

# CLONCURRY METALS LIMITED

A.C.N. 122 162 396

## BOARD POLICY NO. 3

## EMPLOYEE OPTION PLAN

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### 1. PURPOSE

- 1.1 The Cloncurry Metals Limited (“the Company”) Employee Option Plan (“the Option Plan”) provides Eligible Employees with the opportunity to acquire an ownership interest in the Company and is the basis for the Board’s Long Term Incentive Scheme for executive management. The basis for a Short Term Incentive Scheme has been established on an employee-by-employee basis pending approval of a Short Term Incentive Scheme Policy.
- 1.2 The purpose of this Board Policy is to provide guidance on the manner in which the Board of the Company (“the Board”) proposes to exercise its discretions in applying the Option Plan Rules. In particular the Board Policy seeks to:
  - Promote consistency in the operation of the Option Plan Rules
  - Provide the platform on which the offers to executive management are based
  - To assist personnel involved with the administration of the Option Plan
- 1.3 This Board Policy will be regularly reviewed and may be amended by the Board at its discretion at any time so as to continue to be aligned with the broad objectives of the Company and its subsidiaries.
- 1.4 The Option Plan Board Policy will not limit the ability of the Board to offer Options or Shares with special terms and conditions to any individual or entity at its absolute discretion under the Option Plan Rules or any other similar equity-based plan.

### 2. DEFINITIONS

- 2.1 The Board Policy should be read in conjunction with the Option Plan Rules (attached to this policy document). In particular the definitions as outlined in Rule 2 of the Option Plan Rules will continue to apply to this document.

### 3. KEY TERMS

- 3.1 Based on the broad objectives of the Company, the following key terms will be incorporated into an Offer of Options to Eligible Employees under the Option Plan.
- 3.2 The Option Plan is the primary responsibility of the Remuneration Committee unless otherwise determined by the Board.

#### ***Grant of Options***

- 3.3 An Offer of Options may be made by the Remuneration Committee to those employees determined to be “Key Executive” of the Company or any other subsidiary of the Company.
- 3.4 “Key Executives” of the Company will be identified by the Remuneration Committee through the following selection process:
  - The initial process of identification of candidates will be undertaken by the Remuneration Committee (appointed by the Board) in its absolute discretion. The criteria to be utilised in selecting candidates will be determined by the Remuneration Committee with such criteria being amended from time to time having regard to the broad objectives of the Company. As a general principle a Key Executive will be a management executive who contributes or is anticipated to significantly contribute to the enhancement of the value of Cloncurry Metals Limited.

- Candidates identified as potentially satisfying the definition of a Key Executive will be presented to the Remuneration Committee for consideration and approval. Candidates approved by the Remuneration Committee in this manner will qualify as Key Executive
  - Key Executives may include directors and the Company Secretary of the Company
- 3.5 An Offer of Options shall include an explanation of the key terms and conditions and an explanation of the key taxation issues relevant to the employer in relation to the Offer. However, the information that will be provided will only be in general terms and will not constitute financial advice. The Key Executive will be advised to seek his/her own financial, legal and taxation advice in relation to participating in the Option Plan.
- 3.6 Once an Offer of Options has been made to a Key Executive pursuant to the Option Plan Rules, that employee will have 14 days within which to indicate their acceptance of the Offer to the Remuneration Committee before the Offer lapses.
- 3.7 Once the Key Executive has indicated their acceptance of an Offer, the Remuneration Committee will approve the issue of Options to the executive. The grant date of such Options may be any time during or after the offer period as determined by the Board following recommendations received from the Remuneration Committee.
- 3.8 The Options issued by the Company to Key Executives will be in respect of Ordinary Shares only and will not specifically be linked to any other Shares that may have been or which will be issued by the Company.
- 3.9 Key Executives will not be required to pay any consideration to the Company for Options granted under the Option Plan Rules.
- 3.10 Key Executives may not nominate an associate or nominee (including family member or spouse) to receive some or all of the Options offered under the Option Plan Rules.

***No Effect on Contract of Employment***

- 3.11 The Option Plan shall not form any part of any contract of employment between the Company and the Key Executive unless expressly incorporated in the contract of employment by reference or otherwise.
- 3.12 Nothing in the Option Plan:
- (1) confers on the Key Executive any right to continue as an employee of the Company;
  - (2) affects the rights which the Company may have to terminate the employment of the Key Executive; or
  - (3) may be used to increase any compensation or damages in any action brought against the Company in relation to the termination of employment of the Key Executive.

***General Allocation Principles***

- 3.13 The number of Options to be offered to each Key Executive will be determined by the Remuneration Committee in its absolute discretion, having regard to the current Market Value of the Company's Ordinary Shares.
- 3.14 The total number of un-issued shares which are the subject of the outstanding Options granted under the Option Plan Rules will not exceed 10% of the Company's total paid up capital on issue at any time and no Key Executive will be entitled to more than 5% of the total number of issued shares. Where a change in the Company's paid up capital results in this threshold being breached, the Remuneration Committee may waive the operation of Rule 14 of the Option Plan Rules.

***Exercise Terms***

- 3.15 The exercise price of any Options issued to Key Executives will be determined by the Remuneration Committee in its absolute discretion having regard to the Market Value of the Ordinary Shares of the Company and may be set at a discount, premium or an amount equal to the Market Value of the Ordinary Shares of the Company as assessed by the Remuneration Committee at the time that an Offer is made, subject to compliance with Listing Rules at the time of issue.
- 3.16 Subject to the overriding discretion of the Board, the term of any Options issued to Key Executives pursuant to the Option Plan Rules will be 5 years.
- 3.17 Subject to the overriding discretion of the Board, the First Exercise Date shall be set as the first date on which vesting can occur in relation to Options granted pursuant to an Offer.

***Vesting Criteria***

- 3.18 Subject to the discretion of the Remuneration Committee to vary the vesting criteria, Options issued to Key Executives pursuant to an Offer will be deemed to vest in the following manner:
- 40% of the Options to vest twelve (12) months from date of issue
  - 30% of the Options to vest twenty-four (24) months from date of issue
  - 30% of the Options to vest thirty-six (36) months from date of issue
- 3.19 The Board will use best endeavours to notify Key Executives within 14 days of vesting of the number of Options that have vested during a relevant period.

***Dividend Entitlements***

- 3.20 Key Executives holding Options issued pursuant to the Option Plan Rules will not be entitled to share in any dividends paid by the Company in relation to the Ordinary Shares. In this regard the Board in its absolute discretion may provide for an amount equal to the dividends paid by the Company during each 12 month period to be paid to the Key Executive by way of an additional bonus arrangement.

***Market Value***

3.21 The Remuneration Committee will be required to determine the Market Values of interests in the Company or any Associated Company for the purposes of the Option Plan including the following purposes:

- Determining the appropriate exercise price of initial Options to be offered to Key Executives.
- Determining the potential taxation implications under the Income Tax Legislation for Key Executives in relation to Options to be offered to Key Executives.

***Ceasing Employment***

3.22 When a Key Executive ceases to be employed by the Company or any Associated Company, any Options held by that employee which have not vested pursuant to clause 3.18 will lapse on the date on which employment ceases.

3.23 When a Key Executive ceases to be employed by the Company or any Associated Company, any Options which have vested but are not exercisable at this time may be exercised within 30 days of the date on which employment ceases. Any Options not exercised within that period of time will automatically lapse at the end of the 30 day period.

***Termination of Option Plan***

3.24 The Option Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Options issued prior to termination.

Approved by the Board on 2<sup>nd</sup> day of April 2010

Signed for an on behalf of the Board of Cloncurry Metals Limited

Mr Stephen Craig Everett  
Chairman