

RIFT VALLEY RESOURCES LIMITED
(ACN 147 483 341)

RULES OF EMPLOYEE SHARE OPTION PLAN

1. NAME OF PLAN

- 1.1 This Plan shall be called the Rift Valley Resources Limited Employee Share Option Plan 2011.

2. ESTABLISHMENT AND TERMINATION OF THE PLAN

- 2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.
- 2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

3. PURPOSE OF PLAN

- 3.1 The purpose of this Plan is to:
- (a) recognise the ongoing ability of the employees of the Company and their expected efforts and contribution in the long term to the performance and success of the Company;
 - (b) provide an incentive to the employees of the Company to remain in their employment in the long term;
 - (c) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees; and
 - (d) provide employees of the Company with the opportunity to acquire Options, and ultimately Shares, in the Company, in accordance with these Rules.

4. OPERATION OF THE PLAN

- 4.1 The Plan operates according to these Rules which bind the Company and

each Participant.

5. ELIGIBILITY

- 5.1 Subject to these Rules, the Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation.
- 5.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

6. OFFER OF OPTIONS AND EXERCISE PRICE

- 6.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Person at such times and on such terms as the Board considers appropriate. Each Offer must state:
- (a) the name and address of the Offeree;
 - (b) the number of Options offered;
 - (c) that the Offeree may accept the whole or any lesser number of Options offered;
 - (d) the minimum number of Options and any multiple of such minimum or any other number which may be accepted;
 - (e) the period within which the Offer may be accepted, and the period or periods during which the Options or any of them may be exercised and the Expiry Date or Expiry Dates;
 - (f) the consideration payable for the grant of any Option (if any);
 - (g) any Exercise Conditions;
 - (h) the Exercise Price; and
 - (i) any other matters which the Board may determine.
- 6.2 The Exercise Price of each Option will be determined by the Board in its absolute discretion but having regard to the Market Value of the Shares when it resolves to offer the Option.

7. ACCEPTING OFFERS

- 7.1 Upon receipt of an Offer, the Offeree may, within the period specified in the Offer:

- (a) accept the whole or, subject to the terms of the Offer, any lesser number of Options offered by giving to the Company an Application Form signed by the Offeree; or
- (b) nominate by notice in writing to the Board a nominee in whose favour the Offeree wishes to renounce the Offer and include with such notice an Application Form signed by the nominee accepting the whole or, subject to the terms of the Offer, any lesser number of Options offered. The Board shall, in its absolute discretion, resolve whether to allow such renunciation of an Offer in favour of the nominee but shall not be required to give any reason for such decision.

7.2 Upon:

- (a) receipt of an Application Form referred to in paragraph 7.1(a); or
- (b) the Board resolving to allow a renunciation of an Offer in favour of a nominee ("**Permitted Nominee**"), referred to in paragraph 7.1(b),

then the Offeree or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be granted the number of Options accepted subject to these Rules.

7.3 If Options are issued to a Permitted Nominee, the Offeree must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

7.4 On the issue of Options following receipt by the Company of an Application Form, the Offeree or the Permitted Nominee, as the case may be, becomes a Participant.

7.5 A Participant has no interest in a Share the subject of an Option held by the Participant unless and until the Share is issued to that Participant under these Rules.

8. CERTIFICATES

8.1 The Company must within 10 Business Days after the Issue Date give a Participant one or more Certificates stating:

- (a) the number of Options issued to the Participant;
- (b) the Exercise Price of those Options;
- (c) the Issue Date of those Options,
- (d) the period or periods within which the Options may be exercised

and the Expiry Date or Expiry Dates; and

(e) any Exercise Conditions.

9. QUOTATION

9.1 The Company will not apply for Official Quotation of any Options.

9.2 The Company must apply for Official Quotation of Shares allotted pursuant to the exercise of Options within the time required by the Listing Rules after the date of allotment.

10. NOT TRANSFERABLE

10.1 Subject to paragraph 13.4, Options are not transferable.

10.2 If a Participant purports to sell, transfer, assign, mortgage, charge or otherwise dispose of or encumber any of the Options or any right or benefit attaching to any of the Options other than as permitted by these Rules, all Options held by the Participant shall lapse and terminate.

11. EXERCISE OF OPTIONS

11.1 Subject to any Exercise Conditions, Options may be exercised at any time during the period specified in the relevant Certificate.

11.2 Notwithstanding paragraph 11.1, all Options may be exercised:

- (a) during a Bid Period; or
- (b) within one (1) month after a Change of Control Event has occurred; or
- (c) if on an application under section 411 of the Corporations 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.

11.3 Options may only be exercised by the Participant giving notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:

- (a) the Certificate for those Options, for cancellation by the Company; and
- (b) a cheque payable to the Company (or another form of payment

acceptable to the Board) in the amount of the number of Options then being exercised by the Participant multiplied by the Exercise Price of those Options.

The notice is only effective when the Company has received value for the full amount referred to in paragraph (b).

- 11.4 Subject to paragraph 13.1, within 10 Business Days after the notice referred to in paragraph 11.3 becoming effective, the Board must:
- (a) allot and issue the number of Shares to be issued for the Options being exercised;
 - (b) cancel the Certificate for the Options being exercised; and
 - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.
- 11.5 The Board may, in its absolute discretion, by notice to the Participant waive or vary (provided such variation is not adverse to the Participant) all or any of the Exercise Conditions attaching to Options at any time.

12. SHARES ALLOTTED ON EXERCISE OF OPTIONS

- 12.1 All Shares allotted upon exercise of the Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the holders of Shares so allotted to participate fully in:
- (a) dividends declared by the Company after the date of allotment; and
 - (b) all issues of securities made or offered pro rata to holders of Shares.

13. LAPSE OF OPTIONS

- 13.1 Options not validly exercised on or before the Expiry Date will automatically lapse and all rights of the Participant under the Plan for those Options cease.
- 13.2 If an Offeree ceases to be an Eligible Person for any reason at any time after an Option is or has become exercisable, then such Offeree, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
- (a) three (3) months of ceasing to be an Eligible Person; or
 - (b) such longer period as the Board determines,

and any Options the subject of this clause not exercised within the three (3) months or the longer period determined by the Board, will automatically lapse.

13.3 A certificate signed by the company secretary of the Company stating that an Offeree ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the date of such occurrence.

13.4 If at any time prior to the Expiry Date of any Options a Participant dies or becomes subject to a legal disability, the Participant's Legal Personal Representative may:

- (a) elect to be registered as the new holder of the deceased Participant's Options; and
- (b) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these Rules as if he or she were the holder of them.

14. PARTICIPATION RIGHTS, BONUS ISSUES, RIGHTS ISSUES, REORGANISATIONS OF CAPITAL AND WINDING UP

14.1 New Issues

- (a) Participants are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (i) they have become entitled to exercise their Options under the Plan; and
 - (ii) they do so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of Shares.
- (b) The Company must, to the extent the Company is able to, give Participants, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

14.2 Bonus Issues

There is no right to change the Exercise Price of an Option nor the number of underlying Shares over which the Option can be exercised, if the Company completes a bonus issue.

14.3 Pro Rata Issues

There is no right to change the Exercise Price of an Option nor the number

of underlying Shares over which the Option can be exercised, if the Company completes a pro rata issue to the holders of Shares.

14.4 Reorganisation of Capital

If, prior to the Expiry Date of any Options, there is a reorganisation of the issued capital of the Company, then the rights of a Participant (including the number of Options to which such Participant is entitled and the Exercise Price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

14.5 Winding Up

If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to any Participant of the proposed resolution and specifying a period during which the Participant may exercise his or her Options. The Participant may, during the period referred to in the notice, exercise his or her Options.

14.6 Fractions of Shares

For the purpose of this clause 14, if Options are exercised by a Participant simultaneously, then the Participant may aggregate the number of Shares or fractions of Shares for which the Participant is entitled to subscribe. Fractions in the aggregate number only will be disregarded in determining the total entitlement of a Participant.

14.7 Calculations and Adjustments

Any calculations or adjustments which are required to be made under this clause 14 will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and the Participant.

14.8 Notice of Change

The Company must within a reasonable period give to each Participant notice of any change under this clause 14 to any rights of the Participant.

15. AMENDMENTS TO THE RULES

15.1 Board May Alter Rules

The Board may, subject to paragraph 15.2 and the Listing Rules, alter, delete or add to these Rules at any time and may waive or modify the application of any of these Rules in relation to an Eligible Person.

15.2 Consent of Participants

If any amendment to be made under paragraph 15.1 would adversely affect the rights of Participants for any Options then held by them, the Board must obtain the consent of Participants who between them hold not less than 75% of the total number of those Options held by all those Participants before making the amendment.

15.3 Retrospective Effect

Subject to this clause 15, any amendments to the Rules may be given such retrospective effect as is specified in the Board resolution by which the amendment is made.

16. POWERS OF THE BOARD

16.1 The Plan shall be administered by the Board who shall have the power to:

- (a) determine appropriate procedures and make regulations for the administration of the Plan which are consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) terminate or suspend the operation of the Plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of Participants holding Options at that time;
- (d) delegate those functions and powers it considers appropriate, for the efficient administration of the Plan, to any one or more persons whom the Board reasonably believes to be capable of performing those functions and exercising those powers, for such period and on such conditions as the Board may determine;
- (e) take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules; and
- (f) administer the Plan in accordance with these Rules and to the extent provided in these Rules.

16.2 Any power or discretion conferred on the Board by these Rules may be exercised by the Board in the interest 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.

16.3 Where these Rules provide for a determination, decision or approval of the Board, that determination, decision or approval may be made or given by the Board in its absolute discretion.

17. NOTICES

17.1 Notices may be given by the Company to any Participant either personally or by sending by post to his or her address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him or her to the Company for the giving of notices. Notices for any overseas Participants shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served two (2) days after posting. The signature of any notice may be given by any Director or secretary of the Company. A notice of exercise given under paragraph 11.3 shall not be deemed to be served on the Company until actually received.

18. GENERAL

18.1 The rights and obligations of any Participant under the terms of his or her employment with the Company (if any) are not affected by his or her participation in the Plan.

18.2 These Rules do not form part of, and will not be incorporated into, any contract of engagement or employment between a Participant and the Company.

18.3 No Participant has any rights to compensation or damages as a result of the termination of his or her employment, so far as those rights arise or may arise from the Participant ceasing to have rights under the Plan as a result of the termination.

18.4 Participants do not, as Participants, have any right to attend or vote at general meetings of holders of Shares.

18.5 The Plan shall not confer directly or indirectly on any Eligible Person any legal or equitable rights whatsoever, other than the rights as the holder of Options.

18.6 None of the Directors, the Company or any of its related bodies corporate will be liable or responsible for any loss suffered by or liability of an Eligible Person:

- (a) due to any amendments to the Plan or any suspension, termination or operation of the Plan effected in accordance with these Rules;
- (b) due to any delay in the issue of any Options to the Eligible Person or any Shares upon exercise of the Options; and
- (c) for any Tax arising due to or in connection with the issue of any Options to the Eligible Person or any Shares upon exercise of the

Options or otherwise as a consequence of his or her participation in the Plan.

19. GOVERNING LAW

- 19.1 The Plan and any Options issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.
- 19.2 Each Participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia, and the Commonwealth of Australia and courts entitled to hear appeals from those courts.

20. ADVICE

- 20.1 Offerees should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to proposed participation in the Plan.

21. DEFINITIONS AND INTERPRETATION

- 21.1 In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Application Form" means a duly completed and executed application for the issue of Options made by an Offeree or Permitted Nominee for an Offer, in the form approved by the Board from time to time;

"ASX" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"Bid Period", in relation to a takeover bid for Shares, means the period referred to in the definition of that expression in section 9 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 Bid Period shall be deemed to have commenced at the time of that announcement;

"Board" means the Directors acting as the board of directors of the Company or a committee appointed by such board of directors;

"Business Day" means a day on which banks are open for business in Perth excluding a Saturday, Sunday or public holiday;

"Certificate" means the certificate issued in accordance with clause 8 by the Company to a Participant for an Option;

"Change of Control Event" means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board;

"Company" means Rift Valley Resources Limited (ACN 147 483 341);

"Corporations Act" means *Corporations Act 2001 (Cth)*;

"Director" means a director of the Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

"Eligible Person" means at any time a person who then is a Director or an employee (whether full-time or part-time) of the Company or an associated body corporate of the Company;

"Exercise Conditions" means the performance, vesting or other conditions (if any) determined by the Board and specified in an Offer which are, subject to these Rules, required to be satisfied, reached or met before an Option can be exercised;

"Exercise Price" means, for an Option, the subscription price per Share, determined in accordance with paragraph 6.2, payable by a Participant on exercise of the Option;

"Expiry Date" means, in relation to an Option, the last date on which an Option may be exercised;

"Issue Date" means, in relation to an Option, the date on which the Company grants that Option;

"Legal Personal Representative" means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

"Listing Rules" means the Official Listing Rules of ASX as they apply to the Company from time to time;

"Market Value" means, if the Company is admitted to the official list of ASX:

- (a) the weighted average closing sale price of the Shares recorded on the stock market of ASX over the five trading days immediately preceding the day on which the Board resolves to offer an Option; or
- (b) in circumstances where there has been no trading in the Shares

during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX;

"Offer" means an invitation to an Eligible Person made by the Company under paragraph 6.1 to apply for an issue of Options;

"Offeree" means an Eligible Person to whom an Offer is made;

"Official Quotation" has the meaning ascribed to it in the Listing Rules;

"Option" means an option issued under the Plan to subscribe for a Share;

"Participant" means a person who holds Options issued under the Plan and includes, if a Participant dies or becomes subject to a legal disability, the Legal Personal Representative of the Participant;

"Permitted Nominee" has the meaning given to it by paragraph 7.2;

"Plan" means the Rift Valley Resources Limited Employee Share Option Plan 2010 established in accordance with these Rules;

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

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

"Tax" includes any tax (direct or indirect), levy, impost, GST, deduction, charge rate, contribution, duty or withholding which is assessed (or deemed to be assessed) levied, imposed or made by any government or semi-governmental or judicial entity or authority or any interest, penalty, fine, charge or fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or for any or all of the foregoing.

21.2 In these Rules, unless a contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act has the same meaning where used in these Rules.