



Lodestone Exploration Limited

Performance Rights Plan

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1. INVITATION TO PARTICIPATE IN THE PLAN

- 1.1 The Board may, subject to any approvals of shareholders of the Company required by law or the Listing Rules, at intervals determined by the Board, invite Eligible Participants to apply for Performance Rights on the terms of this Plan.
- 1.2 An invitation to an Eligible Participant must be in writing and must specify:
- (a) the maximum number of Performance Rights the subject of the invitation;
 - (b) the Performance Conditions;
 - (c) the period or periods during which Performance Rights may vest;
 - (d) the dates and times when Performance Rights lapse;
 - (e) the Exercise Price (if any);
 - (f) the Exercise Period; and
 - (g) any other terms and conditions as the Board decides from time to time, which are not inconsistent with this Plan.

2. REQUIREMENTS FOR AN APPLICANT TO PARTICIPATE

- 2.1 To obtain Performance Rights under the Plan an Eligible Participant who has received an invitation under clause 1.1 must apply in the manner specified in that invitation and in accordance with this Plan.
- 2.2 By applying for Performance Rights an Eligible Participant agrees to be bound by the Constitution and this Plan.
- 2.3 An application for Performance Rights must:
- (a) be in writing signed by the applicant;
 - (b) include a confirmation that the applicant agrees to be bound by the Constitution and this Plan; and
 - (c) be in such form as may be determined by the Board from time to time.
- 2.4 Subject to clauses 2.5 and 8, where an Eligible Participant applies for Performance Rights under clause 2.1, the Company:
- (a) must grant the Performance Rights to the Eligible Participant (who becomes, on the grant of those Performance Rights, a Participant); and
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- (b) may give the Participant a certificate or statement in respect of those Performance Rights.

2.5 The Board may determine that an application under clause 2.1 by an Eligible Participant who would otherwise be eligible to acquire Performance Rights under the Plan will not be accepted.

3. RIGHTS OF THE PARTICIPANT

Except as expressly provided to the contrary, nothing in this Plan:

- (a) confers on any person any expectation to become a Participant;
- (b) confers on any Eligible Participant the right to be invited to apply for, to be offered or to receive any Performance Rights;
- (c) confers on any Participant the right to continue to be employed or engaged by the Company or any Related Body Corporate;
- (d) affects any rights that the Company or any Related Body Corporate may have to terminate the employment or engagement of any person; or
- (e) may be used to increase damages in any action brought against the Company or any Related Body Corporate in respect of any such termination.

4. NATURE OF PERFORMANCE RIGHTS

4.1 Each Performance Right is a right of a Participant to acquire one Share (whether by way of issue or transfer, at the Company's election), subject to these Rules. A Participant does not have a legal or beneficial interest in any Shares by virtue of acquiring or holding a Performance Right.

4.2 A Participant's rights under the Performance Right are purely contractual and personal and a Performance Right does not confer:

- (a) any entitlement to attend or vote at meetings of the Company;
- (b) any entitlement to share in dividends declared or paid by the Company; or
- (c) any entitlement to participate in any return of capital by the Company.

4.3 A Performance Right does not entitle the holder to participate in new issues of securities to holders of Shares, unless:

- (a) that Performance Right has vested and has been exercised; and
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- (b) a Share has been issued or transferred to the Participant in respect of that Performance Right,

before the Record Date for determining entitlements to securities under the new issue.

4.4 The Company must give notice to Participants who hold vested Performance Rights of any new issue of securities not less than 10 Business Days (or such other date required by the Listing Rules) before the Record Date for determining entitlements to securities under the new issue.

4.5 If:

- (a) the Company makes a bonus issue of Shares or other securities pro rata to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment); and
- (b) a Performance Right has not been exercised and a Share has not been issued or transferred in respect of that Performance Right before the Record Date for determining entitlements under the bonus issue,

then the terms of that Performance Right will be altered as follows:

- (c) the number of Shares to which the Participant who holds the Performance Right is entitled on exercise of the Performance Right will be increased by the number of Shares that the Participant would have received if the Participant had exercised the Performance Right and acquired a Share in respect of that Performance Right before the Record Date for the bonus issue; and
- (d) the Exercise Price (if any) of the Performance Right will not be altered.

4.6 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which a Participant is entitled on the exercise of a Performance Right will be reconstructed as required by the Listing Rules in force at the time of the reconstruction and in a manner that will not result in any benefits being conferred on the Participant that are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by any meeting of shareholders approving the reconstruction of capital), but in all other respects the terms for the exercise of the Performance Rights will remain unchanged.

4.7 Before a Performance Right is exercised, all adjustment calculations are to be carried out inclusive of all fractions (in relation to the Shares and the Exercise Price (if any)). On the exercise by a person of a number of Performance Rights, the aggregate number of Shares acquired by that person as a result of that exercise will be rounded down to the nearest whole number and the Exercise Price (if any) will be rounded to the next higher cent.

4.8 Performance rights will not be quoted on ASX.

5. VESTING OF PERFORMANCE RIGHTS

5.1 A Performance Right granted under the Plan will vest if:

- (a) all applicable Performance Conditions relating to the Performance Right have been satisfied and any other relevant terms and conditions contained in the invitation from the Board under clause 1.1 have been satisfied;
- (b) a Vesting Event occurs; or
- (c) the Performance Right has otherwise vested under the Plan,

and the Board gives the Participant who holds the Performance Right written notice that the Performance Right may be exercised.

5.2 Upon a Performance Right vesting, the Participant may exercise that Performance Right during the Exercise Period applicable to that Performance Right, or as otherwise permitted by the Board under the Plan, by the relevant Participant:

- (a) lodging with the Company a Notice of Exercise signed by the Participant; and
- (b) paying to the Company the Exercise Price in respect of the Performance Rights exercised.
- (c) An exercise of Performance Rights will only be valid and effective once the Company has received, in cleared funds, the full amount of the Exercise Price (if any) payable.

6. LAPSE OF PERFORMANCE RIGHTS

6.1 An unvested Performance Right will lapse upon the earliest to occur of:

- (a) the date specified by the Board for the purposes of clause 1.2(d);
- (b) the Performance Right lapsing in accordance with a provision of this clause 6;
- (c) the Performance Right lapsing in accordance with clause 9.3;
- (d) failure to meet any applicable Performance Condition in the prescribed Performance Period; or
- (e) the 10 year anniversary of the date of grant of the Performance Right.

6.2 Unless subject to a specific agreement with the Board, where a Participant ceases to be an Eligible Participant before a Performance Right has vested by reason of the Participant's

death, disability, retirement, bona fide redundancy or other reason with the approval of the Board, and at that time the Participant continues to satisfy any other relevant conditions imposed by the Board at the time of grant, the Board may determine the extent to which Performance Rights granted to the Participant vest. If no determination is made by the Board within three months of the date that the Participant ceases to be an Eligible Participant all Performance Rights held by the Participant will lapse.

- 6.3 If the Participant ceases to be an Eligible Participant for any reason other than one set out in clause 6.2 or ceases to satisfy any other relevant conditions imposed by the Board at the time of grant, all Performance Rights held by the Participant will lapse.
- 6.4 For the purposes of this Plan, a Participant will not be treated as ceasing to be an employee of the Company or a Related Body Corporate until such time as the Participant is no longer an employee of the Company or any Related Body Corporate. At the discretion of the Board, a Participant who is granted an approved leave of absence and who exercises their right to return to work under any applicable award, enterprise agreement, other agreement, statute or regulation before the exercise of a Performance Right under the Plan will be treated for the purposes of the Plan as not having ceased to be such an employee.
- 6.5 Where, in the opinion of the Board, a Participant:
- (a) acts fraudulently or dishonestly; or
 - (b) is in breach of his or her obligations to the Company or any Related Body Corporate,
- the Board may deem that any unvested Performance Rights of the Participant have lapsed.
- 6.6 Unless clause 6.5 applies, where a Performance Right lapses, the Company will repay the Participant the price (if any) paid for the grant of the Performance Right.

7. ISSUE OF SHARES

- 7.1 Subject to clause 8, where a Participant has exercised a Performance Right in accordance with clause 5.2 the Company must, at its election, either issue to or procure the transfer to the Participant or his or her personal representative (as the case may be) a Share.
- 7.2 A Share issued upon exercise of a Performance Right will rank equally in all respects with other Shares for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their allotment.
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- 7.3 The Company will apply for quotation of Shares issued on exercise of Performance Rights within the period required by ASX.
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8. OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE

Notwithstanding any other term of the Plan or the terms and conditions of any particular Performance Right that has been granted, a Performance Right may not be granted and will not vest, and Shares must not be issued on the vesting of a Performance Right, if to do so:

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

- 9.1 Performance Rights are personal to the Participant and may not be Transferred except:
- (a) with the prior written consent of the Board (which consent may be withheld in the absolute discretion of the Board and without giving reasons); or
 - (b) if the Participant dies, to the Participant's legal personal representative, on the production to the Company of such documents or other evidence that the Board may reasonably require to establish the entitlement of the legal personal representative.
- 9.2 A Transfer in accordance with clause 9.1 may only be made to a transferee who agrees with the Company to be bound by the Plan.
- 9.3 A Performance Right Transferred in contravention of clause 9.1 will lapse.
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10. ADMINISTRATION OF THE PLAN

- 10.1 The Plan will be in all respects administered under the directions of the Board or a committee of the Board.
- 10.2 The Board or committee may appoint, for the proper administration and management of the Plan, such secretarial or executives or staff or other persons as it considers desirable and may delegate to those persons such powers and authorities as may be necessary or desirable for the administration and management of the Plan.
- 10.3 Subject to these Rules, the Board may make such regulations and establish such procedures for the administration and management of the Plan as it considers appropriate.
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- 10.4 If any disagreement or dispute with respect to the interpretation of these Rules or the terms of grant of any Performance Right arises, such disagreement or dispute will be referred to the Board and the decision of the Board will, in the absence of manifest error, be final and binding upon all parties.
- 10.5 The Company or an Related Body Corporate or the Board may, subject to any express provision in these Rules or the Corporations Act to the contrary:
- (a) do any act, matter or thing or make any decision, determination or resolution; or
 - (b) conditionally or unconditionally give or withhold any consent or approval,
- as contemplated by this Plan in its absolute uncontrolled and unexaminable discretion and is not obliged to give reasons for so doing.
- 10.6 The Board may take and rely upon professional or expert advice in or in relation to the exercise of any of their powers or discretions under the Plan.
- 10.7 Notices may be given by the Company to the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modification to notices to Participants.

11. SUSPENSION OR TERMINATION OF THE PLAN

The Board may suspend or terminate the Plan at any time, in which case the Company may not make any further grants of Performance Rights under the Plan during the suspended or terminated period. However, during that period the Board will otherwise continue to administer the Plan in accordance with this document until all Performance Rights have been exercised, have lapsed or are no longer capable of being exercised.

12. AMENDMENT OF TERMS AND CONDITIONS OF PLAN

- 12.1 Subject to clauses 12.2, 12.3 and 12.4, the Company may at any time by written instrument or by resolution of the Board, amend all or any of the terms and conditions of this Plan (including this clause 12.1).
- 12.2 No amendment of the provisions of this Plan is to reduce the rights of the Participant in respect of Performance Rights granted under the Plan prior to the date of the amendment, other than an amendment introduced primarily:
- (a) for the purpose of complying with, or conforming to, present or future State, Territory or Commonwealth legal requirements governing or regulating the maintenance or operation of the Plan or like plans;
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- (b) to correct any manifest error or mistake;
 - (c) to address possible adverse tax implications for Participants generally or the Company or any Related Body Corporate arising from:
 - (i) a ruling of any relevant taxation authority;
 - (ii) a change to tax legislation (including an official announcement by any relevant taxation authority); or
 - (iii) a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
 - (d) to enable the Company or any Related Body Corporate to comply with the Corporations Act or the Listing Rules.
- 12.3 No amendment may be made except in accordance with, and in the manner stipulated (if any) by, the Listing Rules.
- 12.4 No amendment may be made to extend the period during which a Performance Right may be exercised.
- 12.5 Subject to the preceding provisions of this clause 12, any amendment made pursuant to clause 12.1 may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made and, if so stated, amendments to this Plan, including the terms of Performance Rights, have the effect of automatically amending the terms of granted but unexercised Performance Rights.

13. NOTICES

- 13.1 A notice (including a Notice of Exercise) will be deemed to have been duly given under the Plan:
- (a) where delivered, on the date of delivery or, if delivery is not effected within a Business Day, at the commencement of the next Business Day;
 - (b) where sent by prepaid post, two Business Days after posting; and
 - (c) where sent by facsimile, upon successful transmission, provided that if the facsimile is not received during a Business Day, it will be deemed to be received at the commencement of the next Business Day.
- 13.2 The address for notices to the Company is:
- (a) postal address: c/- Stanley Yeates & Associates, GPO Box 363, Brisbane QLD 4001;
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(b) street address: c/- Stanley Yeates & Associates, Level 1, 101 Edward Street, Brisbane QLD 4000; or

(c) facsimile: (07) 3221 6625,

or as otherwise notified by the Company. Notices should be addressed to the Company Secretary.

13.3 The address for notices to a Participant is to the address specified in the Participant's application under 2.1 and to a facsimile number (if any) notified in writing to the Company by the Participant.

14. GOVERNING LAW

The Plan will in all respects be governed by and will be construed in accordance with the laws of Queensland.

15. SEVERANCE

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

16. DEFINITIONS AND INTERPRETATION

16.1 In this Plan:

ASX means ASX Limited, or the stock market operated by it (as the context requires).

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

Business Day has the meaning given in the Listing Rules.

Company means Lodestone Exploration Limited ACN 075 877 075.

Constitution means the constitution of the Company, as amended from time to time.

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

Director means a director of the Company.

Eligible Participant means:

- (a) an executive or non-executive Director;
- (b) any full-time or part-time employee of the Company or a Related Body Corporate;
- (c) a person engaged by the Company or a Related Body Corporate as a contractor; or
- (d) any other person who the Board resolves is an Eligible Participant for the purposes of the Plan.

Exercise Period means, in relation to a Performance Right:

- (a) the 12 month period;
- (b) the period determined by the Board in its absolute discretion to be the Exercise Period and set out in the invitation made in respect of the Performance Right under clause 1.1; or
- (c) the period otherwise determined by the Board in its absolute discretion,

commencing on the date on which the Performance Right vests.

Exercise Price means the amount (if any) that is payable on the exercise of a vested Performance Right, as determined by the Board and set out in the invitation made in respect of the Performance Right under clause 1.1. If no determination is made, the applicable Exercise Price is nil.

Listing Rules means the Listing Rules of ASX.

Notice of Exercise means a duly completed and executed notice of exercise of a Performance Right in such form (if any) required by the Board from time to time.

Participant means an Eligible Participant who is invited by the Board to participate in the Plan and is granted Performance Rights under the Plan.

Performance Conditions means one or more conditions that must be satisfied, or circumstances that must exist, before a Performance Right vests, as determined by the Board.

Performance Period means the period in which, or over which, any applicable Performance Condition must be satisfied, as determined by the Board.

Performance Right means an entitlement to acquire a Share (by transfer or issue at the election of the Company) that is granted under the Plan.

Plan means the Lodestone Exploration Limited Performance Rights Plan, the terms and conditions of which are as set out in this document, as amended from time to time.

Record Date has the meaning given in the Listing Rules.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Security Interest means a mortgage, charge, pledge, lien or other encumbrance of any nature.

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

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

Transfer means any sale, transfer, assignment, creation or purported creation of a Security Interest or a grant of options over, or any other alienation or encumbrance or attempt to alienate or encumber.

Vesting Event means when any of the following events have occurred:

- (a) if, under a Takeover Bid or otherwise, a person (together with his or her associates) acquires Shares that, when aggregated with Shares already acquired by such person (and their associates), constitute more than 50% of the issued Shares of the Company and, in the case of a Takeover Bid, the Takeover Bid is or has become unconditional;
- (b) pursuant to an application made to the court under section 411 of the Corporations Act, the court orders a meeting to be held in relation to 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;
- (c) the Company passes a resolution for voluntary winding up; or
- (d) an order is made for the compulsory winding up of the Company.

16.2 In this Plan unless the contrary intention appears:

- (a) the singular includes the plural and vice versa;
- (b) reference to a rule, a statute or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- (c) a reference to a person includes a reference to the person's legal personal representative, a firm or a body corporate.

16.3 Headings are inserted for convenience and do not affect the interpretation of this Plan.
