



Employee Option Plan

**ARK MINES LTD
ACN 123 668 717**

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1. DEFINITIONS AND INTERPRATIONS

1.1 Definitions

In these Rules unless the contrary intention appears:.

“Associated Company” means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the Corporations Act;

“ASX” means the Australian Securities Exchange Limited (ABN 98 008 624 691) and the market conducted by it;

“Board” means the Directors acting as the board of directors of the Company;

“Business Day” means a day on which the ASX is open for trading securities;

“Certificate” means the certificate issued by the Company to a holder in respect of an Option;

“Company” means Ark Mines Ltd (ACN 123 668 717)

“Director” means a director of a Group Company from time to time;

“Eligible Person” means at any time a person:

- a) who then is an employee (whether full-time or part-time) of a Group Company, and includes Directors; or
- b) whom the Directors at their absolute discretion invite to participate in the plan but to whom an offer of Options under this plan need not require disclosure under the Corporations Act or any similar Law in any jurisdiction outside Australia;

“Exercise Plan” means, in respect of an Option, the subscription price per share, determined in accordance with clause 12, payable by a holder on exercise of the Option;

“Expiry Date” means, in relation to an Option; the period of five years from and including the issue date of the Option;

“Government Agency” means:

- a) any national, state or territory government, or department thereof, or
- b) any instrumentality, board, commission, court or agency of any thereof, however constituted;

“Grant Date” means, in relation to an Option, the date on which the Company grants that Option;

“Group” means, collectively the Company and each of the Associated Companies;

“Group Company” means the Company or any Associated Company

“Holder” means, in relation to an Option, the person (being an Eligible Person or Permitted Nominee) entered in the Company’s register of Options as the holder of that Option;

“Law” means all laws, ordinances, treaties, conventions, judgements, decrees, injunctions, writs and orders of any court, arbitrator or Government Agency and rules, regulations, orders, interpretations, directives, licenses and permits of any Government Agency, in each case, with which a party is required to comply;

“Listing Rules” means the Official Listing rules of the ASX;

“Market Value” means:

- a) the average closing sale price per share (weighted by reference to volume) recorded on the ASX during the five trading days immediately preceding the day on which the Board resolves to offer an Option (excluding special crossings and overnight sales); 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 ASX (excluding special crossings and overnight sales);

“Option” means an option issued under the Plan to subscribe (subject to clause 11) for a Share;

“Performance Conditions” are set out in Schedule 1 in relation to a particular offer;

“Permanent Disablement” means in relation to an Eligible Person, that the eligible person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become permanently 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;

“Permitted Nominee” has the meaning given to it by clause 5.4;

“Plan” means Ark Mines Ltd Employee Option Plan established in accordance with the Rules;

“Redundancy” means, in relation to an eligible person, a determination by the Board that the relevant Group Company’s need to employ a person for the particular kind of work carried out by the eligible person has ceased (but for the avoidance of any doubt, does not include the dismissal of any eligible person for personal or disciplinary reasons or where the eligible person leaves the employ of any Group Company of his own accord);

“Retirement” means, in relation to an eligible person, termination of employment with any Group Company by reason of the attainment of such age of retirement is determined by the Board;

“Rules” means these rules, as amended from time to time;

“Shares” means fully paid ordinary shares in the capital of the Company; and

“Taxes” includes any tax (whether direct or indirect), levy, impost, 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 of all of the foregoing.

1.2 Interpretation

In these Rules, unless the 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;
- d) an expression defined in, or given a mean for the purpose of the Corporations Act or Listing Rules has the same meaning where used in these Rules.

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 grant 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 Option lapses or is exercised

3. NUMBER OF OPTIONS TO BE GRANTED

The Company shall not offer or issue Options to any eligible person in accordance with the Plan if the total number of Shares the subject of Options, when aggregated with:

- a) the number of Shares in the same class which would be issued were each outstanding offer or Option to acquire unissued Shares in the Company, being an offer made or Option acquired pursuant to the Plan or any other employee Share scheme extended only to employees or Directors of Group Companies, to be accepted or exercised (as the case may be); and
- b) the number of Shares in the same class issued during the previous five years pursuant to the Plan or any other employee Share scheme extended only to employees or Directors of Group Companies,

(but disregarding any offer made, or Option granted or Share issued by way of or as a result of an offer to a person to whom disclosure is not required by virtue of the Corporations Act), would exceed 5% of the total number of issued Shares in that class of the Company as at the time of the proposed offer.

4. ENTITLEMENT TO PARTICIPATE

4.1 The Board may from time to time determine in its absolute and uncontrolled discretion that any eligible person is entitled to participate in the plan and the extent of that participation. The determination of the Board shall be binding and neither the Board nor any Director of the Company shall be obligated to give any reason for a determination.

4.2 The Board may exercise its powers in relation to the participation of any eligible person on any number of occasions.

4.3 Unless otherwise determined by the Board in its absolute discretion, no eligible person shall be entitled to participate unless that eligible person has been in continuous employment with a Group company for at least 12 months prior to the Grant Date.

4.4 The Plan shall not form part of any contract of employment between any Group Company and any of its employees and shall not confer directly or indirectly on any such employee any legal or equitable right whatsoever against any Group Company

5. OFFER OF OPTIONS

5.1 Subject to these Rules and the Listing Rules, the Company may offer Options to any eligible person at such times and on such terms as the Board considers appropriate in its absolute and uncontrolled discretion. Each offer must state:

- a) that the eligible person to whom it is addressed may accept the whole or any lesser number of Options offered. The offer may stipulate a minimum number of Options and any multiple or any other number which may be accepted;
- b) the period within which the offer may be accepted; and
- c) any other matters which the Board may determine, including but not limited to any Performance Conditions.

5.2 Upon receipt of an offer of Options, an eligible person may, within the period specified in the offer:

- a) accept the whole or any lesser number of options offered by notice in writing to the Board; 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 and uncontrolled discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision.

5.3 Each Option will be issued at no cost to the eligible person.

5.4 Upon:

- a) receipt of an acceptance in the form described in paragraph 5.2(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 notice in writing to the Board, then the eligible person or the permitted nominee, as the case may be, will be taken to have agreed to be bound by the rules and will be granted options subject to these rules.

6. QUOTATION

- 6.1 The Company will not apply for the official quotation by the ASX of any Options under this Plan.
- 6.2 The Company will apply to the ASX for official quotation of Shares issued on the exercise of Options under this Plan.

7. TRANSFER OF OPTIONS

Subject to clause 10.2, Options are only transferable with Board approval.

8. EXERCISE OF OPTIONS

- 8.1 Subject to these Rules, Options may be exercised at any time during the period commencing after the Grant Date and ending on the Expiry Date.
- 8.2 Options not exercised on or before the expiry date will automatically lapse.
- 8.3 Options may only be exercised by 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 must be accompanied by:
 - a) the exercise price for the number of Options specified in the notice; and
 - b) the certificate for those Options, for cancellation by the Company.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the exercise price (for example, if the exercise price is paid by cheque, by clearance of that cheque).

- 8.4 Subject to clause 8.2, within 10 business days after the notice referred to in clause 8.3 becomes effective (or within such lesser period (if any) as may be required by the listing rules) the Board must:

- a) allot and issue the number of Shares specified in the notice to the holder;
- 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.

9. SHARES ALLOTTED ON EXERCISE OF OPTION

All Shares allotted upon exercise of Options rank pari passu with Shares previously issued and, in particular, entitle the holders 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.

10. CEASING TO BE AN ELIGIBLE PERSON

10.1 If at any time prior to the expiry date of any Options, an Eligible Person ceases to be an Eligible Person for any reason other than Retirement, Permanent Disability, Redundancy or death, all Options held by such Eligible Person or his permitted nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of:

- a) the expiry of the period three calendar months from the date of such occurrence and
- b) the expiry date.

10.2 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 holders' Options;
- b) whether or not he becomes so registered, exercise those Options as if he were the holder of them in accordance with these Rules; and
- c) if the deceased holder had already given the Company a notice of exercise of his Options; pay the exercise price in respect to those Options.

11. ENTITLEMENT TO PARTICIPATE IN FURTHER ISSUES

11.1 New Issues

Holders may only participate in new issues of securities to holders of Shares if any 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 at least nine business days notice (or such greater prior notice (if any) as may be required by the Listing Rules) to holders of any new issue before the record date for determining the entitlements to the issue in accordance with the Listing Rules.

11.2 Bonus Issues

If there is a bonus Share issue (“Bonus Issue”) to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for determining the entitlements to the issue in accordance with the Listing Rules.

11.3 Pro Rata Issue

If there is a pro rata issue (other than a Bonus Issue) to the holder of Shares, the exercise price of an Option will be reduced according to the following formula:

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

where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of Shares into which one Option is exercisable;

P = the average closing sale price per Share (weighted by reference to volume) recorded on the ASX during the five trading days immediately preceding the ex-rights date or ex-entitlements date (excluding special crossings and overnight sales and exchange traded Option exercises);

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); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11.4 Reorganisation of Capital

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

11.5 Advice

In accordance with the Listing Rules, the Company must give notice to each holder of any adjustment to the number of Shares for which the holder is entitled to subscribe or to the exercise price pursuant to the provisions of clause 11.2, 11.3 or 11.4.

12. EXERCISE PRICE OF OPTIONS

The exercise price of each Option will be determined by the Board when it resolves to offer the Option and will not be less than the market value of a Share at that time.

13. ADMINISTRATION OF THE PLAN

13.1 The Board:

- a) will administer the Plan in accordance with these Rules; and
- b) may make and amend conditions for the operation of the Plan which are not inconsistent with these Rules.

13.2 A determination, decision, approval or opinion of the Board under these Rules will be in the absolute discretion of the Board.

13.3 In the absence of manifest error the determination, decision, approval or opinion of the Board will be final.

13.4 The Board may:

- a) delegate such functions and powers, as it may consider appropriate for the efficient administration of the Plan, to persons whom the Board reasonably believes to be capable of performing those functions and exercising those powers; and
- b) take and rely on what the Board reasonably believes is independent professional or expert advice in or in relation to the exercise of any of the Board's powers or discretions under these Rules.

14. NOTICES

14.1 Notice may be given by the Company to eligible persons or holders in such manner as the Board may from time to time determine.

14.2 Any notice to be given by an eligible person or holder to the Company under these Rules must be in writing:

a) directed to the Company secretary at the following address:

Ark Mines Ltd

C/- Websters Solicitors

Level 11, 37 Bligh Street

SYDNEY NSW 2000; and

b) hand delivered or sent by prepaid post or facsimile to that address.

14.3 A notice given in accordance with clause 14.2 is taken to be received:

a) if hand delivered, on delivery;

b) if sent by prepaid post, seven business days after the date of posting;

c) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the total number of pages of the notice, unless the company informs the sender within the three business days that it has not received the entire notice.

15. AMENDMENT TO RULES

15.1 Subject to clause 15.2, the Board may amend these Rules at any time and from time to time.

15.2 At any time while the Company is included in the official list of the ASX, no amendment may be made to these Rules except in accordance with the Listing Rules or as otherwise permitted by the ASX.

16. RIGHTS OF HOLDERS

Nothing in these Rules:

a) confers on any person (including any employee or Director) the right to receive any Options;

- b) confers on any holder the right to continue as an employee or Director within the group;
- c) affects any rights which any member of the group may have to terminate the employment of any holder;
- d) may be used to increase damages in any action brought against any member of the group in respect of any such termination; or
- e) confers on any participant the right to receive any dividend (whether or not declared) before an Option is exercised and Shares have been issued in respect of that Option.

17. COSTS AND EXPENSES

The Company must pay all costs, expenses and charges incurred in operating the Plan except that the Company is not responsible for payment of the exercise price or for any taxes which may become payable in connection with the issue of Shares pursuant to an exercise of the Options or any other dealing with the Options.

18. APPLICABLE LAW AND JURISDICTION

- 18.1 The Plan and the rights of the holders thereunder are governed by the laws of the State of New South Wales.
- 18.2 Each holder irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the State of New South Wales and courts entitled to hear appeals from those courts.