



AUSTRALIAN **BAUXITE** LIMITED
ASX:ABZ

18 December 2009

Company Announcement Office
Australian Securities Exchange Limited

Employee Share Plan

Following is a copy of the full terms and conditions of the 3 million Success Options issued to consultants and advisors.

For further information please contact

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AUSTRALIAN **BAUXITE** LIMITED
ACN 139 494 885

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Share Option Deed Australian Bauxite Limited

Australian Bauxite Limited

The person named in Item 1 of Schedule 1

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Australian Bauxite Limited ACN 139 494 885 Share Option Deed

Parties

- 1 **Australian Bauxite Limited ACN 139 494 885**
(ABx)
- 2 **The person named in Item 1 of Schedule 1**
(Grantee)

Introduction

- A. The Grantee has provided services to ABx in relation to the IPO.
- B. ABx has agreed to issue the Options upon the successful listing of ABx on the ASX on the terms and conditions set out in this deed.

Operative clauses

1. Definitions

In this deed:

ASX means ASX Limited ACN 008 624 691;

Bonus Issue has the same meaning as ascribed to the expression "bonus issue" in the Listing Rules;

Business Day means any day except a Saturday or a Sunday or other public holiday in any State or Territory of Australia;

Exercise Commencement Date means the date the ASX issues a letter of approval to admit ABx to the Official List of the ASX;

Exercise Notice means a notice by the Holder to ABx whereby the Holder wishes to exercise the Option being a notice in the form in Schedule 2 duly completed and signed;

Exercise Price means \$0.30 per Option;

Expiry Period means the period commencing on the Exercise Commencement Date and expiring on the day which is the third anniversary of the Exercise Commencement Date;

Grantee means the Grantee and the Grantee's permitted assigns;

GST has the same meaning as the expression "GST" in the GST Act;

GST Act means the *A New Tax System (Goods and Services Tax) Act, 1999*;

Holder means the holder of an Option;

IPO means the Initial Public Offering by ABx of 20,000,000 Shares at an issue price of \$0.20 per share to raise \$4,000,000 pursuant to the prospectus lodged with ASIC on or about 19 October 2009;

Listing Rules means the listing rules of the ASX;

Option means an Option which entitles the Holder to acquire one Share in ABx by exercising the Option on or before the last day of the Expiry Period and by paying the sum of \$0.30 per Share;

Option Certificate means a certificate of holding of an Option issued by or on behalf of ABx;

Pro Rata Issue has the same meaning as the expression "pro rata issue" has in the Listing Rules;

Register means the register of option holders maintained by or for and on behalf of ABx;

Share means a fully paid ordinary share in ABx;

Supply has the same meaning as the expression "supply" in the GST Act;

Taxable Supply has the same meaning as the expression "taxable supply" in the GST Act;

Tax Invoice has the same meaning as the expression "tax invoice" in the GST Act.

2. Interpretation

In this deed, unless the context otherwise requires:

- (a) the Introduction is correct;
- (b) headings do not affect interpretation;
- (c) singular includes plural and plural includes singular;
- (d) words of one gender include any gender;
- (e) reference to legislation includes any amendment to it, any legislation substituted for it, and any subordinate legislation made under it;
- (f) reference to a person includes a corporation, joint venture, association, government body, firm and any other entity;
- (g) reference to a party includes that party's personal representatives, successors and permitted assigns;
- (h) reference to a thing (including a right) includes a part of that thing;
- (i) reference to two or more persons means each of them individually and any two or more of them jointly;

- (j) if a party comprises two or more persons:
 - (1) reference to a party means each of the persons individually and any two or more of them jointly;
 - (2) a promise by that party binds each of them individually and all of them jointly;
 - (3) a right given to that party is given to each of them individually;
 - (4) a representation, warranty or undertaking by that party is made by each of them individually;
 - (k) a provision must not be construed against a party only because that party prepared it;
 - (l) a provision must be read down to the extent necessary to be valid. If it cannot be read down to that extent, it must be severed;
 - (m) if a thing is to be done on a day which is not a Business Day, it must be done on the Business Day before that day;
 - (n) another grammatical form of a defined expression has a corresponding meaning;
 - (o) an expression defined in the Corporations Act 2001 has the meaning given by that Act at the date of this deed.
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3. Grant of the Options

3.1 Grant

ABx grants and issues to the Grantee the number of Options stated in Item 2 of Schedule 1.

3.2 Consideration

The Options are issued by ABx in consideration of services provided to ABx in relation to the IPO.

3.3 Option Certificates

ABx must issue to the Grantee an Option Certificate with respect to the Options.

3.4 Registration

ABx must register the Grantee as the holder of the Options in the Register.

4. Exercise of the Options

4.1 Method

The Holder must exercise the Options during the Exercise Period by completing and lodging with ABx an Exercise Notice duly executed by the Holder.

4.2 Specific Restrictions on Exercise

The Holder may not exercise less than 10,000 Options at any one time unless the Holder has less than 10,000 Options in which event the Holder must exercise all the Options together.

4.3 Allotment of Shares

ABx must after an Exercise Notice is received in accordance with this clause 4 allot the number of Shares referred to in the Exercise Notice to the Holder in accordance with the Listing Rules.

4.4 Cancellation or endorsement of Option Certificate

Upon the allotment of Shares in accordance with clause 4.3, ABx must in respect of the Option Certificate lodged with ABx for the purposes of an exercise of Options:

- (a) if the outstanding Options have been exercised, cancel the Option Certificate; or,
- (b) if part only of the outstanding Options have been exercised, endorse the Option Certificate with the number of Options that have been exercised and the number of outstanding Options and return the same to the Holder.

5. Issues and Reorganisations

5.1 New Issues

The Holder is not entitled by reason only of being a holder of Options to participate in any Bonus Issue, Pro Rata Issue or any other issue of rights to subscribe for additional Shares or any other securities to be issued by ABx.

5.2 Adjustments

- (a) If ABx makes a Pro Rata Issue, the Exercise Price will be reduced according to the formula in Listing Rule 6.22.2.
- (b) If ABx makes a Bonus Issue, the number of Shares over which an Option is exercisable will be increased in accordance with Listing Rule 6.22.3 by the number of Shares which the Holder would have received if the Option had been exercised immediately prior to the date on which the entitlements are ascertained for the holders of Shares to participate in the Bonus Issue.

5.3 Reorganisation of Capital

- (a) If an Option has not been exercised and ABx reorganises its issued capital including without limitation:
 - (1) a consolidation of capital;
 - (2) a subdivision of capital
 - (3) a return of capital;
 - (4) a reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled;

- (5) a pro rata cancellation or capital,

the number or the Exercise Price of the Options or both to which the Holder is entitled will be adjusted in accordance with Listing Rule 7.22.

- (b) This clause 5.3 is subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reorganisation of capital.
- (c) Any other rights of the Holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of reorganisation but in all other respects the terms for the exercise of the Options shall remain unchanged.

5.4 ASX Listing Rules

- (a) This clause 5 is to be read subject to the requirements of the Listing Rules.
- (b) In the event of any inconsistency between the provisions of this clause 5 and the provisions of the Listing Rules, the provisions of the Listing Rules must prevail.

6. Shares

6.1 Restricted Securities

- (a) Shares issued pursuant to the exercise of an Option may at the sole discretion of the ASX be considered Restricted Securities (as defined from time to time in the Listing Rules).
- (b) Restricted Securities may not be dealt with for a specified time (the escrow period) as determined by the ASX.
- (c) If required by the ASX:
- (1) the Grantee must enter into a restriction agreement with ABx in respect of Shares issued pursuant to the exercise of an Option in the form provided for in Appendix 9A of the Listing Rules; and,
 - (2) the Grantee must give the Option certificates to a bank or trustee recognised by the ASX to hold in escrow.

6.2 Rights attaching to Shares

Shares issued pursuant to the exercise of an Option rank *pari passu* in all respect with all other issued Shares of ABx.

6.3 Listing of Shares

Other than as provided in clause 6.1, if the Shares are listed on the ASX at the time of the exercise of the Options, then ABx must use its best endeavours to have the Shares issued pursuant to the exercise of an Option listed on the ASX within 7 days of the date of exercise of the Option.

6.4 Interest in Shares

A Holder has no interest in the Shares the subject of the Holder's Options until those Options are exercised in accordance with this Deed and the Shares allotted to the Holder pursuant to the exercise.

7. Duty

The Grantee must pay all stamp duty with respect to this Deed and/or the exercise of an Option.

8. Application of Listing Rules

- (a) Notwithstanding anything contained in this Deed, if the Listing Rules prohibit an act being done, the act must not be done.
 - (b) Nothing contained in this Deed prevents an act being done that the Listing Rules required to be done.
 - (c) If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done as the case may be.
 - (d) If the Listing Rules require this Deed not to contain a provision and it contains such a provision, this Deed is deemed not to contain that provision.
 - (e) If any provision of this Deed is or become inconsistent with the Listing Rules, this Deed is deemed not to contain that provision to the extent of any inconsistency.
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9. GST

9.1 GST exclusive amounts

The parties acknowledge and agree that all amounts of money payable by a party to another party except where otherwise expressly stated are exclusive of GST.

9.2 Additional Amount for GST

The parties agree that:

- (a) if a Supply under this Deed by a party (**Payee**) to the other party (**Payer**) is a Taxable Supply then the Payer must pay to the Payee an additional amount (**Additional Amount**) determined by multiplying the consideration in respect of that Supply by the prevailing GST rate;
- (b) the Payer shall pay each Additional Amount at the same time as consideration for the Supply referable to it or upon demand by the Payee (whichever is the earliest); and,
- (c) each Additional Amount shall not be refundable in any circumstances.

9.3 Tax Invoice

Following payment by the Payer under clause 9.2(b) the Payee shall promptly issue to the Payer a Tax Invoice.

10. Amendment

This deed may only be amended in writing signed by the parties.

11. Entire agreement

- (a) This document records the entire agreement between the parties about its subject matter.
 - (b) The parties exclude all terms implied by law, where possible.
 - (c) Neither party has given any warranty or made any representation to the other party about the subject matter of this deed, other than those warranties and representations appearing in this document.
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12. Counterparts

- (a) This deed may be executed in any number of counterparts. A counterpart may be a facsimile.
 - (b) Together all counterparts make up one document.
 - (c) If this deed is executed in counterparts, it takes effect when each party has received the counterpart executed by each other party, or would be deemed to have received it if a notice.
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13. Notice

13.1 Written

Notice must be in writing and in English, and may be given by an authorised representative of the sender.

13.2 Service

Notice may be given to a person:

- (a) personally;
- (b) by leaving it at the person's address last notified;
- (c) by sending it by pre paid mail to the person's address last notified;
- (d) by sending it by facsimile to the person's facsimile number last notified and then confirming it by pre paid mail to the person's address last notified.

13.3 Deemed Service

Notice is deemed to be received by a person:

- (a) when left at the person's address;

- (b) if sent by pre paid mail, three Business Days after posting;
- (c) if sent by facsimile and confirmed by pre paid mail, at the time and on the day shown in the sender's transmission report, if it shows that the whole notice was sent to the person's facsimile number last notified.

However, if the notice is deemed to be received on a day which is not a Business Day or after 5pm, it is deemed to be received at 9am on the next Business Day.

13.4 Service on 2 or more persons

If two or more people comprise a party, notice to one is effective notice to all.

14. Governing law

- (a) This deed is governed by the law of New South Wales
- (b) The parties irrevocably submit to the exclusive jurisdiction of the courts of New South Wales and the division of the Federal Court of Australia in that jurisdiction, and the courts of appeal from them.
- (c) No party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or that it does not have jurisdiction.

Schedule 1 – References

Item 1: Grantee:

Item 2: No. of Options

Schedule 2 – Option Exercise Notice

To: Australian Bauxite Limited
Level 2, 131 Macquarie Street
SYDNEY NSW 2000

I (*insert name*) of (*insert address*) wish to exercise the following number of Options held by me to acquire the relevant number of Shares applicable to those Options.

No. of Options Exercised:

I enclose the following:

- a cheque made payable to Australian Bauxite Limited in the sum of \$(*insert Exercise Price*) being the Exercise Price for the Options; or
- confirmation of telegraphic transfer in immediately available funds into the following bank account or such other bank account stipulated by Australian Bauxite Limited of funds in the sum of \$(*insert Exercise Price*) being the Exercise Price for the Options;
- the Option Certificates.

Dated:

.....
Signature of Holder

.....
Name of Holder

Execution

Executed as a deed on 17 December 2009

Executed by Australian Bauxite Limited
ACN 139 494 885 in accordance with section 127
of the *Corporations Act, 2001*

Director (signature)

PETER MEERS
PLEASE PRINT NAME

Company Secretary (signature)

HENRY KINSTLINGER
PLEASE PRINT NAME

Executed by the Grantee in accordance with
section 127 of the *Corporations Act, 2001*

Director (signature)

PLEASE PRINT NAME

Company Secretary (signature)

PLEASE PRINT NAME

Signed by:

PLEASE PRINT NAME

in the presence of:

Witness

Grantee (signature)

Name (please print)