

VRL 1686-L AB/ab

3 November 2008

Company Announcements Office  
Australia Stock Exchange Limited  
4th Floor, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

Please find attached the Notice for the Company's 7th Annual General Meeting which was sent out to shareholders on 16 October 2008.

Yours faithfully



**ANTHONY BEGOVICH**  
Joint Company Secretary

Att.

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

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NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

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**Date of Meeting**

18 November 2008

**Time of Meeting**

4.00pm

**Place of Meeting**

Green Room  
Hotel Ibis,  
334 Murray Street  
Perth, Western Australia

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Vulcan Resources Limited ("**Company**") will be held at the Green Room, Hotel Ibis, 334 Murray Street, Perth, , Western Australia on 18 November 2008 at 4.00pm for the purpose of transacting the following business.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of terms used both in this Notice of Annual General Meeting and the Explanatory Memorandum.

## AGENDA

### ORDINARY BUSINESS

#### **Financial Reports**

To receive and consider the annual Financial Statements of the Company for the year ended 30 June 2008 including the Director's Report and the Auditor's Report.

#### **Resolution 1 - Non Binding Resolution to adopt Remuneration Report**

To consider and, if thought fit, pass the following as an **ordinary resolution**:

*"That the Remuneration Report as set out in the Company's Annual Report for the year ended 30 June 2008 be adopted."*

Note: The vote on this resolution is advisory only and does not bind the Directors of the Company.

#### **Resolution 2 - Re-election of Mr. Heikki Solin as a Director**

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

*"That, Mr Heikki Solin, being a director of the Company who retires in accordance with rule 13.2 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected."*

#### **Resolution 3 - Ratification of Prior Grant of Options**

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.4, shareholders approve and ratify the grant of 1,000,000 Options for no consideration, each exercisable on or before 1 July 2011 at \$0.40 to Mr Eric Hughes, on the terms and conditions set out in the Explanatory*

*Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum)."*

The Company will disregard any votes cast on Resolution 3 by any person who participated in the issue and any person associated with those persons. However, the Company need not disregard a vote if 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 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.

#### **Resolution 4 – Adoption of Vulcan Resources Limited Employee Share Option Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, the Company approves the issue of Options under the employee incentive option plan for employees and directors known as "Vulcan Resources Limited Employee Share Option Plan", the rules of which are annexed as Annexure B to the Explanatory Memorandum, as an exception to Listing Rule 7.1."*

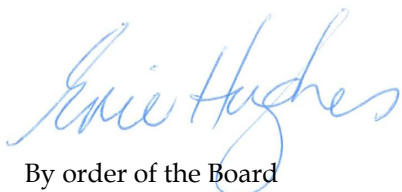
The Company will disregard any votes cast on Resolution 4 by a director of the Company and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or 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.

#### **Resolution 5 – Approval of Vulcan Resources Limited Performance Share Rights Plan**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, the Company approves the grant of Share Rights and the issue of Shares under the performance rights plan for employees and directors known as "Vulcan Resources Limited Performance Share Rights Plan", the rules of which are annexed as Annexure C to the Explanatory Memorandum, as an exception to Listing Rule 7.1."*

The Company will disregard any votes cast on Resolution 5 by a director of the Company and any person associated with those persons. However, the Company need not disregard a vote if 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 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.



By order of the Board

Mr Eric Hughes  
Joint Company Secretary  
Dated: 10 October 2008

## **PROXIES**

Votes at the annual general meeting may be given personally or by proxy, attorney or representative.

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at this meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.

A proxy may, but need not be, a shareholder of the Company.

The instrument appointing the proxy must be in writing, executed by the appointer or his attorney duly authorised in writing or, if such appointer is a corporation, either under seal or under hand of an officer of his attorney duly authorised.

Proxy forms must reach the Registered Office of the Company at least 48 hours prior to the meeting. For the convenience of shareholders, a Proxy Form is enclosed.

## **VOTING ENTITLEMENTS**

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that Shares held as at 5:00 pm on 16 November 2008 will be taken, for the purposes of the general meeting, to be held by the persons who held them at that time.

## **CORPORATIONS**

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to the Company before the Annual General Meeting.

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of Vulcan Resources Limited ("Vulcan" or the "Company").

### FINANCIAL REPORTS

Shareholders will be given an opportunity to ask questions in relation to the accounts of the Company at the Annual General Meeting.

### RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act the Company is required to present to its shareholders the Remuneration Report as disclosed in the Company's Annual Report 2008. The vote on the resolution is advisory only and does not bind the Directors of the Company. The Remuneration Report is set out in the Company's Annual Report 2008 and is also available on the Company's website ([www.vulcanresources.com.au](http://www.vulcanresources.com.au)).

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors of Vulcan Resources Limited, sets out remuneration details for each Director and any service agreements and sets out the details of any share based compensation.

### RESOLUTION 2 - RE-ELECTION OF MR HEIKKI SOLIN AS A DIRECTOR

Pursuant to Rule 13.2 of the Company's Constitution, Mr Heikki Solin, being a Director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Mr Solin has over 40 years experience in the international mining industry which he has served as a corporate lawyer, marketing manager for technology, senior vice president in charge of international mining expansion for Finland's mining major Outokumpu, and since 1995 as an independent consultant.

Although widely travelled and except for a period of 14 years in United Kingdom Mr Solin has been based in the Helsinki area, in Finland, his native country where in addition to his mining related activities he spearheaded national initiatives in areas of cross-border licensing, international contract practices and Finnish-Latin American trade relations.

He is Honorary Chairman of Finnish-Latin American Chamber of Commerce, Past President and Honorary Member of Industrial Lawyers Association in Finland and the first President of Licensing Executives Society, Scandinavia Region. Heikki is also a member of The Finnish Institute of Mining and Metallurgy.

For his achievements for his country, the Republic of Finland awarded Heikki a Medal of Knight I Class in the Order of the White Rose of Finland in 1991.

### **RESOLUTION 3 - RATIFICATION OF PRIOR GRANT OF OPTIONS**

On 17 March 2008, the Company granted 1,000,000 Options exercisable at \$0.40 on or before 1 July 2011 subject to the vesting conditions described below and the terms and conditions in Annexure A ("**Hughes Options**") to Eric Hughes, the Chief Financial Officer and joint Company Secretary to the Company.

The Hughes Options can only be exercised in three tranches as follows:

- 333,333 Hughes Options will vest on 30 December 2008;
- 333,333 Hughes Options will vest on 30 December 2009;
- 333,334 Hughes Options will vest on 30 December 2010.

The Company had capacity to grant the 1,000,000 Hughes Options without Listing Rule 7.1 approval and accordingly is seeking ratification of the grant of the Hughes Options pursuant to Listing Rule 7.4.

In summary, Listing Rule 7.4 allows a company to seek subsequent approval from shareholders of an issue of securities so that the issue of securities does not count towards the 15% limit on issues without shareholder approval contained in Listing Rule 7.1. Listing Rule 7.1 provides that a company may only issue up to 15% of its capital in any 12 month period without first obtaining the approval of shareholders by ordinary resolution.

Pursuant to Resolution 3, the Directors are seeking ratification under Listing Rule 7.4 of the grant of 1,000,000 Hughes Options that was made on 17 March 2008 in order to restore the right of the Company to issue further securities within the 15% limit during the next 12 months.

The following information in relation to the Hughes Options is provided to shareholders for the purposes of Listing Rule 7.5:

- (a) 1,000,000 Hughes Options were allotted and granted;
- (b) the Hughes Options were granted for no consideration;
- (c) no funds were raised by the grant of the Hughes Options;
- (d) the terms and conditions of the Hughes Options are set out in Annexure A to this Explanatory Memorandum; and
- (e) the Hughes Options were granted to Eric Hughes, an unrelated party of the Company.

### **RESOLUTIONS 4 AND 5 - APPROVAL OF EMPLOYEE SHARE OPTION PLAN AND PERFORMANCE SHARE RIGHTS PLAN**

Resolutions 4 and 5 propose the introduction of two plans, being respectively an Employee Share Option Plan ("**ESOP**") and an Employee Performance Share Right Plan ("**EPSRP**") (together referred to as the "**Plans**"). The Plans are incentive plans which replace the previous Employee Share Option Plan and are designed to increase the motivation of staff and create a stronger link between increasing shareholder value and employee reward.

A review of the existing ESOP (adopted by the Board on 17 February 2003) has identified a number of limitations which compromises the Plans intent. That is:

- the existing plan does not provide certainty as to any benefits being derived by the employee, irrespective of their individual contribution to the company and or achievement of the hurdles put in place for the Options to vest; and

- the capacity of staff to fund the exercise of Options, even when those Options are in the money is often limited, and therefore, the benefit earned can not be crystallised.

Therefore it is proposed that an EPSRP, in conjunction with an ESOP, be utilised whereby when an eligible employee who is offered to participate in an incentive program can choose which plan to participate in.

Additionally, the Company wishes to exempt issues of securities under the Plans from contributing towards the rolling annual limit of 15% of issued ordinary shares prescribed by Listing Rule 7.1. This limit otherwise applies to all new issues of equity securities made without shareholder approval. Shareholder approval of the Plans is therefore sought under Listing Rule 7.2, Exception 9, whereby the shareholders may approve in advance the issue of securities made under the plan as an exception to the limit under Listing Rule 7.1.

As these are new Plans, no securities have been issued under the Plans and the Plans have not previously been approved by shareholders.

### **Reason for new Plans**

To achieve the corporate objectives, the Company needs to attract and retain its key staff.

Your Board believes that grants made to eligible employees under the Plans will provide a powerful tool to underpin the Company's employment strategy, and that the implementation of the Plans will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- align the financial interest of participants of the Plans with those of shareholders; and
- provide incentives to participants of the Plans to focus on superior performance that creates shareholder value.

### **Outline of the Plans**

This section gives a brief outline of how the Board intends to implement initial participation under the rules of the proposed Plans.

### **Participation**

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long term incentives to staff. As well, they are used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to issue either Share Rights or Options to employees, to achieve the objectives outlines above.

Prior shareholder approval will be required before any Director or related party of the Company can participate in the Plans.

### **Performance Conditions**

The Board is cognisant of general shareholder concern that long-term equity based reward for staff should be linked to the achievement by the Company of a performance condition.

Option and Share Rights granted to eligible employees will be subject to performance conditions as determined by the Company's Remuneration Committee from time to time. These performance conditions must be satisfied before either the Share Rights or Options vest.

The Company's performance will be measured over three years from the date of grant. To the extent that maximum performance is not achieved under the performance conditions, performance will be retested every six months following the first three years until the end of the fourth year.

The performance conditions are likely to be linked to Total Shareholder Return ("TSR"), being the change in the share price over the relevant measurement period plus dividends (if any) notionally reinvested in the Shares. This is currently the measure most widely utilised by listed companies in their incentive share plans.

### **Rules of the Plans**

On 23 September 2008, the Board adopted the Vulcan Resources Limited ESOP. Under the ESOP, the Board may offer to eligible employees and directors of the Company the opportunity to subscribe for such number of Options as the Board may decide and on the terms set out in the rules of the ESOP. Options granted under the ESOP will be offered to participants in the ESOP on the basis of the Board's view of the contribution of the eligible person to the Company.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the rules of the ESOP is attached as Annexure B to this Explanatory Memorandum;
- (b) this is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the ESOP; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 4.

On 23 September 2008, the Board adopted the Company's EPSRP. Under the EPSRP, Share Rights may be awarded to eligible employees or directors of the Company as determined by the Company's Remuneration Committee from time to time. The vesting of the Share Rights will be subject to certain specified performance criteria. Upon the vesting of the Share Rights, holders of Share Rights may exercise a Share Right to receive one Share for no consideration. The following is a summary of the terms of the EPSRP

- (a) **Participation:** The Board may from time to time in its absolute discretion issue invitations to full-time or permanent part-time employees, or directors, of a Group Company ("**Eligible Person**") to participate in the EPSRP.
- (b) **Nature of Share Rights:** A Share Right is an option to receive a Share on the terms set out in the EPSRP for the relevant performance period and subject to satisfaction of the applicable hurdles. The performance period, performance hurdles and test dates for measuring the performance hurdles may be determined by the Board from time to time.
- (c) **No payment:** A participant will not pay anything for the grant of Share Rights and no amount will be payable by the holder of a Share Right on the exercise of the Share Right.
- (d) **Vesting:** A Share Right can only be exercised if it has vested. Share Rights may vest in the following ways:
  - (i) if the applicable performance hurdles are satisfied as at the relevant test date;
  - (ii) if the holder ceases to be an Eligible Person because of an "Uncontrollable Event" (e.g. death, serious injury, disability, retrenchment or redundancy). In these circumstances, all of the unvested Share Rights that are capable of becoming exercisable if performance hurdles are met at the next test date will vest automatically, and any other unvested Share Rights will only vest if determined by the Board in its absolute discretion. Share Rights that do not vest will lapse. Vested Share Rights that are not

exercised will lapse 6 months from the date on which the holder ceases to be an Eligible Person;

- (iii) if the holder ceases to be an Eligible Person because of a "Controllable Event" (e.g. resignation). In these circumstances, unvested Share Rights will only vest if determined by the Board in its absolute discretion. Share Rights that do not vest will lapse. Vested Share Rights that are not exercised will lapse 3 months from the date on which the holder ceases to be an Eligible Person; and
- (iv) unvested Share Rights that have not lapsed will vest if a takeover bid (as defined in the Corporations Act) to acquire Shares becomes unconditional; at any time after a "Change of Control Event" (as defined in the EPSRP Rules) has occurred; or if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court
- (e) **Exercise:** Share Rights can only be exercised if they have vested and can be exercised until they lapse. The Company has the option to issue new Shares or procure the transfer of existing Shares to the holder upon exercise of Share Rights.
- (f) **Lapse:** All Share Rights will lapse on the date where Performance Hurdles have not been satisfied on the Test Date.
- (g) **Maximum number of Share Rights:** The number of Share Rights which may be granted under the EPSRP at any time must not exceed the maximum permitted under ASIC Class Order 03/184 (which provides relief from the disclosure regime of the Corporations Act) to ensure compliance with that Class Order, being 5% of the total number of issued Shares when aggregated with the number of Shares issued, or the subject of an Option issued, pursuant to an employee incentive scheme during the previous 5 years (less certain exempted offers).

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the rules of the EPSRP is attached as Annexure C to this Explanatory Memorandum;
- (b) this is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the EPSRP; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 5.

## GLOSSARY

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the board of Directors;

"**Hughes Options**" means Options granted pursuant to Resolution 5, the terms and conditions of which are set out in Annexure A to the Explanatory Memorandum;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Company**" or "**Vulcan**" means Vulcan Resources Limited ABN 60 100 072 624;

"**Directors**" means Directors of the Company;

"**Explanatory Memorandum**" means this information attached to the Notice, which provides information to shareholders about the resolutions contained in the Notice;

"**Group Company**" means a company being either the Company or any Subsidiary from time to time;

"**Listing Rules**" means the listing rules of ASX;

"**Meeting**" means the annual general meeting the subject of the Notice;

"**Notice**" or "**Notice of Meeting**" means the notice of annual general meeting which accompanies this Explanatory Memorandum;

"**Option**" means an option to acquire a Share;

"**Shares**" means fully paid ordinary shares issued in the capital of the Company;

"**Share Right**" means the right to receive a Share for nil consideration in accordance with the terms of the Company's Employee Performance Share Right Plan;

"**Subsidiary**" means a body corporate which is a subsidiary of the Company within the meaning of section 9 of the Act; and

"**WDT**" means Australian Western Daylight Time.

## ANNEXURE A

### TERMS AND CONDITIONS OF HUGHES OPTIONS

1. The Options shall expire on 1 July 2011 ("**Expiry Date**").
2. Options may be exercised at any time on or after 9.00 am WST on [30 December 2008], [30 December 2009] or [30 December 2010] [*insert relevant vesting date as the case may be*], and on or before 5.00 pm WST on 1 July 2011.
3. The Options may be exercised in whole or in part.
4. The exercise price of each Option is 40 cents ("**Exercise Price**").
5. The Options may be transferred to a related party of Eric Hughes at any time in whole or in part.
6. A notice under CHESS instead of a certificate will be issued for the Options. On the reverse side of the notice there will be endorsed a statement of rights of the Option holder and a notice of exercise of option that is to be completed when exercising the Options. If there is more than one Option comprised in this notice and prior to the Expiry Date those Options are exercised in part the Company will issue another notice for the balance of the Options held and not yet exercised.
7. The Option holder will be permitted to participate in any new pro-rata issue of securities of the Company on the prior exercise of the Options in which case, the Option holder will be afforded the period of at least 5 Business Days prior to and inclusive of the books closing date (to determine entitlements to the issue) to exercise the Options.
8. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules.
9. The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.
10. In the case of any entitlements issue (other than a bonus issue) the Exercise Price of the Option may be reduced according to the following formula:

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

O' = the new Exercise Price of the Option.

O = 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 Share (weighted by reference to volume) of the underlying securities during the 5 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 due but not yet paid on the 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.

In the case of a bonus issue the number of Shares over which the Option is exercisable may 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 Company shall notify the ASX of the adjustments in accordance with the Listing Rules.

11. The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the books closing date for bonus issues. The Exercise Price of the Options shall not change as result of any such bonus issue.
12. The Company shall notify the Option holder and the ASX within one month after the books closing date for a pro-rata bonus or cash issue, of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the Exercise Price.
13. Subject to these terms and conditions, each Option shall confer the right to take up one fully paid ordinary Share in the Company.
14. If Eric Hughes's appointment with the Company ceases or is terminated by the Company for any reason, other than for Redundancy, the Options may be exercised by the holder (or the holder's legal personal representative(s)) within 30 days of the cessation or termination of the holder's employment with the Company provided that:
  - (a) the Options have not lapsed under condition 1; and
  - (b) the Options are entitled to be exercised pursuant to condition 2.

If the Option is not exercised within the 30 day period provided in this condition, it will lapse.

15. In the circumstances referred to in condition 14, the Board may in its absolute discretion, but subject always to the Listing Rules, give written approval to the Option holder to exercise the Option during such further period (ending not later than the Expiry Date) as the Board decides.
16. Notwithstanding any other terms and conditions, all Options may be exercised:
  - (a) during a Bid Period;
  - (b) at any time after a Change in Control Event has occurred; or
  - (c) on an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
17. The Option holder may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give notice as required under the Listing Rules to the Option holder of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
18. In these terms and conditions:

"ASX" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Bid Period**" in relation to a takeover bid in respect of Shares in the Company, means the period referred to in the definition of that expression in section 9 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 Bid Period shall be deemed to have commenced at the time of that announcement;

"**Board**" means the board of the Company;

"**Business Day**" means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders:

- (a) becoming entitled to sufficient Shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board; or
- (b) gaining the ability to control more than 50% of the Voting Power in the Company;

"**CHESS**" means the Clearing House Electronic Sub-Register System;

"**Company**" means Vulcan Resources Limited;

"**Listing Rules**" means the official Listing Rules of ASX as they apply to the Company;

"**Option**" means an option to acquire one Share;

"**Option holder**" means Eric Hughes or his nominee;

"**Redundancy**" means a determination by the Board that the Company's need to employ Eric Hughes for the particular kind of work carried out by him has ceased (but, for the avoidance of any doubt, does not include the dismissal of Eric Hughes for personal or disciplinary reasons or where Eric Hughes leaves the employ of the Company of his own accord);

"**Share**" means a fully paid ordinary share in the capital of the Company; and

"**Voting Power**" has the meaning ascribed to that term in the Corporations Act.

## ANNEXURE B

### RULES OF EMPLOYEE SHARE OPTION PLAN

VULCAN RESOURCES LIMITED  
ACN 100 072 624  
RULES OF EMPLOYEE SHARE OPTION PLAN  
(adopted by the Board on 23 September 2008)

#### 1. NAME OF PLAN

1.1 This Plan shall be called the Vulcan Resources Limited Employee Share Option Plan.

#### 2. ESTABLISHMENT AND TERMINATION OF THE PLAN

2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.

2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

#### 3. PURPOSE OF PLAN

3.1 The purpose of this Plan is to:

- (a) recognise the ongoing ability of the employees of the Company and their expected efforts and contribution in the long term to the performance and success of the Company;
- (b) provide an incentive to the employees of the Company to remain in their employment in the long term;
- (c) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees; and
- (d) provide employees of the Company with the opportunity to acquire Options, and ultimately Shares, in the Company, in accordance with these Rules.

#### 4. OPERATION OF THE PLAN

4.1 The Plan operates according to these Rules which bind the Company and each Participant.

4.2 The number of Shares to be received on exercise of the Options the subject of an Offer when aggregated with:

- (a) the number of Shares which would be issued were each outstanding offer or Option, being an offer made or Option acquired pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company, exercised; and

- (b) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee share scheme extended only to employees or Directors of the Company;

but disregarding any offer made, or Option acquired or Share issued by way of or as a result of:

- (c) an offer to a person situated at the time of receipt of the Offer outside Australia; or
- (d) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (e) an offer made under a disclosure document,

must not exceed 5% of the total number of issued Shares as at the time of the Offer.

## **5. ELIGIBILITY**

5.1 Subject to these Rules, the Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. Prior to making that determination, the Board must consider:

- (a) the seniority of the relevant Eligible Person and the position the Eligible Person occupies within the Company;
- (b) the length of service of the Eligible Person with the Company;
- (c) the record of employment of the Eligible Person with the Company;
- (d) the potential contribution of the Eligible Person to the growth of the Company;
- (e) the extent (if any) of the existing participation of the Eligible Person (or any Permitted Nominee in relation to that Eligible Person) in the Plan; and
- (f) any other matters which the Board considers relevant.

5.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

## **6. OFFER OF OPTIONS AND EXERCISE PRICE**

6.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Person at such times and on such terms as the Board considers appropriate. Each Offer must state:

- (a) the name and address of the Eligible Person to whom the Offer is made;
- (b) that the Eligible Person to whom the Offer is addressed may accept the whole or any lesser number of Options offered;
- (c) the minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (d) the period within which the Offer may be accepted, and the period or periods during which the Options or any of them may be exercised and the Expiry Date;
- (e) any Exercise Conditions;

- (f) the method of calculation of the Exercise Price; and
- (g) any other matters which the Board may determine.

6.2 The method of calculation of the Exercise Price of each Option will be determined by the Board with regard to the Market Value of the Shares when it resolves to offer the Option.

## **7. ACCEPTING OFFERS**

7.1 Upon receipt of an Offer, an Eligible Person may, within the period specified in the Offer:

- (a) accept the whole or any lesser number of Options offered by giving to the Company an Application Form; or
- (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee without giving any reason for such decision.

7.2 Upon:

- (a) receipt of the Application Form referred to in paragraph 7.1(a); or
- (b) the Board resolving to allow a renunciation of an Offer in favour of a nominee ("Permitted Nominee") and the Permitted Nominee accepting the whole or any lesser number of Options offered by giving the Company an Application Form,

then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be granted Options subject to these Rules.

7.3 If Options are issued to a Permitted Nominee or an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

7.4 On the issue of Options following receipt by the Company of an Application Form, an Eligible Person or the Permitted Nominee, as the case may be, becomes a Participant.

## **8. NO CONSIDERATION**

8.1 No consideration is payable by an Eligible Person for a grant of an Option, unless the Board decides otherwise.

## **9. CERTIFICATES**

9.1 The Company must give a Participant one or more Certificates stating:

- (a) the number of Options issued to the Participant;
- (b) the Exercise Price of those Options; and
- (c) the Issue Date of those Options.

9.2 The Certificates for the Options will be dispatched within 10 Business Days after the Issue Date.

## 10. QUOTATION

- 10.1 The Company will not apply for Official Quotation of any Options.
- 10.2 If shares of the same class as those allotted pursuant to the exercise of Options granted under the Plan are listed on the ASX, the Company must apply for Official Quotation of those Shares allotted pursuant to the exercise of Options within the time required by the Listing Rules after the date of allotment.

## 11. NOT TRANSFERABLE

- 11.1 Subject to clause 14.5, Options are not transferable.

## 12. EXERCISE OF OPTIONS

- 12.1 Subject to any Exercise Conditions, Options may be exercised at any time during the period commencing on the Issue Date and ending on the Expiry Date.

- 12.2 Notwithstanding paragraph 12.1, all Options may be exercised:

- (a) in the event a takeover bid (as defined in the Corporations Act) to acquire any Shares becomes or is declared to be unconditional, irrespective of whether the takeover bid extends to Shares issued and allotted after the date of the takeover bid or not;
- (b) at any time after a Change of Control Event has occurred; or
- (c) if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court under section 411(4)(b) of the Corporations Act 2001.

- 12.3 Options may only be exercised by the Participant giving notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and the Exercise Price for the Options specified in the notice and must be accompanied by:

- (a) the Certificate for those Options, for cancellation by the Company; and
- (b) a cheque payable to the Company (or another form of payment acceptable to the Board) in the amount of the product of the number of Options then being exercised by the Participant and the Exercise Price.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount referred to in paragraph (b).

- 12.4 Subject to paragraph 14.1, within 10 Business Days after the notice referred to in clause 12.3 becoming effective, the Board must:

- (a) allot and issue the number of Shares to be issued in respect of the Options being exercised;
- (b) cancel the Certificate for the Options being exercised; and
- (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

- 12.5 The Board may, at its discretion, by notice to the Participant reduce, waive or vary (provided such variation is not adverse to the Participant) the Exercise Conditions attaching to Options in whole or in part at any time and in any particular case.

### 13. SHARES ALLOTTED ON EXERCISE OF OPTIONS

13.1 All Shares allotted upon exercise of the Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the holders of Shares to participate fully in:

- (a) dividends declared by the Company after the date of allotment; and
- (b) all issues of securities made or offered pro rata to holders of Shares.

### 14. LAPSE OF OPTIONS

14.1 Options not validly exercised on or before the Expiry Date will automatically lapse.

14.2 Unless otherwise determined by the Board, if any Options are granted subject to Exercise Conditions and, prior to satisfaction of the Exercise Conditions (such that the Options are not exercisable), an Eligible Person ceases to be an Eligible Person then:

- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, any such Options held by such Eligible Person, or if appropriate, his or her Permitted Nominee, will automatically lapse; and
- (b) if the Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
  - (i) 6 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
  - (ii) such longer period as the Board determines,

subject to the Board, in its absolute discretion, reducing, waiving or varying the Exercise Conditions applying to those Options in accordance with clause 12.5 so that those Options may be exercised. Options the subject of clause 14.2(b) not exercised within the 6 months or the longer period determined by the Board, will automatically lapse.

14.3 Unless otherwise determined by the Board, if an Eligible Person ceases to be an Eligible Person at any time after an Option is or has become exercisable, then:

- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
  - (i) 1 month of ceasing to be an Eligible Person; or
  - (ii) such longer period as the Board determines,

and any Options the subject of this clause not exercised within the 1 month or the longer period determined by the Board, will automatically lapse; and

- (b) if an Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, his or her Permitted Nominee is entitled to exercise any such Option at any time prior to its Expiry Date.

14.4 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

14.5 Subject to clause 14.2, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:

- (a) elect to be registered as the new Holder of the deceased Holder's Options;
- (b) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these Rules as if he were the Holder of them; and
- (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

## **15. PARTICIPATION RIGHTS, BONUS ISSUES, RIGHTS ISSUES, REORGANISATIONS OF CAPITAL AND WINDING UP**

### 15.1 New Issues

- (a) Participants are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
  - (i) they have become entitled to exercise their Options under the Plan; and
  - (ii) they do so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of Shares.
- (b) The Company must give Participants, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

### 15.2 Bonus Issues

There is no right to change the exercise price of an Option nor the number of underlying Shares over which the Option can be exercised, if the Company completes a bonus issue.

### 15.3 Pro Rata Issues

There is no right to change the exercise price of an Option nor the number of underlying Shares over which the Option can be exercised, if the Company completes a pro rata issue.

### 15.4 Reorganisation of Capital

If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, then the rights of a Participant (including the number of Options to which each Participant is entitled and the Exercise Price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

#### 15.5 Winding Up

If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Participants of the proposed resolution. Subject to the Exercise Conditions, the Participants may, during the period referred to in the notice, exercise their Options.

#### 15.6 Fractions of Shares

For the purpose of this clause 15, if Options are exercised simultaneously, then the Participant may aggregate the number of Shares or fractions of Shares for which the Participant is entitled to subscribe. Fractions in the aggregate number only will be disregarded in determining the total entitlement of a Participant.

#### 15.7 Calculations and Adjustments

Any calculations or adjustments which are required to be made under this clause 15 will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and the Participant.

#### 15.8 Notice of Change

The Company must within a reasonable period give to each Participant notice of any change under clause 15 to the Exercise Price of any Options held by the Participant or to the number of Shares which the Participant is entitled to subscribe for on exercise of an Option.

### **16. AMENDMENTS TO THE RULES**

#### 16.1 Board May Alter Rules

The Board may, subject to clause 16.3 and the Listing Rules, alter, delete or add to these Rules at any time (save for the provisions of clause 4.2).

#### 16.2 Alteration of Clause 4.2

The Board may alter clause 4.2 with the prior approval by ordinary resolution of the shareholders of the Company in a general meeting.

#### 16.3 Consent of Participants

If any amendment to be made under clause 16.1 would adversely affect the rights of Participants in respect of any Options then held by them, the Board must obtain the consent of Participants who between them hold not less than 75% of the total number of those Options held by all those Participants before making the amendment.

#### 16.4 Eligible Persons Outside Australia

The Board may make any additions, variations or modifications to the Rules in relation to the implementation of the Plan, and the specific application of the Rules, to Eligible Persons residing outside Australia.

## **17. POWERS OF THE BOARD**

17.1 The Plan shall be administered by the Board who shall have the power to:

- (a) determine appropriate procedures and make regulations for the administration of the Plan which are consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) terminate or suspend the operation of the Plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of Participants holding Options at that time;
- (d) delegate those functions and powers it considers appropriate, for the efficient administration of the Plan, to any one or more persons whom the Board reasonably believes to be capable of performing those functions and exercising those powers, for such period and on such conditions as the Board may determine;
- (e) take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules;
- (f) administer the Plan in accordance with these Rules as and to the extent provided in these Rules; and
- (g) make regulations for the operation of the Plan consistent with these Rules.

## **18. NOTICES**

18.1 Notices may be given by the Company to any Holder either personally or by sending by post to his or her address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices for any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or secretary of the Company. A notice of exercise given under clause 12.3 shall not be deemed to be served on the Company until actually received.

## **19. NO COMPENSATION OR DAMAGES**

19.1 The rights and obligations of any Holder under the terms of his or her employment with the Company are not affected by his or her participation in the Plan.

19.2 These Rules do not form part of, and will not be incorporated into, any contract of engagement or employment between a Holder and the Company.

19.3 No Holder has any rights to compensation or damages as a result of the termination of his or her employment, so far as those rights arise or may arise from the Holder ceasing to have rights under the Plan as a result of the termination.

19.4 Participants do not, as Participants, have any right to attend or vote at general meetings of holders of Shares.

## 20. GOVERNING LAW

- 20.1 The Plan and any Options issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.
- 20.2 Each Participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia, the Commonwealth of Australia and courts entitled to hear appeals from those courts.

## 21. ADVICE

- 21.1 Eligible Persons should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to participation in the Plan.

## 22. DEFINITIONS AND INTERPRETATION

- 22.1 In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"**Application Form**" means a duly completed and executed application for the issue of Options made by an Eligible Person or Permitted Nominee in respect of an Offer, in the form approved by the Board from time to time;

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Board**" means the Directors acting as the board of directors of the Company or a committee appointed by such board of directors;

"**Business Day**" means a day on which banks are open for business in Perth excluding a Saturday, Sunday or public holiday;

"**Certificate**" means the certificate issued in accordance with clause 9 by the Company to a Holder in respect of an Option;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board;

"**Company**" means Vulcan Resources Limited ACN 100 072 624;

"**Corporations Act**" means *Corporations Act 2001 (Cth)*;

"**Director**" means a director of the Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

"**Eligible Person**" means at any time a person who then is a Director or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company;

"**Exercise Condition**" means the performance, vesting or other conditions (if any) determined by the Board and specified in an Offer which are, subject to these Rules, required to be satisfied, reached or met before an Option can be exercised;

**"Exercise Price"** means, in respect of an Option, the subscription price per Share, determined in accordance with clause 6.2, payable by a Holder on exercise of the Option;

**"Expiry Date"** means, in relation to an Option, the date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time but in any event no longer than 5 years from the Issue Date;

**"Holder"** means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company's register of options as the holder of that Option;

**"Issue Date"** means, in relation to an Option, the date on which the Company grants that Option;

**"Legal Personal Representative"** means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

**"Listing Rules"** means the Official Listing Rules of ASX as they apply to the Company from time to time;

**"Market Value"** means, if the Company is admitted to the official list of ASX:

- (a) the weighted average closing sale price of the Shares recorded on the stock market of ASX over the five trading days immediately preceding the day on which the Board resolves to offer an Option; or
- (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX;

**"Offer"** means an invitation to an Eligible Person made by the Company under clause 6.1 to apply for an issue of Options;

**"Official Quotation"** has the meaning ascribed to it in the Listing Rules;

**"Option"** means an option issued under the Plan to subscribe for a Share;

**"Participant"** means a person who holds Options issued under the Plan and includes, if a Participant dies or becomes subject to a legal disability, the Legal Personal Representative of the Participant;

**"Permitted Nominee"** has the meaning given to it by clause 7.2;

**"Plan"** means the Vulcan Resources Limited Employee Share Option Plan established in accordance with these Rules;

**"Redundancy"** means, in relation to an Eligible Person, a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of the Company of his or her own accord);

**"Retirement"** means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age 60 or over or such earlier age as considered appropriate by the Board;

"**Rules**" means these rules, as amended from time to time;

"**Series**" means, in relation to Options, Options with a common Issue Date;

"**Shares**" means fully paid ordinary shares in the capital of the Company;

"**Specified Reason**" means Retirement, Total and Permanent Disablement, Redundancy or death;

"**Tax**" means any tax, levy, impost, GST, deduction, charge, rate, contribution, duty or withholding which is assessed (or deemed to be assessed), levied, imposed or made by any government or any governmental, semi-governmental or judicial entity or authority together with any interest, penalty, fine, charge, fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or in respect of any or all of the foregoing; and

"**Total and Permanent Disablement**" means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

22.2 In these Rules, unless a contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act has the same meaning where used in these Rules.

ANNEXURE C  
EMPLOYEE PERFORMANCE SHARE RIGHTS PLAN  
VULCAN RESOURCES LIMITED  
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## 1. PURPOSE

The Performance Rights Plan is a long term incentive aimed at creating a stronger link between employee performance and reward and increasing shareholder value by enabling Participants to have a greater involvement with, and share in the future growth and profitability of, the Company.

## 2. DEFINITIONS AND INTERPRETATION

### 2.1 Definitions

In these Rules the following terms have the following meanings:

"**Application Form**" means an application form by which an Eligible Person or a Permitted Nominee can accept an Invitation in such form as the Board may approve from time to time;

"**Allocate**" means granting an option or other right to acquire unissued Shares, or if there is no such grant, the issue and allotment of Shares;

"**ASIC**" means Australian Securities and Investments Commission;

"**ASX**" means Australian Stock Exchange Limited (ABN 98 008 624 691);

"**Board**" means the board of directors of the Company from time to time;

"**Change of Control Event**" means a shareholder, or a group of associated shareholders:

(a) becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board; or

(b) gaining the ability to control more than 50% of the voting power (as defined in the Corporations Act) in the Company;

"**Company**" means Vulcan Resources Limited (ABN 60 100 072 624) whose registered office is at Ground Floor, 1 Altona Street, West Perth, Western Australia;

"**Constitution**" means the constitution of the Company;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Eligible Person**" means a director or a full time or permanent part-time employee of a Group Company whom the Board determines in its absolute discretion is to participate in the Plan;

"**Group**" means the Company and its Subsidiaries (if any) from time to time and a "**Group Company**" means any one of them;

"**Invitation**" means an invitation to participate in the Plan in respect of a Performance Period in accordance with clause 3.1;

"**Last Exercise Date**" means the day ending at 5.00 pm Perth time on the date 5 years after the date of grant of the Performance Right, or such other date as

determined by the Board in its absolute discretion and specified in the Invitation;

"**Law**" means the laws of Australia;

"**Legal Personal Representative**" means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

"**Listing Rules**" means the listing rules of the ASX as amended from time to time;

"**Participant**" means an Eligible Person or their Permitted Nominee, as the case may be, who returns a duly completed Application Form and to whom Performance Rights are granted under the Plan;

"**Performance Hurdles**" means the conditions relating to the performance of the Group (and the manner in which those conditions will be tested) for the purposes of determining the number of a Participant's Performance Rights which may be exercised, as set out in the Invitation;

"**Performance Period**" means the period set out in the Invitation for the purpose of determining the extent (if any) to which the Performance Hurdles have been met;

"**Performance Right**" means an option granted under clause 4.1(a) to acquire a Share on the terms set out in the Plan for the relevant Performance Period, subject to the Performance Hurdles;

"**Permitted Nominee**" has the meaning given to it under clause 3.3(b);

"**Plan**" means the Performance Right Plan of the Company;

"**Redundancy**" means, in relation to an Eligible Person, a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of the Company of his or her own accord);

"**Retirement**" means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age 60 or over or such earlier age as considered appropriate by the Board;

"**Security Interest**" means a mortgage, charge, pledge, lien or other encumbrance of any nature;

"**Shares**" means fully paid ordinary shares in the capital of the Company;

"**Subsidiary**" means a body corporate which is a subsidiary of the Company within the meaning of section 9 of the Corporations Act;

"**Specified Reason**" means Retirement, Total and Permanent Disablement, Redundancy or death;

"**Test Date**" in relation to a Performance Right means the date at which Performance Hurdles are to be measured to determine whether that Performance Right becomes a Vested Performance Right;

"**Total and Permanent Disablement**" means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience;

"**Unvested Performance Rights**" means Performance Rights which are not yet exercisable in accordance with the Plan; and

"**Vested Performance Rights**" means Performance Rights which are immediately exercisable in accordance with the Plan.

## 2.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules of interpretation apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.
- (e) A reference to a clause is to a clause of the Plan.
- (f) A reference to any agreement or document is to that agreement or document as amended, novated, supplemented, varied or replaced from time to time, except to the extent prohibited by the Plan.
- (g) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (h) A reference to conduct includes any omission and any statement or undertaking, whether or not in writing.
- (i) A reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form.
- (j) Mentioning anything after include, includes or including does not limit what else might be included.

### 3. INVITATION TO PARTICIPATE

#### 3.1 Invitations

- (a) The Board may from time to time in its absolute discretion issue or cause to be issued Invitations on behalf of the Company to Eligible Persons. That Invitation will be in such form as the Board determines from time to time and will include the following information:
  - (i) the date of the Invitation;
  - (ii) the name of the Eligible Person to whom the Invitation is made;
  - (iii) the number of Performance Rights which are capable of becoming exercisable if Performance Hurdles are met;
  - (iv) the Performance Hurdles and Performance Period;
  - (v) the approximate Test Date(s) in respect of the Performance Rights;
  - (vi) the Last Exercise Date; and
  - (vii) the time period in which to accept the Invitation by returning a duly completed Application Form.
- (b) Invitations may be made by the Board on a differential basis to Eligible Persons, different classes of Eligible Persons or to Eligible Persons within the same class, as the case may be.

#### 3.2 Application Form

- (a) An Eligible Person who receives an Invitation can only participate in the Plan by returning a duly completed Application Form within the time period and as otherwise specified in the Invitation.
- (b) An Eligible Person may nominate a person to whom the Eligible Person wishes to be granted all the Performance Rights as specified in the Invitation by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow the grant of the Performance Rights to the nominee without giving any reason for such decision.
- (c) If an Application Form is not returned within the time specified or otherwise in accordance with the requirements set out in the Invitation, the Board may nevertheless in its sole discretion treat any Application Form received from an Eligible Person (or their nominee) as being returned in accordance with clause 3.2(a).
- (d) For the avoidance of doubt, the Board in its sole discretion can refuse to allow an Eligible Person (or their nominee) to participate in the Plan even though a duly completed Application Form is received from the Eligible Person (or their nominee) in accordance with clause 3.2(a).

#### 3.3 Participants

Subject to clause 3.2(d), following:

- (a) receipt of a duly completed Application Form by an Eligible Person; or

- (b) the Board resolving to allow the grant of Performance Rights to an eligible person's nominee ("**Permitted Nominee**") and the Permitted Nominee giving the Company a duly completed Application Form,

then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by rules of this Plan and will be granted Performance Rights subject to these rules. On the grant of Performance Rights following receipt by the Company of an Application Form, an Eligible Person or the Permitted Nominee, as the case may be, becomes a Participant.

#### **4. GRANT OF PERFORMANCE RIGHTS**

##### **4.1 Grant**

- (a) As soon as practicable after the receipt of a duly completed Application Form, the Company will grant to each Participant the number of Performance Rights as set out in the Invitation.
- (b) A Participant will not pay anything for the grant of Performance Rights.
- (c) An Eligible Person has no entitlement to be granted any Performance Rights unless and until such Performance Rights are granted.
- (d) None of the Performance Rights will be listed for quotation on any stock exchange.

##### **4.2 Not transferable**

Except on the death of a Participant, Performance Rights may not be transferred, assigned or novated except with the approval of the Board.

##### **4.3 Security Interest**

Subject to clause 4.2, Participants will not grant any Security Interest in or over or otherwise dispose of or deal with any Performance Rights or any interest in them until the relevant Shares are either issued or transferred to that Participant, and any such Security Interest or disposal or dealing will not be recognised in any manner by the Company.

##### **4.4 New issues**

A Performance Right does not confer on a Participant the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise.

#### **5. VESTING AND EXERCISE OF PERFORMANCE RIGHTS**

##### **5.1 Performance Hurdles**

The Performance Hurdles applicable to any Performance Period relating to Performance Rights shall be as set out in the Invitation, including the Test Date, and shall be as determined by the Board in its absolute discretion from time to time.

## 5.2 Determination of number of Vested Performance Rights

As soon as reasonably practicable after each Test Date applicable to any Performance Period, the Board shall determine in respect of each Participant as at that Test Date:

- (a) whether, and to what extent, the Performance Hurdles applicable up to the Test Date have been satisfied;
- (b) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date;
- (c) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of Performance Hurdles as at the Test Date; and
- (d) the number of Performance Rights (if any) in respect of the Performance Period that continue as Unvested Performance Rights,

and shall provide written notification to each Participant as to that determination.

## 5.3 Exercise of Performance Rights

- (a) Unless and until Performance Rights are exercised and the relevant Shares are either issued or transferred to that Participant as a result of that exercise, a Participant has no interest in those Shares.
- (b) A Performance Right can only be exercised before the Last Exercise Date and if, at the time of exercise, it is a Vested Performance Right that has not lapsed under clause 6.
- (c) Unless otherwise provided in the Invitation, no amount shall be payable by a Participant on the exercise of Performance Rights.
- (d) The exercise of any Performance Right may only be effected on the first Business Day of a month (or such other date as determined by the Board) and in such form and manner as the Board may prescribe.
- (e) The exercise of some Performance Rights only does not affect the Participant's right to exercise other Performance Rights at a later time.
- (f) Following exercise of Performance Rights, the Company must issue or transfer to the person exercising the Performance Right the number of Shares in respect of which the Performance Rights have been exercised (as adjusted under clause 11.2, if relevant), credited as fully paid.
- (g) All Shares issued or transferred to a Participant under this Plan, will, from the date of issue or transfer, rank equally with all other issued Shares. The Company will apply for official quotation of these Shares on each stock exchange on which Shares are quoted.

## 6. TIME LAPSE OF PERFORMANCE RIGHTS

Unless otherwise determined by the Board, a Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:

- (a) where Performance Hurdles have not been satisfied on the Test Date - the date the Board makes a determination under clause 5.2(c) that the Performance Right will lapse;
- (b) if an Eligible Person ceases to be an Eligible Person because of a Specified Reason – the date of lapse under clause 14.2(b);
- (c) if an Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason – the date of lapse either under clause 7.1(a) or clause 7.2(a);
- (d) the day the Board makes a determination that the Performance Rights lapses under clause 8;
- (e) the date of lapse under clause 9.2; and
- (f) the Last Exercise Date.

## **7. CESSATION OF EMPLOYMENT OR OFFICE**

### **7.1 Unvested Performance Rights**

Unless otherwise determined by the Board:

- (a) if an Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, any Unvested Performance Rights held by such Eligible Person, or if appropriate, their Permitted Nominee, any Unvested Performance Rights will automatically lapse; and
- (b) if the Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, their Permitted Nominee, may exercise any Unvested Performance Rights held by them within:
  - (i) 6 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
  - (ii) such longer period as the Board determines,

subject to the Board, in its absolute discretion, determining the extent to which Unvested Performance Rights that have not lapsed will become Vested Performance Rights. Performance Rights the subject of clause 7.1(b) not exercised within the 6 months or the longer period determined by the Board, will automatically lapse.

### **7.2 Vested Performance Rights**

Unless otherwise determined by the Board:

- (a) if the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, such Eligible Person, or if appropriate, their Permitted Nominee, may exercise any Vested Performance Rights held by them within:
  - (i) 1 month of ceasing to be an Eligible Person; or
  - (ii) such longer period as the Board determines,

and any Vested Performance Rights the subject of this clause not exercised within the 1 month or the longer period determined by the Board, will automatically lapse; and

- (b) if an Eligible Person ceases to be an Eligible Person for a Specified Reason, such Eligible Person, or if appropriate, their Permitted Nominee is entitled to exercise any Vested Performance Rights at any time prior to its Last Exercise Date.

### 7.3 **Secretary's Certificate**

A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

### 7.4 **Death of a Participant**

Subject to clauses 14.2(b) and 7.2(b), if at any time prior to the Last Exercise Date of any Performance Rights a Participant dies, the deceased Participant's Legal Personal Representative may:

- (a) elect to be registered as the new holder of the deceased Participant's Performance Rights; and
- (b) whether or not the deceased Participant's Legal Personal Representative becomes so registered, exercise those Performance Rights in accordance with and subject to the rules of this Plan as if they were the holder of such Performance Rights.

## 8. **BREACH, FRAUD OR DISHONESTY**

If in the opinion of the Board a Participant acts fraudulently or dishonestly or is in material breach of his or her obligations to any Group Company then the Board may in its absolute discretion determine that all the Participant's Performance Rights will lapse and the Board's decision will be final and binding.

## 9. **CHANGE OF CONTROL**

### 9.1 **Vesting upon change of control**

All of a Participant's Unvested Performance Rights that have not lapsed will become Vested Performance Rights:

- (a) in the event a takeover bid (as defined in the Corporations Act) to acquire any Shares becomes or is declared to be unconditional, irrespective of whether the takeover bid extends to Shares issued and allotted after the date of the takeover bid or not;
- (b) at any time after a Change of Control Event has occurred; or
- (c) if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court under section 411(4)(b) of the Corporations Act 2001,

(each a "Notification Event").

## 9.2 Notification to Participants

Upon a Notification Event occurring, the Board may notify each Participant in writing that if the Participant wishes to exercise any of their Vested Performance Rights, the Participant must do so within the period specified in the notice ("**Change of Control Notice Period**"), and any Vested Performance Rights that are not exercised within the Change of Control Notice Period will lapse at the end of the Change of Control Notice Period.

## 9.3 Lapse of Performance Rights

Unless the Board determines otherwise:

- (a) Vested Performance Rights that are not exercised by the end of the Change of Control Notice Period; and
  - (b) Unvested Performance Rights,
- shall lapse at the end of the Change of Control Notice Period.

# 10. ADMINISTRATION OF THE PLAN

- (a) The Plan will be administered by the Board. The Board will have power to delegate the exercise of its powers or discretions arising under the Plan to any one or more persons (including, but not restricted to, a committee or sub-committee of the Board) for such period and on such conditions as the Board may determine.
- (b) The Board may at any time appoint or engage specialist service providers for the operation and administration of the Plan.
- (c) The Board will ensure a complete register of Participants is maintained to facilitate efficient management and administration and to comply with regulatory reporting requirements.
- (d) Shares to be provided under the Plan may either be satisfied by the issue of new Shares or by the transfer of existing Shares.
- (e) Where the Board is required to make a determination or is entitled to exercise discretion in respect of the Plan, that determination or discretion shall be exercised reasonably and in good faith.

# 11. CAPITAL EVENTS

## 11.1 Variation of Capital

If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital, a demerger (in whatever form) or other distribution in specie, the Board may make such adjustments as it considers appropriate under clause 11.2 in accordance with the provisions of the Listing Rules.

## 11.2 Adjustments

An adjustment made under this clause will be to one of the following:

- (a) the number of Shares which may be issued or transferred upon exercise of any Performance Rights; or
- (b) where Performance Rights have been exercised but no Shares have been issued or transferred following the exercise, the number of Shares which may be issued or transferred.

## 11.3 Notice of Variation

As soon as reasonably practicable after making any adjustment under clause 11.2, the Board will give notice in writing of the adjustment to any Participant affected by it.

## 12. RIGHTS OF PARTICIPANTS

Nothing in this Plan or participation in the Plan:

- (a) confers on any Eligible Person or Participant the right to continue as an employee or officer of any Group Company;
- (b) confers on any Eligible Person the right to become or remain an Eligible Person or Participant or to participate under the Plan;
- (c) will be taken into account in determining an Eligible Person's salary or remuneration for the purposes of superannuation or other pension arrangements;
- (d) affects the rights and obligations of any Eligible Person or Participant under the terms of their office or employment with any Group Company;
- (e) affects any rights which a Group Company may have to terminate the employment or office of an Eligible Person or Participant or will be taken into account in determining an Eligible Person or Participant's termination or severance pay;
- (f) may be used to increase damages in any action brought against any Group Company in respect of any such termination; and
- (g) confers any responsibility or liability on any Group Company or its directors, officers, employees, representatives or agents in respect of any taxation liabilities of the Eligible Person or Participant.

## 13. AMENDMENT, TERMINATION AND SUSPENSION

- (a) Grants of Performance Rights under this Plan may only be made for a period of 3 years commencing on the date on which the Plan is approved by the Company's shareholders.
- (b) Subject to clause 13(c), the Board may at any time and from time to time by resolution alter the Plan.

- (c) Any amendment to the Plan is subject to any restrictions or procedural requirements relating to the amendment of the rules of an employee incentive scheme imposed by the Listing Rules.
- (d) The Board may at any time, and at its complete discretion, suspend or terminate the Plan without notice to Participants. The suspension or termination of the Plan will not affect any existing grants of Performance Rights already made under the Plan and the terms of the Plan will continue to apply to such grants.

## **14. GENERAL**

### **14.1 Law, Listing Rules and the Constitution**

The Plan and all offers and issues of Performance Rights under the Plan are subject to the Law, the Listing Rules and the Constitution, each as in force from time to time.

### **14.2 Issue limitations**

- (a) The number of Shares to be received on exercise of the Performance Rights the subject of an Invitation when aggregated with:
  - (i) the number of Shares which would be issued were each outstanding offer or Performance Right, being an offer made or Performance Rights granted pursuant to the Plan or any other employee incentive scheme extended only to employees or directors of the Company, exercised; and
  - (ii) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee incentive scheme extended only to employees or directors of the Company;but disregarding any offer made, or Performance Rights acquired or Share issued by way of or as a result of:
  - (iii) an offer to a person situated at the time of receipt of the offer outside Australia; or
  - (iv) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
  - (v) an offer made under a disclosure document,must not exceed 5% (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act) of the total number of issued Shares as at the time of the Invitation.
- (b) Where the Performance Right lapses without being exercised, the Shares concerned are ignored when calculating the limits in this clause.

### 14.3 Costs and Expenses

The Company will pay all expenses, costs and charges in relation to the establishment, implementation and administration of the Plan, including all costs incurred in or associated with the issue or purchase of Shares (except for taxes which are payable by Participants for the Performance Rights) for the purposes of the Plan. Each Group Company will, if required by the Board, reimburse the Company for any such costs and charges to the extent that they relate to its employees officers or former employees or officers.

### 14.4 Withholding

- (a) If any person (not being the Participant) is obliged as a result of or in connection with the grant, vesting, or exercise of any Performance Rights to account for income tax or employment taxes under any wage, withholding or other arrangements or for any other tax, social security contributions or levy or charge of a similar nature, then that person is entitled to be reimbursed by the Participant for the amounts so paid or payable.
- (b) Where clause 14.4(a) applies, the Company is not obliged to pay the relevant amount or issue or transfer the relevant Shares to the Participant, unless the relevant person is satisfied that arrangements have been made for reimbursement. Those arrangements may include, without limitation, the sale, on behalf of the Participant, of Shares issued or transferred or otherwise to be issued or transferred to the Participant and, where this happens, the Participant will also reimburse the costs of any such sale (e.g. stamp duty, brokerage, etc.)

### 14.5 Data protection

By returning an Application Form, each Participant consents to the holding and processing of personal data provided by the Participant to any Group Company for all purposes relating to the operation of the Plan. These include, but are not limited to:

- (a) administering and maintaining Participants' records;
- (b) providing information to trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan;
- (c) providing information to future purchasers of the Company or the business in which the Participant works;
- (d) transferring information about the Participant to a country or territory outside Australia.

### 14.6 Error in Allocation

If any Performance Right is provided under this Plan in error or by mistake to a person ("**Mistaken Recipient**") who is not the intended recipient, the Mistaken Recipient shall have no right or interest, and shall be taken never to have had any right or interest in that Performance Right and those Performance Rights will immediately lapse.

#### 14.7 **Dispute**

Any disputes or differences of any nature arising under the Plan will be referred to the Board and its decision will be final and binding in all respects.

#### 14.8 **Notices**

Any notice or other communication under or in connection with the Plan may be given by personal delivery or by sending it by post or fax or email, in the case of a company to its registered office (or any other address notified by that company from time to time ("**Notified Address**")) or the fax number (if any) of that registered office (or Notified Address), and in the case of an individual to their last known address, fax number, email address or, if they are a director or employee of a Group Company, either to their last known address, fax number or to the address of the place of business at which they carry out all or most of their duties, or to the fax number or email address relating to that address.

#### 14.9 **Governing Law**

- (a) This Plan and the rights of Eligible Persons and Participants under the Plan are governed by the laws in force in the State of Western Australia, Australia.
- (b) Each Participant and the Company irrevocably and unconditionally submit to the non-exclusive jurisdiction of the Courts of Western Australia, the Commonwealth of Australia and Court entitled to hear appeals from those Courts.