Goldstar Resources NL

ABN 76 098 939 274

EMPLOYEE OPTION PLAN

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1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan, unless the context otherwise requires:

Associate means a body corporate that is an associate of the Company by virtue of Division 2 of Part 1.2 of the Corporations Act.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

Board means the board of Directors as constituted from time to time.

Business Day has the meaning given by Chapter 19 of the Listing Rules.

Company means Goldstar Resources NL (ABN 76 098 939 274).

Contractor means a contractor who:

(a) has been engaged by the Company or an Associate for more than one year; and

(b) has received 80% or more of his, her or its income (as the case may be) in the preceding year from the Company or the Associate (as the case may be).

Corporations Act means the *Corporations Act 2001*.

Directors means the directors of the Company or an Associate from time to time and **Director** means any one of them.

Employee means a person who is an employee of the Company or an Associate on a full-time or part-time basis.

Holder means the registered holder of an Option issued pursuant to this Plan.

Invitation means an invitation to apply for the issue of Options pursuant to this Plan.

Listing Rules means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Official List means the official list of entities that ASX has admitted and not removed.

Option means an option to subscribe for a Share.

Participant means an Employee, a Contractor or a Director.

Schedule means the schedule to this Plan.

Share means an ordinary share in the capital of the Company.

1.2 Interpretation

In this Plan:

(a) headings are for convenience only and do not affect interpretation;

and unless the context indicates a contrary intention:

(b) a reference to this Plan or to any other agreement, deed or document, includes respectively, this Plan or that other agreement, deed or document as amended, novated, supplemented, varied or replaced from time to time;

(c) words importing the singular include the plural (and vice versa), words denoting a given sex include the other sex, and words denoting individuals include corporations (and vice versa);

(d) references to currency are references to the legal currency of Australia;

(e) references to any legislation, or to any section or provision of any legislation, includes any statutory modification or re-enactment or any statutory provision substituted for it, and any ordinances, by-laws, regulations and other statutory instruments issued under such legislation;

(f) references to parties, rules or schedules are references to parties, rules or schedules to, or of, this Plan and a reference to this Plan includes any schedule;

(g) a reference in a schedule to a paragraph is a reference to a paragraph of that schedule;

(h) if any day appointed or specified by this Plan for the payment of any money or doing of any thing falls on a day which is not a Business Day, the day so appointed or specified shall be deemed to be the next Business Day;

(i) references to payments to any party shall be construed to include payments to another person upon the direction of such party; and

(j) all payments to be made under this Plan must be made by unendorsed bank cheque or other immediately available funds and in Australian currency.

2. INVITATIONS AND ELIGIBILITY

Subject to the Corporations Act and the Listing Rules, the Directors may, in their absolute discretion at any time, issue an Invitation (in such form as the Directors may determine from time to time) to a Participant upon and subject to the terms and conditions of this Plan.

3. APPLICATIONS

(a) Upon receipt of an Invitation, a Participant may apply for the issue of Options (up to the number specified in the Invitation) by completing the application form accompanying the Invitation (in such form as the Directors may determine from time to time) **(Application)** and sending it to the address or facsimile number specified in the Invitation.

(b) The Application must be received by the Company within the acceptance period specified in the Invitation **(Acceptance Period)**.

4. TERMS OF OPTIONS

(a) Subject to the Corporations Act and the Listing Rules, the Directors may, in their absolute discretion, determine the terms of Options issued pursuant to this Plan.

(b) In the event the Directors elect not to exercise their discretion pursuant to Rule 4(a) or otherwise fail to do so, then subject to the Corporations Act and the Listing Rules, the terms specified in the Schedule shall apply in respect of each Option issued pursuant to this Plan PROVIDED THAT the Directors must specify the exercise price and the expiry date in respect of each Option prior to the date of issue.

5. ACCEPTANCE AND ISSUE

(a) The Directors may, in their absolute discretion, reject any Application.

(b) Upon acceptance of an Application, the Company shall issue the relevant number of Options to the Participant within 10 Business Days of the expiration of the relevant Acceptance Period.

6. LIMITATIONS

The Directors must not issue an Invitation if the aggregate of the Shares that:

(a) would be issued pursuant to the exercise of all Options the subject of the proposed Invitation; and

(b) have been issued pursuant to all employee share schemes established by the Company during the previous 5 years,

exceeds 5% of the total number of issued Shares as at the date the proposed Invitation is considered.

7. POWERS OF DIRECTORS

Subject to the Corporations Act, the Listing Rules and this Plan, the Directors shall have the power to:

(a) determine appropriate procedures for administration of this Plan from time to time;

(b) resolve conclusively all questions of fact or interpretation arising in relation to, or in connection with, this Plan;

(c) amend or modify this Plan from time to time; and

(d) delegate to any one or more persons for such period and on such conditions as they may determine from time to time, the exercise of any of the Directors' powers or discretions arising under this Plan.

8. RIGHTS OF PARTICIPANTS

Unless otherwise expressly included in a contract of employment, this Plan shall not form part of any contract of employment between the Company (or any Associate) and any

Participant and shall not confer, either directly or indirectly on any Participant, any legal or equitable right whatsoever against the Company (or any Associate).

9. TERMINATION

(a) Subject to Rule 9(b), this Plan may be terminated by the Directors at any time.

(b) The termination of this Plan pursuant to Rule 9(a) shall not affect the rights of Holders in respect of Options issued prior to the date of termination.

10. GOVERNING LAW

This Plan is governed by, and shall be construed in accordance with, the laws of the State of Western Australia.

SCHEDULE

Standard Option Terms

Subject to the Directors specifying the exercise price and the expiry date in respect of each Option prior to the date of issue, the following terms shall apply in respect of each Option issued pursuant to Rule 4(b).

1. Each Option carries the right to subscribe for one Share.

2. During the 2 year period commencing from the date of issue of Options issued pursuant to an Application (**Qualifying Period**), a Holder may only exercise the percentage of Options issued (**Exercisable Interest**) as set out below:

Period of continuous employment or directorship since date of issue of Options	Exercisable Interest (%)
Less than 6 months	0
From 6 months to 1 year	25
From 1 year to 18 months	50
From 18 months to 2 years	75
More than 2 years	100

If a Holder is the nominee of a Participant, the Exercisable Interest shall be determined by reference to the period of continuous employment or directorship of the Participant during the Qualifying Period.

3. If a Holder ceases to be a Participant during the Qualifying Period for any reason (other than death or disability), the Holder must exercise the Exercisable Interest within 3 months from the date the Holder ceases to be a Participant otherwise the Options will expire and cease to carry any rights or benefits. If a Holder is the nominee of a Participant, the Holder may only exercise the Exercisable Interest within 3 months from the date the Participant ceases to be a Participant.

4. Options may be exercised by a Holder delivering to the Company's registered office a notice (in a form prescribed by the Company from time to time) stating the number of Options to be exercised (**Notice**) together with the relevant Option certificate(s) and a cheque made payable to the Company for an amount equal to the exercise price for each Option being exercised.

5. Within 5 Business Days of receipt of a properly executed Notice and all application monies in respect of the Options being exercised, the Company shall issue the relevant Shares and deliver notification of shareholdings to the relevant Holder.

6. The Company shall, within 7 days of the date of issue, make application to ASX for quotation of Shares issued pursuant to an exercise of Options.

7. Shares issued pursuant to an exercise of Options shall, from the date of issue, rank pari passu with all other Shares on issue.

8. Options shall not be transferred or assigned by a Holder except with the prior written consent of the Directors.

9. Options shall not be quoted on ASX.

10. Subject to any right a Holder may have as a holder of Shares, Holders may only participate in new issues of securities to holders of Shares if Options have been exercised and the relevant Shares issued prior to the record date for determining entitlements to the issue. The Company shall give notice to Holders (as required under the Listing Rules) of any new issues of securities prior to the record date for determining entitlements to the issue.

11. If there is a bonus issue to holders of Shares (**Bonus Issue**), the number of Shares over which an Option is exercisable shall be increased by the number of Shares which a Holder would have received if the Option had been exercised prior to the record date for determining entitlements to the Bonus Issue (**Bonus Shares**). The Bonus Shares shall be paid up out of the profits or reserves of the Company in the same manner as is applied in the Bonus Issue and shall, from the date of issue, rank pari passu with all other Shares on issue.

12. If there is a pro rata issue (other than a Bonus Issue) to holders of Shares during the currency of, and prior to the exercise of, any Options, the exercise price of the Options shall be adjusted in the manner provided by the Listing Rules.

13. If, prior to the expiration of any Options, there is a reorganisation of the issued capital of the Company (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital), the rights of Holders shall be changed to the extent necessary to comply with the Listing Rules.