary Shares in respect of profits of the Company.

Employment Agreement means the agreement between Mr Graham Burke and the Company dated November 2000 and entitled 'Contract of Employment'.

EPS means the Company's earnings per Share as calculated by the Company in accordance with the requirements of Australian accounting standard, AASB 133, 'Earnings per Share or equivalent'.

EPS Growth Percentage means the cumulative compound growth in the Company's EPS, calculated on a fully diluted basis including Ordinary Shares and Preference Shares, based on NPAT for ongoing operations of VRL and its controlled entities.

Exercise Period in respect of an Option, means an Exercise Window occurring in the period commencing on the Vesting Date in respect of that Option and ending on the Expiry Date in respect of that Option.

Exercise Price in respect of an Option has the meaning set out in clause 5 of these Terms.

Exercise Window means a period that an officer of the Company is permitted to deal in securities of the Company without the officer contravening Division 3 of Part 7.10 of the Corporations Act or the Listing Rules.

Expiry Date in respect of an Option, means the date which is the earliest of:

- (a) the date that is 12 months after Termination of Employment;

- (b) in the event of a Termination for Cause:
 - (i) subject to sub-paragraph (ii), the date of Termination for Cause; or
 - (ii) if within 7 days after the date of Termination for Cause the board so determines in relation to the Option, the earliest of:
 - (A) the date that is 1 month after Termination for Cause; or
 - (B) the date determined by the Board; or
 - (C) 1 March 2015; and
- (c) in the event of termination of the employment of the Optionholder with the Company for reasons other than Termination of Employment or Termination for Cause, the date determined by the Board;
- (d) 1 March 2015; and
- (e) the date that the Board determines that a Hedge Transaction has been entered into over or affecting that Option or Options including that Option, which date may, if the Board determines, be the date the Hedge Transaction was entered into.

First Tranche Options means 2,000,000 Options which may be first exercisable on or after 1 March 2011.

Hedge Transaction in respect of an Optionholder means any derivative, swap, forward contract, futures contract, contract for difference, hedging transaction or any other transaction for the sole or dominant purpose or having the effect of limiting or eliminating the economic risk of the Optionholder in respect of Options held by or on behalf of the Optionholder that have not Vested at the time the transaction was entered into.

Listing Rules means the Listing Rules of the ASX as amended from time to time.

NPAT means net profit after tax and minority interests adjusted to exclude material non-recurring items of income or expense and excluding results from discontinued operations.

Option means an option to acquire one Ordinary Share issued on these Terms.

Optionholder means a person holding one or more Options.

Ordinary Share means a fully paid ordinary share in the Company.

SEATS has the meaning given to it under the ASX Market Rules.

Second Tranche Options means 2,000,000 Options which may be first exercisable on or after 1 March 2012.

Termination of Employment means termination of the employment of the Optionholder with the Company for any reason including (without limitation) as a result of resignation of the Optionholder, the Company having made the Optionholder redundant, retirement of the Optionholder or termination by the Company of the Optionholder without cause but excluding:

- (a) termination as a result of the death, mental incapacity, the permanent disablement or serious illness of the Optionholder; and
- (b) Termination for Cause.

Termination for Cause means in the Board's opinion the Optionholder has been dismissed for a reason which entitles the Company to dismiss the Optionholder from his employment without notice, including (without limitation) the Optionholder:

- (a) having done an act which has brought the Company or a related body corporate or any of their respective brands or trade marks into disrepute;
- (b) have committed an act of fraud, defalcation or gross misconduct in relation to the affairs of the Company or any related body corporate (whether or not the Optionholder is charged with an offence);
- (c) having seriously breached any duty to the Company or any related body corporate; or
- (d) having committed any act of unlawful harassment or unlawful discrimination,
- (e) excluding:
- (f) termination as a result of the death, mental incapacity, the permanent disablement or serious illness of the Optionholder;
- (g) termination as a result of the expiry of the Employment Agreement in accordance with its terms; and
- (h) Termination of Employment.

Third Tranche Options means 2,000,000 Options which may be first exercisable on or after 1 March 2013.

Trading Day has the meaning given in the Listing Rules.

Tranche in respect of an Option means the First Tranche Options, the Second Tranche Options or the Third Tranche Options.

Vest in relation to an Option, means when the Option is first capable of exercise in accordance with these Terms.

Vesting Conditions in respect of a Tranche has the meaning given in clause 3(c) of these Terms in respect of that Tranche.

Vesting Date means:

- (a) in respect of each of the First Tranche Options, subject to and conditional upon the Vesting Conditions in respect of the First Tranche Options being satisfied, 1 March 2011;
- (b) in respect of each of the Second Tranche Options, subject to and conditional upon the Vesting Conditions in respect of the Second Tranche Options being satisfied, 1 March 2012; and
- (c) in respect of each of the Third Tranche Options, subject to and conditional upon the Vesting Conditions in respect of the Third Tranche Options being satisfied, 1 March 2013.

2. Personal Offer

Each offer of an Option by the Company will be personal.

3. Entitlement

- (a) Subject to clauses 3(b), 3(c), 9 and 10 of these Terms, each Option entitles the Optionholder to acquire by way of issue or transfer (as determined by the Company in its absolute discretion) one Ordinary Share during the Exercise Period at the Exercise Price.
- (b) Subject to clause 3(c), each Tranche (or portion thereof) will only vest and be capable of exercise during the Exercise Period if the Vesting Conditions in respect of that Tranche (or portion thereof) have been satisfied before the Vesting Date of that Tranche, and if such Vesting Conditions are not so satisfied, the Options in that Tranche (or portion thereof) will automatically expire and lapse.

- (c) In respect of:
- (i) 50% of each Tranche (**Relevant Portion**), if in relation to the Dividends Paid in respect of at least two of the three calendar years ended on the 31 December immediately preceding the Vesting Date of that Tranche, Dividend Growth of:
 - (A) 5% is achieved, subject to sub-paragraph (iii), 50% of the Relevant Portion will Vest;
 - (B) 10% or more is achieved, 100% of the Relevant Portion will Vest;
 - (C) more than 5% but less than 10% is achieved, subject to sub-paragraph (iii), Vesting of the Relevant Portion will occur on a pro rata straight line basis between (but excluding) 50% and 100%; and
 - (D) less than 5% is achieved, subject to sub-paragraph (iii), none of the Relevant Portion will Vest; and
 - (ii) the remaining 50% of each Tranche (**Remaining Portion**), if before the Vesting Date of that Tranche, the EPS Growth Percentage is:
 - (A) 5%, 50% of the Remaining Portion will Vest;
 - (B) 10% or more, 100% of the Remaining Portion will Vest;
 - (C) more than 5% but less than 10%, Vesting of the Remaining Portion will occur on a pro rata straight line basis between (but excluding) 50% and 100%; and
 - (D) less than 5%, none of the Remaining Portion will Vest; and
 - (iii) To the extent that:
 - (A) First Tranche Options have not Vested before their Vesting Date in accordance with sub-paragraph (i) (**First Tranche Unvested Options**), if in relation to the Dividends Paid in respect of at least two of the ~~three~~four calendar years ended on the 31 December immediately preceding the first anniversary of that Vesting Date Dividend Growth of:
 - (I) 5% is achieved, 50% of the First Tranche Unvested Options will Vest;
 - (II) 10% or more is achieved, 100% of the First Tranche Unvested Options will Vest;
 - (III) more than 5% but less than 10% is achieved, Vesting of the First Tranche Unvested Options will occur on a pro rata straight line between (but excluding) 50% and 100%; and
 - (B) Second Tranche Options have not Vested before their Vesting Date in accordance with sub-paragraph (i) (**Second Tranche Unvested Options**), if in relation to the Dividends Paid in respect of at least two of the ~~three~~four calendar years ended on the 31 December immediately preceding the first anniversary of that Vesting Date, Dividend Growth of:
 - (IV) 5% is achieved, 50% of the Second Tranche Unvested Options will Vest;
 - (V) 10% or more is achieved, 100% of the Second Tranche Unvested Options will Vest;

- (VI) more than 5% but less than 10% is achieved, Vesting of the Second Tranche Unvested Options will occur on a pro rata straight line between (but excluding) 50% and 100%.

4. Issue Price

No amount is payable on the issue of an Option.

5. Exercise Price

Subject to clauses 9 and 10 of these Terms, the exercise price of each Option is \$3.00.

6. Option Period

- (a) Subject to clause 3 of these Terms, each Option may be exercised at any time during the Exercise Period.
- (b) Any Option that is not exercised will automatically expire and lapse on the Expiry Date in respect of that Option.

7. Transferability

Options are personal to the Optionholder and may not be transferred to, or exercised by another person, except that Options may, subject to any escrow restrictions imposed by ASX from time to time under the Listing Rules and to any restrictions imposed by the Corporations Act, be transferred, by an instrument of transfer, in the following circumstances only:

- (a) a transfer constituting the necessary transfer documents following an acceptance of an offer made under an off-market bid relating to the Options;
- (b) a transfer to a bidder on the sale of the Options under Division 3 of Part 6A.1 of the Corporations Act;
- (c) a transfer to a 100% holder on the sale of the Options under Division 2 of Part 6A.2 of the Corporations Act;
- (d) a transfer under Part 6A.3 of the Corporations Act to a person entitled to acquire the Options under section 661A or 664A of the Corporations Act; or
- (e) a transfer approved by the Board in those circumstances and subject to such conditions as may be determined by the Board, including (without limitation) in the event of termination of the employment of the Optionholder with the Company for reasons other than Termination of Employment or Termination for Cause.

8. No participation in bonus issues and cash issues

The Options do not confer any right to participate in a new issue of shares or other securities convertible into Ordinary Shares pro rata issues to holders of Ordinary Shares without first being exercised and Ordinary Shares being issued or transferred so the Optionholder is registered as the holder of the Ordinary Shares on or before the record date established to determine entitlements to participate in the new issue.

9. Adjustments for bonus issues and cash issues

- 9.1 If the Company makes an offer for cash of Ordinary Shares pro rata to the holders of ordinary shares, the exercise price of each Option will be reduced with the new exercise price of each Option to be calculated in accordance with the following formula:

$$NP = OP - E[P - (S + D)]$$

$$N + 1$$

where:

NP = the new exercise price of the Option;

OP = 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 trading days ending on the day before the 'ex' rights date or 'ex' entitlements date;

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

D = the dividend (in the case of a trust, distribution) 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.

No change will be made to the number of Shares to which the Optionholder is entitled.

If the Company makes a bonus issue of shares or other securities convertible into Ordinary Shares pro rata to holders of ordinary shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any shareholder election), the number of shares issued on exercise of each Option will include the number of bonus shares that would have been issued if the Option had been exercised prior to the relevant record date for bonus shares. No change will be made to the exercise price.

10. Reconstruction

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, excluding any buy-back of shares, the rights of the Optionholder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

11. Ranking of shares issued on exercise of Options

All Shares issued pursuant to the exercise of Options will, subject to the constitution of the Company, rank in all respects (including rights relating to dividends) *pari passu* with the existing ordinary shares of the Company at the date of issue.

12. Method of exercise of Options

12.1 Options may be exercised by written notice to the Directors. An exercise notice must specify the number of shares required to be issued, if only part of the Options are exercised. Options will be deemed to have been exercised on the date the application is lodged with the Directors.

12.2 The Optionholder must pay the Exercise Price for an Option in full to the Company on the date of exercise of that Option.

12.3 The exercise of less than all of the Optionholder's Options will not prevent the Optionholder from exercising an Option in respect of the whole or any part of the balance of the entitlement under his remaining Options.

12.4 Within 10 days of receipt of the application for exercise of Options and payment by the Optionholder of the Exercise Price for those Options, the Company must (as determined by the Company in its absolute discretion) issue to the Optionholder the number of Ordinary Shares specified in the application. However, no Option may be exercised if to do so would contravene the Corporations Act, the Listing Rules or any other applicable law.

13. No Quotation of Options

The Company will not seek official quotation on ASX of any Options.

14. Quotation of Shares

The Company will use reasonable endeavours to apply for quotation on ASX of any Ordinary Share issued to the Optionholder in accordance with these Terms within 10 Trading Days of its issue provided that it need not for this purpose disclose any information that has not then been made publicly available.

Corporate Directory

Directors

Robert G. Kirby

Chairman, Executive Director

John R. Kirby

Deputy Chairman, Executive Director

Graham W. Burke

Managing Director and Chief Executive Officer

Peter D. Jonson

Lead Independent Non-Executive Director

Timothy Antonie

Independent Non-Executive Director

David J. Evans

Independent Non-Executive Director

Peter M. Harvie

Non-Executive Director

Robert Le Tet

Independent Non-Executive Director

D. Barry Reardon

Independent Non-Executive Director

Company Secretaries

Shaun L. Driscoll

Julie E. Raffe

Share Registry

Computershare Investor Services Pty Ltd

ACN 078 279 277

Yarra Falls

452 Johnston Street

Abbotsford Victoria 3067

Legal advisers

Minter Ellison

Level 23

525 Collins Street

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Victoria 3141

