

**PHOSPHATE AUSTRALIA LIMITED**  
**ACN 129 158 550**

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**EMPLOYEE SHARE OPTION PLAN RULES**

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**Employee Share Option Plan Rules****Page 1****1. DEFINITIONS AND INTERPRETATIONS**

1.1 These Rules will be known as the "Phosphate Australia Employee Share Option Plan Rules".

1.2 In these Rules, unless the context otherwise requires:

"**Applicant**" has the meaning given in rule 9.1.

"**Application**" means an application in the form set out in Annexure 1 or in such other form as the Board may from time to time prescribe, accepting an invitation from the Board to apply for Specified Options under these Rules.

"**Associated Body Corporate**" means any Related Body Corporate of or other entity controlled by the Company.

"**ASX**" means ASX Limited (ABN 98 008 624 691).

"**Board**" means the Directors acting as the Board of the Company.

"**Business Day**" means a day that is not a Saturday, a Sunday or a public holiday in Perth, Western Australia.

"**Certificate**" means the certificate issued by the Company to a Holder in respect of an Option.

"**Company**" means Phosphate Australia Limited (ACN 129 158 550).

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

"**Director**" means a director of the Company.

"**Eligible Employee**" means a person who is a full or part time employee or a director of a Group Company.

"**Exercise Price**" means, in respect of an Option, or a Series of Options, the subscription price per Share, determined by the Board in accordance with rule 7 payable by a Holder on exercise of the Options.

"**Expiry Date**" means, in relation to an Option or Series of Options, the expiry date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time but in any event, no longer than 5 years from the issue date of the Options.

"**Grant Date**" means the date on which the Board resolves to grant the Option.

"**Group Company**" means the Company and each Associated Body Corporate.

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"**Holder**" has the meaning given in rule 10.1.

"**Listing Rules**" means the ASX Listing Rules, as amended from time to time.

"**Market Value**" means if the Company is admitted to the official list of the ASX, the weighted average closing sale price of the Shares recorded on the ASX over the last 5 trading days on which sales of the Shares were recorded preceding the day on which the Board resolves to invite an Application for an Option.

"**Option**" means an option granted under the Plan to subscribe for one Share in the capital of the Company.

"**Option Exercise Notice**" means a notice for exercise of Options in accordance with these Rules in the form set out in Annexure 2 or in such other form as the Board may from time to time prescribe.

"**Performance Criteria**" means performance criteria determined by the Board in its absolute discretion in accordance with rule 6.1 and which must be satisfied before a Holder is permitted to exercise an Option granted under this Plan.

"**Permanent Disablement**" means:

- (a) the illness or incapacity of the Eligible Employee necessitating the permanent withdrawal of the Eligible Employee from the workforce, as accepted to the satisfaction of the Board; or
- (b) any other circumstances which the Board considers should be treated as Permanent Disablement for the purposes of the Plan.

"**Plan**" means the "Employee Share Option Plan" established in accordance with these Rules.

"**Related Body Corporate**" has the same meaning as given to that term in the Corporations Act.

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

"**Series**" in relation to Options, means Options with a common Grant Date.

"**Shares**" means ordinary fully paid shares in the capital of the Company.

"**Specified Option**" has the meaning given in rule 5.1.

"**Takeover Period**", in relation to a takeover bid in respect of shares in the Company, means the offer period as defined in section 624 of the Corporations Act.

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**1.3 Words importing:**

- (a) a gender will include all other genders; and
- (b) the singular shall include the plural and vice versa.

**2. PURPOSE**

The purpose of the Plan is to provide an incentive for the Eligible Employees to participate in the future growth of the Company and, upon becoming shareholders, to participate in the Company's profits and development.

**3. ESTABLISHMENT AND TERMINATION OF THE PLAN**

- 3.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules.
- 3.2 The Board may terminate the Plan at any time that it considers appropriate in its absolute discretion.
- 3.3 Where the Board terminates the Plan, the Board cannot grant any further Options under the Plan, but all Options already granted remain in existence and, notwithstanding the termination, the Plan continues to have effect in relation to those Options until the last of them lapses.

**4. ENTITLEMENT TO PARTICIPATE**

- 4.1 The Board may from time to time and in its absolute discretion determine that an Eligible Employee may participate in the Plan and the extent of that participation. In making that determination, the Board may 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 Company;
  - (c) the record of employment of the Eligible Employee with the Group Company;
  - (d) the potential contribution of the Eligible Employee to the growth and profitability of the Group Company;
  - (e) the extent (if any) of the existing participation of the Eligible Employee in the Plan; and
  - (f) any other matters which the Board considers relevant.
- 4.2 The Board may exercise its powers in relation to the participation of any Eligible Employee on any number of occasions.

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- 4.3 The Company must obtain shareholder approval under the Listing Rules and/or Corporations Act before the participation under the Plan of any Eligible Employee who is a Director of or otherwise a related party of the Company.

### **5. ISSUE OF INVITATIONS**

- 5.1 Subject to the Corporations Act and the Listing Rules, the Board may at such times as it determines, issue invitations (in such form as the Board decides from time to time) to Eligible Employees, or any one or more of them, inviting Applications for a grant of Options up to the number specified in the invitation ("**Specified Options**") and specifying an acceptance period.
- 5.2 The number of Specified Options will be determined by the Board in its absolute discretion.
- 5.3 Options granted under the Plan will be granted free of charge.
- 5.4 The Board may impose Option Exercise Criteria in accordance with rule 6.1.

### **6. PERFORMANCE CRITERIA**

- 6.1 Subject to rule 6.2, the Board may in its absolute discretion impose Performance Criteria that must be satisfied before a Holder is permitted to exercise an Option granted under this Plan.
- 6.2 The Holder may not exercise any of the Options in accordance with rule 10.2 until the Board notifies the Holder that the Performance Criteria (if any) has been satisfied.

### **7. EXERCISE PRICE**

- 7.1 Prior to the Company being admitted to the official list of the ASX, unless otherwise determined by the Board, the Exercise Price of each Option will be at least 20 cents per Share or such other minimum amount (if any) prescribed by the Listing Rules.
- 7.2 After the Company is admitted to the official list of the ASX, unless otherwise determined by the Board, the Exercise Price of each Option will be the Market Value of a Share when the Board resolves to offer the Options.

### **8. OVERRIDING RESTRICTION ON ISSUE AND EXERCISE ON OPTIONS**

Notwithstanding any terms of any Option, Options may only be issued or exercised within the limitations imposed by the Corporations Act and the Listing Rules.

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**9. APPLICATIONS**

- 9.1 Following receipt of an invitation, the Eligible Employee ("**Applicant**") may apply for the full number of Specified Options or part of them (but only in multiples of 1,000 Options) by sending to the secretary of the Company an Application.
- 9.2 The Application must be received by the Company within the acceptance period specified in the invitation.
- 9.3 The Board is entitled to receive from the Applicant any information that the Board considers necessary concerning the Applicant and the Applicant's entitlement to lodge an Application.
- 9.4 The Board may reject any Application.

**10. GRANT AND EXERCISE OF OPTIONS****10.1 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 (the "**Holder**"). The Company will issue an Option Certificate to each Holder in respect of Options granted to them.

- 10.2 Unless otherwise determined by the Board when it resolves to grant the Option, each Option is granted on the following terms:

**Exercise of Options**

- (a) If any Performance Criteria are imposed on a Holder, that Holder may only exercise their Options upon satisfaction of the Performance Criteria and prior to the Expiry Date.
- (b) Notwithstanding paragraph (a) above, all Options may be exercised:
- (i) during a Takeover Period; or
  - (ii) in the Board's absolute discretion, in the event of the death or Permanent Disablement of an Eligible Employee.
- (c) If, in the reasonable opinion of the Board, an Eligible Employee acts fraudulently or dishonestly in any material respect or is in material breach of his or her obligations to any Group Company, then, notwithstanding any other provision in these Rules, the Board may deem any unexercised Options of the Eligible Employee to have lapsed.

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- (d) Options may only be exercised by delivering an Option Exercise Notice as executed by the Holder to the principal place of business of the Company. The Option Exercise Notice must specify the number of Options being exercised (which must be no less than multiples of 1,000) and must be accompanied by:
- (i) the Exercise Price for the number of Options specified in the Option Exercise Notice; and
  - (ii) the Certificate for those Options, for cancellation by the Company.

The Option Exercise Notice only becomes effective when the Company has received the full amount of the Exercise Price for the number of Options in cleared funds.

**Issue of Certificates**

- (e) Subject to paragraphs (a) and (d) above, the Holder having complied with the terms of the Options and subject to any necessary consents or approvals required to be obtained by the Company, within 10 Business Days of the Option Exercise Notice referred to in paragraph (d) above becoming effective, the Board must:
- (i) allot and issue the number of Shares specified in the Option Exercise Notice to the Holder;
  - (ii) cancel the Certificate for the Options exercised; and
  - (iii) if applicable, issue a new Certificate for any remaining unexercised Options covered by the Certificate accompanying the Option Exercise Notice.

**Allotment of Shares**

- (f) All Shares allotted upon the exercise of Options will be of the same class and rank equally in all respects with other Shares in the Company, and, in particular, entitle their holders to participate fully in:
- (i) dividends cleared by the Company after the date of allotment; and
  - (ii) all issues of securities 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 Shares allotted upon the exercise of Options.

**Official Quotation**

- (g) If the Company's Shares are officially quoted by ASX, the Company must apply for official quotation by ASX of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment or any shorter



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period prescribed by the Listing Rules. The Company will not apply to have the Options granted under the Plan quoted on ASX.

**New Issues**

- (h) In the event of a pro rata issue (except a bonus issue) to the holders of Shares, the Exercise Price of an Option may be reduced using the formula:

$$O' = O \frac{E[P - (S+D)]}{N + 1}$$

where:

- O' = the new exercise price of the Option.
- O = the old exercise price of the Option.
- E = the number of shares into which one Option is exercisable.
- P = the average market price per share (weighted by reference to volume) of the Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price for a share under the pro rata issue.
- D = the dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

**Bonus issues**

- (i) If, prior to the expiry of any Options, the Company makes a bonus share issue to the holders of Shares on a pro rata basis, by way of capitalisation of profits or reserves (other than an issue in lieu of dividends) (a "**Bonus Issue**"), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the date the Shares the subject of the Bonus Issue had been duly allotted and issued ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

**Reconstruction of capital**

- (j) In the event that, prior to the expiry of any Options, there is a reconstruction (including consolidation, subdivision, reduction, return or pro-rata cancellation) of

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the issued capital of the Company, then the number of Options to which each Holder is entitled or the Exercise Price or both will be reconstructed in the manner required by the Listing Rules.

**Advice**

- (k) The Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of paragraphs (h), (i) or (j) above.

**No Dividends**

- (l) A Holder will not be entitled to dividends in respect of the Options.

**11. LIMIT ON NUMBER OF OPTIONS TO BE GRANTED**

An invitation or offer of Options may only be made under the Plan if the number of Shares that may be acquired on exercise of the Options when aggregated with:

- (a) the number of Shares which would be issued if each outstanding offer or Option, being an offer made or Option acquired pursuant to the Plan or any other employee share scheme was to be accepted or exercised; and
- (b) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee share scheme,

but disregarding any offer made, or Option acquired or Share issued, by way of or as a result of:

- (c) an offer to a person situated outside of Australia at the time of receipt of the offer; or
- (d) an offer did not require disclosure to investors because of section 708 of the Corporations Act; or
- (e) an offer made under a disclosure document (within the meaning of the Corporations Act),

does not exceed 5% of the total number of issued Shares of the Company as at the time of the invitation or offer.

**12. CEASING TO BE AN ELIGIBLE EMPLOYEE**

- 12.1 If at any time before the exercise of an Option, a Holder ceases to be an Eligible Employee, all Options held by the Eligible Employee will automatically lapse unless the Board otherwise determines within 30 days of the Holder ceasing to be an Eligible Employee.

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- 12.2 If a Holder ceases to be an Eligible Employee at any time before the exercise of the Options, the Holder may, subject to these Rules, during the period of 30 days after the date on which the Holder ceases to be an Eligible Employee, exercise any Option which the Holder would have otherwise been entitled to exercise. Any Options held by the Holder which are unexercised at the expiry of such 30 day period will automatically lapse.

**13. TRANSFER OF OPTIONS**

Subject to the Listing Rules, Options issued under the Plan are not transferable except with the prior written approval of the Board. Any instrument of transfer must be in writing, signed by both parties, duly stamped and otherwise in such form as the Board may from time to time prescribe. The Board will not register any transfer of an Option made otherwise than in accordance with this rule.

**14. AMENDMENTS TO THE RULES**

- 14.1 Subject to rule 14.2, the Board may alter, delete or add to the Plan or 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 Listing Rules have been complied with.
- 14.2 No amendment to the provisions of the Plan, or to any restrictions or other conditions relating to any Option granted pursuant to the Plan, may be made which reduces the rights of Holders in respect of Options granted 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 taxation implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to taxation legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of taxation legislation by a Court of competent jurisdiction.
- 14.3 As soon as is reasonably practicable after making any amendment under rule 14.1, the Board will give notice in writing of the amendment to any Eligible Employee affected by the amendment.

**15. POWERS OF THE BOARD**

The Plan will be administered by the Board which has the power to determine procedures from time to time for administration of the Plan consistent with these Rules and resolve conclusively all questions of fact or interpretation arising in connection with the Plan.

**16. NO INCORPORATION INTO TERMS OF EMPLOYMENT OR ENGAGEMENT**

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

**17. GOVERNING LAW**

The Plan and these Rules shall in all respects be governed by and shall be construed in accordance with the laws of Western Australia.

**18. SEVERANCE**

If any provision in these Rules is void, voidable by any party or illegal, it shall 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) shall be severed from these Rules without affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of these Rules which shall continue in full force and effect.

**ANNEXURE 1**

**PHOSPHATE AUSTRALIA LIMITED  
ACN 129 158 550**

Phosphate Australia Limited  
Employee Share Option Plan

**Application for Options**

I \_\_\_\_\_ of

\_\_\_\_\_

\_\_\_\_\_

hereby apply for \_\_\_\_\_ Options to subscribe for an equal number of Shares in the capital of Phosphate Australia Limited (the "**Company**") at an Exercise Price of \$ \_\_\_\_\_ per Share and I agree that upon issue of those Options I shall hold those Options and deal with them only in accordance with the terms and conditions of the said Employee Share Option Plan of the Company (a copy of which is attached hereto) and subject to and in accordance with the Constitution of the Company.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 200(\*).

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

**ANNEXURE 2**

**PHOSPHATE AUSTRALIA LIMITED  
ACN 129 158 550**

Phosphate Australia Limited  
Employee Share Option Plan

**Option Exercise Notice**

To: The Directors  
Phosphate Australia Limited (the "Company")

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_

hereby exercise my/our Options to subscribe for:

\_\_\_\_\_ Shares (full paid ordinary) in the capital of the Company at an  
Exercise Price of \$ \_\_\_\_\_ per Share and enclose payment in full of  
\$ \_\_\_\_\_.

I/We request you allot to me/us and I/we agree to accept the Shares subject to the Constitution of  
the Company.

\_\_\_\_\_  
Signature of the Applicant

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 200(\*).