

SOLAR SAILOR HOLDINGS LIMITED
(A.C.N. 086 377 148)
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the annual general meeting of the members of Solar Sailor Holdings Limited A.C.N. 086 377 148 to be held on board Solar Sailor vessel on Monday, 7th day of November 2005 at 2.30pm Sydney time. Embarking times for the Solar Sailor vessel is 2.15pm at 'Man o War Steps' Sydney Opera House (eastern side of Opera House between Opera House and Botanical Gardens – overlooking Farm Cove) New South Wales, with registration commencing from 2.15pm. The vessel will return to the Opera House at 3.30pm.

1. Resolutions

First Resolution : As an Ordinary Resolution

“**That** the Company consider and accept the Financial Statements and the Reports of the Directors and of the Auditor (including Remuneration Report of the year ended 30 June 2005”.

Second Resolution : As an Ordinary Resolution

“**That** the Company appoints WHK Greenwoods (formerly Williams Hatchman and Kean) as Auditors of the Company for the year ended 30 June 2006 and to continue in office until the next annual general meeting”.

Third Resolution : As an Ordinary Resolution

“**That** Ian Lyall Robertson be re-elected as a Director of the Company”.

Fourth Resolution : As an Ordinary Resolution

“**That** David Fox be re-elected as a Director of the Company”.

Fifth Resolution : As an Ordinary Resolution

“**That** the Company be authorised to execute on behalf of the Company the Option Agreement between the Company and Ian Lyall Robertson.

The Company notes that it will, in accordance with section 224 of the Corporations Law, disregard any votes cast on the resolution by:

- *Ian Lyall Robertson and any associate of Ian Lyall Robertson (including any corporate entity controlled by him).*

However, the Company will not disregard a vote if:

- *It is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- *It is not cast on behalf of Ian Lyall Robertson or any of his associates (including any corporate entities controlled by him).*

Sixth Resolution : As an Ordinary Resolution

“**That** the Company be authorised to execute on behalf of the Company the Consultancy Agreement between the Company and Hon Robert James Lee Hawke.

The Company notes that it will, in accordance with section 224 of the Corporations Law, disregard any votes cast on the resolution by:

- *Hon Robert James Lee Hawke and any associate of Hon Robert James Lee Hawke (including any corporate entity controlled by him).*

However, the Company will not disregard a vote if:

- *It is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- *It is not cast on behalf of Hon Robert James Lee Hawke or any of his associates (including any corporate entities controlled by him).*

Seventh Resolution : As an Ordinary Resolution

“**That** the Company be authorised to execute on behalf of the Company the Commission Agreement between the Company and Hon Robert James Lee Hawke.

The Company notes that it will, in accordance with section 224 of the Corporations Law, disregard any votes cast on the resolution by:

- *Hon Robert James Lee Hawke and any associate of Hon Robert James Lee Hawke (including any corporate entity controlled by him).*

However, the Company will not disregard a vote if:

- *It is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- *It is not cast on behalf of Hon Robert James Lee Hawke or any of his associates (including any corporate entities controlled by him).*

Eighth Resolution : As an Ordinary Resolution

“**That** the Company be authorised to execute on behalf of the Company the Consultancy Agreement between the Company and Franks & Associates Pty Ltd, a company related to David James Franks.

The Company notes that it will, in accordance with section 224 of the Corporations Law, disregard any votes cast on the resolution by:

- *David James Franks and any associate of David James Franks (including any corporate entity controlled by him).*

However, the Company will not disregard a vote if:

- *It is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- *It is not cast on behalf of David James Franks or any of his associates (including any corporate entities controlled by him).*

Ninth Resolution : As an Ordinary Resolution

“**That** approval be given for the Company to allot ordinary shares or options under the Company Option Plan in lieu of Directors Fees incurred for the period 1st September 2001 until the first of the following events:

- (a) the date a Licence to build a commercial-sized vessel based on the Solar Sailor concept has been granted by the Company to a party and the first instalment of any consideration payable in accordance with the term of the Licence has been paid to the Company; or
- (b) the date a commercial-sized vessel based on the Solar Sailor concept has been sold by the Company to a party and the first instalment of any consideration payable in accordance with the terms of the sale agreement has been paid to the Company; or
- (c) the date the Solar Sailor vessel has been sold by the Company to a party and the first instalment of any consideration payable in accordance with the terms of the sale agreement has been paid to the Company; or
- (d) a capital raising or placement has been completed raising a minimum of AUD\$4 million; or
- (e) an ordinary resolution is passed ceasing this arrangement at a general or extraordinary meeting of members.

Tenth item :

To transact any other business which may be brought forward at the annual general meeting in accordance with the Constitution of the Company.

2. Notice Requirements, Explanatory Statements and Other Information for Resolutions

First Resolution :

As required under the Corporations Act 2001, enhanced disclosures of directors and remuneration is set out in the Company's Annual Report. The Company is now required to propose to its shareholders at its AGM a non-binding advisory resolution on the Remuneration Report prepared by the Directors, and to allow questions and comments on this Remuneration Report by shareholders.

Second Resolution :

WHK Greenwoods (formerly Williams Hatchman & Kean) were appointed as Auditors of the Company and in accordance with Clause 111 of the Company's Constitution, offer themselves for re-appointment as Auditors of the Company.

Third Resolution :

Ian Lyall Robertson was appointed a Director of the Company as an addition to the Board. Ian Robertson submits himself for re-election as a Director of the Company in accordance with Clause 35 of the Company's Constitution.

Fourth Resolution

David Fox submits himself for re-election as a Director of the Company in accordance with Clause 70 of the Company's Constitution requiring the rotation of one-third of Directors each year, with the longest serving Directors submitted for re-election.

**EXPLANATORY STATEMENT PREPARED IN ACCORDANCE WITH SECTIONS
218 AND 219 OF THE CORPORATIONS LAW**

APPROVAL OF DIRECTOR'S OPTIONS

It is necessary to obtain shareholder approval in accordance with Section 208 of the Corporations Law and to comply with the Corporations Law in relation to the resolution. The Corporations Law requires that, except in certain specific situations, a public company may not give a financial benefit to a related party without prior shareholder approval. Granting an option is included in the concept of giving a financial benefit (Section 229(3)(e) of the Corporations Law) and a director of a public company is a related party of that public company (Section 228 of the Corporations Law).

(a) Related parties

The related parties to whom the proposed resolution would permit financial Benefits to be given are:

Ian Lyall Robertson (Director) or any associate of Ian Lyall Robertson

(b) Financial Benefits

The financial benefits are the grant of the following number of options in the Company to each of the following persons:

Ian Lyall Robertson - the allotment of 100,000 options, vesting over a 3 year period by month from 1 June 2005.

Each Option may be exercised to purchase one ordinary share in the Company at an exercise price of \$4.00 per option/share within a period of 2 years from the earlier of the following dates appearing in the definition of "Exercise Period" in the Deed:

- (i) the date a Licence to build a commercial-sized vessel based on the Solar Sailor concept has been granted by the Company to a party other than the parties to this Deed and the first instalment of any consideration payable in accordance with the terms of the Licence has been paid to the Company; or
- (ii) the date of a commercial-sized vessel based on the Solar Sailor concept has been sold by the Company to a party other than the parties to this Deed and the first instalment of any consideration payable in accordance with the terms of the sale agreement has been paid to the Company.

The options may be exercised by the Option holder directing the Company to issue the shares to which they are entitled to themselves and/or to a nominee or nominees.

If the Option holder dies prior to exercise of the Options, the Options become exercisable by the Option holder's legal heirs or personal representatives and will be exercisable by that person either:

- (i) within a period of twelve (12) months from the date of the Grantee's death if either of the dates specified in the definition of "Exercise Period".
- (ii) otherwise within a period of twelve (12) months from the earlier of the dates specified in the definition of "Exercise Period".

The Option holder may not participate in new issues of Shares without exercising their Options if the Listing Rules apply to the Company at the time of the new issue and prevent such participation and otherwise the Option holder may participate in new issues of Shares as if their Options were Shares without exercising their Options.

Ordinary shares issued upon the exercise of the options will have the same rights as existing ordinary shares.

(c) Recommendations and Interests

Each of Messrs Robert Dane, Hon Robert Hawke, David Fox, and David Franks have recommended the adoption of the resolution on the grounds it is in the interests of the Company to reward Ian Lyall Robertson for the successful performance of the Company, and to give an incentive to build the business of the Company as an option holder.

(d) Other Important Information

Section 300A of the Corporations Act 2001 requires listed companies to disclose the amount of emoluments of each Director and each of the five executive officers receiving the highest emoluments. The Board has previously, and continues to, disclose this information in the company's annual audited Financial Statements to adhere to best practice.

To continue this policy of best practice, we attach the following information for the members:

- A summary of past options issued to Directors as previously approved by members
- An estimate of present value of options being issued to Ian Lyall Robertson
- A summary of all elements of current Directors packages
- A summary of all current Directors existing interests in the Company
- A summary of dilution effect of the proposed transaction on existing members interests
- A summary of trading history of the Company's share price.

1. Past options issued to Directors as previously approved by members

The options issued previously are under the same terms as those proposed to be issued to Ian Robertson.

<u>Director</u>	<u>Options</u>	<u>Members meeting</u>	<u>Price</u>	<u>Exercise</u>
Robert Dane	2,039,170	27 May 1999		\$0.85
Graham Kelly (*)	200,000	27 May 1999		\$0.85
John Paterson (*)	100,000	27 May 1999		\$0.85
Paul Scully-Power (*)	100,000	21 February 2000		\$0.85
David Franks	100,000	17 November 2003		\$0.85
John O'Connor (*)	100,000	17 November 2003		\$0.85
Robert Hawke	100,000	17 November 2003		\$1.00
Susan Dane (*)	100,000	17 November 2003		\$1.00
David Cassidy (*)	100,000	17 November 2003		\$1.00
David Fox	100,000	17 November 2003		\$1.00
David Kelly (*)	100,000	17 November 2003		\$1.00

In addition to the above options, at the Annual General Meeting of the Company held on 19th November 2004, the members approved the execution of an employee share option plan ("ESOP"), where employees, including Directors, are entitled to be issued with options up to a maximum of 5% of the issued share capital of the Company. Since the last Annual General Meeting, no options have been issued pursuant to this ESOP.

(*) no longer a Director of the company

2. Estimate of present value of options being issued to Ian Robertson

Under the terms of the Option Deed, the options are unable to be exercised unless certain events occur. To date, these events have not occurred. Should these events not occur each option would be worth \$0.00 or \$0 in total.

However, for the purposes of this Explanatory Memorandum, based on the assumptions listed below, an estimate of the value of options where one of the certain events has occurred is that each option would be worth approximately \$0.613 or approximately \$61,300 in total. This has been calculated using the Black-Scholes options pricing model under the following assumptions:

- Exercise price : \$4.00
- Expected life of instrument : 2 years
- Current share price : \$4.00
- Volatility : 18% per annum. As the Company's shares are not listed, the volatility has been obtained using industry average statistics of similar companies listed on the ASX.
- Expected dividends : Nil
- Risk free interest rate over life of the options : 5.32% per annum

3. A summary of all elements of current directors packages for the year ended 30 June 2005

Robert Dane :	\$16,000 in cash or shares for Consulting/director Fees Wages/consultancy totalling \$216,509 Provision of office expenses totalling \$10,203 2,039,170 options over ordinary shares
David Franks :	\$16,000 in cash or shares for Consulting/Directors Fees Consulting fee to a related party comprising a rate per hour. Total fees for the period from 1/7/04 to 30/6/05 totalled \$42,000. 100,000 options over ordinary shares
Robert Hawke :	\$16,000 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares
David Fox :	\$16,000 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares
Ian Robertson :	\$1,333 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares (subject to the approval of shareholders at this Annual General Meeting)

Each director is entitled \$16,000 per annum in cash or shares for Consulting/Directors Fees. The above analysis provides the actual expense for the 30 June 2005 financial year.

4. A summary of all current Directors existing interests in the Company

Refer Appendix A

5. A summary of dilution effect of the proposed transaction on existing members interests

Refer Appendix B

6. A summary of trading history of the Company's share price.

Refer Appendix C

Note

Section 195 of the Corporations Law restricts a director from voting on a matter being considered by the Board where the director has a material personal interest in that matter. However, the directors are specifically allowed to call a General Meeting for shareholders to approve the matter under S.195(4). The Company notes that any Ian Robertson and all associated persons or entities of Ian Robertson will be excluded from voting at the General Meeting, in their capacity as shareholders of the company (if they are shareholders).

Sixth Resolution

**EXPLANATORY STATEMENT PREPARED IN ACCORDANCE WITH SECTIONS
218 AND 219 OF THE CORPORATIONS LAW**

APPROVAL OF CONSULTANCY AGREEMENT

It is necessary to obtain shareholder approval in accordance with Section 208 of the Corporations Law and to comply with the Corporations Law in relation to the resolution. The Corporations Law requires that, except in certain specific situations, a public company may not give a financial benefit to a related party without prior shareholder approval.

(a) **Related parties**

The related parties to whom the proposed resolution would permit financial Benefits to be given are:

Hon Robert James Lee Hawke (Director)

(b) **Financial Benefits**

The financial benefits from the execution of a consultancy agreement with Hon Robert James Lee Hawke are:

In consideration for providing consultancy services the Company will irrevocably grant to Hon Robert Hawke a Call Option to acquire the Call Option Shares as set out below.

The Call Option is to be granted on the following terms:

- (a) The Call Option entitles Hon Robert Hawke to purchase the Call Option Shares for \$nil consideration during the Exercise Period.
- (b) The Exercise Period means the period commencing on the Start Date and ending on the date which is 12 months after that date (**Expiry Date**).
- (c) The Start Date is the earlier of:
 - (i) 10 years from the date of this agreement; or
 - (ii) the date on which either of the following events occur (**Trigger Events**):
 - (A) an initial public offering (**IPO**) of the Shares;
 - (B) the sale of 15% or more of the total Shares on issue on a particular date in one transaction or in a series of transactions settled at the same time (**Sale**);
 - (C) termination of this agreement by the Company ; or
 - (D) the Mutual Agreement Date.

- (d) Hon Robert Hawke may exercise the Call Option in a single tranche by notice in writing to the Company at any time during the Exercise Period only in respect of all of the Call Option Shares.
- (e) If the Call Option is exercised, the Company must issue the Call Option Shares to Hon Robert Hawke for \$nil consideration and Hon Robert Hawke must acquire the Call Option Shares on and subject to the terms of this agreement.
- (f) If the Call Option is not exercised during the Exercise Period the Call Option lapses and Hon Robert Hawke has no further rights or claims against the Company.
- (g) The value of the Call Option Shares will be a percentage (**Percentage**) of the increase in capital value of the Company (**Value Increase**) depending on the size of the Value Increase as outlined below:

Value Increase	Percentage	Value of Call Option Shares
\$0 - \$100,000,000	1.0%	\$0 - \$1,000,000
\$100,000,001- \$200,000,000	0.75%	\$750,000 - \$1,500,000
\$200,000,001- \$300,000,000	0.625%	\$1,250,000 - \$1,875,000
\$300,000,001- \$400,000,000	0.5%	\$1,500,000 - \$2,000,000
\$400,000,001- \$500,000,000	0.5%	\$2,000,000 - \$2,500,000
\$500,000,001- \$600,000,000	0.5%	\$2,500,000 - \$3,000,000
\$600,000,001- \$700,000,000	0.5%	\$3,000,000 - \$3,500,000
\$700,000,001- \$800,000,000	0.5%	\$3,500,000 - \$4,000,000

- (h) The Value Increase is calculated as the Exercise Value less the Base Value, whereby:
- (i) **Exercise Value** means the capital value of the Company on the Start Date.

- (ii) **Base Value** means the capital value of the Company at the date of this agreement being, \$40,000,000.
- (i) The Exercise Value is calculated as at the Start Date as follows:
- (i) where the Trigger Event is an IPO:
- Issue price (per Share) of the Shares issued under the IPO (**Issue Price**) x total number of issued Shares
- (ii) where the Trigger Event is a Sale:
- Sale Price (per Share) of Shares sold in the Sale (**Sale Price**) x total number of issued Shares
- (iii) where the Trigger Event is either a termination of this agreement by the Company under clause 9.1 or Mutual Agreement:
- The Exercise Value is a valuation of the Company as at the Start Date by an accountant appointed by the Board
- (j) The number of Call Option Shares issued to a Consultant is equal to:
- $(\text{Value of Call Option Shares} \div \text{Exercise Value}) \times \text{total number of issued Shares}$
- (k) The Call Option is non-transferable.

(c) Recommendations and Interests

Each of Messrs Robert Dane, David Franks, Ian Robertson and David Fox have recommended the adoption of the resolution on the grounds it is in the interests of the Company to retain the expertise of Hon Robert Hawke as a consultant to the Company.

(d) Other Important Information

Section 300A of the Corporations Act 2001 requires listed companies to disclose the amount of emoluments of each Director and each of the five executive officers receiving the highest emoluments. The Board has previously, and continues to, disclose this information in the company's annual audited Financial Statements to adhere to best practice.

To continue this policy of best practice, we attach the following information for the members:

- A summary of past options issued to Directors as previously approved by members
- An estimate of present value of options being issued to Hon Robert James Lee Hawke
- A summary of all elements of current Directors packages
- A summary of all current Directors existing interests in the Company
- A summary of dilution effect of the proposed transaction on existing members interests
- A summary of trading history of the Company's share price.

1. Past options issued to Directors as previously approved by members

The options issued previously are under the same terms as those proposed to be issued to Ian Robertson in Resolution 5.

Director	Options	Members meeting	Price	Exercise
Robert Dane	2,039,170	27 May 1999		\$0.85
Graham Kelly (*)	200,000	27 May 1999		\$0.85
John Paterson (*)	100,000	27 May 1999		\$0.85
Paul Scully-Power (*)	100,000	21 February 2000		\$0.85
David Franks	100,000	17 November 2003		\$0.85
John O'Connor (*)	100,000	17 November 2003		\$0.85
Robert Hawke	100,000	17 November 2003		\$1.00
Susan Dane (*)	100,000	17 November 2003		\$1.00
David Cassidy (*)	100,000	17 November 2003		\$1.00
David Fox	100,000	17 November 2003		\$1.00
David Kelly (*)	100,000	17 November 2003		\$1.00

In addition to the above options, at the Annual General Meeting of the Company held on 19th November 2004, the members approved the execution of an employee share option plan (“ESOP”), where employees, including Directors, are entitled to be issued with options up to a maximum of 5% of the issued share capital of the Company. Since the last Annual General Meeting, no options have been issued pursuant to this ESOP.

(*) no longer a Director of the company

2. Estimate of value of options being issued to Hon Robert Hawke

Under the terms of the Consulting Agreement, the value of the options is dependent upon the increase in value of the Company above \$40 million multiplied by the Percentage outlined in the table below.

Value Increase	Percentage	Value of Call Option Shares
\$0 - \$100,000,000	1.0%	\$0 - \$1,000,000
\$100,000,001 - \$200,000,000	0.75%	\$750,000 - \$1,500,000
\$200,000,001 - \$300,000,000	0.625%	\$1,250,000 - \$1,875,000
\$300,000,001 - \$400,000,000	0.5%	\$1,500,000 - \$2,000,000
\$400,000,001 - \$500,000,000	0.5%	\$2,000,000 - \$2,500,000
\$500,000,001 - \$600,000,000	0.5%	\$2,500,000 - \$3,000,000
\$600,000,001 - \$700,000,000	0.5%	\$3,000,000 - \$3,500,000
\$700,000,001 - \$800,000,000	0.5%	\$3,500,000 - \$4,000,000

Therefore, the value of the option is stipulated in the contract and is worth up to \$4 million.

2. A summary of all elements of current directors packages for the year ended 30 June 2005

Robert Dane :	\$16,000 in cash or shares for Consulting/director Fees Wages/consultancy totalling \$216,509 Provision of office expenses totalling \$10,203 2,039,170 options over ordinary shares
David Franks :	\$16,000 in cash or shares for Consulting/Directors Fees Consulting fee to a related party comprising a rate per hour. Total fees for the period from 1/7/04 to 30/6/05 totalled \$42,000. 100,000 options over ordinary shares
Robert Hawke :	\$16,000 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares
David Fox :	\$16,000 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares
Ian Robertson :	\$1,333 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares (subject to the approval of shareholders at this Annual General Meeting)

Each director is entitled \$16,000 per annum in cash or shares for Consulting/Directors Fees. The above analysis provides the actual expense for the 30 June 2005 financial year.

4. A summary of all current Directors existing interests in the Company

Refer Appendix A

5. A summary of dilution effect of the proposed transaction on existing members interests

Refer Appendix B

6. A summary of trading history of the Company's share price.

Refer Appendix C

Note

Section 195 of the Corporations Law restricts a director from voting on a matter being considered by the Board where the director has a material personal interest in that matter. However, the directors are specifically allowed to call a General Meeting for shareholders to approve the matter under S.195(4). The Company notes that the interested director Hon Robert Hawke and all associated persons or entities to that director will be excluded from voting at the General Meeting, in their capacity as shareholders of the company (if they are shareholders).

Seventh Resolution

EXPLANATORY STATEMENT PREPARED IN ACCORDANCE WITH SECTIONS 218 AND 219 OF THE CORPORATIONS LAW

APPROVAL OF COMMISSION AGREEMENT

It is necessary to obtain shareholder approval in accordance with Section 208 of the Corporations Law and to comply with the Corporations Law in relation to the resolution. The Corporations Law requires that, except in certain specific situations, a public company may not give a financial benefit to a related party without prior shareholder approval.

(a) **Related parties**

The related parties to whom the proposed resolution would permit financial Benefits to be given are:

Hon Robert James Lee Hawke (Director)

(b) **Financial Benefits**

The financial benefits from the execution of a commission agreement with Hon Robert James Lee Hawke are:

If Hon Robert Hawke has, in the opinion of the Company, been instrumental in securing a sale, being the design, construction and sale of sustainable technology for a range of marine applications, the Company must pay a sales commission of 2.5% of gross revenue received by the Company in relation to the sale with payment to be made upon receipt of payment of consideration for the sale by the Company from a third party purchaser.

The commission agreement will terminate on either:

- (a) the date which is 5 years from the date of this agreement; or
- (b) such other date that may be agreed between the Company and Hon Robert Hawke from time to time;

noting that the company may terminate this agreement without cause on 14 days written notice to the Hon Robert Hawke.

(c) **Recommendations and Interests**

Each of Messrs Robert Dane, David Franks, Ian Robertson and David Fox have recommended the adoption of the resolution on the grounds it is in the interests of the Company to retain the expertise of Hon Robert Hawke as a sales agent to the Company.

(d) **Other Important Information**

Section 300A of the Corporations Act 2001 requires listed companies to disclose the amount of emoluments of each Director and each of the five executive officers receiving the highest emoluments. The Board has previously, and continues to, disclose this information in the company's annual audited Financial Statements to adhere to best practice.

To continue this policy of best practice, we attach the following information for the members:

- A summary of all elements of current Directors packages
- A summary of all current Directors existing interests in the Company

1. A summary of all elements of current directors packages for the year ended 30 June 2005

Robert Dane :	\$16,000 in cash or shares for Consulting/director Fees Wages/consultancy totalling \$216,509 Provision of office expenses totalling \$10,203 2,039,170 options over ordinary shares
David Franks :	\$16,000 in cash or shares for Consulting/Directors Fees Consulting fee to a related party comprising a rate per hour. Total fees for the period from 1/7/04 to 30/6/05 totalled \$42,000. 100,000 options over ordinary shares
Robert Hawke :	\$16,000 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares
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Ian Robertson :	\$1,333 in cash or shares for Consulting/Directors Fees 100,000 options over ordinary shares (subject to the approval of shareholders at this Annual General Meeting)

Each director is entitled \$16,000 per annum in cash or shares for Consulting/Directors Fees. The above analysis provides the actual expense for the 30 June 2005 financial year.

2. A summary of all current Directors existing interests in the Company

Refer Appendix A

Note

Section 195 of the Corporations Law restricts a director from voting on a matter being considered by the Board where the director has a material personal interest in that matter. However, the directors are specifically allowed to call a General Meeting for shareholders to approve the matter under S.195(4). The Company notes that the interested director Hon Robert Hawke and all associated persons or entities to that director will be excluded from voting at the General Meeting, in their capacity as shareholders of the company (if they are shareholders).

Eighth Resolution

EXPLANATORY STATEMENT PREPARED IN ACCORDANCE WITH SECTIONS 218 AND 219 OF THE CORPORATIONS LAW

APPROVAL OF CONSULTANCY AGREEMENT

It is necessary to obtain shareholder approval in accordance with Section 208 of the Corporations Law and to comply with the Corporations Law in relation to the resolution. The Corporations Law requires that, except in certain specific situations, a public company may not give a financial benefit to a related party without prior shareholder approval.

(a) **Related parties**

The related parties to whom the proposed resolution would permit financial Benefits to be given are:

Franks & Associates Pty Ltd – and associate of David James Franks (Director)

(b) **Financial Benefits**

The financial benefits from the execution of a consultancy agreement with Franks& Associates are:

In consideration for the provision of consultancy services by Franks & Associates Pty Ltd, the Company will, as consideration for the performance of services in a particular calendar month, be liable to pay a fee of \$3,500 per month (excluding GST) and grant call options at the end of that calendar month to the value of \$3,500 per month (excluding GST) with the number of options calculation under Part III, Division 13A, Subdivision F of the Income Tax Assessment Act.

Each Call Option is to be granted on the following terms:

- (a) Each call option entitles Franks & Associates Pty Ltd to purchase one Call Option Share for the Exercise Price during the Exercise Period.
- (b) The Exercise Price means:
 - (i) \$4 per Call Option Share; or
 - (ii) if the Agreed Outcome Right is exercised by Mithril or Solon, \$2.50 per Call Option Share. The Agreed Outcome Right means the right of both Solon and Mithril, under clause 4.2 of their Agreements, to purchase Shares at \$1.50 per Share where the “Agreed Outcomes” under clause 2 of those Agreements are not met.
- (c) The Exercise Period means, in respect of each calendar month, the period commencing on the Grant Date and ending on the Expiry Date. For the avoidance of doubt, this means that on the last day of each calendar month Franks & Associates Pty Ltd will be granted the number of Call Options. Each Call Option will expire on the Expiry Date of 31 December 2007.

- (d) The Grant Date is the last day of each calendar month in respect of services performed by Franks & Associates Pty Ltd in that particular calendar month.
- (e) The Number of Call Options to be granted on each Grant Date is either:
 - (i) 12,324 Call Options, where the Exercise Price is \$4 per Call Option, or
 - (ii) 19,718 Call Options, where the Exercise Price is \$2.50 per Call Option.
- (f) Franks & Associates Pty Ltd may exercise each Call Option by notice in writing to the Company at any time during the Exercise Period.
- (g) If any of the Call Options are exercised, the Company must issue the Call Option Shares the subject of those Call Options to Franks & Associates Pty Ltd, or their nominee, for the Exercise Price and the Franks & Associates Pty Ltd, or their nominee, must acquire the Call Option Shares on and subject to the terms of this agreement.
- (h) If any Call Option is not exercised during the Exercise Period the Call Option lapses and Franks and Associates Pty Ltd has no further rights or claims against the Company.
- (i) Each Call Option is granted for \$nil consideration.
- (j) Each Call Option is non-transferable.

The Company is able to cancel this arrangement with 14 days written notice.

(c) Recommendations and Interests

Each of Messrs Robert Dane, Hon Robert Hawke, Ian Robertson and David Fox have recommended the adoption of the resolution on the grounds it is in the interests of the Company to retain the expertise of Mr David Franks as an adviser to the Company.

(d) Other Important Information

Section 300A of the Corporations Act 2001 requires listed companies to disclose the amount of emoluments of each Director and each of the five executive officers receiving the highest emoluments. The Board has previously, and continues to, disclose this information in the company's annual audited Financial Statements to adhere to best practice.

To continue this policy of best practice, we attach the following information for the members:

- A summary of past options issued to Directors as previously approved by members
- An estimate of present value of options being issued to David James Franks
- A summary of all elements of current Directors packages
- A summary of all current Directors existing interests in the Company
- A summary of dilution effect of the proposed transaction on existing members interests
- A summary of trading history of the Company's share price.

1. *Past options issued to Directors as previously approved by members*

The options issued previously are under the same terms as those proposed to be issued to Ian Robertson.

Director	Options	Members meeting	Price	Exercise
Robert Dane	2,039,170	27 May 1999		\$0.85
Graham Kelly (*)	200,000	27 May 1999		\$0.85
John Paterson (*)	100,000	27 May 1999		\$0.85
Paul Scully-Power (*)	100,000	21 February 2000		\$0.85
David Franks	100,000	17 November 2003		\$0.85
John O'Connor (*)	100,000	17 November 2003		\$0.85
Robert Hawke	100,000	17 November 2003		\$1.00
Susan Dane (*)	100,000	17 November 2003		\$1.00
David Cassidy (*)	100,000	17 November 2003		\$1.00
David Fox	100,000	17 November 2003		\$1.00
David Kelly (*)	100,000	17 November 2003		\$1.00

In addition to the above options, at the Annual General Meeting of the Company held on 19th November 2004, the members approved the execution of an employee share option plan ("ESOP"), where employees, including Directors, are entitled to be issued with options up to a maximum of 5% of the issued share capital of the Company. Since the last Annual General Meeting, no options have been issued pursuant to this ESOP.

(*) no longer a Director of the company

2. *Estimate of present value of options being issued to David Franks*

For the purposes of this Explanatory Memorandum, based on the assumptions listed below, an estimate of the value of options is dependent on whether the Company has cancelled the contract or not. Under the assumption that it continues, at the Company's discretion, until December 2007, the options would be worth approximately \$186,343 in total over a 36 month period from 1 January 2005. This has been calculated using the Black-Scholes options pricing model under the following assumptions:

- Exercise price : \$4.00
- Expected life of instrument : Expiry 31 December 2007
- Current share price : \$4.00
- Volatility : 18% per annum. As the Company's shares are not listed, the volatility has been obtained using industry average statistics of similar companies listed on the ASX.
- Expected dividends : Nil
- Risk free interest rate over life of the options : 5.32% per annum

4. A summary of all elements of current directors packages for the year ended 30 June 2005

- Robert Dane : \$16,000 in cash or shares for Consulting/director Fees
Wages/consultancy totalling \$216,509
Provision of office expenses totalling \$10,203
2,039,170 options over ordinary shares
- David Franks : \$16,000 in cash or shares for Consulting/Directors Fees
Consulting fee to a related party comprising a rate per hour. Total fees for the period from 1/7/04 to 30/6/05 totalled \$42,000.
100,000 options over ordinary shares
- Robert Hawke : \$16,000 in cash or shares for Consulting/Directors Fees
100,000 options over ordinary shares
- David Fox : \$16,000 in cash or shares for Consulting/Directors Fees
100,000 options over ordinary shares
- Ian Robertson : \$1,333 in cash or shares for Consulting/Directors Fees
100,000 options over ordinary shares (subject to the approval of shareholders at this Annual General Meeting)

Each director is entitled \$16,000 per annum in cash or shares for Consulting/Directors Fees. The above analysis provides the actual expense for the 30 June 2005 financial year.

4. A summary of all current Directors existing interests in the Company

Refer Appendix A

5. A summary of dilution effect of the proposed transaction on existing members interests

Refer Appendix B

6. A summary of trading history of the Company's share price.

Refer Appendix C

Note

Section 195 of the Corporations Law restricts a director from voting on a matter being considered by the Board where the director has a material personal interest in that matter. However, the directors are specifically allowed to call a General Meeting for shareholders to approve the matter under S.195(4). The Company notes that the interested director Mr David Franks and all associated persons or entities to that director will be excluded from voting at the General Meeting, in their capacity as shareholders of the company (if they are shareholders).

Ninth Resolution

This is not an additional benefit for Directors. It is a method of enabling the company to:

- (i) Provide in lieu of part or all of the fees for services as a director in the form of shares or options with the purpose of further aligning the interests of directors with those of all shareholders in terms of the future performance of the company
- (ii) conserve cash resources of the company.

The following was actually approved by shareholders at the Annual General Meeting for 2001, however the Board wishes to amend this approval as follows:

- (i) **to note the issue of Options under the Option Plan as the original resolution in 2001 only noted shares**
- (ii) **to increase the capital raising criteria from \$1m to \$4m to allow the continuation of receipt of options or shares in lieu of directors fees as \$1m capital raising has recently been achieved.**

The shares are allotted in lieu of the directors annual base fees, and are not an addition to those fees.

The shares to be allotted in relation to director fees owing from 1st September 2001 will be based on a share price being the lower of:

- (i) the weighted average price obtained in future capital raisings under Part (d) of the resolution for the period up to that date; and
- (ii) \$1.75 per ordinary share.

For the information of members, total Directors fees presently payable or in which this arrange would be in lieu of is \$80,000 per annum for non executive directors, which presently works out at \$16,000 per director per annual.

As the resolution relates directly to the directors, the directors will not make a recommendation.

3. Determination of Membership and Voting Entitlement for the Purpose of the Meeting

Pursuant to Section 1109N of the Corporations Law, the Company has determined that for the purpose of determining a person's entitlement to vote at the meeting, a person shall be recognised as a member and the holder of Shares if that person is registered as a holder of those Shares at 5.00pm Sydney time on Thursday 3rd November 2005 (“**Entitlement Time**”).

All holders of ordinary shares in the Company as at the Entitlement Time are entitled to attend and vote at the meeting.

4. Proxies

Please note that:

1. Any member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote instead of that member;
2. The appointment may specify the portion or number of votes that the proxy may exercise;
3. A member who is entitled to cast 2 or more votes at the meeting may appoint 2 proxies and may specify the proportional number of votes each proxy is appointed to exercise;
4. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes;
5. A proxy so appointed need not be a member;
6. If you wish to appoint 2 proxies, two separate proxy forms must be completed.

Unless the member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.

If you wish to appoint a proxy, you should complete the attached “Proxy Form” and comply with details set out in that form for lodgement of the form with the Company.

The proxy form must be signed by the member or his or her attorney duly authorised in writing, or if the member is a corporation, either under the seal of the corporation (in accordance with its Constitution) or under the hand of an attorney duly authorised in writing or otherwise signed in accordance with the Corporations Law.

If any attorney or authorised officer signs this proxy form on behalf of a member, the relevant power of attorney or other authority under which it is signed or a certified copy of that power or authority must be deposited with the proxy form.

Forms to appoint proxies and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority must be lodged at the registered office by 5.00pm on Thursday 3rd November 2005, either:

1. By post at Solar Sailor Holdings Limited, c/- Franks & Associates Pty Ltd, Suite 206 – The Bentleigh, 1 Katherine Street, Chatswood NSW 2067

2. By fax to (02) 9419 2944 .

5. Voting Exclusion Statement

In accordance with the Corporations Law, the Company will disregard any votes cast on the resolution(s) by a person who may participate in the proposed issue or a person who might obtain a benefit (except a benefit solely in the capacity of a holder of securities in the Company) if the resolution is passed or an associate of those persons.

However, the Company will not disregard a vote if:

1. 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
2. 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.

DATED this 29th day of September 2005

By Order of the Board

A handwritten signature in black ink, appearing to read 'D J Franks', with a long horizontal flourish extending to the right.

David Franks
Company Secretary

Appendix A
A summary of all current Directors existing interests in the Company

<u>Robert Hawke</u> Interest in Shares and Options *	Director and Chairman 6,732 ordinary shares and options to acquire a further 100,000 ordinary shares.
<u>Dr Robert Dane</u> Interest in Shares and Options *	Managing Director 1,770,589 ordinary shares, 200 convertible notes of \$1,000 each and options to acquire a further 2,139,170 ordinary shares. (Interest is combination of all interests held by Dr Robert Dane and Mrs Susan Dane as were Directors during the year).
<u>David Franks</u> Interest in Shares and Options *	Director 22,000 ordinary shares and options to acquire a further 100,000 ordinary shares.
<u>David Fox</u> Interest in Shares and Options	Director 95,705 ordinary shares and options to acquire a further 100,000 ordinary shares.
<u>Ian Robertson</u> Interest in Shares and Options *	Director 0 ordinary shares and options to acquire a further 100,000 ordinary shares subject to shareholder approval.

Note

* does not include fees payable in shares under the Employee Share Plan yet to be issued or any share allotments subject to shareholder approval at the 2005 Annual General Meeting.

Appendix B

A summary of dilution effect of the proposed transaction on existing members interests

Current shares on issue	7,589,810
Current options on issue to directors (current and former)	3,389,170
Current options on issue to Mithril GmbH and Solon AG	<u>562,500</u>
	<u>3,951,670</u>

* above analysis does not include fees payable in shares under the Employee Share Plan yet to be issued or any share allotments subject to shareholder approval at the 2005 Annual General Meeting.

Maximum potential options being issued under resolutions:

Resolution 5	100,000
Resolution 6	1% of Company
Resolution 8 (assuming 3 years at 12,324 per month)	443,664

Dilution effect on issue of options

Current shares on issue	7,589,810
Current options on issue to directors (current and former)	3,389,170
Current options on issue to Mithril GmbH and Solon AG	<u>562,500</u>
	<u>11,541,480</u>
Options issued (Resolution 5 and 8)	<u>543,664</u>
	12,085,144 (99%)
Options issued (Resolution 6 based on current structure)	<u>122,072 (1%)</u>
	12,207,216 (100%)

Under the present share and option structure and on issue, the current dilution effect, is 5.7%.

Appendix C

A summary of trading history of the Company's share price.

The Company's shares are unlisted and not widely traded.

A history of the share price based on the capital raisings undertaken by the Company is listed below:

1. Capital raising in January 2001, raising \$486,977.75 at **\$1.75** per share
2. Capital raising in September 2001, raising \$26,250 at **\$1.75** per share
3. Issue of shares to Directors in September 2001, raising \$20,979 at **\$1.75** per share
4. Sale of 31,714 shares by shareholder in August/September/October 2001 at **\$1.75** per share
5. Sale of 41,667 shares by shareholder in October 2001 at **\$1.20** per share
6. Capital raising in March 2002, raising \$144,996.25 at **\$1.75** per share
7. Capital raising in May 2002, raising \$37,250.50 at **\$1.75** per share
8. Capital raising in June 2002, raising \$324,168 at **\$1.75** per share
9. Sale of 9,000 shares by shareholder in August 2002 at **\$1.75** per share
10. Capital raising in August 2002, raising \$10,000 at **\$2.00** per share
11. Sale of 25,000 shares by shareholder in December 2002 at **\$1.00** per share
12. Sale of 10,000 shares by shareholder in January 2003 at **\$1.00** per share
13. Capital raising in February 2003, raising \$125,000 at **\$2.00** per share
14. Director fees in June 2003, 117,037 shares at **\$1.75** per share
15. Capital raising in May 2004, raising \$271,000 at **\$2.00** per share
16. Capital raising in October 2004, raising \$418,5120 at **\$4.00** per share
17. Capital raising in April 2005, raising \$1,000,000 at **\$4.00** per share
18. Capital raising in May 2005, raising \$500,000 at **\$4.00** per share