

FOR PERSONAL USE ONLY

EMPLOYEE SHARE OPTION PLAN RULES

GASCOYNE RESOURCES LIMITED

ACN 139 522 900

10.3 Governing Law 9

10.4 Severance..... 9

10.5 Notices 9

10.6 Right to Accounts..... 9

10.7 No Representation as to Share Price 9

10.8 ASIC Instruments and Listing Rules..... 9

SCHEDULE 1: TERMS OF GRANT OF OPTIONS 11

ATTACHMENT TO SCHEDULE 1: FORM OF NOTICE OF EXERCISE 16

**SCHEDULE 2: GASCOYNE RESOURCES LIMITED EMPLOYEE SHARE OPTION PLAN OFFER
DOCUMENT 17**

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

In these Rules, unless the contrary intention appears:

Associated Body Corporate means a:

- (a) related body corporate of the Company under section 50 of the Corporations Act;
- (b) body corporate that has voting power in the Company of not less than 20%; or
- (c) body corporate in which the Company has voting power of not less than 20%.

ASX means ASX Limited (ABN 98 008 624 691) or the market operated by ASX Limited as the context requires.

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

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

Casual Employee means an individual who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Company or an Associated Body Corporate,

Cashless Exercise Facility has the meaning given to that term in clause 6 of Schedule 1.

Change of Control means:

- (a) in the case of a Takeover Bid, an offeror who previously had voting power of less than 50% in the Company obtains voting power of more than 50%;
- (b) a Court approves under Section 411(4)(b) of the Corporations Act, 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 or companies;
- (c) any person becomes bound or entitled to acquire shares in the Company under:
 - (i) section 414 of the Corporations Act (compulsory acquisition following a scheme or contract); or
 - (ii) Chapter 6A of the Corporations Act (compulsory acquisition of securities);
- (d) a selective capital reduction is approved by shareholders of the Company pursuant to section 256C(2) of the Corporations Act which results in a person who previously had voting power of less than 50% in the Company obtaining voting power of more than 50%; or
- (e) in any other case, a person obtains voting power in the Company which the Board (which for the avoidance of doubt will comprise those directors holding office immediately prior to the person acquiring that voting power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

Class Order means a class order published by the Australian Securities and Investments Commission.

Company means Gascoyne Resources Limited (ACN 139 522 900).

Contractor means:

- (a) an individual with whom the Company or an Associated Body Corporate has entered into a contract for the provision of services under which the individual performs work for the Company or an Associated Body Corporate; or
- (b) a company with whom the Company or an Associated Body Corporate has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for the Company or an Associated Body Corporate,

where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with the Company or an Associated Body Corporate.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Eligible Person means a:

- (a) director;
- (b) full-time or part-time employee;
- (c) Contractor;
- (d) Casual Employee; or
- (e) Prospective Participant,

of the Company or an Associated Body Corporate, who the Directors determine to be an eligible person for the purposes of participation in the Plan.

Essential Terms means the terms of grant of Options set out in the Schedules.

Exercise Price means in relation to a Share to be issued upon exercise of an Option the amount payable to acquire that Share.

Expiry Date means in relation to an Option the date determined by the Board and advised by the Board in an Offer.

Grant Date means the date determined by the Board as the date on which an Option is granted.

Holding Lock has the meaning given to that term in the Listing Rules.

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

Nominated Party means, in respect of an Eligible Person:

- (a) an immediate family member of the Eligible Person;
- (b) a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993*) where the Eligible Person is a director of the trustee; or
- (c) a company whose members comprise no persons other than the Eligible Person or immediate family members of the Eligible Person.

Offer means an invitation made under Rule 2 to an Eligible Person by the Board to participate in the Plan and either in the form set out in Schedule 2 or under any offer document required by any applicable Corporations Act, Listing Rule or Class Order requirements.

Official List means the official list of entities that ASX has admitted and not removed.

Option means an option to subscribe for Shares which:

- (a) are granted under this Plan; or
- (b) the Board resolves to bring under the terms of the Plan in accordance with Rule 2.6.

Participant means an Eligible Person to whom an Option has been granted or, following the death or bankruptcy of the Eligible Person, his or her personal representative or trustee in bankruptcy.

Prospective Participant means a person who has accepted a written offer of engagement as a director, full-time or part-time employee, a Contractor or a Casual Employee in the Company or an Associated Body Corporate.

Performance Condition means one or more conditions (if any) which must be satisfied or circumstances which must exist before an Option vests, as determined by the Board and set out in an Offer.

Performance Period means the period in respect of which a Performance Condition is to be satisfied.

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

Relevant Interest has the meaning set out in sections 608 and 609 of the Corporations Act.

Rules means these rules as altered or added to from time to time and a reference to a provision of these rules is a reference to that provision as altered or added to from time to time, and for the avoidance of doubt, includes the Essential Terms.

Schedules means the schedules to, and forming part of, these Rules.

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

Takeover Bid has the meaning given to that term in section 9 of the Corporations Act.

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

Vesting Date means the date of vesting of an Option, set by the Board.

1.2

Interpretation

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

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

2.

GRANT OF OPTIONS

2.1

General Eligibility

The Board may from time to time, in its absolute discretion, invite an Eligible Person to participate in the Plan, by making an Offer having regard, in each case, to:

- (a) the contribution to the Company which has been made by the Eligible Person;
- (b) the period of employment or engagement of the Eligible Person with the Company, including (but not limited to) the years of service by that Eligible Person;
- (c) the potential contribution of the Eligible Person to the Company; and
- (d) any other matters which the Board considers in its absolute discretion, to be relevant.

2.2

Price of Options

Options are to be granted to Eligible Persons at a price the Board considers to be appropriate, but in any case must be for no more than nominal consideration.

2.3

Grant of Options

Each Option must be granted on the terms of these Rules, including the Schedules, and each Eligible Person will be taken to have agreed to be bound by these Rules on acceptance by that Participant of an Offer.

2.4

Information to be Provided at Time of Offer

The Board must determine and advise each Eligible Person at the time an Offer is made, of the following:

- (a) the number of Options the subject of the Offer (each entitling its holder to be issued one Share upon vesting and exercise of that Option);

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- (b) the Expiry Date;
 - (c) the Grant Date as determined by the Company, following receipt of the signed and completed Offer from you by the Company;
 - (d) details of the applicable Vesting Date or Dates;
 - (e) the Exercise Price;
 - (f) whether the Options will be subject to a Performance Condition, and if so, details of the Performance Condition and its Performance Period;
 - (g) whether the Eligible Person is entitled to make use of the Cashless Exercise Facility with respect to the Options the subject of the Offer; and
 - (h) any other information the Company considers to be relevant to the Offer (including any post exercise restrictions on dealing with Shares allocated or granted to the Participant under this Plan) or is otherwise required to be included in the Offer by the Corporations Act, the Listing Rules or any Class Order.

2.5 Performance Conditions

- (a) When granting Options the Board may make its vesting conditional on the satisfaction of a Performance Condition or Performance Conditions within a Performance Period.
- (b) The Board may at any time waive Performance Conditions in accordance with Rule 10.1 or, subject to Rule 6, change Performance Condition(s) or a Performance Period if anything happens which causes the Board (acting reasonably) to consider it appropriate to do so.

2.6 Options Previously Granted

At any time and from time to time, the Board may, with the consent of a Participant, resolve to bring options previously granted to that Participant under this Plan, provided that the terms of the options previously granted are consistent with the terms of this Plan.

2.7 Overriding Restrictions on Grant and Exercise

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

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

2.8 Inconsistency

If the Board grants an Option which is inconsistent with these Rules, the Company's constitution, the Listing Rules or any law of a jurisdiction in which a Participant resides, the terms of the Option shall be read down so as to remove any inconsistency or, if it cannot be so read down, the provision (or where possible, the offending words) shall be severed from the terms of the Option without affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of the Option which shall continue in full force and effect.

3. ACCEPTANCE

3.1 Acceptance

- (a) Subject to Rule 3.2, an Offer may only be accepted by an Eligible Person completing, signing and returning the Offer, by no later than the date specified in the Offer.
- (b) An Offer lapses if it is not accepted by the Eligible Person to whom the Offer is made as required under Rule 3.1(a).
- (c) By accepting an Offer, the Eligible Person agrees to become a Participant under the Plan and to be bound by these Rules, the Company's constitution and the terms of the Offer.

3.2 Renunciation to Nominated Party

Upon receipt of an Offer, an Eligible Person may, by notice in writing to the Board, nominate a Nominated Party of that Eligible Person in whose favour the Eligible Person wishes to renounce the Offer. The Board may, in its discretion, resolved not to allow a renunciation of an Offer in favour of a Nominated Party without giving any reason for that decision. If the Board resolves to allow a renunciation of an Offer in favour of a Nominated Party, the Eligible Person will procure that the permitted Nominated Party accepts the Offer made to that Eligible Person and that both the Eligible Person and the Nominated Party agree to be bound by the Rules.

4. MAXIMUM NUMBER OF OPTIONS

4.1 5% Limit

Subject to Rule 4.2, an Option may not be granted if, immediately following its grant, the Shares to be received on exercise of the Option when aggregated with:

- (a) the number of shares in the same share class which would be issued if each unvested Option granted under the Plan (provided that such Option has not lapsed) or any other employee incentive scheme of the Company were to vest and be exercised; and
- (b) the number of shares in the same class issued during the previous 3 year period under the Plan or any other employee incentive scheme of the Company,

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

4.2 Exceptions

When aggregating the number of shares for the purposes of Rule 4.1, the Company may disregard any offer made, option acquired or share issued by way of or as a result of:

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

5. TERMS OF OPTIONS

5.1 Essential Terms

An Option must be granted on the Essential Terms and may be granted on such other additional terms, conditions or restrictions, not being inconsistent with these Rules or the Essential Terms, as the Board determines either generally or in relation to particular Options.

5.2 Variation of Terms

Despite anything to the contrary in these Rules, to the full extent permissible by the Listing Rules and the law, the Board may from time to time vary the terms and conditions to which an Option is subject to or any of them.

6. AMENDMENT OF RULES

6.1 Board's Powers

Subject to this Rule 6, the Listing Rules and the law, the Board may at any time by resolution amend or add to all or any of the provisions of the Plan (including this Rule 6.1).

6.2 Restrictions on Amendments

- (a) Participant consent is required for any change to the Rules or terms of any Options which prejudicially affects the rights of the Participant in relation to the Options.
- (b) Notwithstanding Rule 6.2(a), the Board may change the Rules and/or the terms of any Options and need not obtain Participant consent for any changes:
 - (i) to benefit the administration of the Plan;
 - (ii) to comply with or take account of the provisions of any proposed or existing legislation, Listing Rules, or regulatory practice;
 - (iii) to take account of any changes to legislation or the Listing Rules; or
 - (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any Associated Body Corporate or any present or future Participant.

6.3 Notice

The Board is not required to give written notice of any changes made to any Participant affected.

7. COMPANY'S RIGHTS NOT WAIVED

- (a) The Company's right to terminate or vary the terms of employment or engagement of any Participant shall not be prejudiced in any way by the Company or any Participant participating in the Plan or anything contained in these Rules or both.
- (b) Further, participation in the Plan and the rights or benefits of a Participant under these Rules or the inability or restricted ability of a Participant to exercise an Option or any of them, shall not be used as grounds for granting or increasing damages in any action brought by any Participant against the Company whether in respect of any alleged wrongful dismissal or otherwise.

8. SUSPENSION OR TERMINATION OF THE PLAN

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

9. ADMINISTRATION OF THE PLAN

9.1 Delegation

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

9.2 Procedures

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

9.3 Covenant or Exercise of Discretion

The Company or an Associated Body Corporate or the Board may, subject to any express provision in these Rules, the Listing Rules or any law to the contrary:

- (a) do any act, matter or thing or make any decision, determination or resolution; or

(b) conditionally or unconditionally give or withhold any consent or approval, as contemplated by these Rules in its absolute uncontrolled and unexamined discretion and is not obliged to give reasons for so doing.

9.4 Copy of Rules

A copy of these Rules will be provided to Participants free of charge on request.

10. GENERAL

10.1 Waiver of Terms and Conditions

Notwithstanding any other provisions of the Plan, the Board may at any time waive in whole or in part any terms or conditions (including any Performance Condition) in relation to any Option granted to any Participant. The Company will notify the Participant in writing as soon as practicable of any such waiver.

10.2 Non-Australian Residents

When an Option is granted under the Plan to a person who is not a resident of Australia, the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any applicable or relevant laws, matters of convenience and desirability and similar factors which may have application to the Participant or to any Associated Body Corporate in relation to the Option.

10.3 Governing Law

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

10.4 Severance

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

10.5 Notices

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

10.6 Right to Accounts

The Company is not obliged to give a Participant copies of any notices, circulars and other documents sent by the Company to its shareholders until that Participant becomes a shareholder by the exercise of any vested Options.

10.7 No Representation as to Share Price

None of the Company, its directors, officers or employees represents that the Company's share price will attain, maintain or exceed the Exercise Price. A Participant who chooses to exercise any Option does so at his own risk in that he may suffer financial detriment if the Company's share price falls.

10.8 ASIC Instruments and Listing Rules

- (a) Notwithstanding any other provisions of the Plan, every covenant or other provision set out in an exemption or modification granted from time to time by the Australian Securities and Investments Commission in respect of employee share plans pursuant to its power to exempt or modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan.
- (b) To the extent these Rules are inconsistent with the Listing Rules, the Listing Rules will prevail.

- (c) To the extent that any covenant or other provision which is deemed by this Rule 10.8 to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision shall prevail.

SCHEDULE 1: TERMS OF GRANT OF OPTIONS

1. ENTITLEMENT

- (a) Upon the grant of Options, a certificate or an uncertified holding statement for the Options will be issued by the Company to the Participant.
- (b) Each Option will entitle its holder to subscribe for and be issued, credited as fully paid, one Share (upon vesting and exercise of that Option).
- (c) The Exercise Price of an Option shall be as determined by the Board (in its discretion) on or before the Grant Date.
- (d) Subject to these Rules, the Company must allot and issue Shares on the exercise of Options which have vested to the Participant in accordance with the Listing Rules and in any event no later than 30 days after the date of exercise of the Option and shall either issue a certificate, or cause a holding statement to be issued, for Shares so issued within 5 Business Days after the date the Shares are issued.
- (e) Shares issued on the exercise of Options will rank equally in all respects with the existing Shares in the capital of the Company from the date of issue of those Shares, subject to the restrictions on transfer set out in clause 7(b) of this Schedule. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of issue.

2. OPTION CONDITIONS

2.1 Option Conditions

The Board may, in its absolute discretion, determine:

- (a) the time periods (if any) after which the Options granted will vest in the Participant and the percentage of Options granted which will vest at each particular time; and
- (b) any Performance Conditions which must be satisfied before the Options vest in the Participant or are otherwise exercisable by the Participant.

2.2 Performance Conditions

Where the vesting of an Option is subject to a Performance Condition, as soon as reasonably practicable after the end of the Performance Period the Board will determine whether and to what extent any Performance Condition has been satisfied or waived, subject to the Participant's continued employment until the Vesting Date.

3. LAPSE OF OPTIONS

3.1 Lapse of Options

- (a) An unvested Option will immediately lapse upon the first to occur of:
 - (i) close of business on the Expiry Date;
 - (ii) the Performance Condition(s) (if any) not being satisfied prior to the end of the Performance Period(s) specified by the Board in accordance with Rule 2.4(f) by which the Performance Conditions were required to be satisfied;
 - (iii) the transfer or purported transfer of the Option in breach of clause 7(a) of this Schedule;
 - (iv) subject to clause 3.2(a)(i)(B) the day that is 30 days following the date the Participant ceases to be employed or engaged by the Company or an Associated Body Corporate by virtue of the Participant resigning voluntarily and the Participant has not recommenced employment with the Company or an Associated Body Corporate before the expiration of those 30 days;

- (v) subject to clause 3.2(a)(ii)(B) of this Schedule, the day which is 30 days following the date the Participant ceases to be employed or engaged by the Company or an Associated Body Corporate by reason of his or her death, disability, bona fide redundancy, or any other reason with the approval of the Board and the Participant has not recommenced employment with the Company or an Associated Body Corporate before the expiration of those 30 days;
 - (vi) termination of the Participant's employment or engagement with the Company or an Associated Body Corporate on the basis that the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause; and
 - (vii) the day which is 6 months after an event which gives rise to a vesting under clauses 4(a) to 4(d) of this Schedule.
- (b) An Option which has vested but has not been exercised will immediately lapse upon the first to occur of:
- (i) close of business on the Expiry Date;
 - (ii) the transfer or purported transfer of the Option in breach of clause 7(a) of this Schedule;
 - (iii) termination of the Participant's employment or engagement with the Company or an Associated Body Corporate on the basis that the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause; and
 - (iv) the day which is 6 months after an event which gives rise to a vesting under clauses 4(a) to 4(d) of this Schedule.

3.2

Cessation of employment

- (a) Where a Participant ceases to be employed or engaged by the Company or an Associated Body Corporate by reason of his or her:
- (i) voluntary resignation or bona fide redundancy, then:
 - (A) if any of the Participant's Options have vested but have not been exercised, they will remain exercisable by that Participant until the Options lapse in accordance with clause 3.1(b) of this Schedule; and
 - (B) if any of the Participant's Options have not vested, the Board will determine as soon as reasonably practicable after the date the Participant ceases to be employed or engaged, how many (if any) of those Participant's Options will be deemed to have vested;
 - (ii) death or disability or other reason with the approval of the Board (other than those set out in clause 3.2(a)(i)), then:
 - (A) if any of the Participant's Options have vested but have not been exercised, they will remain exercisable by that Participant's estate or legal representative who has been recognised by the Company as the holder of the Participant's Options in accordance with clause 7(a)(ii) of this Schedule until the Options lapse in accordance with clause 3.1(b) of this Schedule;
 - (B) if any of the Participant's Options have not vested, the Board will determine as soon as reasonably practicable after the date the Participant ceases to be employed or engaged, how many (if any) of those Participant's Options will be deemed to have vested; and
- (b) To the extent under either clause 3.2(a)(i)(B) or 3.2(a)(ii)(B) of this Schedule the Participant's Options are not deemed to have vested, they will lapse immediately upon the Board making its determination.
- (c) Where an Option lapses, the Company will repay to the Participant the price paid for the grant (if any) of the Options.

4. CHANGE OF CONTROL AND RECONSTRUCTION

- (a) The Board may declare that all or a specified number of any unvested Options granted to a Participant which have not lapsed under clause 3.1(a) of this Schedule immediately vest if, in the opinion of the Board:
 - (i) a Change of Control has occurred, or is likely to occur; and
 - (ii) the Participant's pro-rata performance is in line with the Performance Conditions applicable to those Options (if any) during the period from the Grant Date to the date the Change of Control event occurred or the date the Board becomes aware that a Change of Control Event is likely to occur.
- (b) The Board may declare that all or a specified number of any unvested Options granted to a Participant which have not lapsed under clause 3.13.1(a) of this Schedule immediately vest if in the opinion of the Board:
 - (i) any person or corporation has a Relevant Interest in more than 90% of the Shares; and
 - (ii) the Participant's pro-rata performance is in line with the Performance Conditions applicable to those Options (if any) during the period from the Grant Date to the date when the person or corporation has a Relevant Interest in more than 90% of the Shares.
- (c) Subject to clause 4(d) of this Schedule, the Board may in its absolute discretion declare the vesting of an Option during such period as the Board determines where:
 - (i) the Company passes a resolution for the voluntary winding up of the Company;
 - (ii) an order is made for the compulsory winding up of the Company; or
 - (iii) the Company passes a resolution in accordance with Listing Rule 11.2 to dispose of its main undertaking.
- (d) If there is any internal reconstruction, reorganisation or acquisition of the Company which does not involve a significant change in the identity of the ultimate shareholders of the Company, this clause applies to any Option which has not vested by the day the reconstruction takes effect. The Board may declare in its sole discretion whether and to what extent Options will vest. The Board may amend (or waive) any Performance Condition as it considers appropriate, subject to all applicable laws.
- (e) The Company will notify the Participant in writing as soon as practicable after the Board declares an Option to vest pursuant to clauses 4(a) to 4(d) of this Schedule and the Company shall confirm in the notice to the Participant the extent to which the Options held by the Participant have vested or otherwise.

5. EXERCISE OF OPTIONS

- (a) Subject to clause 3 of this Schedule, an Option is exercisable by the holder lodging with the Company Secretary:
 - (i) a notice of exercise of that Option in the form attached to this Schedule;
 - (ii) a cheque for the Exercise Price for each Share to be issued upon the exercise of that Option; or
 - (iii) provide proof to the satisfaction of the Company of the deposit of immediately available funds to an Australian domiciled bank account nominated by the Company, and
 - (iv) the holding statement or certificate for that Option issued under clause 1(a) of this Schedule.

In the event of the death of a holder of Options, those Options that are not transmitted in accordance with clause 7(a)(ii) of this Schedule are exercisable by the executor of the estate of the holder in the same manner as set out above.

- (b) A Participant may, subject to this clause 5, only exercise its Option:
- (i) subject to clauses 4(a) to 4(d) of this Schedule, if the Option was subject to a Performance Condition, to the extent the Performance Condition was satisfied or waived, in accordance with clause 2.2 of this Schedule and Rule 10.1;
 - (ii) after the Vesting Date;
 - (iii) before its Expiry Date; and
 - (iv) if the Option has not lapsed in accordance with these Rules.
- (c) The exercise of some Options only does not affect the Participant's right to exercise other Options at a later time. If the Participant exercises less than all Options represented by the certificate then the Company will cancel the certificate and issue a new certificate for the balance.
- (d) The lapse conditions imposed on the Option under these Rules cease to apply to the Shares transferred or allotted to the Participant upon exercise of the Options in accordance with these Rules.

6. **CASHLESS EXERCISE FACILITY**

- (a) This clause is only applicable if the Board has determined, on or before the date of grant of the Options, to allow the Participant to use the facility set out in this clause.
- (b) If a Participant wishes to exercise some or all of their Options, it may elect to pay the Exercise Price by using the cashless exercise facility provided for under this clause 6 (**Cashless Exercise Facility**).
- (c) The Cashless Exercise Facility entitles a Participant to set-off the Exercise Price against the number of Shares which the Participant is entitled to receive upon exercise of the Participant's Options. By using the Cashless Exercise Facility, the Participant will receive Shares to the value of the surplus after the Exercise Price has been set-off.
- (d) If a Participant elects to use the Cashless Exercise Facility, the Participant will only be issued that number of Shares (rounded down to the nearest whole number) as are equal to the value to the difference between the sum of the Exercise Price otherwise payable for the Options and the then market value of the Shares at the time of exercise (determined as the volume weighted average closing price of Shares on the ASX over the five trading days prior to exercise).

7. **TRANSFER**

- (a) A Participant may only transfer an Option granted under the Plan:
 - (i) with the consent of the Board; or
 - (ii) by force of law upon death or disability to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.
- (b) A Participant may not transfer any Shares issued under the Plan without the prior consent of the Board until the expiration of the period (if any) advised to the Participant under Rule 2.4(h) at the time of grant of the Option.
- (c) The Company may make such arrangements as it considers necessary to enforce any restriction on the disposal of Shares under clause 7(b) of this Schedule and Participants must agree to such arrangements.
- (d) Without limiting clause 7(c) of this Schedule, and subject to the Listing Rules, the Company may procure that a Holding Lock be put on those Shares while the Shares are subject to any restriction under clause 7(b) of this Schedule.
- (e) As soon as reasonably practicable after the restriction on disposal of a Shares under clause 7(b) of this Schedule no longer applies, the Company must procure that any restriction on dealing with that Share no longer applies and will procure that any Holding Lock on that Share is removed.

8. QUOTATION OF OPTIONS AND SHARES

- (a) Options will not be listed for quotation on the ASX, however, the Company will apply for official quotation of the Shares issued upon the exercise of any vested Options to ASX and to each other stock exchange on which Shares are listed at that time.
- (b) Notwithstanding clause 8(a) of this Schedule, the Shares issued on the exercise of vested Options will be subject to the transfer restrictions set out in clause 7(b) of this Schedule and may not be traded on the ASX while those transfer restrictions apply.

9. FUTURE ISSUES OF SECURITIES**9.1 New Issues**

There are no participating rights or entitlements inherent in the Options and Participants will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be in accordance with the requirements of the Listing Rules or any applicable law (if any) so as to afford Participants the opportunity to exercise all Options which they are entitled to exercise pursuant to these Rules prior to the date for determining entitlements to participate in any such issue.

9.2 Rights Issues

- (a) If the Company is listed on the ASX and offers a pro rata issue of securities to holders of Shares, the Exercise Price in respect of any unexercised Options may be adjusted in accordance with the adjustment formula for pro rata issues set out in the Listing Rules at the time when the Options were granted under this Plan.
- (b) If the Company is not listed on the ASX at the time of the pro rata issue, the Exercise Price will be adjusted in such manner determined as fair by the Board in its absolute discretion.

9.3 Bonus Issues

If the Company makes a bonus issue of securities to holders of Shares, the rights of a Participant in respect of an unexercised Option will be modified such that the Participant will receive, upon exercise of an Option, one Share plus such additional securities which the Participant would have received had the Participant been entitled to participate in the bonus issue by virtue of its holding of an Option.

10. RECONSTRUCTION OF CAPITAL

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

11. NATURE OF RIGHTS

A Participant does not have a legal or beneficial interest in any Shares by virtue of acquiring or holding an Option. A Participant's rights under the Options are purely contractual and personal. In particular, a Participant is not entitled to participate in or receive any dividend or other shareholder benefits until its Options have vested and been exercised and Shares have been allocated to the Participant as a result of the exercise of those Options.

12. ASSIGNMENT OF OPTIONS DURING TAKEOVER PERIOD

Subject to clause 7(a) of this Schedule, a Participant may not assign or transfer an Option except during a Takeover Period, in which case the Options may only be transferred by the Participant to the bidder or the bidder's nominees in accordance with the Corporations Act.

ATTACHMENT TO SCHEDULE 1: FORM OF NOTICE OF EXERCISE

The Company Secretary
Gascoyne Resources Limited
[address]

Dear Sir/Madam

[Name of Optionholder] hereby gives notice of the exercise of [*number of Options] granted pursuant to the Company's Share Option Plan (Plan) and exercisable at \$ [*exercise price].

The certificate for these Options is enclosed and the Optionholder:

- a cheque made payable to "Gascoyne Resources Limited", and/ or
- has deposited immediately available funds into Company nominated bank account BSB [*BSB number] Account [*Bank account number] for \$[* Deposit amount]

(together being the total of the exercise price payable on the exercise of [*Number of Options] Options); and/or

confirm that I/we wish to exercise [*Number of Options] Options using the Cashless Exercise Facility in accordance with clause 6 of Schedule 1 of the Plan.

By lodging this Notice of Exercise the Optionholder hereby:

1. Applies for the number of Shares equivalent to the number of Options exercised, and acknowledges that the actual number of Shares to be allotted will be calculated in accordance with clause 6 of Schedule 1 of the Plan with respect to those options for which I have elected to use the Cashless Exercise Facility;
2. Agrees to be bound by the constitution of the Company; and
3. Acknowledges that they have received a copy of the Company's Share Option Plan attached to this Notice of Exercise before exercising their Options.

Capitalised terms used in this letter have the same meaning as in the Plan.

Signed by [OPTION HOLDER] in the presence of:

_____ Signature of Witness

_____ Name of Witness (print)

_____ Occupation

_____ Address

ONLY
FOR
PERSONAL
USE

**SCHEDULE 2: GASCOYNE RESOURCES LIMITED
EMPLOYEE SHARE OPTION PLAN
OFFER DOCUMENT**

[insert date]

[Name and Address]

Via email: [email address]

Dear [*]

Gascoyne Resources Limited Employee Share Option Plan Offer: Offer Document

As recognition of your efforts and continuing commitment to Gascoyne Resources Limited (**Gascoyne or Company**), the Company is offering you the ability to participate in the Company's Employee Share Option Plan (**Plan**). By participating in the Plan, you will be issued [] Options.

This offer is made on the general terms and conditions contained in the rules of the Plan (**Rules**) and on the specific terms and conditions of this offer, which are detailed below. This offer is accompanied by a copy of the Rules relating to this offer.

Please note that no member of the Company is licensed to give financial advice. The information in this Offer Document is not financial advice and is general information only. Any advice given by a member of the Company does not take into account your objectives, financial situation and needs. The Company recommends that you seek advice from a licensed professional about whether participation in the Plan is appropriate in your circumstances.

Except where a capitalised term is defined in this offer, a capitalised term that is used in this offer has the meaning given to it in the Rules.

Terms and Conditions

You are invited to participate in the Plan on the terms and conditions of the Rules and the following terms and conditions:

1. Grant Date

The date determined by the Company upon acceptance of the offer from you by the Company.

2. [Shareholder approval – For Directors only]

Notwithstanding any other term of this offer letter, the Company will only grant the Options to you upon acceptance of the offer from you by the Company and receipt of Shareholder approval in accordance with the Corporations Act (if required).

3. Price of Options

The Options will be granted to you at no cost.

4. Exercise Price

The Exercise Price of each Option is Opt1: \$[##]

Opt2: [*]% of the volume weighted average closing sale price of Shares sold on ASX during the 5 Business Days up to Grant Date, or such other period as determined by the Board (in its discretion)].

5. Cashless Exercise Facility

You may elect to pay the Exercise Price by using the Cashless Exercise Facility in the manner set out in the Plan.

6. Performance Conditions and Vesting Date

[To be inserted as applicable]

7. Expiry date

The Options will expire on [the date which is [##] years after the Grant Date].

8. Disposal restrictions

A Participant may not transfer an Option granted under the Plan without the prior consent of the Board.

[Optional restriction] [A Participant may not transfer a Share issued under the Plan for a period of [*] after the date of issue without the prior consent of the Board.]

9. Risks of acquiring and holding Options under the Plan

Participation in the Plan involves a number of risks including:

- (a) holding options may have tax implications for you and the tax regime applying to you may change over time;
- (b) the market price of underlying ordinary shares may prevent the options granted to you being economically viable to exercise;
- (c) if options are granted to you subject to Performance Conditions and the Performance Conditions are not satisfied by the end of the Performance Period, the options granted to you may not vest and will lapse;
- (d) cessation of your employment with the Company or an Associated Body Corporate may result in options granted to you lapsing or otherwise being dealt with in accordance with the terms of the Plan;
- (e) if options granted to you lapse in accordance with the terms of the Plan, you will not receive any Gascoyne shares. Cash will not be provided as an alternative; and
- (f) there are various risks associated with investing in listed entities generally. The value of the underlying shares of Gascoyne will depend upon general stock market and economic conditions as well as the specific performance of Gascoyne. There is no guarantee of profitability, dividends, return of capital or the price at which Gascoyne shares will trade on ASX.

The information above is only general information about the risks of acquiring and holding Options. There may be other risks of participating in the Plan that are specific to your circumstances. As a result, it is recommended that you seek advice from a licensed professional as to whether or not participation in the Plan is suitable for you.

10. Taxation

You are responsible for any taxation implications arising from your participation in the Plan.

It is strongly recommended that you seek, and only rely upon, your own professional independent tax advice with respect to the implications of your participation in the Plan.

11. Market value of Gascoyne shares

The current market price of fully paid ordinary shares of the Company, which trade under the code "GCY", is available on the ASX website (www.asx.com.au).

Alternatively, you may contact the Company Secretary, by telephone on [(08)] or email at CoSec@gascoyneresources.com.au, to obtain the current market price of fully paid ordinary shares in the Company.

12. Rules

Any acquisition of Options to which this offer relates is subject to the specific terms and conditions of this offer and the terms and conditions of the Rules and the Constitution of the Company. You should read the Rules in conjunction with this offer.

13. Confidentiality

The contents of this offer and the Plan are confidential and must not be disclosed to any other party other than your financial, accounting or tax adviser. If you breach this condition the Company reserves its rights to withdraw the offer and not accept your acceptance.

