

Employee Share Option Plan

King Solomon Mines Limited

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1. Defined meanings

Words used in this document and the rules of interpretation that apply are set out and explained in the definitions and interpretation Rule at the back of this document.

2. Purpose

- (a) The Plan is a key part of the longer term retention and incentive strategy of the Company.
- (b) The Plan is designed to provide incentives to the executive directors and employees of the Group to remain with the Group and to improve longer-term performance of the Group, and to recognise their contribution to the Group's success.

3. Rules

This document sets out the rules of the Plan.

4. Commencement of the Plan

The Plan commences on the day that approval for introduction of the Plan is first given by the Board, such date being 16 August 2008.

5. The Plan

5.1 Options

- (a) Subject to the Listing Rules, the Company may issue such number of Options as the Board determines until such time as the Plan is terminated.
- (b) The Options lapse on their Expiry Date.
- (c) Without the prior written approval of the Board, an Option may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.
- (d) The Options will not be listed or quoted on any stock exchange.
- (e) Option Holders have no rights or entitlements to participate in dividends declared by the Company or rights to vote at meetings of the Company in respect of an Option that they hold until that Option is exercised.

5.2 Exercise Price

- (a) The Board will specify the Exercise Price of each Option at the time of making an Offer to an Eligible Employee.
- (b) Without limiting the ways in which the Exercise Price may be determined by the Board, the Exercise Price may be set as a percentage above the Market Price of a Share on the date an Option is granted.

5.3 Vesting

- (a) The issue of an Option does not confer any right or interest, whether legal or equitable, in any Shares until the Vesting Conditions in respect of such Option (if any) have been satisfied or waived by the Board at its discretion, or the Options have otherwise become exercisable in accordance with this Plan.
- (b) Notwithstanding that an Option has become Vested, if the Option has lapsed then the Option does not confer any further right or interest, whether legal or equitable, in any Shares.

5.4 Exercise of Options

Subject to an Option becoming Vested and not having lapsed, an Option Holder may exercise all or any of the Options that he or she holds on any Business Day during the period that the Options are exercisable, by lodging with the Company:

- (a) a written notice of exercise of Options specifying the number of Shares in respect of which Options are being exercised;
- (b) a cheque for the Exercise Price multiplied by the number of Shares in respect of which Options are being exercised; and
- (c) the Certificate for the Options being exercised.

5.5 Issue of Shares on exercise of Options

- (a) Following exercise of an Option, the Company must, within such time as the Board determines, issue to the Option Holder the number of Shares in respect of which the Option has been exercised.
- (b) Unless the Option terms provide otherwise, Shares issued on the exercise of Options will rank equally in all respects with all existing Shares at the date of allotment, including in relation to:
 - (i) voting rights;
 - (ii) entitlements to participate in:
 - (A) distributions and dividends;
 - (B) future rights issues and bonus issues,

where the record date for determining entitlements falls on or after the date of issue of the Shares.

- (c) The Company must apply for quotation on the official list of ASX of Shares issued on the exercise of Options as soon as practicable after the issue of those Shares, so long as Shares are quoted on ASX at that time.

5.6 Eligibility

- (a) The Company may only make an Offer to an Eligible Employee.

- (b) Eligibility to participate in the Plan under Rule 5.6(a) does not confer a right to participate in the Plan.
- (c) The Board's determination as to whether a person is or is not an Eligible Employee shall be final and binding.

5.7 Determination of Offers

The Board may in its absolute discretion make Offers of Options to those Eligible Employees who the Board, in its absolute discretion, determines Offers should be made at any time or times. In determining which Eligible Employees will receive Offers, and which Eligible Employees will not, the Board may have regard to any matters which it considers relevant, including:

- (a) the Eligible Employee's length of service with the Group;
- (b) the contribution to the Group which has been made by the Eligible Employee;
- (c) the potential contribution of the Eligible Employee to the Group;
- (d) any misconduct or wilful default by an Eligible Employee;
- (e) whether the Eligible Employee will continue to be an employee of, or a Contractor to, the Group at or soon after the time of issue of the Options;
- (f) taxation implications for the Group, the Eligible Employee and/or other Eligible Employees participating in the Plan; and
- (g) any applicable securities and/or employment laws.

5.8 Deemed Eligible Employees

Subject to obtaining any regulatory relief, if required, the Board may, in its absolute discretion, authorise a Contractor of the Group to participate in the Plan and such person is deemed to be an Eligible Employee for the purposes of the Plan.

5.9 Liability of Eligible Employee

- (a) An Eligible Employee is not liable to make any payment to the Company as consideration for the issue of Options to the Eligible Employee under the Plan.
- (b) No brokerage, commission, stamp duty or other transaction costs will be payable by the Eligible Employee in respect of any allotment or, if permitted, any transfer of Options under the Plan.

5.10 Terms of issue

Options must be issued on the terms of these Rules, the Companies Act and the Listing Rules, and any additional terms as the Board considers appropriate (not being inconsistent with these Rules).

6. Offer and Acceptance

6.1 Offers

- (a) The Board may from time to time make Offers in writing to Eligible Employees inviting them to take up Options under the Plan.
- (b) The number of Options Offered to an Eligible Employee is the number determined from time to time by the Board in its absolute discretion.
- (c) Each Offer made by the Board shall:
 - (i) specify the number of Options for which the Eligible Employee may apply;
 - (ii) specify the terms and conditions of the issue of the Options the subject of the Offer, including:
 - (A) the Exercise Price of the Options or the method of determining the Exercise Price;
 - (B) the Expiry Date of the Options;
 - (C) any applicable Vesting Conditions;
 - (D) the Acceptance Period; and
 - (E) any other terms and conditions relating to the Offer or the Options which are not inconsistent with these Rules; and
 - (iii) be accompanied by:
 - (A) any other information or documents that the Companies Act, the Listing Rules or any other applicable law require the Company to give to the Eligible Employee; and
 - (B) such other information as the Board in its discretion determines; and
 - (iv) have attached an Acceptance Form and a copy of these Rules.

6.2 Acceptance

- (a) To accept an Offer made by the Board under the Plan the Eligible Employee must send a completed Acceptance Form to the Company.
- (b) The Acceptance Form must be received by the Company within the Acceptance Period.

6.3 Effect of Acceptance

By completing and returning the Application Form within the Acceptance Period, an Eligible Employee will be taken to have agreed to be bound by:

- (a) the terms of the Application Form;

- (b) these Rules; and
- (c) the terms of issue as specified in the Offer.

6.4 Issue of Options

Subject to the satisfaction of any terms and conditions set out in the Acceptance Form, following receipt of a completed and signed Acceptance Form and the acceptance by the Board of the Acceptance Form, the Company will, as soon as practicable after the end of the Acceptance Period:

- (a) issue to the Eligible Employee the number of Options applied for by the Eligible Employee on the terms of issue specified in the Offer and a Certificate for those Options; and
- (b) update the Register in accordance with these Rules.

7. Lapse of Options

7.1 Lapse of Options

Any Options issued pursuant to the Plan will be allotted on the condition that notwithstanding that an Option may have become Vested, the whole of the Options issued to an Eligible Employee automatically lapse and are forfeited:

- (a) immediately after that Eligible Employee voluntarily resigns from employment with the Group other than to take up employment with another member of the Group or, in the case of a Contractor, if the Contractor or the Contractor's employer voluntarily terminates their contract for services with the Group;
- (b) subject to clause 7.1(d), immediately, if that Eligible Employee is dismissed from employment with the Group for any one or more of the following reasons:
 - (i) wilful misconduct bringing disrepute on the Group;
 - (ii) repeated disobedience, after prior written warning;
 - (iii) incompetence in the performance of any duties for which the Eligible Employee was employed, after prior written warning;
 - (iv) fraud or any other dishonesty in respect of the property or affairs of the Group; or
 - (v) any other reason, based on which the Board believes it is fair and reasonable to warrant that the Options lapse and are forfeited.
- (c) subject to clause 7.1(d), immediately, if that Eligible Employee is a Contractor and his or her contract for services or the contract for services of his or her employer with the Group is terminated for any one or more of the following reasons:
 - (i) breach of contract;

- (ii) incompetence in the performance of any services for which the Contractor was engaged, after prior written warning;
 - (iii) fraud or any other dishonesty in respect of the property or affairs of the Group; or
 - (iv) any other reason, based on which the Board believes it is fair and reasonable to warrant that the Options lapse and are forfeited.
- (d) if the dismissal or termination is determined to be improper by agreement between the Group and the Eligible Employee or by an order by a court or tribunal of competent jurisdiction, the Board may negotiate a commercial settlement in respect of the Options.

7.2 Exceptions

- (a) Options issued to an Eligible Employee will not lapse and be forfeited where an Eligible Employee ceases employment with, or ceases to perform work or render services to, the Group in the following circumstances:
- (i) death or total permanent disability;
 - (ii) retirement or, in the case of a Contractor, termination of the relevant contract for services as a result solely of the passage of time or the completion of the contracted services;
 - (iii) redundancy; or
 - (iv) any other circumstances on the basis of which the Board believes it is fair and reasonable that the Eligible Employee retains his or her right to exercise the Options.
- (b) Should an Eligible Employee, in the opinion of the Board, satisfy the requirements of Rule 7.2(a) the Eligible Employee or his or her legal representative will have a period of up to 6 months to exercise the Option from the date of the specified event.

8. Taxation

Neither the Company nor its Directors, officers, employees, representatives or agents take any responsibility or assume any liability for the taxation liabilities of Eligible Employees.

9. Listing Rules

- (a) The terms and conditions of the Plan must at all times comply with the Listing Rules.
- (b) If there is any inconsistency between the terms and conditions of the Plan and the Listing Rules then the Listing Rules will prevail.

10. Reconstructions and New Issues

10.1 Participation in future issues

A Option Holder cannot participate in new issues of Shares or other securities to holders of Shares unless the Shares in respect of the Options held by the Option Holder have been issued to and registered in the name of the Option Holder before the record date for determining entitlements to the new issue.

10.2 Bonus Issues

If the Company makes a pro-rata bonus issue of Shares or other securities to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and Shares in respect of Options held by an Option Holder have not been issued to and registered in the name of the Option Holder before the record date for determining entitlements to the bonus issue, then the number of Shares which may be issued as a result of exercise of the Options held by the Option Holder will be increased by the number of Shares that the Option Holder would have received if the Shares which may be issued as a result of the exercise of the Options had been registered in the name of the Option Holder before the record date for the bonus issue without any increase in the Exercise Price.

10.3 Rights Issues

If the Company makes a pro-rata issue of securities (except a bonus issue to which Rule 10.2 applies) to the holders of Shares:

- (a) if no amount is payable on the exercise of Options, the number of Options (or other terms and conditions, if any, applicable to the Options held by an Option Holder) may be adjusted in such manner as the Board in its discretion determines. Such adjustment, if any, will be subject to the Listing Rules, the Companies Act and any other applicable law; and
- (b) if an amount is payable on the exercise of Options, the Exercise Price will be changed in accordance with the Listing Rules.

10.4 Reconstruction subject to the Listing Rules

In the event of any reconstruction (including consolidation, sub-division, reduction, capital return, buy back or cancellation) of the share capital of the Company, the number of Options to which each Option Holder is entitled and/or the Exercise Price of those Options must be reconstructed in accordance with the Listing Rules. Options must be reconstructed in a manner which will not result in any additional benefits being conferred on Option Holders which are not conferred on other security holders of the Company.

11. Takeovers or Change of Control

Takeover bid

Subject to the written consent of the Board and despite the Vesting Conditions not having been satisfied or waived by the Board, some or all Options held by an Option Holder or Option Holders may become exercisable:

- (a) during an Offer Period;
- (b) at any time within three months (or such other period specified by the Board in its discretion) after a Change of Control Event has occurred;
- (c) if, on an application under Section 236 of the Companies Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company, then at any time after the order has been made and until the conclusion of the meeting or any adjournment thereof; or
- (d) if an amalgamation proposal has been sent out by the Company pursuant to section 221 of the Companies Act, at any time after the notice has been sent out and until the conclusion of the meeting at which the amalgamation proposal is to be considered or any adjournment thereof.

12. Administration of the Plan

12.1 Administration

The Plan will be administered by the Board in accordance with these Rules. The Board may make regulations for the operation of the Plan which are consistent with these Rules.

12.2 Powers of the Board

- (a) Any power or discretion which is conferred on the Board by these Rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising that power or discretion, under any fiduciary or other obligation to any other person.
- (b) Any power or discretion which is conferred on the Board by these Rules may be delegated by the Board for such period and on such conditions as the Board may determine to a committee or any one or more persons, who need not be or include Directors.
- (c) Every exercise of discretion by the Board (or its delegate) and every decision of the Board as to the interpretation, effect or application of these Rules is final, conclusive and binding.

13. Rights of Participants

Nothing in these Rules:

- (a) confers on any employee or Contractor the right to receive any Options;
- (b) confers on any employee the right to continue as an employee of the Group or on any Contractor, or the employer of any Contractor, the right to continue to provide services to the Group;
- (c) affects any rights which the Group may have to terminate the employment of any employee or terminate the contract for services of any Contractor or the employer of any Contractor; or

- (d) may be used to increase damages in any action brought against the Group in respect of the termination of the employment of any employee of the Group or the termination of the contract for services of any Contractor, or the employer of any Contractor.

14. Amendment of these Rules

14.1 Amendment

Subject to Rules 14.2 and 14.3, the Company may at any time, by written instrument or by resolution of the Board, amend all or any of the provisions of these Rules (including this Rule 14).

14.2 Restrictions on amendment

No amendment of the provisions of these Rules is to reduce the rights of any Option Holder in respect of Options issued to the Option Holder prior to the date of the amendment, other than an amendment introduced primarily:

- (a) for the purposes of complying with or conforming to present or future laws governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to enable contributions or other amounts paid by the Group in respect of the Plan to qualify as tax deductions for that entity;
- (d) to enable the Option Holder or their employer to reduce the amount of tax or impost that may otherwise be payable by the Option Holder or their employer in relation to the Plan;
- (e) for the purpose of enabling Eligible Employees generally (but not necessarily each Eligible Employee) to receive a more favourable taxation treatment in respect of their participation in the Plan;
- (f) to enable the Group to comply with the Listing Rules or the Companies Act or any other applicable legislation or regulation whether in New Zealand or outside New Zealand; or
- (g) make regulations for the operation of the Plan which are not inconsistent with these Rules to apply to Eligible Employees and Option Holders who are residents outside of New Zealand.

14.3 Listing Rules

Any amendment of these Rules must be made in accordance with, and in the manner stipulated (if any), by the Listing Rules.

14.4 Retrospective effect of amendment

Subject to the provisions of this Rule 14, any amendment made under Rule 14.1 may be given retrospective effect, as specified in the written instrument or resolution by which the amendment is made.

15. Termination and suspension of Plan

- (a) The Plan may be terminated or suspended at any time by resolution of the Board and notification thereof to the ASX.
- (b) Termination or suspension of the Plan does not affect the rights of the holders of unexpired Options previously granted under the Plan.

16. Register of Option Holders

- 16.1 The Company shall maintain a Register of Option Holders that records the Options issued by the Company.
- 16.2 The Register must state, with respect to each of the Options:
 - (a) The names, alphabetically arranged, and the latest known address of each person who is, or has within the last 10 years been, an Option Holder;
 - (b) The number of Options held by each Option Holder within the last 10 years and a brief summary of the terms of those Options sufficient to identify them including:
 - (i) The date on which the Options will become Vested; and
 - (ii) The Expiry Date of the Options;
 - (c) The date of any;
 - (i) Issue of Options to; or
 - (ii) Vesting of Options in; or
 - (iii) Expiry of Options issued to; or
 - (iv) Exercise of Options by; or
 - (v) Transfer of Options by or to,

each Option Holder within the last 10 years, and in relation to any transfer, the name of the person to or from whom the Options were transferred.
- 16.3 The entry of the name of a person in the Register as the holder of an Option is prima facie evidence that legal title to the Option vests in that person.
- 16.4 The Company may treat the registered holder of an Option as the only person entitled to:
 - (a) Exercise the Option; and
 - (b) Exercise any other rights and powers attaching to the Option.

17. Notices

Any notice regarding Options issued under the Plan will be sent to the address of the Option Holder as recorded in the Register maintained by the Company or the share registry of the Company.

18. Governing Law

The Plan is governed by, and is to be construed and take effect in accordance with, the laws of New Zealand.

19. Definitions and interpretation

- 19.1 In these Rules, the following words and expressions have the meanings indicated unless a contrary intention appears:

Acceptance Form means a form to accept Options Offered under the Plan substantially in the form annexed to these Rules as Annexure A with any amendment or modification determined from time to time by the Board;

Acceptance Period means the time within which the Offer may be accepted by the Eligible Employee;

ASX means the ASX Limited (ACN 008 624 691);

Board means all or some of the Directors acting as a board of the Company;

Business Day means any day other than a Saturday, Sunday or public holiday in New Zealand;

Certificate means a certificate in respect of Options issued under the Plan in such form as the Board may approve from time to time;

Change of Control Event means in relation to the Company, any person acquiring a relevant interest (as that term is defined in the Securities Markets Act 1988) in 30% or more of the voting securities (as that term is defined in the Securities Markets Act 1988);

Company means King Solomon Mines Limited, a company incorporated in New Zealand (1268538) and registered as a foreign company in Australia (ARBN 122 404 666);

Companies Act means the Companies Act 1993;

Contractor means a person who:

- (a) contracts with the Group, or a person employed by another person who contracts with the Group, to perform work or render services, or to procure such work or services to be rendered, for the Group; and
- (b) has done so for the Group for more than 1 year; and

- (c) has received 70% or more of their income in the preceding year for providing such services;

Director means a director of the Company;

Eligible Employee means a person who is at the time of the Offer, a full or part-time employee or an executive Director of the Group or a Contractor who is deemed to be an Eligible Employee in accordance with these Rules;

Exercise Price means the price determined by or the mechanism by which the price will be determined by the Board under Rule 5.2;

Expiry Date means the expiry date of Options, being the latest date at which the Options can be exercised, as set out in an Offer to an Eligible Employee and subject to the Rules;

Group means the Company and its Subsidiaries from time to time and any reference to “the Group” shall, where the context so admits, be deemed to be a reference to each member of the Group from time to time;

Listing Rules means the official listing rules of the ASX;

Market Price means, in relation to a particular date, the weighted average market price per Share (weighted by reference to volume) during five consecutive trading days on the ASX ending on the day before the particular date;

Offer means an offer in writing made by the Board to an Eligible Employee to take up Options under the Plan made in accordance with Rule 6;

Offer Period shall have the same meaning as in the Takeovers Code;

Option means, subject to adjustment in accordance with Rule 10, an option to subscribe for one Share in accordance with the Rules;

Option Holder means the holder of an Option issued under the Plan;

Plan means the King Solomon Mines Limited Employee Share Option Plan established in accordance with the Rules;

Register means the register referred to in Rule 16;

Rules means the Rules of the King Solomon Mines Limited Employee Share Option Plan; and

Share means a fully paid ordinary share in the Company;

Subsidiary has the same meaning as in section 5 of the Companies Act; and

Vesting Conditions means one or more conditions (if any) as determined by the Board to apply to an Option as set out under the Offer which are conditions of the Option becoming Vested and **Vested** means that all such conditions have been satisfied.

19.2 In these Rules, unless the context otherwise requires:

- (a) Rule and sub-Rule headings are for reference purposes only;

- (b) the singular includes the plural and vice versa;
- (c) words denoting any gender include all genders;
- (d) reference to a person includes any other entity recognised by law and vice versa;
- (e) where a word or phrase is defined its other grammatical forms have a corresponding meaning;
- (f) any reference to a party to this document includes its successors and permitted assigns;
- (g) any reference to any agreement or document includes that agreement or document as amended at any time;
- (h) the use of the word **includes** or **including** is not to be taken as limiting the meaning of the words preceding it;
- (i) the expression **at any time** includes reference to past, present and future time and the performance of any action from time to time;
- (j) an agreement, representation or warranty on the part of two or more persons binds them jointly and severally;
- (k) an agreement, representation or warranty on the part of two or more persons is for the benefit of them jointly and severally;
- (l) reference to an exhibit, annexure, attachment or schedule is a reference to the corresponding exhibit, annexure, attachment or schedule in this document;
- (m) reference to a provision described, prefaced or qualified by the name, heading or caption of a Rule, subRule, paragraph, schedule, item, annexure, exhibit or attachment in this document means a cross reference to that Rule, subRule, paragraph, schedule, item, annexure, exhibit or attachment;
- (n) when a thing is required to be done or money required to be paid under this document on a day which is not a Business Day, the thing must be done and the money paid on the immediately preceding Business Day;
- (o) reference to a statute includes all regulations and amendments to that statute and any statute passed in substitution for that statute or incorporating any of its provisions to the extent that they are incorporated;
- (p) a reference to a Listing Rule includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of that Listing Rule; and
- (q) a reference to a person includes a reference to the person's executors, administrators and successors, a legal personal representative, a firm or a body corporate.

Annexure A – Acceptance Form

King Solomon Mines Limited

(“the Company”)

Employee Share Option Plan

Agreement to accept Options

I _____ of _____

hereby accept the issue of _____ Options with an issue price of \$nil to subscribe for an equal number of Shares in the capital of the Company at an Exercise Price of \$_____ per Share (subject to adjustment in accordance with the Rules of the Plan).

I agree that upon issue of those Options I shall hold those Options and deal with them only in accordance with the Offer made by the Board of Directors of the Company to me (a copy of which is attached), the Rules of the Employee Share Option Plan of the Company (a copy of which is attached) and the Listing Rules of ASX Limited.

Dated this _____ day of _____ 200 ____

Signed: _____

Name: _____