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**RULES OF THE
EMPLOYEES SHARE OPTION PLAN
OF LACONIA RESOURCES LIMITED**

ACN 137 984 297

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**PLAN RULES OF THE EMPLOYEE SHARE
OPTION PLAN OF
LACONIA RESOURCES LIMITED
ACN 137 984 297**

1. DEFINITIONS AND INTERPRETATION

1.1 In the construction of these Rules, unless the contrary intention appears:

“**Associate**” has the meaning given it in Rule 6.3;

“**the ASX**” means Australian Stock Exchange Limited ACN 008 624 691;

“**at any time**” means at any time and from time to time;

“**the Company**” means Laconia Resources Limited ACN137 984 297;

“**Directors**” means the directors of the Company in office for the time being;

“**Eligible Person**” means a person meeting the requirements of Rule 4.2;

“**exercise price**” means the sum of money required to be paid to exercise an Option;

“**Listing Rules**” means the Listing Rules of the ASX, each as amended from time to time, except to the extent of any express written waiver by the ASX in respect of the Company;

“**Market Price of a Share**” on a particular day means the weighted average market price per Share (weighted by reference to volume) during the five consecutive trading days on the ASX ending on the day before the particular date;

“**Option**” means an option to subscribe for and be allotted a Share, where that option has been issued under the Plan;

“**Option Holder**” means the person in whose name an Option Certificate is issued.
Note: an employee may have nominated an Associate (e.g. spouse or family company) to be granted the Options. In that event the “Option Holder” is the Associate, not the employee.

“**person**” includes an individual, corporation, trust, partnership or other entity;

“**Plan**” means the Employees Share Option Plan of the Company;

“**Share**” means an ordinary fully paid share in the capital of the Company;

“**Rules**” means these Rules as amended from time to time;

“**the Secretary**” means the company secretary for the time being of the Company;

“**the Tax Act**” means whichever of the following is applicable at the relevant time in the context of this Plan:

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(a) the Income Tax Assessment Act 1936 (Cwlth);

(b) the Income Tax Assessment Act 1997 (Cwlth).

1.2 Italicised notes and italicised examples set out beneath particular Rules are not part of these Rules. Accordingly:

(a) such notes or examples may at any time be added to, varied or deleted from these Rules by the Directors; and

(b) the Rules may be published at any time with or without any one or more of those notes and examples, and either uniformly or on a selective basis.

1.3 In the construction of these Rules:

(a) singular includes plural, and vice versa, and words importing any gender include each other gender;

(b) except for the definitions in Rule 1.1, any expression in these Rules which deals with a matter dealt with by a Listing Rule, has the same meaning as in that Listing Rule;

(c) all references to statutory provisions includes any regulation made under that legislation and are construed as references to any statutory modification or re-enactment (whether before, on or after the commencement of this Plan) for the time being in force.

2. NAME OF THE PLAN

The Plan is to be known as:

(a) “the Employees Share Option Plan of Laconia Resources Limited”; or

(b) such other name as the Directors may at any time determine.

3. COMMENCEMENT OF THE PLAN

The Plan commences on the day that approval for introduction of the Plan is first given by the Members of the Company in general meeting.

4. ELIGIBLE PERSONS

4.1 Only Eligible Persons (and their Associates) may be invited to participate in the Plan.

4.2 Each of the following is an Eligible Person:

(a) a full-time employee of the Company;

(b) a permanent part-time employee of the Company;

(c) a person who is a director, alternate director or company secretary of the Company.

5. INVITATION TO PARTICIPATE

5.1 The Directors may at any time issue invitations to participate in the Plan and grant Options in accordance with the Plan.

5.2 The Directors have an absolute discretion:

- (a) as to which Eligible Persons (determined in accordance with Rule 4.2) will be invited to participate in the Plan; and
- (b) as to the number of Options offered to each such Eligible Person.

5.3 In exercising their discretion under these Rules in relation to any matter (including under Rule 5.2 and the terms of issue of any Option), the Directors may take into account any matter they consider relevant. This includes, but is not limited to, considering in relation to an Eligible Person:

- (a) the position they hold, or role they play, in the Company;
- (b) the nature or terms of their employment or other contractual arrangements;
- (c) the contribution they make to the Company in its business;

5.4 Each invitation to an Eligible Person to participate in the Plan must be in writing, signed by the Secretary or any Director, and shall:

- (a) specify the time within which the invitation may be accepted;
- (b) specify the number of Options being offered;
- (c) contain such other matters as the Directors at any time determine.

5.5 An acceptance of such an invitation is effective only if:

- (a) it is in such form as the Directors determine or in particular circumstances are prepared to accept; and
- (b) it is received by the Secretary within the period stipulated for acceptance; and
- (c) it is completed and accompanied by such documents as the Directors may at any time determine.

5.6 The acceptance of an invitation does not create a binding contract to grant Options. After acceptance the Directors may in their absolute discretion determine:

- (a) not to grant the Options identified in the invitation; or
- (b) grant Options which differ in number or their terms from that identified in the invitation.

5.7 If there is any inconsistency between the terms of an Option incorporated into its Option Letter and either the terms of the invitation or these Rules, the terms of the Option Letter prevail.

6. ASSOCIATE ACCEPTING INVITATION

- 6.1 An Eligible Person to whom an invitation to participate in the Plan has been issued may, in accepting such invitation, nominate a person who is an Associate of the Eligible Person to be the grantee of the Options offered.
- 6.2 If the Directors are satisfied, based on statements made or information supplied by the Eligible Person, that the person nominated is in fact an Associate of the Eligible Person, the Directors may accept that nomination and the Associate will become the Option Holder.
- 6.3 The expression “Associate” in relation to an Eligible Person has the same meaning as it has in section 139GE of the Tax Act.

Note: “Associate” is defined in wide terms. It includes:

- (a) a “relative” of the Eligible Person (e.g. parent, uncle, aunt, brother, sister, child, nephew, niece, or the spouse of any of these);*
- (b) a company where the Eligible Person holds (whether directly or indirectly) at least one share in the company;*
- (c) a trustee of a trust where the Eligible Person is capable of benefiting under the trust (whether directly or indirectly).*

7. LIMIT TO SIZE OF PLAN

At any particular point of time the total of:

- (a) the number of Shares the subject of Options which are both unexercised and unexpired; and
- (b) the number of Shares issued as a result of the exercise of Options,

must not exceed 5% of the number of Shares on issue at that time.

8. OPTIONS GRANTED FREE

No consideration is payable by any person in respect of the grant by the Company of an Option under the Plan.

Note: While the Option is free, there may be tax payable by the Eligible Person in respect of the value, attributed by the Tax Act, of that free Option.

9. REGISTER OF OPTION HOLDERS

The required information in relation to all Options must be entered in the Register of Option Holders maintained by the Company under sections 168 and 170 of the Corporations Act.

10. EXERCISE PRICE

- 10.1 At the time of grant of an Option, the Directors will specify the exercise price of the Option.

- 10.2 Without limiting the ways in which the exercise price may be specified, it may include:
- (a) a fixed amount;
 - (b) the Market Price of a Share on the date the invitation is made under Rule 5.4;
 - (c) the Market Price of a Share on the date the Option is granted;
 - (d) the Market Price of a Share on a specified date which is after the date the Option is granted;
 - (e) a percentage above the amount in (b), (c) or (d).

11. PERFORMANCE HURDLES AND EXERCISE PERIODS

- 11.1 At the time of grant of an Option, the Directors will specify:
- (a) the days on which, or periods during which, the Option is exercisable; and
 - (b) the performance hurdles, if any, that must be satisfied before the Option is exercisable; and
 - (c) any other requirements that must be satisfied before the Option is exercisable.
- 11.2 Without limiting the ways in which matters in (b) and (c) of the preceding Rule are specified, the Directors may specify that:
- (a) an Option is exercisable in a specified period if, at any time in another specified period, the Market Price of a Share has exceeded a specified figure;
 - (b) an Option is exercisable in a specified period if specified criteria are met or specified events have occurred by a specified time;
 - (c) an Option is not exercisable while the Eligible Person is in breach of the terms of the service agreement or other arrangements (whether directly with the Company or not) by which the Eligible Person remains an Eligible Person.

12. MANNER OF EXERCISE OF OPTIONS

- 12.1 An Option may only be exercised if it has not yet lapsed, has not been cancelled, and the performance hurdles and other requirements in the Option Certificate have been satisfied.
- 12.2 An Option is exercised if there are received at the registered office of the Company in Perth (or at such other place as is authorised by the Directors) the following:
- (a) a Notice of Exercise of Option duly completed and executed by the Option Holder, such Notice being either in the form of that in the Schedule to these Rules or in the form of that in the Option Certificate or in other usual or common form; and
 - (b) payment of the exercise price in respect of each Option being exercised.

- 12.3 The minimum number of Options that may be exercised at any time is 10% of all those Options held by the Option Holder at that time which have the same exercise price and the same performance hurdles.
- 12.4 Whenever the Option Holder duly exercises Options but there remains after such exercise one or more unexercised Options the subject of the Option Certificate, the Company shall issue an Option Statement for the number or remaining Options.

13. SHARES ARISING ON EXERCISE

- 13.1 Each Share allotted as a result of the exercise of an Option will rank pari passu with all other Shares which comprise the main class of Shares quoted on the ASX and may not be sold within 12 months of their allotment and issue if such sale would contravene section 707 of the Corporations Act.
- 13.2 Following allotment of a Share as a result of the exercise of an Option, the Company will make application, within the period specified in the Listing Rules, for the new Share to be quoted on the ASX.

14. OPTIONS NOT TRANSFERABLE

- 14.1 The Options will not be listed or quoted on any stock exchange.
- 14.2 An Option is personal to the Option holder and the Option holder may not sell, transfer or otherwise dispose of, or make a declaration of trust in respect of, it except to an Associate of that Option Holder..

15. LAPSING

Each Option will lapse on the earliest to occur of:

- (a) the end of the date, if any, specified in the Option Certificate as the date on which the Option expires or lapses;
- (b) if when the Option was granted the Option Holder was an Eligible Person, the date, which is three calendar months following, on which the Option Holder ceases to be an Eligible Person, regardless of the reasons or causes for the Option Holder ceasing to be an Eligible Person;
- (c) if when the Option was granted the Option Holder was an Associate of an Eligible Person, the earlier to occur of:
 - (i) the date, which is three calendar months following, on which the Eligible Person ceases to be an Eligible Person, regardless of the reasons or causes for them ceasing to be an Eligible Person;
 - (ii) the date, which is three calendar months following, on which the Option Holder ceases to be an Associate of the Eligible Person.

16. PARTICIPATION IN DIVIDENDS AND NEW ISSUES

- 16.1 Each Option does not give any right to participate in dividends declared or paid on existing Shares. However, a Share allotted pursuant to the exercise of the Option is entitled to participate in those dividends where the record date for the dividend is after the date the Share is allotted.

- 16.2 An Option Holder cannot, in that capacity, participate in new issues of securities of the Company without exercising the Option. However:
- (a) under Rule 17 there may be an adjustment to the number of Shares over which the Option may be exercised; and
 - (b) under Rule 18 there may be a reduction in the exercise price of the Option.

17. BONUS ISSUES

If at any time after the date an Option is granted and before it is exercised there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue. The effect will be that the Option Holder will be entitled, upon exercise of each Option, and without any change to the exercise price, to receive additional Shares equal to the number of bonus shares that would have been issued as if the Option had been exercised on the day prior to the record date of the bonus share issue.

18. RIGHTS ISSUES

If at any time after the date an Option is granted and before it is exercised there is a pro rata issue (other than a bonus issue) to the holders of Shares, the exercise price of each unexercised Option will be reduced according to the following formula:

- the new exercise price of the Option is equal to the old exercise price of the Option less a value attributed to the right as calculated in accordance with a formula;
- that formula (for valuing the right) is:

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

where:

- “E” = the number of Shares into which one Option is exercisable;
Note: E is one, unless the number has changed because of a bonus issue.
- “P” = the average market price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex rights date or ex entitlements date (calculated in accordance with Listing Rule 6.2.2.2);
- “S” = the subscription price for a security under the pro rata issue;
- “D” = the dividend due but not yet paid on existing Shares (except those to be issued under the pro rata issue);
- “N” = the number of Shares with rights or entitlements that must be held to receive a right to one new security.

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19. NOTIFICATION OF BONUS AND RIGHTS ISSUES

The Company will notify each Option Holder and the ASX, within one month after the record date of a bonus issue or other pro rata issue, of the adjustment to the number of Shares over which each Option exists and of any adjustment to the exercise price.

20. REORGANISATION OF SHARE CAPITAL

The rights of an Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to any reorganisation of the capital of the Company (at any time after the Options are granted) at the time of the reorganisation.

21. LISTING ON THE ASX

If any of the following events occurs:

- (a) a trading halt, suspension of quotation of Shares on the ASX, reinstatement of such quotation, or ending of such quotation; or
- (b) the removal of the Company from the official list of the ASX,

then:

- (i) any unexercised Options do not, by reason of that event alone, lapse; and
- (ii) the terms of each Option Certificate remain unaltered in their application (with no extension of time being granted) even though this may mean that either the Company or the Option Holder is thereby prevented from satisfying, effecting or complying with a provision of the Option Certificate; and
- (iii) the Option Holder has no claim for damages against the Company, regardless of the reason or cause of such event occurring.

22. TAKEOVERS

22.1 The Directors, when granting an Option, may in their absolute discretion determine that the terms of the following 4 Rules in relation to takeovers, or a modified form of them as the Directors determine, are included in the Option Certificate as terms on which the Options are granted.

22.2 If a takeover bid is made for the Shares then, at any time during the Takeover Period:

- (a) the Company may give the Option Holder not less than 7 days written notice of the intention of the Company to cancel one or more of the Options;
- (b) the Company may, at any time after expiry of that notice and during the Takeover Period, cancel the number of Options in respect of which it gave notice under paragraph (a) by giving the Option Holder a written notice to that effect.

22.3 If the value of the maximum consideration offered by the bidder for each Share under the takeover bid exceeds the exercise price of an Option so cancelled, the Company must pay to the Option Holder an amount equal to that excess. Such payment must be

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made by the Company by no later than the end of the Takeover Period. If there is no such excess, no payment by the Company is required.

22.4 If a takeover bid is made for the Shares then, at any time during the Takeover Period, the Option Holder may exercise each Option (which has not yet been cancelled under Rule 22.2(b)) at the exercise price, despite the fact that either it is then outside an exercise period specified in the Option Certificate or a performance hurdle specified in the Option Certificate has not yet been satisfied.

22.5 For the purposes of the 4 preceding Rules:

- (a) “the Takeover Period” is from the start of the offer period until one month after the end of the offer period;
- (b) any expression used in those Rules which is given a particular meaning in the context of Chapter 6 (takeovers) of the Corporations Act has the same meaning in those 3 Clauses.

23. EMPLOYEE BOUND BY RULES AND CONSTITUTION

23.1 Each Eligible Person or Associate who accepts an invitation to take up Options under the Plan, and each Option Holder, is bound by these Rules.

23.2 Each Option Holder who exercises an Option and is allotted a Share is bound by these Rules and by the Constitution of the Company in the same way as any other holder of Shares.

24. PLAN NOT PART OF OTHER ARRANGEMENTS

The Plan, its Rules and the terms of an Option Statement:

- (a) do not form part of any contract of employment between an employee and the Company;
- (b) do not form part of any contractual arrangements which may give rise to a person being an Eligible Person; and
- (c) do not confer, directly or indirectly, on any person any legal or equitable right whatsoever (other than rights as holders of any Shares issued pursuant to exercise of Options under the Plan) against the Company.

25. PLAN FORMS

The Directors may at any time require an Eligible Person or Associate to whom Options are to be granted, or an Option Holder, to complete and return to the Secretary such documents as the Directors consider should, for legal or taxation purposes, be completed by that person.

26. POWERS OF THE DIRECTORS

The Plan will be administered by the Directors who have power at any time to:

- (a) determine appropriate procedures for administration of the Plan consistent with the provisions of these Rules;

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- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
 - (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions arising under the Plan; and
 - (d) subject to any restrictions imposed by the Corporations Act or the Listing Rules, add to, delete or otherwise vary these Rules.

27. COMMENCEMENT AND TERMINATION OF THE PLAN

The Plan may at any time be terminated by resolution of the Directors.

28. GENERAL

The Plan is governed by and construed in accordance with law for the time being in the State of Western Australia.

**SCHEDULE
(NOTICE OF EXERCISE OF OPTION)**

TO: **LACONIA RESOURCES LIMITED ACN 137 984 297 (“the Company”)**

FROM: **[INSERT NAME] (“the Option Holder”)**

[insert address]

The Option Holder exercises the number of Options specified below, each Option entitling the Option Holder to subscribe for and be allotted to the Option Holder an ordinary fully paid share in the Company at an issue price per share equal to the exercise price specified below.

The Option Holder agrees to be bound by the Constitution of the Company and authorises the Company to enter the name of the Option Holder in the register of members of the Company in respect of the shares.

NUMBER OF OPTIONS EXERCISED:	_____
EXERCISE PRICE OF EACH OPTION:	_____

Enclosed is a cheque in favour of the Company (equal to the exercise price multiplied by the number of Options exercised).

DATED: ____/____/____

SIGNATURE(S)/EXECUTION	
_____	_____
<i>Individual</i>	<i>Director</i>
_____	_____
<i>Sole director and sole secretary</i>	<i>Director/Secretary</i>

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