

A1 Consolidated Gold Ltd
(ACN 149 308 921)



Employee Share Option Plan Rules

For personal use only

CONTENTS

1	Definition and Interpretation	3
1.1	Definition	3
1.2	Interpretation	4
2	Grant of Options	4
2.1	General Eligibility	4
2.2	Offer of Options	5
2.3	Issue of Options	5
3	Maximum Number of Options	5
3.1	5% Limit	5
3.2	Exceptions	5
4	Option Terms	6
4.1	Terms	6
4.2	Variation of Terms	6
5	Overriding Restrictions on Issue and Exercise	6
6	Administration of the Plan	6
6.1	Delegation	6
6.2	Procedures	6
6.3	Covenant or exercise of discretion	6
7	Advice	7
7.1	Adjustment to Number of Shares	7
7.2	Market and Exercise Price	7
8	Entitlement	7
9	Exercise of Options	7
10	Transfer	9
11	Quotation of Options and Shares	9
12	Future Issues of Shares	9
12.1	New Issues	9
12.2	Bonus Issues	9
13	Reconstruction of Capital	10
14	Notices	10
15	Right to Accounts	10
16	Company's Rights not Waived	10
17	Governing Law	10

18	Severance	11
19	Suspension or Termination of the Plan	11

1 DEFINITION AND INTERPRETATION

1.1 Definition

In these Rules, unless the contrary intention appears:

"Acceptance Date" means the date on which an offer of Options made under this Plan is accepted in writing (whether by an employee, consultant or a Nominee as directed by the employee or consultant).

"ASX" means ASX Limited.

"Board" means all or some of the Directors of the Company acting as a board.

"Business Day" means any ASX Business Day that is not a Saturday, Sunday or public holiday in Western Australia.

"Change of Control Event" means:

- (a) the Company entering into a scheme of arrangement with its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- (b) the commencement of a Takeover Period; or
- (c) a person or a group of associated persons having a relevant interest in, subsequent to the adoption of these Rules, sufficient Shares to give it or them the ability, in general meeting, to replace all or a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

"Class Order" means a class order published by the Australian Securities and Investments Commission relating to employee incentive schemes.

"Company" means A1 Consolidated Gold Ltd (ABN 50 149 308 921).

"Exercise Price" means the exercise price of an Option.

"Expiry Date" means in relation to an Option the date which is determined by the Board but in any event, will be no later than 5 years from the date of issue of an Option.

"Issue Date" means the date determined by the Board as the date on which an Option was granted.

"Listing Rules" means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any waiver by ASX.

"Nominee" has the meaning given by section 318 of the Income Tax Assessment Act 1936 to the term 'Associate'.

"Offer" means an offer in writing by the Board to a proposed Participant to participate in the Plan.

"Option" means an option issued under this Plan to subscribe for Shares.

“Participant” means a full-time or part-time employee or consultant of the Company or any of its subsidiaries, who receives an Offer, accepts the Offer and is then issued Options under the Plan, and includes a Nominee of the employee or consultant as directed in writing by the employee or consultant on the Acceptance Date.

“Plan” means this Employee Share Option Plan as in force and amended from time to time.

“Rules” means these Rules as altered or added to from time to time and a reference to a provision of these Rules is a reference to that provision as altered or added to from time to time.

“Share” means a fully paid ordinary share in the capital of the Company.

“Shareholder” means a shareholder of the Company.

“SRN” means Securityholder Reference Number.

“Takeover Period” in relation to a takeover bid in respect of Shares means the period referred to in section 624 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company in relation to that takeover bid, the takeover period shall be deemed to have commenced at the time of that announcement.

1.2 Interpretation

For the purposes of these Rules, unless the contrary intention appears:

- (a) the singular includes the plural and vice-versa;
- (b) words denoting a gender include all genders;
- (c) if a word or phrase is defined cognate words and phrases have corresponding definitions;
- (d) a reference to a related body corporate of the Company is a reference to a body corporate which is so related within the meaning of the Corporations Act;
- (e) a reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements or any of them; and
- (f) any power, authority or discretion vested in the Company or the Board may be exercised at any time and from time to time and unless expressed otherwise, in their absolute discretion.

2 GRANT OF OPTIONS

2.1 General Eligibility

At any time and from time to time, the Board may make an Offer to Participants, having regard, in each case, to:

- (a) the contribution to the Company which has been made by the Participant;
- (b) the period of employment or engagement of the Participant with the Company, including (but not limited to) the years of service by that Participant;

- (c) the potential contribution of the Participant to the Company; and
- (d) any other matters which the Board considers in its absolute discretion to be relevant.

2.2 Offer of Options

Options the subject of an Offer must be for nil consideration, stipulate the last date by which the Participant may accept the Offer (following which the Offer, if not accepted, will lapse), and otherwise reflect the terms of these Rules.

2.3 Issue of Options

If an Offer is accepted, each Option must be issued on the terms of these Rules as soon as practicable following the Acceptance Date, and each Participant will be taken to have agreed to be bound by these Rules on the Acceptance Date. The Company will announce the issue of Options on ASX.

3 MAXIMUM NUMBER OF OPTIONS

3.1 5% Limit

Subject to **clause 3.2** of these Rules, an Option may not be issued if, immediately following its issue, the Shares to be received on exercise of the Option when aggregated with:

- (a) the number of Shares in the same Share class which would be issued if each outstanding offer of Shares and Options under the Plan or any other employee incentive scheme of the Company were accepted or exercised; and
- (b) the number of Shares in the same class issued during the previous 5 years under the Plan or any other employee incentive scheme of the Company extended to full-time or part-time employees or consultants of the Company or any of its subsidiaries,

exceeds 5% of the total number of issued Shares in that Share class of the Company at the time the Option is offered, provided that the Board may, in its absolute discretion, increase this percentage, subject to any applicable Corporations Act, Listing Rule (including the conditions and restrictions on issuing securities in Listing Rule 7.1) or Class Order requirements.

3.2 Exceptions

When aggregating the number of Shares for the purposes of **clause 3.1** of these Rules, the Company may disregard any offer made, Option acquired or Share issued by way of or as a result of:

- (a) an offer to a person situated at the time of receipt of the offer outside Australia;
- (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (c) an offer made under a disclosure document in accordance with Chapter 6D of the Corporations Act.

4 OPTION TERMS

4.1 Terms

An Option must be granted in accordance with these Rules or such other additional terms, conditions or restrictions which are not inconsistent with these Rules, as the Board determines either generally or in relation to particular Options.

4.2 Variation of Terms

Despite anything to the contrary in these Rules, to the full extent permissible by the Listing Rules and law, the Board may from time to time vary the Exercise Price, the period in which an Option may be exercised and the conditions to which an Option is subject, provided such Options have not yet been offered and accepted by a Participant.

5 OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE

Notwithstanding anything else in these Rules or in the terms of any Option, an Option may not be offered, issued, or exercised if to do so:

- (a) would contravene the Corporations Act or the Listing Rules; or
- (b) would contravene the local laws of, or the rules or requirements of any regulatory or statutory body in, a Participant's country of residence or in the opinion of the Board compliance with those local laws, rules or requirements would be impractical or result in any unnecessary or unreasonable expense in the circumstances.

6 ADMINISTRATION OF THE PLAN

6.1 Delegation

The Plan shall be in all respects administered under the directions of the Board or a committee of the Board. The Board or committee may appoint, for the proper administration and management of the Plan, such secretarial or executives or staff or other persons as it considers desirable and may delegate to those persons such powers and authorities as may be necessary or desirable for the administration and management of the Plan.

6.2 Procedures

Subject to these Rules, the Board may make such regulations and establish such procedures for the administration and management of the Plan as it considers appropriate. If any disagreement or dispute with respect to the interpretation of these Rules or the terms of grant of any Option arises, such disagreement or dispute shall be referred to the Board and the decision of the Board shall, in the absence of manifest error, be final and binding upon all parties.

6.3 Covenant or exercise of discretion

The Company or any of its subsidiaries or the Board may, subject to any express provision in these Rules, the Listing Rules or the Corporations Act to the contrary:

- (a) do any act, matter or thing or make any decision, determination or resolution; or
- (b) conditionally or unconditionally give or withhold any consent or approval,

as contemplated by these Rules in its absolute discretion and is not obliged to give reasons for so doing.

7 ADVICE

7.1 Adjustment to Number of Shares

The Company shall give notice to each Participant of any adjustment to the Exercise Price or the number of Shares which the Participant is entitled to subscribe for on exercise of an Option, in accordance with the Listing Rules.

7.2 Market and Exercise Price

The Company will provide to a Participant upon request, within a reasonable time, either verbally or in writing, details of the current market price (in Australian dollars) of the Shares and details of the Exercise Price in relation to Options held by that Participant.

8 ENTITLEMENT

- 8.1 Each Option entitles the holder to subscribe for and be issued, credited as fully paid, the number of Shares specified in the Option.
- 8.2 The Exercise Price shall be as determined by the Board (in its discretion) and specified in the Offer, provided that in no event shall the Exercise Price be less than 80% of the average closing sale price of the Shares on ASX over the 5 trading days immediately preceding the date of the Offer.
- 8.3 Subject to these Rules, the Company shall issue Shares on exercise of an Option in accordance with the Listing Rules and shall cause a holding statement to be issued for Shares so issued within 10 Business Days after the date of exercise of the relevant Option.
- 8.4 Shares issued on the exercise of Options will rank pari passu with all existing Shares in the capital of the Company from the date of issue of those Shares.

9 EXERCISE OF OPTIONS

- 9.1 An Option is exercisable by the holder lodging with the Company Secretary:
- (a) a notice of exercise of that Option in the form attached to the Rules;
 - (b) the tax file number for the Participant if an employee or a consultant, or the ABN for the Participant if a consultant;
 - (c) a cheque for the total Exercise Price; and
 - (d) the SRN for the Participant.

In the event of the death of a holder of Options, those Options are exercisable by the executor of the estate of the holder in the same manner as set out above.

- 9.2 An Option must be exercised (if at all) not later than its Expiry Date and, subject to this **clause 9**, may only be exercised at any time after the Option has vested and before its Expiry Date. The Board may determine (in its absolute discretion) any further conditions of exercise consistent with these Rules that apply to an Option. The exercise of some Options only does not affect the Participant's right to exercise other Options at a later time. If the Participant exercises less than all Options appearing in the Optionholder's holding statement, then the Company will cause a replacement holding statement to be issued.
- 9.3 The Board may from time to time determine the time periods or performance hurdles after which the Options issued will vest in the Optionholder and the percentage of Options issued which will vest at each particular time. .
- 9.4 An Option held by a Participant or Options which are transferred to a Nominee or granted to a Nominee at the direction of the Participant will lapse upon the first to occur of:
- (a) its Expiry Date; or
 - (b) the making by the Board of a determination that:
 - (i) the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or any of its subsidiaries; and
 - (ii) the Option is on that account to be forfeited;
 - (c) 30 days following any person or corporation having a relevant interest in not less than 90% of the Shares;
 - (d) 10 days following the Company issuing a notice of meeting convening a meeting of Shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares;
 - (e) 6 months after the day the Participant (and for the avoidance of doubt, not the Nominee who may hold the Options at the Participant's discretion) ceases to be employed or engaged by the Company or any of its subsidiaries by virtue of:
 - (i) the Participant's death;
 - (ii) the Participant's permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved in writing by the Board); or
 - (iii) the Participant being retrenched or made redundant by the Company or any of its subsidiaries (other than as a direct result of the disposal or sale of the Company or any of its subsidiaries); and
 - (f) 30 days following the Participant (and for the avoidance of doubt, not the Nominee who may hold the Options at the Participant's discretion) ceasing to be employed or engaged by the Company or any of its subsidiaries (or such later date that the Board determines in its absolute discretion) by virtue of the Participant resigning voluntarily.

- 9.5 If, in the opinion of the Board, a Change of Control Event has occurred, or is likely to occur, the Board may declare an Option to be free of any conditions of exercise and Options which are so declared may, subject to **clause 9**, be exercised at any time and in any number.
- 9.6 If any person or corporation having a relevant interest in not less than 90% of the Shares of the Company issues a notice of meeting convening a meeting of Shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares, all Options shall be free of any conditions of exercise and may be exercised at any time and in any number, subject to **clause 9**.

10 TRANSFER

An Option is personal to the Participant to whom it was granted, and the Participant may not sell, transfer or otherwise dispose of, or make a declaration of trust in respect of, it except:

- (a) to a Nominee of that Participant; or
- (b) otherwise with the prior consent of the Board.

11 QUOTATION OF OPTIONS AND SHARES

Options will not be listed for quotation on ASX, however, the Company will make application for official quotation of Shares issued on the exercise of options to ASX and to each other stock exchange on which Shares are listed at the time.

12 FUTURE ISSUES OF SHARES

12.1 New Issues

There are no participating rights or entitlements inherent in the Options and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 9 Business Days after the issue is announced. Participants shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to these Rules prior to the date for determining entitlements to participate in any such issue.

12.2 Bonus Issues

If the Company makes an issue of Shares to the holders of Shares in the Company by way of capitalisation of profits or reserves ("**Bonus Issue**"), each Participant holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the Participant may subscribe for, pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the

Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the Options.

13 RECONSTRUCTION OF CAPITAL

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Participant is entitled or the Exercise Price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

14 NOTICES

Notices may be given by the Company to the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modification to notices to Participants.

15 RIGHT TO ACCOUNTS

Where expressly requested, Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members. Participants will not have any right to attend or vote at those meetings.

16 COMPANY'S RIGHTS NOT WAIVED

- 16.1 The Company's right to terminate or vary the terms of employment or engagement of any Participant shall not be prejudiced in any way by the Company or any Participant participating in the Plan or anything contained in these Rules or both. Further, participation in the Plan, the rights or benefits of a Participant under these Rules or the inability or restricted ability of a Participant to exercise an Option or any of them, shall not be used as grounds for granting or increasing damages in any action brought by any Participant against the Company whether in respect of any alleged wrongful dismissal, termination or otherwise.
- 16.2 None of the Company, its directors, officers or employees represents that the Company's share price will attain, maintain or exceed the Exercise Price. A Participant who chooses to exercise any Option does so at his own risk in that he may suffer financial detriment if the Company's share price falls.

17 GOVERNING LAW

This Plan and these Rules shall in all respects be governed by and shall be construed in accordance with the laws of Western Australia.

18 SEVERANCE

If any provision in these Rules is void, voidable by any party or illegal, it shall be read down so as to be valid and enforceable or, if it cannot be so read down, the provision (or where possible, the offending words) shall be severed from these Rules without affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of these Rules which shall continue in full force and effect.

19 SUSPENSION OR TERMINATION OF THE PLAN

The Board may suspend or terminate the Plan at any time, in which case the Company shall not make any further grants of Options under the Plan during the suspended or terminated period. However, during that period the Board shall otherwise continue to administer the Plan in accordance with these Rules until all Options have been exercised or expired.

NOTICE OF EXERCISE

The Company Secretary
A1 Consolidated Gold Limited

Dear Sir/Madam

[Name of person holding the options, whether as employee, consultant or nominee] hereby gives notice of the exercise of *[number of Options]* issued pursuant to the Company's Employee Share Option Plan and exercisable at *[\$*]*.

A cheque made payable to "[*]" for *[\$*]* (being the total of the exercise price payable on the exercise of these Options), is enclosed.

The SRN for *[name of person holding the options whether as employee, consultant or nominee]* is [*].

The tax file number for *[name of employee to whom the Offer of Options was initially made]* is [*].
OR

The tax file number or the ABN for *[name of consultant to whom the Offer of Options was initially made]* is [*].