

Employee Share and Option Plan Rules

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1 DEFINITIONS AND INTERPRETATIONS

- (a) These Rules will be known as the 'Incentive Plan Rules'.
- (b) In these Rules, unless the context otherwise requires:

Applicant has the meaning given in rule 6(a).

Application means an application in such form as the Board may from time to time prescribe, accepting an invitation from the Board to apply for Specified Securities under these Rules.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

Award means an Option to be issued a Share subject to satisfaction of Performance Criteria and the corresponding obligation of the Company to issue the Share, pursuant to a binding contract made by the Company and an Eligible Participant in the manner set out in these Rules.

Board means the Directors acting as the board of the Company.

Business Day means a day that is not a Saturday, a Sunday or a public holiday in Perth, Western Australia.

Certificate means the certificate issued by the Company to a Holder in respect of an Award.

Company means Ardea Resources Limited (ACN 614 289 342).

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Eligible Participant means an employee of the Company or its subsidiaries, joint venture companies and associates, as the Board determines from time to time (including a Director of the Company) or any other person who is declared by the Board to be eligible to receive Incentive Securities under the Plan.

Exercise Price means, in respect of an Option, or a Series of Options, the subscription price per Shares, determined by the Board in accordance with rule 7.6 payable by a Holder on exercise of the Options.

Grant Date means the date on which the Board resolves to grant the Award.

Group Company means the Company and each of its subsidiaries, joint venture companies and controlled entities.

Holder means the holder of a Share or an Award, as the case may be.

Listing Rules means the ASX listing rules, as amended from time to time.

Incentive Securities has the meaning given in rule 2.

Market Value means if the Company is admitted to the official list of the ASX, the weighted average closing sale price of the Shares recorded on the ASX over the last 5 trading days on which sales of the Shares were recorded preceding the day on which the Board resolves to invite an Application for an Option.

Option means an option granted under the Plan to be issued one Share in the Company.

Performance Criteria means performance criteria determined by the Board in its absolute discretion in accordance with rule 7.2(a) and which must be satisfied before a Holder is permitted to exercise an Option granted under this Plan.

Permanent Disablement means:

- (i) the illness or incapacity of the Eligible Participant necessitating the permanent withdrawal of the Eligible Participant from the workforce, as accepted to the satisfaction of the Board; or
- (ii) any other circumstances which the Board considers should be treated as Permanent Disablement for the purposes of the Plan.

Plan means the 'Incentive Plan' established in accordance with these Rules.

Related Body Corporate has the same meaning as given to that term in the Corporations Act.

Rules means these rules, as amended from time to time.

Shares means fully paid ordinary shares of the Company.

Series in relation to Options means Options with a common Grant Date.

Specified Securities has the meaning given in rule 5(a).

Trade means

- (i) any dealing with a Shares allotted upon the exercise of an Option, including but not limited to, a sale, transfer, assignment, encumbrance, option, swap, any alienation of all or any part of the rights attaching to the Incentive Securities; and
 - (ii) any attempt to do any of the actions set out in paragraph (i) above.
- (c) Words importing:
- (i) a gender will include all other genders; and
 - (ii) the singular will include the plural and vice versa.

2 PURPOSE

The purpose of the Plan is to allow the Board to make offers to Eligible Participants to acquire either directly or, via Awards, Shares (**Incentive Securities**) in the Company.

3 ESTABLISHMENT AND TERMINATION OF THE PLAN

- (a) The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and subject to the Corporations Act and Listing Rules.
- (b) The Board may terminate the Plan at any time that it considers appropriate in its absolute discretion.
- (c) Where the Board terminates the Plan, the Board cannot grant any further Incentive Securities under the Plan, but all Incentive Securities already granted

remain in existence and, notwithstanding the termination, the Plan continues to have effect in relation to those Incentive Securities until the last of them lapses.

4 ENTITLEMENT TO PARTICIPATE

- (a) The Board may from time to time and in its absolute discretion determine that an Eligible Participant may participate in the Plan and the extent of that participation. In making that determination, the Board may consider:
 - (i) the seniority of the Eligible Participant and the position the Eligible Participant occupies with the relevant Group Company;
 - (ii) the length of service of the Eligible Participant with the Group Company;
 - (iii) the record of employment of the Eligible Participant with the Group Company;
 - (iv) the potential contribution of the Eligible Participant to the growth and profitability of the Group Company;
 - (v) the extent (if any) of the existing participation of the Eligible Participant in the Plan; and
 - (vi) any other matters which the Board considers relevant.
- (b) The Board may exercise its powers in relation to the participation of any Eligible Participant on any number of occasions.
- (c) The Company must obtain securityholder approval under the Listing Rules and/or Corporations Act before the participation under the Plan of any Eligible Participant who is a Director of or otherwise a related party of the Company.

5 ISSUE OF INVITATIONS

- (a) Subject to the Corporations Act and the Listing Rules, the Board may at such times as it determines, issue invitations (in such form as the Board decides from time to time) to Eligible Participants, or any one or more of them, inviting Applications for a grant of Incentive Securities up to the number specified in the invitation (**Specified Securities**) and specifying an acceptance period.
- (b) The number of Specified Securities will be determined by the Board in its absolute discretion.
- (c) Awards granted under the Plan will be granted free of charge.
- (d) The Board may impose Performance Criteria in accordance with rule 7.2(a).

6 APPLICATIONS

- (a) Following receipt of an invitation, the Eligible Participant (**Applicant**) may apply for the full number of Specified Securities or part of them by sending to the secretary of the Company an Application.
- (b) The Application must be received by the Company within the acceptance period specified in the invitation.
- (c) The Board is entitled to receive from the Applicant any information that the Board considers necessary concerning the Applicant and the Applicant's entitlement to lodge an Application.

- (d) The Board may reject any Application.

7 TERMS OF INCENTIVE SECURITIES

7.1 General terms

The Board may in its absolute discretion determine the general terms of the Awards subject to the Corporations Act, the Listing Rules and the Company's constitution.

7.2 Performance Criteria

- (a) Subject to rule 7.2(b), the Board may in its absolute discretion impose Performance Criteria that must be satisfied before a Holder is permitted to exercise an Option granted under this Plan.
- (b) The Holder may not exercise any of the Options until the Board notifies the Holder that the Performance Criteria (if any) has been satisfied.
- (c) Subject to the Listing Rules and where the Board considers it in the Company's best interests, the Board may waive any Performance Criteria.

7.3 Fraudulent or dishonest acts or breach by Holder

If, in the reasonable opinion of the Board, an Eligible Participant acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to any Group Company, then, notwithstanding any other provision in these Rules, the Board may:

- (a) deem any unexercised Options of the Eligible Participant to have lapsed; and
- (b) deem all or any Shares issued pursuant to the exercise or vesting of an Award held by the Eligible Participant to be forfeited – in which event, at the election of the Board in its entire discretion and subject to compliance with all applicable laws and the Company's constitutions:
- (i) the Company may cancel the forfeited Shares by ordinary resolution passed at a general meeting, under section 258D of the Corporations Act, and notify ASIC of such cancellation within 1 month under section 254Y of the Act; or
 - (ii) the Eligible Participant shall be deemed to have agreed to sell the Shares or Awards for an aggregate consideration of \$1, with effect from 14 days after lodgment with ASIC of a notice under section 257F of the Act, and the Shares shall then be cancelled, and ASIC notified of such cancellation within 1 month under section 254Y of the Act; or
 - (iii) the Eligible Participant shall be deemed to have appointed any officer of the Company as their agent to sell the Shares on market and to execute related transfers on behalf of the Eligible Participant; and
 - (iv) where any Shares have been sold by or for the Eligible Participant, all the proceeds of any sale shall be held by the Board in trust for the benefit and at the direction of the Company.

7.4 Change of control

In the event of a takeover bid for the Company, any Awards granted to an Eligible Participant will vest where, in the Board's absolute discretion, pro rata performance is in line with the performance conditions applicable to those Awards. In addition, in the event of a court-ordered arrangement or compromise, compulsory acquisition following a

takeover bid or the winding up of the Company, the Board may, in its absolute discretion, determine that some or all of an Eligible Participant's Awards vest if pro rata performance is in line with the performance conditions applicable to those Awards.

7.5 Lapse

Where a participant ceases to be an employee of the Company, that participant's Awards will continue to be held by the participant (or by his or her estate as representative) and continue to be subject to these Rules except that any continuous service condition will be deemed to have been waived.

However, prior to or within 60 days after a participant ceases to be an employee of the Company, the Board may determine (in its absolute discretion) that some or all of a participant's Awards will:

- (a) vest or become exercisable;
- (b) are only exercisable for a prescribed period and will otherwise lapse;
- (c) continue to be subject to some or all of the performance conditions; or
- (d) lapse on the date of cessation of employment.

7.6 Restrictions on Trading

- (a) The Board may determine, prior to the offer of the relevant Awards, any restrictions upon Trading in Shares issued pursuant to the exercise of an Awards.
- (b) The Board must provide the Eligible Participants with details of any additional or different restrictions.
- (c) The Company may implement any procedure it considers appropriate to restrict an Eligible Participant from Trading in Shares.

7.7 Exercise Price

Unless otherwise determined by the Board, the Exercise Price of each Option will be a minimum of the Market Value of a Share when the Board resolves to offer the Options.

8 LIMIT ON NUMBER OF SHARES TO BE ISSUED

An invitation or offer of Incentive Securities may only be made under the Plan if the number of Shares that may be acquired when aggregated with:

- (a) the number of Shares which would be issued if each outstanding offer or Award, being an offer made or Option acquired pursuant to the Plan or any other employee Share scheme was to be accepted or exercised; and
- (b) the number of Shares issued during the previous 3 years pursuant to the Plan or any other employee Share scheme,

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

- (c) an offer to a person situated outside of Australia at the time of receipt of the offer; or
- (d) an offer did not require disclosure to investors under the Corporations Act; or
- (e) an offer made under a disclosure document (within the meaning of the Corporations Act),

does not exceed 5% of the total number of issued Shares of the Company as at the time of the invitation or offer.

9 AMENDMENTS TO THE RULES

- (a) Subject to rule 9(b), the Board may alter, delete or add to the Plan or Rules at any time, but for so long as the Company remains on the official list of ASX such alteration, deletion or addition has no effect unless the Listing Rules are complied with.
- (b) No amendment to the provisions of the Plan, or to any restrictions or other conditions relating to any Incentive Securities granted pursuant to the Plan, may be made which reduces the rights of Holders in respect of securities granted to them prior to the date of the amendment, other than any amendment introduced primarily:
 - (i) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
 - (ii) to correct any manifest error or mistake; or
 - (iii) to take into consideration possible adverse taxation implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to taxation legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of taxation legislation by a Court of competent jurisdiction.
- (c) As soon as is reasonably practicable after making any amendment under rule 9(a), the Board will give notice in writing of the amendment to any Eligible Participant affected by the amendment.

10 POWERS OF THE BOARD

The Plan will be administered by the Board which has the power to determine procedures from time to time for administration of the Plan consistent with these Rules and resolve conclusively all questions of fact or interpretation arising in connection with the Plan.

11 NO INCORPORATION INTO TERMS OF EMPLOYMENT OR ENGAGEMENT

The rights and obligations of an Eligible Participant under the terms of his/her office or employment with any Group Company are not affected by his/her participation in the Plan and these Rules do not form part of and are not incorporated into any contract of engagement or employment of any individual or entity with a Group Company and do not confer directly or indirectly on an individual or entity any legal or equitable right whatsoever against a Group Company. No Eligible Participant has any rights of compensation or damages in consequence of the termination of his/her engagement or employment for any reason whatsoever in so far as those rights arise or may arise from his/her ceasing to have rights under the Plan as a result of such termination.

12 TRUST

- (a) The Board may at any time:

- (i) establish a trust for the sole purpose of acquiring and holding Incentive Securities in respect of which an Eligible Participant may or has exercised vested Incentive Securities, including for the purpose of enforcing the Trading provisions under rule 7.6; and
 - (ii) appoint a trustee to act as trustee of the trust.
- (b) The trustee will hold the Incentive Securities as trustee for and on behalf of an Eligible Participant as beneficial owner upon the terms of the trust.
- (c) Without limiting rule 9, the Board may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of these Rules to effect the establishment of a trust and the appointment of a trustee as detailed in this rule.

13 GOVERNING LAW

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

14 SEVERANCE

If any provision in these Rules is void, voidable by any party or illegal, it will 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) will 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 will continue in full force and effect.