

HILL END GOLD LIMITED
A.C.N. 072 692 365

Employee Share Option Plan

Plan Rules
June 2003

EMPLOYEE OPTION PLAN

The Company has established an Employee Option Plan (the Plan). The purpose of the Plan will be to reward employees, directors and consultants. The terms and conditions of the Plan are set out hereunder.

1 Interpretation

Definitions:

The following expressions have these meanings in these Terms and Conditions unless the contrary intention appears:

- (a) "Board" means the Board of Directors of the Company duly constituted in accordance with the Constitution, or a committee of the Directors of the Company duly authorised to act in respect of the Plan;
- (b) "business day" means a day upon which trading banks are open generally for business in Sydney;
- (c) "Company" means Hill End Gold Limited ACN 072 692 365;
- (d) "Constitution" means the Constitution of the Company;
- (e) "Current Market Price" in respect of an Option means the weighted average of the sale prices of a Share on the Exchange over the one week period preceding the date of offer of that Option to an Eligible Person by the Board. If there is no sale during the one week period, the Board in its discretion may take the last price at which an offer was made to buy a Share on the Exchange during that one week period;
- (f) "Director" means a director of the Company or a Related Body Corporate;
- (g) "disability" means physical or mental disability caused through bodily injury, illness, disease, infirmity or accident which the Board after obtaining the advice of a registered medical practitioner considers will render the person concerned unable to perform his duties as an Employee of the Company or Related Body Corporate;
- (h) "Eligible Person" means:
 - (i). a Director, or an Executive Director, or an Officer of the Company;
 - (ii). an Employee;
 - (iii). a person (in this clause called a "close relative") who is the spouse, or is a parent, brother, sister or child of such an Employee;
 - (iv). a body corporate in which such an Employee or a close relative of such an Employee has, or any two or more of such an Employee and the close relatives of that Employee together have a controlling interest; or
 - (v). a trustee of a trust in which one or more Employees, or one or more close relatives of an Employee has, have or may have, a beneficial interest (whether by exercise of a power of appointment, as a unit Holder, as a discretionary beneficiary, or otherwise);
- (i) "Employee" means an employee of the Company or a Related Body Corporate including an executive director;
- (j) "Exchange" means the Australian Stock Exchange Limited or such other stock exchange upon which Shares are listed for quotation from time to time;

- (k) "General Offer" means a takeover offer or takeover announcement for the Shares within the meaning of the Corporations Act;
- (l) "Act" means the Corporations Act;
- (m) "Listing Rules" means the Official Listing Rules of the Exchange or such other Listing Rules as apply to the Company from time to time;
- (n) "Option" means an Option to subscribe for one Share granted under clause 5;
- (o) "Register" means the share register of the Company;
- (p) "Related Body Corporate" has the meaning as defined in the Corporations Act;
- (q) "Related Person" of an Employee referred to in clause 1 means a person who is an Eligible Person within clauses 1 (h) in respect of that Employee;
- (r) "Plan" means the Hill End Gold Limited Employee Option Plan constituted by these Terms and Conditions;
- (s) "Share" means an ordinary share in the capital of the Company and any other share which results from a subdivision or consolidation of ordinary shares in the capital of the Company;
- (t) "Trading day" means a trading day of the Exchange.

2 General

In these Terms and Conditions, unless the contrary intention appears:

- (a) a reference to these Terms and Conditions, the Constitution, the Listing Rules or any other instrument includes any variation or replacement of any of them;
- (b) the singular includes the plural and vice versa;
- (c) the word person includes a firm, a body corporate, an unincorporated association or an authority;
- (d) a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns.

3 Headings

Headings are inserted for convenience and do not affect the interpretation of these Terms and Conditions.

4 Total Number of Options Under the Plan

- (a) The total number of Options which can be issued to Eligible Persons under the Plan is such number of Options which equals 15% of the issued Shares, and accordingly the Company shall not issue Options to Eligible Persons if immediately thereafter the total number of unissued Shares to which the Options relate (and other shares subject to the Plan in terms of clause 1) would exceed 15% of the total issued Shares at the time immediately before the issue of the Options. For the purposes of determining the total number of Shares on issue at a particular time, all the issued Options are deemed to have been exercised and Shares allotted.
- (b) For the purposes of this clause 4 an Option shall be considered to be subject to the Plan until such time as the Option has been exercised and the Share allotted. Where the Company declares a bonus issue of Shares and Options participate in the bonus issue in accordance with clause 10(c), then those bonus shares shall also be deemed to be subject to the Plan.

5 Offer and Acceptance

- (a) The Board may offer to issue Options to subscribe for Shares to an Eligible Person at any time it may determine. The Options are to be for a term not exceeding 5 years from the date of issue.
- (b) In determining the number of Options to be issued to Eligible Persons, the Board shall ensure that the number of Options held by Eligible Persons will not, when aggregated with the Options to be offered, exceed the maximum number of Options which can be issued under the Plan in accordance with clause 4.
- (c) The issue price of each Share the subject of an Option shall be determined by the Board at the date of offer of the Option but shall be at least equal to the Current Market Price and at the discretion of the Board at the date of offer of the Option may be set above the Current Market Price. At the Board's discretion, an Option may also be offered on terms such that only 1 cent of the issue price is payable on exercise of the Options.
- (d) The terms of issue of the Options may provide that an Option will not be able to be exercised for a period following the date of issue of the Option. The Board in its discretion may also impose other special conditions applying upon issue of the Options.
- (e) The Eligible Person to whom an offer of Options is made may accept the offer within ten business days of the date the offer bears. Acceptances shall not be valid and shall be deemed not to have been made until actually received by the Company. Each offer may be accepted in whole or in part whereupon the offer in respect of those Options not accepted by the Eligible Person shall lapse. Acceptance of offers shall be in writing in the form from time to time prescribed by the Board or otherwise accepted by the Board. A certificate for the Options will be issued to the Holder of the Options within 7 days of the acceptance of the offer of Options.

6 Exercise of Options

- (a) The provisions of clauses 6 and 7 apply generally to Options, subject to any special conditions of issue determined by the Board and applied to an Option on its issue.
- (b) Upon the expiration of any non-exercise period applying to the Option as part of the terms of issue and the payment in cash of the exercise price, the Option Holder shall be entitled to be issued one fully paid Share, or one partly paid Share paid to 1 cent in accordance with the terms of issue. The exercise price for an Option will either be the full issue price of the Share subject to the Option or if in accordance with clause 5(c) the Options were issued on the basis that 1 cent of the issue price is payable upon exercise - 1 cent.
- (c) If a cheque for the payment on exercise of the Option is not duly met upon presentation for payment the Option shall be deemed not to have been exercised.
- (d) Subject to clauses 6(e) and 6(f), an Option may not be exercised if at the time it is sought to be exercised:
 - (i) the Holder of the Option is not an Eligible Person;
 - (ii) the Holder of the Option, in the opinion of the Board, has failed to comply in a material respect with these Terms and Conditions; or
 - (iii) the Holder of the Option is an insolvent under administration as defined in the Corporations Act.

- (e) In case of the death, disability or retirement (ie, ceasing full-time employment) of an Employee, there shall be a period of one year from the time of death, disability or retirement (ie, ceasing full-time employment) of the Employee during which the Options held by the Eligible Person or Employee (or in the case of death, his or her legal personal representative), or the Related Person of the Employee, as the case may be, may be exercised and this right of exercise applies notwithstanding that any non-exercise period has not expired.
- (f) Subject to clause 6(e), upon the Holder of an Option ceasing to be an Eligible Person (except where the Employee is dismissed for misconduct or serious breach of their terms of employment and the Board determines this clause should not apply) the Options may be exercised notwithstanding the Holder ceasing to be an Eligible Person and the Options are exercised within 90 days after the Eligible Person so ceases to be an Eligible Person provided that any non-exercise period has expired or will expire within the 90 days.
- (g) The Holder of an Option may only exercise it by giving notice to the Company on a business day that is not a business day on which the Register is closed for the determination of dividends or other entitlements.
- (h) Subject to clauses 6(d) and 6(e) in respect of each issue of Options the Holder may exercise the Options at the times specified in the offer of Options made in accordance with clause 6(a) or where no time is specified at any time after the date of issue before expiry of the Option.
- (i) Subject to these Terms and Conditions, the Holders of Options may exercise the Options by completing and signing the form of notice to exercise Option set out on the Option Certificate and lodging the form and Option certificate with the Company Secretary together with payment of the exercise price.
- (j) Options may be exercised in multiples of 1,000.
- (k) The balance of the issue price for any partly paid Share issued upon the exercise of an Option may be paid at any time after exercise and shall be paid by the later of:
 - (i) subject to clauses (ii) and (iii) below, the expiration of 6 months after the Holder of the Share ceases to be an Eligible Person;
 - (ii) in the case of death, disability or retirement (i.e. ceasing full time employment) 12 months after the Holder of the shares ceases to be an Eligible Person;
 - (iii) such longer period that the Board may determine,
 provided that in all circumstances the balance of the issue price must be paid-up within 5 years of the Option expiry date.

7 General Conditions

- (a) Options will not be listed for quotation on any stock exchange.
- (b) A Holder of an Option shall not sell, transfer, mortgage, pledge or otherwise encumber the Option.
- (c) Notwithstanding anything herein contained, Options shall lapse at the expiration of 5 years from the date of issue.

8 Shares Arising on Exercise of Options

- (a) The Share issued upon the exercise of an Option shall be allotted within twenty business days after the exercise date of the Option and a share certificate, or in the case of uncertificated shares a holding statement, despatched within 10 business

days after the date of allotment in accordance with, or within such other period as is required, under the Listing Rules.

- (b) Fully paid Shares issued upon the exercise of Options shall rank pari passu in all respects with Shares which are listed for quotation on the Exchange. Partly paid Shares issued upon the exercise of Options shall not be sold, transferred, mortgaged, pledged or otherwise encumbered until they are paid up in full.
- (c) The Directors shall make application within 10 (ten) days after the date upon which Shares become fully paid for quotation of those Shares on the Exchange.
- (d) The partly paid Shares shall have the rights as provided for in the Company's Constitution.

9 Certificate and Registers

- (a) The Company shall cause to be issued to Holders of Options a CHESSE statement or a certificate in such form as is determined by the Board from time to time. The Holder shall be entitled to one statement or certificate for the whole of his holding of Options or to a number of statements or certificates in reasonable denominations.
- (b) The Company shall establish and keep at its registered office a register or registers of Option Holders. All such registers shall be maintained in accordance with statutory requirements and the Listing Rules.

10 Capital Changes

- (a) An Option Holder shall be entitled to be allotted one share for each Option exercised.
- (b) An Option Holder may only participate in new issues of shares to Holders of ordinary Shares if the Option has been exercised, if that is permitted by its terms, and the shares are allotted in respect of the Option before the record date for determining entitlements to the issue in accordance with the Listing Rules of the Exchange.
- (c) Bonus Issue. If the Company makes a bonus issue of shares or other securities pro rata to Holders of ordinary shares (other than an issue in lieu of dividends or by way of dividend reinvestment) and no shares have been allotted in respect of an Option before the record date for determining entitlements to the bonus issue then that Option, if exercised, will entitle the Holder to receive the bonus issue in respect of the shares resulting from exercise of the Option as if the Option had been exercised and the shares allotted before the record date.
- (d) Rights Issue. If the Company makes an offer of ordinary shares pro rata to Holders of ordinary shares (other than an issue in lieu of dividends or by way of dividend reinvestment or bonus issue) for a subscription price which is less than the market price and no shares have been allotted in respect of an Option before the record date for determining entitlements to the rights issue then the exercise price of that Option will be reduced in accordance with Listing Rule 6.22 as amended from time to time.
- (e) Aggregation. If Options are exercised simultaneously then the Holder may aggregate the number of shares or fractions of shares or other securities to which the Holder is entitled to subscribe under those Options. Fractions in the aggregate number only will be disregarded in determining the total entitlement to subscribe.
- (f) Reconstruction of Capital. If between the date of issue and the date of exercise of an Option there occurs a subdivision or consolidation of the Shares, the Options shall be adjusted in accordance with Listing Rule 7.22.

- (g) In the event of any reorganisation of the issued capital of the Company, the number of Shares to which each Option Holder is entitled under the Option or the exercise price of the Option or both shall be reorganised as approved by the Exchange or in accordance with the Listing Rules in force at the time of the reorganisation of capital.
- (h) Notice to Option Holders. The Company must give notice to Option Holders of any adjustment to the number of shares which the Holder is entitled to subscribe for or exercise of an Option or the exercise price per share in accordance with the Listing Rules of the Exchange.

11 Takeovers

If prior to the exercise of any Option a General Offer is made to Holders of Shares, within 10 business days of the Company becoming aware of the General Offer the Company shall forward a notice notifying each Option Holder of the General Offer and from the date of such notification each Option Holder shall have the right to exercise the Options (notwithstanding that any non-exercise period has not expired) during the period the General Offer is capable of acceptance by the offeree shareholders, provided all the other provisions of these Terms and Conditions shall remain applicable except where inconsistent with the right of exercise. If the Options are not exercised within the period of 60 days of the date of notification of the General Offer, the Options may be exercised at any other time according to their terms of issue.

12 Terms and Conditions Binding

By accepting an offer of Options the acceptor agrees to be bound by these Terms and Conditions.

13 Committee of Directors

The Board may act for the purposes of the Plan by a committee of the Board appointed for that purpose.

14 Amendments of Terms and Conditions

(a) Subject to clause (b), these Terms and Conditions may be amended from time to time by a resolution of the Board but no amendment may be made which prejudices the rights then accrued to an Option Holder without the prior consent of the Option Holder, or in the case of the following alterations, without the sanction of a special resolution of members of the Company:

- (i). extending the class of persons who may participate in the Plan;
- (ii). varying the method by which the price payable for Shares is calculated; or
- (iii). varying the method by which the issue price or exercise price of Options is calculated.

(b) Where the Listing Rules require that a provision of these Terms and Conditions may be amended only following approval of the amendment by a resolution of the members of the Company passed at a general meeting as an ordinary or special resolution, the amendment will have no effect until such a resolution is passed or a waiver is obtained from the Exchange.

15 Taxation

None of the Company, any advisers to the Company or the Board shall be liable for any taxes, imposts or duties assessed against or imposed upon a person participating in the Plan and none of them represent or warrant that any person will gain any taxation advantage by participating in the Plan.

16 Jurisdiction

These Terms and Conditions are governed by and shall be construed in accordance with the laws of New South Wales and each person bound by these Terms and conditions submits to the jurisdiction of the Courts of New South Wales.

**EMPLOYEE OPTION CERTIFICATE
HILL END GOLD LIMITED**

ACN 072 692 365

INCORPORATED IN QUEENSLAND

APPLICATION OF SHARES UPON EXERCISE OF EMPLOYEE OPTIONS

I/We, Mr/ Mrs/ Miss/ Ms _____
First Name/Company Name Surname/ACN

Address _____

Postcode _____

Contact Telephone Number _____

The registered holders(s) of the Employee Options hereby exercise my/our Option : _____
In figures In words

Ordinary Fully Paid Shares and enclose application money of _____ cents per share \$ _____
(amount payable on exercise)

I/We whose full name(s) and address(es) appear above apply for the number of Shares shown above. I/We agree to by the Constitution of the Company.

Security holder Reference Number (S.R.N) _____ Complete this only if you are Issuer Sponsored.

Holder Identification Number (H.I.N) _____ Complete this only if you are CHESSE Sponsored.

Signature Of Share Holders(s) (All joint holders must sign)	Companies Only - Executed in accordance with the Company's Constitution and the Corporations Law.
Signature _____ Date _____	Sole Director and Sole Secretary _____ Date _____
Signature _____ Date _____	Director _____ Date _____ Secretary _____ Date _____
Signature _____ Date _____	Director _____ Date _____ Secretary _____ Date _____

NOTE: If signed under a Power of Attorney, a Certified Copy of the relevant Power of Attorney document must be exhibited to the Registry. The Attorney declares the he/ she has had no notice of revocation of the Power of Attorney.

Terms and Conditions of Options

The Options will entitle the holders to subscribe for Shares on the following terms:

1. The Expiry Date of the Employee Options is 31 August 2006.
2. The options are exercisable at any time on or prior to 5.00 p.m. (Eastern Standard Time) on the Expiry Date by completing the option exercise form (above) and delivering it together with the payment for the number of shares in respect of which the options are exercised to the Registered Office of the Company. If the above date falls on a weekend or a Public holiday, then the Expiry Date will be deemed to be the next business day after that date.
3. Upon the expiration of any non-exercise period applying to the Option as part of the terms of issue and the payment in cash of the exercise price, the Option Holder shall be entitled to be issued one fully paid Share, or one partly paid Share paid to 1 cent in accordance with the terms of this issue. The exercise price for an Option will either be the full issue price of the Share subject to the Option (20 cents) or on the basis that 1 cent of the issue price is payable upon exercise - 1 cent.
4. Fully paid Shares issued upon the exercise of Options shall rank pari passu in all respects with Shares which are listed for quotation on the Exchange. Partly paid Shares issued upon the exercise of Options shall not be sold, transferred, mortgaged, pledged or otherwise encumbered until they are paid up in full.
5. An option does not confer the right to a change in exercise price or a change in the number of underlying shares over which the Options can be exercised;
6. Subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options will not be listed for quotation on any stock exchange. A Holder of an Option shall not sell, transfer, mortgage, pledge or otherwise encumber the Option.
7. Options do not confer any rights to a change in exercise price or a change to the number of underlying securities over which it can be exercised in the event of a bonus or other pro rata issue of securities.
8. There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will for the purposes of determined entitlements to any such issue, the record date will be at least 10 business Days after the issue is announced. This will give the Option holder the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue;
9. In the event of any reorganisation or reconstruction of the issued capital of the Company on or prior to the expiry of the options, the right of option holders will be changed to the extent necessary to company with the applicable Listing Rules in force at the time of the reorganisation.

Cheques should be made payable to HILL END GOLD LIMITED and crossed "Not Negotiable" and drawn on an Australian Bank and posted to Registeries Limited, PO Box R67, Royal Exchange, SYDNEY, NSW, 2000.

NOTE: OPTIONS NOT EXERCISED BY 30 JUNE 2005 WILL AUTOMATICALLY EXPIRE.

