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Frances Finucan
Adviser, Issuers (Brisbane)
ASX Limited
Level 5
Riverside Centre
123 Eagle Street
BRISBANE
QLD 4000

Carpentaria Exploration Limited : Amendment to Employee Share Plan and Employee Option Plan

The Directors of Carpentaria Exploration Limited (**CAP**) have today approved an amendment to the Employee Option Plan (**EOP**) Rules and the members of the CAP Remuneration Committee have today approved a number of amendments to the Employee Share Plan (**ESP**) Rules. These amendments relate to the 2011 offering and subsequent years.

A copy of the amended ESP Rules and EOP Rules is **attached** at Annexure A and Annexure B respectively.

The changes

(a) EOP Rules

- (i) In respect to EOP, Rule 16.2(a) has been amended to increase the limit of options issuable under the EOP from 5% of issued capital to 10% of the issued capital.
- (ii) A new Rule 16.2(b) has been inserted to provide clarity around the disclosure relief under ASIC Class Order CO 03/184 (**Class Order**). In essence, the Class Order provides disclosure relief where the total number of shares offered (or, in the case of an offer of options, the number of shares subject to the options being offered) under an employee share option scheme, when combined with the number of shares issued under an employee share option scheme in the previous 5 years and the number of shares subject to the outstanding options under an employee share option scheme, does not exceed 5% of the total number of issued shares in that class. Where an offer is made beyond the 5%, such an offer must be made under a disclosure exemption in section 708 of the Corporations Act. Such exemptions include small scale offerings or offers to senior managers

(b) ESP Rules

- (i) Rule 12(b) has been amended to increase the limit of shares issuable under the ESP from 5% of issued capital to 10% of the issued capital.
- (ii) A new Rule 8(b) has been inserted to provide that where shares issued under the ESP do not qualify for on-sale disclosure relief under Regulatory Guide 173 (**Regulatory Guide**) or any variation, supplement or replacement of the Regulatory Guide, CAP may lodge a cleansing notice with the ASX in the form required by the section 708A(5) of the Corporations Act.

The lodgement of a cleaning notice with the ASX will allow those holders of shares issued under the ESP who do not qualify for on-sale disclosure relief under the Regulatory Guide (i.e. holders in excess of the 5% limit under the Class Order) to on-sell their shares without any disclosure restrictions.

- (iii) A new Rule 12(c) has been inserted to provide clarity around the disclosure relief under ASIC Class Order CO 03/184 (**Class Order**). In essence, the Class Order provides disclosure relief where the total number of shares offered (or, in the case of an offer of options, the number of shares subject to the options being offered) under an employee share option scheme, when combined with the number of shares issued under an employee share option scheme in the previous 5 years and the number of shares subject to the outstanding options under an employee share option scheme, does not exceed 5% of the total number of issued shares in that class. Where an offer is made beyond the 5%, such an offer must be made under a disclosure exemption in section 708 of the Corporations Act. Such exemptions include small scale offerings or offers to senior managers.

Rationale for the changes

CAP provides executive and employee incentives by way of the issue of options pursuant to the EOP and shares pursuant to the ESP. The increase of the 5% limit to a limit of 10% provides CAP with greater flexibility in aligning employee and shareholder interests.

Further information

For further information:

Investor enquiries, please contact:

Chris Powell

Company Secretary/CFO

Telephone: +61 7 3220 2022

ANNEXURE A



Share Plan Rules

CARPENTARIA EXPLORATION LIMITED
A.C.N. 095 117 981



Rules of the Carpentaria Exploration Share Plan

1. Definitions and Interpretation

1.1 Definitions

In these Rules, unless the contrary intention appears:

"Application Form" means the form that the Board determines is to be used by an Eligible Employee to make an application to participate in the Plan.

"ASX" means Australian Securities Exchange.

"ASX Listing Rules" means the official listing rules of ASX.

"Board" means the Directors acting as the board of the Company or a duly appointed Committee of the Board with responsibility for operation of the Plan.

"Business Day" means a day on which the stock market of ASX is open for trading in Shares.

"Cash Dividend" means a dividend declared or paid with respect to Shares which is payable wholly in cash, or in the case of a dividend declared or paid with respect to Shares which is payable only partly in cash, that part of the dividend which is payable in cash.

"Committee" means the Board's Remuneration Committee or such other committee as is established by the Board to administer the Plan.

"Company" means Carpentaria Exploration Limited A.C.N. 095 117 981.

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

"Director" means a director of the Company from time to time.

"Eligible Employee" means an Employee who is determined by the Board to be an Eligible Employee for the purposes of the Plan, or any other person (including a contractor to or consultant with the Company or a Group Company) who is determined by the Board to be an Eligible Employee for the purposes of the Plan.

"Employee" includes an officer, employee or contractor of, or consultant to, the Company or a Group Company.

"Group" means the Company and its Subsidiaries.

"Group Company" means the Company or any of its Subsidiaries.

"Holding Lock" has the same meaning as in the ASTC Settlement Rules.

"Invitation" means an invitation made to an Eligible Employee in accordance with Rule 4.1.

"Issue Date" means the date on which Shares are issued under this Plan.

"Issue Price" means the amount determined in accordance with Rule 4.2.

"Loan" means a loan made by the Company to an Eligible Employee under these Rules to finance the acquisition of Plan Shares.

"Loan Amount" means the amount per Plan Share accepted by an Eligible Employee as a Loan offered by the Board pursuant to the relevant Invitation.

"Loan Share" means a Plan Share, the acquisition of which has been funded in whole or in part by a Loan.

"Loan Term" means the term of the Loan as specified in the Invitation.

"Offer Date" means the date on which an Invitation is issued.

"Plan" means this plan as amended from time to time.

"Plan Shares" means Shares issued pursuant to this Plan.

"Repayment Date" means either:

- (a) the date nominated by the Eligible Employee being the last trading day prior to the date on which the Loan is to be repaid;
- (b) the date on which the Loan Term ends; or
- (c) the date on which the Loan is repaid in accordance with Rules 6.2 - 6.4.

"Retirement" means the termination of an Eligible Employee's employment or employment relationship with a Group Company by reason of:

- (a) reaching the normal retirement age of the Group Company as determined by the Directors from time to time;
- (b) participation in an early retirement plan or a voluntary redundancy plan of the Group Company;
- (c) the illness or incapacity of the Eligible Employee necessitating the permanent withdrawal of the Eligible Employee from the work force; or
- (d) circumstances which the Directors consider should be treated as a Retirement for the purposes of the Plan.

"Retrenchment" means the compulsory termination of the employment or employment relationship of an Eligible Employee with the relevant Group Company where the termination is expressed to be on the ground that:

- (a) the employment of the Eligible Employee is not necessary and his or her position is not to be filled;
- (b) the work for which the Eligible Employee was engaged is finished; or
- (c) the quantity of work required by the Group Company to be undertaken has diminished and has rendered a reduction in the number of employees necessary.

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

"Shares" means fully paid shares in the Company.

"Specified Plan Shares" means the number of Plan Shares specified in the invitation in accordance with Rule 4.1.

"Subsidiary" has the meaning given to it by section 46 of the *Corporations Act* 2001 of Australia.

"Trading Day" means a day on which Shares are traded on ASX.

"VWAP Determination" means the calculation of an average Share price (as trade on ASX) by reference to volume and numbers of Shares traded over a period of ten Business Days before the relevant date.

1.2 Interpretation

The singular includes the plural and vice versa and a reference to a gender includes all genders.

1.3 Governing Law

This Plan and any Share allotted under it are governed by, and is to be construed in accordance with, the laws of Queensland.

1.4 ASX requirements

The Board must ensure that the Plan is at all times operated in accordance with the ASX Listing Rules.

2. Administration and termination of the Plan

2.1 Administration of the Plan

The Committee must administer the Plan in accordance with the terms and conditions set out in these Rules and in conjunction with, or with the approval of, the Board, where this is required by these Rules.

2.2 Termination of the Plan

The Committee may recommend to the Board that it terminates the Plan at any time that it considers appropriate in its absolute discretion. Where the Board terminates the Plan it will not issue any further Plan Shares under the Plan. Termination of the Plan will not prejudice any rights or obligations which arose or were entered into prior to the date of termination of the Plan.

3. Entitlement to participate

The Committee may from time to time determine that an Eligible Employee may participate in the Plan and the extent of that participation. In making that determination, the Board must consider:

- (a) the seniority of the Eligible Employee and the position the Eligible Employee occupies with the relevant Group Company;
- (b) the length of service of the Eligible Employee with the Group;
- (c) the record of employment of the Eligible Employee with the Group;

- (d) the potential contribution of the Eligible Employee to the growth and profitability of the Group; and
- (e) any other matters which the Board considers relevant.

The Committee may determine at any time that any Eligible Employee is not entitled to participate under the Plan, if by participating under the Plan, the Eligible Employee would fail to comply with or contravene, or the Company or any associate of the Company would fail to comply with or contravene, any applicable law.

4. Issue of invitations

4.1 Invitations for Plan Shares and Loan

Subject to these Rules and the ASX Listing Rules, the Company (acting through the Committee) may issue invitations (in such form as the Committee decides from time to time) ("**Invitation**") to Eligible Employees, or any one or more of them:

- (a) inviting applications for the number of Plan Shares specified in the invitation ("**Specified Plan Shares**");
- (b) specifying the Issue Price for the Specified Plan Shares;
- (c) inviting applications for a Loan up to the amount payable in respect of the Specified Plan Shares accepted by the Eligible Employee in accordance with the Invitation;
- (d) specifying an acceptance period; and
- (e) specifying any other terms and conditions attaching to the Specified Plan Shares.

The number of Specified Plan Shares and the amount of the Loan for the Specified Plan Shares will each be determined at the absolute discretion of the Committee.

The Committee must not invite an Eligible Employee to participate under the Plan unless:

- (f) Chapter 6D of the Corporations Act does not apply to the invitation;
- (g) the invitation does not need disclosure to investors because of section 708 of the Corporations Act;
- (h) an exemption from Parts 6D.2 and 6D.3 of the Corporations Act applies to the invitation and all conditions and requirements of that exemption are satisfied; or
- (i) the invitation complies with Parts 6D.2 and 6D.3 of the Corporations Act.

4.2 Issue Price

Except insofar as is necessary to comply with the provisions of an employment contract or other contract approved by the Board whereby executive or technical services are provided to the Company, the issue price for each Plan Share will be not less than:

- (a) (if there was at least one transaction in the Shares on ASX during the 10 Business Day trading period immediately before the Offer Date) the price determined by VWAP Determination of the Shares on ASX during that period; or

- (b) (if there were no transactions in the Shares on ASX during the 10 Business Day trading period immediately before the Offer Date) the last price at which an offer was made on ASX to purchase a Share.

5. Applications

5.1 Application for Plan Shares

Following receipt of an Invitation, the Eligible Employee ("**applicant**") may apply for the Specified Plan Shares by completing, signing and returning an Application Form which complies with the terms of the Invitation to the secretary of the Company.

Upon acceptance by the Committee of the applicant's offer to participate, as constituted by their signed Application Form:

- (a) a contract is formed between the Company and the applicant conferring on the applicant a right to acquire the Specified Plan Shares on the terms and conditions of these Rules and any other terms and conditions of the Invitation; and
- (b) the applicant agrees to become a member of the Company and to be bound by the constitution of the Company, these Rules and any other terms and conditions of the Invitation.

5.2 Application for Loan

If the Committee invites an applicant in the Invitation to apply for a Loan for the purposes of funding the subscription (or acquisition) by the applicant of Specified Plan Shares, the applicant may apply for a Loan up to the amount payable in respect of the Specified Plan Shares by completing the applicable sections of the Application Form.

If an applicant applies for a Loan in accordance with this rule, the applicant irrevocably directs the Company to apply the Loan funds to fund the payment of the Issue Price of the Specified Plan Shares on the applicant's behalf in accordance with these Rules.

5.3 Acceptance period

The completed and signed Application Form must be received by the Company within the acceptance period specified in the Invitation.

5.4 Instrument of transfer

The completed and signed Application Form must be accompanied by a blank executed instrument of transfer in respect of the Specified Plan Shares accepted by the applicant.

5.5 Additional information

The Committee is entitled to receive from the applicant any information that the Committee considers necessary concerning the applicant and the applicant's entitlement to lodge an application, and may reject any application.

6. Loan terms

6.1 Loan terms and conditions

Loans by the Company to Eligible Employees will be made on the following terms and conditions:

- (a) Loans must be made to the Eligible Employee or their nominee and in the name of either the Eligible Employee or their nominee (as the case may be).
- (b) The principal amount outstanding under a Loan will be interest free.
- (c) Any Loan made available to an Eligible Employee will be applied by the Company directly toward payment of the Issue Price of the relevant Specified Plan Shares to be acquired by the Eligible Employee.
- (d) The Loan Term and the manner for making such payments will be determined by the Committee and set out in the Invitation.
- (e) The amount repayable on the Loan by the Eligible Employee will be the lesser of:
 - (i) the Issue Price less any Cash Dividends paid in respect of Loan Shares and applied by the Company in accordance with Rule 6.1(g) and any repayments made by the Eligible Employee; and
 - (ii) the last sale price of the Shares on ASX on the Repayment Date or, if there are no transactions on that day, the last sale price of the Shares prior to that date, or, if the Shares are sold by the Company, the amount realised by the Company from the sale.
- (f) An Eligible Employee must repay the Loan in full prior to expiry of the Loan Term but may elect to repay the Loan Amount in respect of any or all of the Plan Shares (in multiples representing not less than 1,000 Plan Shares) at any time prior to expiry of the Loan Term.
- (g) Cash Dividends which are paid in respect of Loan Shares will be applied by the Company on behalf of the Eligible Employee to repayment of the amount outstanding under the Loan and any surplus of the Cash Dividend will be paid to the Eligible Employee and the Eligible Employee irrevocably authorises the Company to apply all Cash Dividends which are paid in respect of Loan Shares to the repayment of the amount outstanding under the Loan.
- (h) Any fees, charges and stamp duty payable in respect of a Loan will be payable by the Eligible Employee.
- (i) The Company will have a lien over the Plan Shares in respect of which the Loan Amount is outstanding and the Company will be entitled to sell those Plan Shares in accordance with the terms of this Plan.
- (j) An Eligible Employee may not transfer or otherwise deal with a Plan Share until the Loan Amount in respect of that Plan Share has been repaid and the Company:
 - (i) will retain the Share Certificate (if any) and an executed Share Transfer Form in respect of the Loan Shares;
 - (ii) may apply a Holding Lock; and
 - (iii) may refuse to register a transfer of Loan Shares,until the Loan Amount has been repaid.

6.2 Repayment of Loan upon ceasing to be an Eligible Employee

If, prior to the repayment in full of a Loan by an Eligible Employee, the Eligible Employee:

- (a) dies;
- (b) becomes bankrupt; or
- (c) ceases to be an Eligible Employee,

then the Eligible Employee (or his or her personal representative) must elect, by serving written notice on the Company within seven (7) days of such event occurring, one of the following two alternatives outlined in clauses 6.3 and 6.4. If such a notice is not served within seven (7) days of the event occurring the Eligible Employee will be deemed to have elected Alternative 1 in clause 6.3.

6.3 Alternative 1

To have the Company either:

- (a) if so required by section 707 of the Corporations Act, place the relevant Plan Shares to persons who are excluded offerees for the purpose of section 708 of the Corporations Act, at a price being not less than 80% of the weighted average of the prices at which Shares were traded on ASX over the 5 days prior to the sale; or
- (b) sell the relevant Plan Shares on ASX,

and apply the proceeds of the sale in repayment of the Loan. If the proceeds exceed the amount of the Loan, the Company will then apply the balance to pay all reasonable expenses, including an administration fee of \$30 or such higher amount as may be fixed by the Directors (having regard to increases in administration costs, any stamp duty and brokerage) and refund the surplus, if any, after the sale of the Plan Shares to the Eligible Employee. For these purposes, the secretary of the Company is irrevocably appointed, with effect from the time that the Eligible Employee receives a Loan, as the Eligible Employee's attorney to execute any documents, including one or more transfers of the Plan Shares, and to do such acts or things on behalf of and in the name of the Eligible Employee, as may be necessary or convenient to give effect to the sale referred to in this Rule. The secretary of the Company will have absolute discretion in relation to the sale of the Plan Shares in such circumstances and will not be liable to the Eligible Employee in respect of the timing of, price obtained for, or any other matter relating to, such sale.

6.4 Alternative 2

To repay the Loan:

- (a) within 12 months in the event of the death or bankruptcy of the Eligible Employee or in the event that the Eligible Employee ceases to be an Eligible Employee as a result of Retirement or Retrenchment; or
- (b) within one month in the event that the Eligible Employee resigns, is terminated or otherwise ceases to be an Eligible Employee for any reason other than one set out in paragraph (a) of this Alternative 2,

and, upon repayment in full of the Loan, have the relevant Plan Shares fully vested in their name.

6.5 Deemed election of Alternative 1

If an Eligible Employee:

- (a) fails to repay the amount outstanding under the Loan prior to the expiry of the Loan Term or prior to expiry of the relevant period referred to in Alternative 2 under Rule 6.4; or
- (b) in the opinion of the Committee acts fraudulently or dishonestly or is in breach of his or her obligations to any Group Company,

the Eligible Employee will be deemed to have elected Alternative 1 under Rule 6.3 and the Company will be entitled, at its election, to deal with the Plan Shares and apply the proceeds of sale in accordance with Rule 6.3.

6.6 Effect of sale under Alternative 1

Once the Company has sold the Plan Shares and applied the proceeds of sale pursuant to Rule 6.3, the Loan will be deemed to be fully satisfied and the Eligible Employee will have no further liability to the Company in respect of the Loan and the Company will have no further recourse to the Eligible Employee in relation to the Loan.

6.7 Sale of Plan Shares prior to repayment of the Loan

If an Eligible Employee wishes to sell any Plan Shares prior to repayment in full of the Loan Amount in respect of those Plan Shares and prior to the expiry of any qualifying period that may be imposed by the Board and set out in the Invitation, then the Eligible Employee may give written notice to the Company requesting the Company to sell the relevant Plan Shares.

In the absolute discretion of the Committee, in the case of hardship or otherwise, and provided the Committee is of the opinion that the proceeds from the sale of the Plan Shares are reasonably likely to exceed the amount outstanding in relation to the Loan, the Company may, within thirty (30) days of receipt of notice referred to in this Rule, arrange for the sale of the Plan Shares in accordance with Rule 6.3.

6.8 Disposal of an Interest in Plan Shares prior to repayment of the Loan

If an Eligible Employee disposes of the legal or beneficial interest in a Plan Share prior to repayment of the Loan in relation to that Plan Share (and other than in accordance with Rules 6.2 to 6.4 or 6.7), the following provisions apply:

- (a) the Committee may elect to give the Eligible Employee a notice requiring repayment of the relevant Loan whereupon the whole of the amount outstanding under the Loan becomes immediately due and payable; or
- (b) the Committee may elect to give notice to the Eligible Employee of revised terms (including, without limitation, as to interest and repayment) which are to apply to the relevant Loan and are determined at the discretion of the Board. If the Eligible Employee accepts in writing the revised terms within fourteen (14) days of receiving them, the relevant Loan continues (from and including the date of disposal of the Plan Share) on the basis of the revised terms. If the Eligible Employee does not accept in writing the revised terms within fourteen (14) days of receiving them, the Loan, at the end of that fourteen (14) day period, becomes immediately due and payable.

6.9 No claim against Company

- (a) An Eligible Employee releases the Company from any claim, costs or expenses arising as a result of the exercise by the Company of a power or discretion under this rule 6.

7. Allotment of Plan Shares

Upon formation of a contract between the Company and an Eligible Employee under rule 5.1, conferring on the Eligible Employee a right to acquire Shares, the Company must:

- (a) make a Loan to the Eligible Employee;
- (b) apply the Loan to the payment of the Issue Price of the Plan Shares; and
- (c) allot and issue the number of Plan Shares applied for to the applicant.

8. Rights of Plan Shares

- (a) Any Plan Shares issued under the Plan will rank equally in all respects (other than with respect to any restrictions on transfer specified in Rule 10 or otherwise imposed by the Board) with other Shares, and, in particular, entitle their holders to participate fully in:
 - (i) dividends declared by the Company after the date of allotment, subject to Rule 6.1(g); and
 - (ii) all issues of Plan Shares offered to holders of Shares where entitlements to participate in those issues are determined by reference to a record date after the date of allotment of the Plan Shares.
- (b) Where Plan Shares issued under the Plan do not qualify for on-sale disclosure relief under ASIC Regulatory Guide 173 or any variation, supplement or replacement of that Regulatory Guide, the Company may lodge a cleansing notice with the ASX in the form required by the section 708A(5) of the Corporations Act.
- (c) A Plan Share issued to an Eligible Employee will not qualify for participation in any dividend reinvestment plan of the Company until the Loan Amount in respect of that Plan Share has been repaid.

9. Official quotation

The Company will apply for quotation of each Plan Share on ASX within the time prescribed by the ASX Listing Rules. The Company need not do so, however, if the Shares are not in a class of securities traded on ASX.

10. Restriction on transfer

10.1 Restriction

An Eligible Employee may not sell or otherwise deal with a Plan Share until the Loan Amount in respect of that Plan Share has been repaid and until the expiry of the qualifying period in respect of the Plan Shares, if any, that may be imposed by the Board

and set out in the Invitation, other than in accordance with Rules 6.2 to 6.4 or 6.7 and the Company:

- (a) will retain the Share Certificate (if any) and an executed Share Transfer Form in respect of the Loan Shares;
- (b) may apply a Holding Lock; and
- (c) may refuse to register a transfer of Loan Shares,

until the Loan Amount has been repaid and any applicable qualifying periods have passed.

10.2 Cost of transfer

The Company will not meet any costs in relation to the sale of Plan Shares.

11. Amendments to the Rules

11.1 Power to amend Rules

Subject to Rule 11.2 and Rule 13(b), the Committee may alter, delete or add to these 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 relevant requirements of the ASX Listing Rules have been complied with.

11.2 Amendment to Plan or Plan Shares

No amendment to the provisions of the Plan, or to any restrictions or other conditions relating to any Plan Shares issued pursuant to the Plan, may be made which reduces the rights of Eligible Employees in respect of Plan Shares issued to them prior to the date of the amendment, other than any amendment introduced primarily:

- (a) 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;
- (b) to correct any manifest error or mistake; or
- (c) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, changes to tax legislation and/or changes in the interpretation of tax legislation by a court of competent jurisdiction.

11.3 Notice of amendment to Rules

As soon as is reasonably practicable after making any amendment under Rule 11.1, the Board must give notice in writing of the amendment to any shareholder affected by the amendment.

12. Plan Limit

- (a) The Committee and the Board must take reasonable steps to ensure that the number of Shares offered under this Plan on any date does not exceed the limit set out in Rule 12(b).
- (b) The Committee must ensure that it does not offer Shares under the Share Plan if the number of Shares, when added together with:

- (i) Shares issued on the exercise of options granted within the previous 5 years under any share option scheme;
- (ii) Shares remaining issuable in respect of options granted under any share option scheme; and
- (iii) Shares issued on the same date or within the previous 5 years under the Share Plan or any other share incentive scheme,

exceeds 10 per cent of the issued capital of the Company at the time of the offer or issue of the Shares.

- (c) For the avoidance of doubt, ASIC Class Order CO 03/184 provides disclosure relief where the total number of shares offered (or, in the case of an offer of options, the number of shares subject to the options being offered) under an employee share option scheme, when combined with the number of shares issued under an employee share option scheme in the previous 5 years and the number of shares subject to the outstanding options under an employee share option scheme, cannot exceed 5% of the total number of issued shares in that class of the issuer. Any offer beyond the 5% must be offered under an exemption in section 708 of the Corporations Act.

13. Powers of the Committee

The Plan will be administered by the Committee which has the power to:

- (a) determine procedures from time to time for administration of the Plan consistent with these Rules;
- (b) subject to Rule 11 and the approval of the Board, amend or modify these Rules;
- (c) resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
- (d) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of the Committee's powers or discretions arising under the Plan.

14. Miscellaneous

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

ANNEXURE B



Option Plan Rules

Carpentaria Exploration LIMITED
A.C.N. 095 117 981



Rules of the Carpentaria Exploration Option Plan

1. Interpretation and Construction

1.1 Definitions

In this Plan, the following expressions have the meanings given to them.

"ASX" means Australian Securities Exchange.

"ASX Listing Rules" means the official listing rules of ASX.

"Board" means the board of directors of the Company, or a duly appointed committee of the Board with responsibility for operation of the Plan.

"Business Day" means a day on which the stock market of ASX is open for trading in Shares.

"Committee" means the Board's Remuneration Committee or such other committee as is established by the Board to administer the Plan.

"Company" is Carpentaria Exploration Limited A.C.N. 095 117 981

"Corporate Goal" means a corporate goal, as determined from time to time by the Committee and published to Eligible Employees, being the achievement of a milestone in the development of the Company and/or its business plan.

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

"Eligible Person" means:

- (a) an Employee;
- (b) the spouse of an Employee;
- (c) a body corporate in which an Employee holds and beneficially owns not less than 50% of the issued voting share capital;
- (d) the trustee of a trust in which an Employee is a beneficiary or object; or
- (e) the trustee of a superannuation fund of which an Employee is a member.

"Eligibility Period" means the period following the Invitation Date during which the Employee or Eligible Person (as the case may be) may apply for the grant of Options, as determined by the Committee and specified in the Invitation.

"Employee" includes an officer, employee or contractor of, or consultant to, the Company or a Group Company.



"Exercise Period" of an Option is the period specified by the Committee on the Grant Date, but ending on the day prior to the tenth anniversary of its Grant Date unless the Board specifies a shorter period on the Grant Date.

"Exercise Price" is the price per Share payable on the exercise of an Option.

"Grant Date" of an Option is the date on which the Board upon the recommendation of the Committee resolves to grant the Option.

"Group" is the Company and its Subsidiaries and the expression "member of the Group" is to be construed accordingly.

"Group Company" means the Company or any of its Subsidiaries.

"Invitation" means an invitation issued under Rule 3.2.

"Offer Date" means the date on which an invitation to acquire Options under this Plan is issued.

"Option" is a right to acquire a Share granted under this Plan.

"Participant" is an Employee or Eligible Person to whom an Option has been granted or, following the death of an Employee, his personal representative.

"Participating Employer" is the Company or any Group Company.

"Performance Goal" means a Corporate Goal or a Personal Goal.

"Personal Goal" means a personal goal, as agreed between the Company and an Employee, being the achievement of a milestone in the performance of his or her duties.

"Plan" is this plan, including Annexure 1, as amended from time to time.

"Qualification Date" means the date that is 30 Business Days after the attainment of the relevant Performance Goal.

"Retirement" means the termination of an Employee's employment or employment relationship with the Company or a Subsidiary by reason of:

- (a) reaching the normal retirement age of the Company or a Subsidiary as determined by the Directors from time to time;
- (b) participation in an early retirement plan or a voluntary redundancy plan of the Company or a Subsidiary;
- (c) the illness or incapacity of the Employee necessitating the permanent withdrawal of the Employee from the work force; or
- (d) circumstances which the Directors consider should be treated as a Retirement for the Purposes of the Plan.



"Retrenchment" means the compulsorily termination of the employment or employment relationship of an Employee with the Company or a Subsidiary where the termination is expressed to be on the ground that:

- (a) the employment of the Employee is not necessary and his or her position is not to be filled;
- (b) the work for which the Employee was engaged is finished; or
- (c) the quantity of work required by the Company or a Subsidiary to be undertaken has diminished and has rendered a reduction in the number of employees necessary.

"Rules" are the rules of this Plan set out in this document.

"Share" is a share in the capital of the Company.

"Specified Options" means the number of Options with the Exercise Price and Exercise Period specified in an Invitation.

"Subsidiary" has the meaning given to it by section 46 of the *Corporations Act* 2001 of Australia.

"VWAP Determination" means the calculation of an average Share price (as trade on ASX) by reference to volume and numbers of Shares traded over a period of ten Business Days before the relevant date.

1.2 Construction

- (a) Where the context so admits, any reference in the Plan:-
 - (i) to the singular includes the plural; and
 - (ii) to the masculine includes the feminine, and vice versa.
- (b) Any reference in the Plan to an enactment includes the enactment as for the time being amended or re-enacted.
- (c) The headings to the Rules are for reference purposes only and are not to affect the meaning or construction of the Rules.

1.3 Governing Law

This Plan and any Option granted under it is governed by, and is to be construed in accordance with, the laws of Western Australia.

1.4 ASX requirements

The Board must ensure that the Plan is at all times operated in accordance with the ASX Listing Rules.



2. Purpose and Structure of the Plan

- (a) The purpose of the Plan is to provide an incentive for Participants to participate in the future growth of the Group and, upon becoming shareholders in the Company, to participate in the Group's profits and development.
- (b) The Committee must administer the Plan in accordance with the terms and conditions set out in these Rules and in conjunction with, or with the approval of, the Board, where this is required by these Rules.
- (c) The Committee will from time to time set Corporate Goals that will apply to all Option Plan Participants. In addition, each Option Plan Participant may have assigned to him or her Personal Goals. Following the attainment of Corporate or Personal Goals, an Option Plan Participant will be offered the opportunity for a specified period after the Qualification Date for the Option Plan Participant or his or her nominee to apply for and be granted free a specified number of Options at a specified Exercise Price and with a specified Exercise Period.
- (d) The Committee may recommend to the Board that it terminates the Plan at any time that it considers appropriate in its absolute discretion. Where the Board terminates the Plan it will not issue any further Plan Shares under the Plan. Termination of the Plan will not prejudice any rights or obligations which arose or were entered into prior to the date of termination of the Plan.
- (e) The Committee and the Board may apply the Rules set out in appendix 1 apply to any Eligible Employee who resides in the Republic of South Africa, notwithstanding that they may be inconsistent with the Rules as otherwise set out herein.

3. Eligibility and Invitations

3.1 Committee to determine eligibility of Employees

Subject to these Rules, the Committee may from time to time determine that an Employee may participate in the Plan and the extent of that participation. In making that determination, the Committee must consider:

- (a) the seniority of the Employee and the position the Employee occupies with the relevant Group company;
- (b) the length of service of the Employee with the Group;
- (c) the record of employment of the Employee with the Group;
- (d) the potential contribution of the Employee to the growth and profitability of the Group;
- (e) the extent (if any) of the existing participation of the Employee (or any relevant other Eligible Person in relation to the Employee) in the Plan; and
- (f) any other matters which the Committee considers relevant.



3.2 Invitations

The Committee may, upon the achievement by the Company of Corporate Goals or by Employees of Personal Goals (if applicable), from time to time issue invitations (in such form as the Committee decides from time to time and specifying the Eligibility Period) to Employees, or any one or more of them, inviting applications during the Eligibility Period for a grant of Options for up to the number of Options specified in the invitation. The number of Specified Options will be determined by reference to terms of the relevant employment or engagement of the Employee, which must specify the number of Options which may be offered and the Exercise Price of those Options (which may be specified by way of VWAP Determination).

3.3 No limit on number of invitations

The Committee may exercise its powers in relation to the participation of any Eligible Person whenever Performance Goals are achieved.

4. Applications

4.1 Application

Following receipt of an Invitation, application for the Specified Options may be made at any time during the Eligibility Period by the Employee or an Eligible Person in relation to the Employee, as approved by the Committee, in whose favour the Employee renounces such invitation ("**Applicant**").

4.2 Number of Options applied for

The Applicant may apply for the number of Specified Options or part thereof by sending to the Secretary of the Company a duly signed and completed application (in the form attached to the Invitation).

4.3 Acceptance period

The application must be received by the Company within the acceptance period specified in the Invitation, which must be not less than 7 days long.

4.4 Provision of additional information

The Committee will be entitled to receive from the Applicant any information that the Committee regards as necessary concerning the Applicant and the Applicant's entitlement to lodge an application and may reject any application.

5. Grant of Options

Upon acceptance of a duly signed and completed application for Specified Options, the Company may grant the Options applied for to the Applicant.



6. Issue and Exercise Price of Options

6.1 Issue Price

Options granted under the Plan will be granted free of charge.

6.2 Exercise Price

The Committee must determine the Exercise Price of each Option. The Exercise Price must not be less than:

- (a) (if there was at least one transaction in the Shares on ASX during the 10 Business Day period immediately before the Offer Date) the VWAP Determination for that period; or
- (b) (if there were no transactions in the Shares on ASX during the 10 Business Day period immediately before the Offer Date) the last price at which an offer was made on ASX to purchase a Share.

7. Option Certificates

The Company must issue an option certificate to each Participant to whom Options have been granted, which certificate must take effect as a deed, unless the Employee or Eligible Person has given valuable consideration for the Option, in which event it need not take effect as a deed.

8. Waiver of Options

A Participant may give up Options in whole or in part by deed.

9. Exercise and Lapse of an Option

9.1 Exercise during Exercise Period

A Participant may exercise Options at any time or from time to time during the Exercise Period applicable to those Options.

9.2 Lapse at end of Exercise Period

Subject to Rule 9.3, a Participant's Options lapse at the end of the Exercise Period.

9.3 Lapse upon ceasing to be an Eligible Person

- (a) Subject only to Rule 9.3(b), if at any time during the Exercise Period a Participant ceases to be an Eligible Person, all Options held by that Participant will lapse one month after the Participant ceases to be an Eligible Person.
- (b) If a Participant ceases to be an Eligible Person by reason of any of the following events, the Options held by that Participant will lapse at the expiration of 12 months after the relevant event:



- (i) the Retirement or Retrenchment of the Participant, or if the Participant is not an Employee, the Retirement or Retrenchment of the Employee by virtue of whom an Eligible Person holds Options; or
- (ii) the bankruptcy or commencement of winding up or deregistration procedures in respect of the Participant; or
- (iii) the death of the Participant, or if the Participant is not an Employee, the death of the Employee by virtue of whom an Eligible Person holds Options.

10. Procedure on Exercise

10.1 Method of exercise

To exercise Options, a Participant must give written notice to the Company in such form, and with such other documents, as the Committee may decide.

10.2 Payment

The notice of exercise must be accompanied by payment in full of the Exercise Price. Alternatively, the Participant may enter into such arrangements for the payment of this Exercise Price in cash as the Committee may approve.

10.3 Time of exercise

- (a) Subject to Rule 10.3(b) and unless a later date is specified in the notice of exercise, the date on which the notice of exercise, complete in all respects, together with the payment due on exercise, is received at such office as the Board may specify is the date of exercise.
- (b) Where the notice is sent by pre-paid post, the Board accepts that the date of posting, as evidenced by the postmark on the envelope or in such other manner as the Board may decide, or any later date prior to the date on which the notice of exercise is receivable at such office, is the date of exercise.

10.4 Allotment of Shares

The Company must:

- (a) subject to any necessary consents or approvals as may be required by any competent authority having first been obtained; and
- (b) subject to the Participant having complied with the terms of the Options,

allot and issue the number of Shares specified in the notice of exercise to the Participant or at his direction within the time prescribed by the ASX Listing Rules.



10.5 Rights of new Shares allotted

Any new Shares issued on the exercise of an Option must rank *pari passu* in all respects with other Shares then on issue. This will not include, however, rights which attach to Shares by reference to a record date prior to the date of issue.

10.6 Listing

The Company must apply to ASX for any new Shares issued on the exercise of Options to be admitted to trading on ASX. The Company need not do so, however, if the Shares are not then traded on ASX.

11. Restriction on Transfer

Options may not be transferred without the prior written approval of the Committee.

12. Variation of Capital

12.1 Adjustment of Options

If, prior to the expiry of an Option, there is a reorganisation of the issued share capital of the Company (including a consolidation, subdivision or reduction of capital or return of capital to shareholders), the number of Shares subject to the Option and/or the Exercise Price will be adjusted in the manner required by the ASX Listing Rules.

12.2 Restrictions on adjustment

In the event that a Participant gives notice to the Company to the effect that confirmation is required, the Committee must obtain the written confirmation of the Company's auditors (acting as experts and not as arbitrators) that the adjustment is, in their opinion, fair and reasonable.

12.3 Notification of adjustments

The Committee must notify each Participant of any adjustment to Options as soon as practicable after its decision.

13. Bonus Issues and Rights Issues

A Participant is required to exercise an Option in order to participate in a bonus or entitlement issue made by the Company. Participants will be provided with written notice of the terms of the issue to shareholders and afforded that period as determined by the ASX Listing Rules to exercise their Option if they wish to participate in the bonus or entitlement issue.



14. General

14.1 Administration

- (a) Subject as otherwise provided in these Rules, the Committee must administer the Plan.
- (b) Except as otherwise resolved by the Board, the Committee's decision on the construction of the Rules and on any disputes arising under the Plan is final and binding on all persons.

14.2 Notices and circulars to shareholders

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 exercising any or all of their Options.

14.3 Costs and expenses

The Company will pay the cost of the preparation and operation of the Plan.

15. Amendment and Termination

15.1 Power of amendment - general

Subject to the limitations in Rule 15.2, the Board may from time to time amend the Plan in any respect.

15.2 Power of amendment - limitations

- (a) Subject to Rule 15.3, no amendment may be made to the advantage of Participants to the provisions of the Plan relating to:
 - (i) the persons to whom, or for whom, securities, cash or other benefits are provided under the Plan;
 - (ii) limitations on the number or amount of the securities, cash or other benefits subject to the Plan;
 - (iii) the maximum entitlement for any one Participant;
 - (iv) the basis for determining a Participant's entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital or any other variation of capital,without the prior approval of the Company in general meeting.
- (b) No amendment may be made which would affect adversely any of the subsisting rights of a Participant except either with his consent in writing or with



the consent of the majority of Participants affected by the amendment or addition.

15.3 Power of amendment - exceptions

The Board may make minor amendments to the Plan in order to:

- (a) take account of any change in legislation; and/or
- (b) obtain or maintain favourable tax, exchange control or regulatory treatment for Participants, for the Company or any member of the Group, or to benefit the administration of the Plan.

15.4 Notification of amendments

The Committee must give written notice to all Participants of any amendment which affects their rights.

15.5 Termination

The Board may at any time terminate the Plan and in which case no further Options will be granted under it. In all other respects the provisions of the Plan will remain in force.

16. Plan limit

16.1 General

The Committee and the Board must take reasonable steps to ensure that the limits imposed by Rule 16.2 are not exceeded.

16.2 Company Limit

- (a) The Committee must ensure that the Company does not grant Options under the Plan if the number of Options, when added together with:
 - (i) Shares issued on the exercise of options granted within the previous 5 years under any share option scheme;
 - (ii) Shares remaining issuable in respect of options granted on the same date or within the previous 5 years under any share option scheme; and
 - (iii) Shares issued on the same date or within the previous 5 years under any share incentive scheme,exceeds 10 per cent of the issued capital of the Company at the time of the offer or grant of the Options.
- (b) For the avoidance of doubt, ASIC Class Order CO 03/184 provides disclosure relief where the total number of shares offered (or, in the case of an offer of options, the number of shares subject to the options being offered) under an employee share option scheme, when combined with the number of shares



issued under an employee share option scheme in the previous 5 years and the number of shares subject to the outstanding options under an employee share option scheme, cannot exceed 5% of the total number of issued shares in that class of the issuer. Any offer beyond the 5% must be offered under an exemption in section 708 of the Corporations Act.

17. Notices

17.1 To Employees and Participants

- (a) The Committee may give notice to the person entitled to it either personally or through the internal post or by sending it by post to the address supplied by him or her for that purpose.
- (b) Where a notice or document is sent by post it will be deemed to have been received 7 days after it was put into the post. All notices and documents sent by post will be sent at the risk of the addressee.

17.2 To the Company

An Employee or a Participant may give notice to the Company by delivering it to, or sending it to, the Company at its registered office marked for the attention of the Company Secretary. The Committee may make other arrangements for the receipt of notices.