

# **PACIFIC NIUGINI LIMITED**

**ABN 30 003 207 467**

## **Notice of General Meeting and Explanatory Statement**

General Meeting to be held at Level 18 Riverside Centre, 123 Eagle Street, Brisbane, Queensland on Thursday, 23 June 2011 commencing at 11.00am

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.



# Notice of General Meeting

Notice is given that a General Meeting of Pacific Niugini Limited (ABN 30 003 207 467) (**Company**) will be held at Level 18 Riverside Centre, 123 Eagle Street, Brisbane, Queensland on Thursday, 23 June 2011, commencing at 11.00 a.m.

## BUSINESS

### Resolution 1 – Approval of New Long Term Incentive Plan

To consider and if thought fit pass the following resolution as an ordinary resolution:

"That, pursuant to and in accordance with ASX Listing Rule 7.2, Exception 9(b) and for all other purposes, shareholders approve and authorise the Directors to grant performance rights and issue securities under the Pacific Niugini Limited Long Term Incentive Plan for employees, contractors and directors, the rules of which are set out at Annexure A to the Explanatory Statement accompanying this Notice of General Meeting, as an exception to ASX Listing Rule 7.1."

The Company will disregard any votes cast on this resolution by a Director of the Company and any person associated with those persons.

However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Resolution 2 – Issue of Options and Performance Rights to a related party

To consider and if thought fit pass the following resolution as an ordinary resolution:

"Subject to the passing of resolution 1, that for the purposes of Chapter 2E of the Corporations Act 2001, ASX Listing Rule 10.14 and for all other purposes, the Company be authorised to:

- (a) issue 2,000,000 options to acquire fully paid ordinary shares (**Options**); and
- (b) grant 2,000,000 Performance Rights to acquire fully paid ordinary shares (**Performance Rights**),

to a Director of the Company, being Mr Paul Cmrlec, who is a related party of the Company, upon the terms and conditions described in the Explanatory Statement."

The Company will disregard any votes cast on this resolution by a Director and any associate of a Director.

However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Point at Which Voting Rights are Determined

The regulations of the Corporations Act permit the Company to specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company's Directors have passed a resolution to the effect that all shares of the Company that are quoted on the ASX on 22 June 2011 at 7.00 p.m. shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

## Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion is not specified each proxy is entitled to cast half of the number of votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

## Corporate Representative

In order to vote on behalf of a company that is a shareholder in the Company, a valid Appointment of Corporate Representative form must be either lodged with the Company prior to the General Meeting or be presented at the meeting before registering on the Attendee Register for the General Meeting. An Appointment of Corporate Representative form is enclosed if required.

Dennis Lovell  
Company Secretary  
Pacific Niugini Limited

Dated 23 May 2011

# Explanatory Statement

## Purpose of this Explanatory Statement

This Explanatory Statement has been prepared for the information of shareholders in relation to the business to be conducted at the Company's General Meeting to be held at Level 18, 123 Eagle Street, Brisbane, Queensland on Thursday, 23 June 2011 commencing at 11.00 a.m (**Meeting**).

The purpose of this Explanatory Statement is to provide shareholders with information that is reasonably required by shareholders to decide how to vote upon the resolutions to be considered by the Meeting.

The Directors recommend that shareholders read this Explanatory Statement before determining whether to support the resolutions or otherwise.

Other than as contained in the Notice of General Meeting and Explanatory Statement (**Notice**), the Directors believe that there is no other information known to the Company or the Directors that is reasonably required by shareholders to decide whether or not it is in the Company's best interests to pass any of the resolutions.

## Resolution 1 – Approval of New Long Term Incentive Plan

The Company proposes to adopt the Pacific Niugini Limited Long Term Incentive Plan (**Plan**), pursuant to which the Board can issue securities or Performance Rights (**Performance Rights**) to Eligible Participants (**Eligible Participants**) (as those terms are defined under the Plan) in order to provide them with an incentive to deliver growth and value to all shareholders. Eligible Participants are full time or part time employees or contractors of the Company, or its Related Body Corporate, (or their nominees), including the Directors, who are invited by the Board to participate.

If approved, the Plan will replace the Company's existing Employee Option Plan, with effect from the end of the Meeting, and will govern all offers, acceptances and issues of securities made under the Plan following the date of this Meeting. It will not affect securities which have been issued prior to the date of this Meeting, which will remain governed by the Employee Option Plan adopted by the Company in 2009.

Shareholder approval is sought for the issue of securities for the purposes of Exception 9(b) of ASX Listing Rule 7.2. If approval is given, securities issued under the Plan will be exempt from counting towards the 15% of the issued capital of the Company which may be issued in any 12 month period without requiring shareholder approval in advance under ASX Listing Rule 7.1. Shareholder approval will therefore allow the Company to retain maximum flexibility in relation to use of that 15% capacity.

### Summary of the Plan

The Company has introduced the Plan for the purpose of providing Eligible Participants an opportunity to participate in the future growth and profitability of the Company and thereby provide an additional incentive to work to improve the performance of the Company. An added objective of the Plan is to assist in attracting and retaining personnel essential for the continued growth and development of the Company, promoting and fostering loyalty and support amongst Company personnel for the benefit of the Company and enhancing the relationship between the Company and Eligible Participants for the long term mutual benefit of all parties.

Prior shareholder approval will be required before any Director or related party of a Director can participate in the Plan.

In accordance with the requirements of ASX Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the rules of the Plan is contained in **Annexure A** of this Notice (a summary of the Plan is set out below);
- (b) as at the date of this Notice, no securities have been issued to any party under the Plan (however, 4,840,000 options have been issued since the last approval of the Company's predecessor Employee Option Plan in November 2009. Of these 800,000 options have been exercised, leaving 4,040,000 options currently on issue under the predecessor Employee Option Plan. The details of the unexercised employee options are set out in the table below); and

<b>Number of Employee Options on issue</b>	<b>Exercise price</b>	<b>Expiry Date</b>
1,500,000	\$0.20	26 November 2012
1,440,000	\$0.17	23 February 2013
1,100,000	\$0.47	21 December 2013

- (c) a voting exclusion statement has been included for the purposes of resolution 1.

**Summary of the Pacific Niugini Limited Long Term Incentive Plan Rules:**

- The Plan provides for the issue of rights to acquire shares. These rights are of two broad types, either "Options" or "Performance Rights".
- The objective of the Plan is to reward the efforts of and provide incentives for employees, contractors and Directors of the Company and its related bodies corporate by enabling Eligible Participants to participate in the future growth and profitability of the Company and to attract and retain a high standard of managerial and technical personnel for the benefit of the Company.
- Eligible Participants include Directors, contractors and employees of the Company (or a related body corporate), whether full or part time.
- The Board will determine which Eligible Participants are to be offered Options and/or Performance Rights under the Plan having regard to criteria to be determined by the Board.
- The Board will determine how many Options or Performance Rights are to be offered in each instance and the material terms and conditions of such Options or Performance Rights.
- The number of Options and Performance Rights on issue under the Plan or a previous plan when aggregated with shares issued in the previous 5 years under the Plan or a previous plan will not exceed 5% of the issued shares in the Company (assuming all Options and Performance Rights were exercised). This 5% limit does not apply to offers made outside Australia or made under section 708 of the Corporations Act or made under the disclosure document or made under certain exemptions under previous Corporations laws.

Terms Applicable to Options

- The Expiry Date for an Option will be 2 years after the later of the Issue Date or the Vesting Date (if later) or such other time as the Board may specify in the offer for such Option.

- The Vesting Date for Options is 3 years after the Issue Date or such other date determined by the Board.
- Options may generally only be exercised during the period commencing on the later of the Vesting Date, the last of any Exercise Conditions or other Forfeiture Conditions is satisfied (or waived by the Board) and the Expiry Date.
- The Exercise Price for Options issued under the Plan will be set by the Board at the time the Options are offered.
- Options will be issued for an issue price no more than 1 cent per Option unless the Board determines otherwise.

#### Terms Applicable to Performance Rights

- The Expiry Date for a Performance Right will be 2 years after the Issue Date or the Vesting Date (if later) or such other time as the Board may specify in the offer for such Performance Rights.
- The Vesting Date for Performance Rights will be three years from the date of issue or such other date as the Board may specify in the offer of such Performance Rights.
- Performance Rights will only be exercisable between the Vesting Date (or such later date on which any Vesting Conditions or other Forfeiture Conditions are satisfied or waived by the Company) and the Expiry Date.
- The Exercise Price for a Performance Right will be nil unless the Board otherwise determines prior to the offer of the Performance Right.
- Performance Rights will be issued at an issue price no more than 1 cent per Performance Right unless the Board determines otherwise.

#### Terms Applicable to both Options and Performance Rights

- The Board may impose Forfeiture Conditions which if not satisfied or waived will cause the Options or Performance Rights to be cancelled.
- Options or Performance Rights may become exercisable earlier in the event of certain special circumstances, including change of control, takeovers and other events.
- The Options and Performance Rights will not be listed for quotation on the ASX and will not be transferable except with the consent of the Company.
- The Company will make application for quotation on ASX of shares issued pursuant to exercise of the Options or Performance Rights.
- If an Eligible Participant ceases to be an Eligible Participant during a "Restricted Period" as defined in the Plan as a result of resigning or being removed for cause, then generally the Options or Performance Rights issued to the Eligible Participant will lapse.
- If an Eligible Participant voluntarily resigns after Options have become exercisable, the Board may permit the Options to be exercised within a month of resignation or such longer period as the Board determines.
- Special provision is made for Options and Performance Rights to continue for a period of one year and not lapse in the event of special circumstances such as the death, permanent disability, retirement or redundancy of a Participant.

## Resolution 2: Issue of Options and Performance Rights to a related party

On 21 April 2011 the Company announced that subject to the obtaining of the necessary shareholder approval the Board had approved an issue of 2,000,000 Options and 2,000,000 Performance Rights to Mr Paul Cmrlec, Managing Director of the Company.

### Regulatory Requirements:

#### *Chapter 2E of the Corporations Act*

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting, have been met.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company and former directors of a public company.

A "financial benefit" for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed resolution, if passed, will confer financial benefits on Mr Paul Cmrlec, because he is being issued Options to acquire Shares and being granted Performance Rights to be allotted Shares. Mr Cmrlec is a related party of the Company because he is a Director.

The Company therefore seeks shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason and for all other purposes, the following information is provided to shareholders:

#### **1. The Related Party to whom resolution 2 would permit a financial benefit to be given**

Mr Paul Cmrlec, a Director of the Company.

#### **2. The Nature of the Financial Benefit**

The nature of the proposed financial benefit to be given is:

- (a) the grant of 2,000,000 Options and 2,000,000 Performance Rights as part of his remuneration package;
- (b) the Options vest immediately and the Options will be exercisable into Shares at an exercise price not less than 120% of the Volume Weighted Average Price (**VWAP**) of the Company's fully paid ordinary shares on the ASX over the 20 trading days preceding the day on which the board resolves to issue the Options;
- (c) the Options will expire in three years from the date of issue;
- (d) the issue of shares under the Performance Rights is subject to the performance hurdles set out later in this Explanatory Statement;
- (e) the Performance Rights will expire three years after the date of issue;

- (f) the Options and Performance Rights are granted for no cash consideration. Consequently, no funds will be raised as a result of the grant of the Options and Performance Rights. A total of \$936,000 in additional share capital will be raised by the Company if the Options are exercised in full, based on an assumed exercise price of 120% of the closing share price as at 10 May 2011 of 39 cents; and
- (g) if Shares are issued under the Performance Rights no additional share capital will be raised as those Shares will be allotted free of charge.

The terms and conditions of the Options are set out in the Plan (a copy of the Plan is at Annexure A to this Explanatory Statement). A summary of the Plan terms are set out in the Explanatory Statement to resolution 1.

### **3. Directors' Recommendation**

With respect to resolution 2, with the exception of Mr Paul Cmrlec, each of the Directors of the Company recommends that shareholders vote in favour of this resolution. The reasons for the Directors' recommendation are:

- (a) The grant of the Options and Performance Rights as proposed to Mr Cmrlec will provide reward and incentive for future services provided to the Company to further the progress of the Company; and
- (b) In the Company's circumstances, the Directors consider that the grant of the Options and Performance Rights provides a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g. cash bonuses or increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party or allot the Shares under the Performance Rights to a third party.

As Mr Paul Cmrlec is interested in the outcome of this resolution, he makes no recommendation to shareholders in respect of this resolution.

### **4. Director's Interest and other Remuneration**

Mr Cmrlec has a material personal interest in the outcome of resolution 2, as it is proposed that the Options and Performance Rights will be issued to him as set out in resolution 2.

In addition to the Options and Performance Rights to be issued to Mr Cmrlec pursuant to resolution 2, Mr Cmrlec has been engaged under a contract to provide services as a Managing Director, as previously announced to the market. Berrimil Services Pty Ltd (a company associated with Mr Cmrlec) will receive consulting fees of \$1,600 per day from the Company for providing the services of Mr Cmrlec as Managing Director of the Company.

Excluding the Options and Performance Rights to be issued subject to the passing of resolution 2, Mr Cmrlec (through entities associated with him) holds 408,500 ordinary shares, 200,000 \$0.20 options expiring 30 June 2014 and 1,000,000 \$0.17 options expiring 23 February 2013 in the Company.

If all of the Options and Performance Rights (including the options issued as at the date of this notice of meeting) granted to Mr Cmrlec are subsequently exercised, the following will be the effect on the Company's capital structure:

	<b>Current Share Holding</b>	<b>% of Total Share Capital (239,069,666 Shares on issue)</b>	<b>Shareholding upon exercise</b>	<b>% of Total Share Capital (244,269,666 Shares on issue)</b>
Mr Cmrlec	408,500	0.17%	5,608,500	2.12%

## 5. Valuation

The Options and Performance Rights are not currently quoted on the ASX and as such have no market value. The Options and Performance Rights may acquire future value dependent upon the extent to which the Shares exceed the Exercise Price of the Options during the term of the Options.

As a general proposition, options to subscribe for fully paid ordinary shares in a company and performance rights have value. There are various formulae which can be applied to determining the theoretical value of options and performance rights.

The Board has determined the value of the Options to be issued pursuant to this resolution to be approximately 20.5 cents per Option (\$0.205), representing a total value of approximately \$410,000.

This value has been derived using a Binomial Model Option Pricing Model assuming the following:

- (a) 2,000,000 Options become capable of exercise on the date the Company's Share price on ASX reaches \$0.545 .
- (b) A deemed Share price at the date of issue of \$0.454, being the weighted average closing price of Shares on the ASX over the 20 days commencing 6 April 2011 to 6 May 2011;
- (c) an exercise price of 54.5 cents;
- (d) a risk free rate of 5.04% per annum;
- (e) a volatility factor of 70.86%, which has been determined having regard to the historical trading of Shares on ASX;
- (f) an expiry date of 3 years from the date of issue; and
- (g) all other terms and conditions as outlined in this Explanatory Statement.

The highest, lowest and last sale prices for the Shares on ASX during the 12 months immediately preceding 10 May 2011 and the respective dates of those sale prices were:

Highest: \$0.495 (49.5 cents) per Share on 14 April 2011

Lowest: \$0.125 (12.5 cents) per Share on 25 May 2010

Last: \$0.35 per Share on 12 May 2011 being the last day on which the Shares were traded on ASX before these documents were lodged with the ASIC for the purposes of seeking Chapter 2E approval.

The Board has obtained independent advice to assist in its determination of the value of the Performance Rights to be issued pursuant to this resolution.

Using the Monte Carlo Simulation Value method the following values for the Performance Rights are provided:

<b>Number of Performance Rights and applicable Performance Hurdle</b>	<b>Value of Performance Rights</b>
(a) 500,000 Performance Rights to be allotted 500,000 fully paid ordinary shares - when the Company records its first continuous and commercially viable gold production.	\$168,717

(b) 500,000 Performance Rights to be allotted 500,000 fully paid ordinary shares - when the Company surpasses 50,000 oz of gold production or an equivalent production of another metal/commodity in value.	\$34,264
(c) 500,000 Performance Rights to be allotted 500,000 fully paid ordinary shares - when the Company surpasses 100,000 oz of gold production or equivalent production of another metal/commodity in value.	Nil
(d) 500,000 Performance Rights to be allotted 500,000 fully paid ordinary shares - when the market capitalisation of the Company surpasses AU\$200 million for a minimum period of 20 continuous ASX trading days.	Nil

There is no historical data on the likelihood of the attainment of the performance hurdles stated in paragraphs (c) and (d) above. It is therefore reasonable for the Directors to form the view that those Performance Rights subject to the performance hurdles stated in paragraphs (c) and (d) above, due to the high degree of uncertainty, may not vest. For the purposes of the information required to be disclosed to shareholders under section 219 of the Corporations Act, no value can be attributed to 1,000,000 of the Performance Rights issued.

Model input variables such as share price volatility, market interest rates and the life of the Shares issued pursuant to the Performance Share Plan have no effect on the valuation since no consideration is to be paid by the holder of the Shares upon vesting.

**6. Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors except as follows:

**(a) Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Options and Performance Rights to Mr Cmrlec is the potentially dilutionary impact on the issued share capital of the Company in the event that the Options are exercised and Shares are allotted under the Performance Rights. Until exercised, the issue of the Options and Performance Rights will not impact upon the number of Shares on issue in the Company. To the extent that upon the exercise of the Options and the allotment of Shares under the Performance Rights, the dilutionary impact caused with the issue of Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of an experienced and skilled Managing Director on appropriately incentivised terms.

It is also considered that the potential increase of value in the Options and Performance Rights is dependent upon a concomitant increase in the value of the Company generally.

**(b) Dilutionary Effect**

If all of the Options granted are exercised by Mr Cmrlec, the following will be the dilutionary effect on the current issued capital of the Company:

Shareholders	Current Share Capital		Share Capital upon exercise of Performance Rights and Options	
Current Shareholders	238,661,166	99.83 %	238,661,166	97.70 %

**PACIFIC NIUGINI LIMITED**

Mr Cmrlec and entities associated with Mr Cmrlec	408,500	0.17 %	5,608,500	2.30 %
<b>Total</b>	<b>239,069,666</b>	<b>100%</b>	<b>244,269,666</b>	<b>100%</b>

**Note:**

The Company has on issue a total of 43,075,101 options (this total includes 4,040,000 employee options). For the purposes of this table it is assumed that none of these options have been exercised at the date of this Notice other than the 1,000,000 employee options and the 200,000 other options already held by Mr Cmrlec.

**ASX Listing Rule 10.14**

ASX Listing Rule 10.14 provides, in essence, that the approval of shareholders is required before a Director of a company can acquire securities under an employee incentive scheme. Accordingly, in order for a Director to acquire a beneficial interest in the Performance Rights and any subsequent Shares, the Company must obtain shareholder approval pursuant to ASX Listing Rule 10.14.

ASX Listing Rule 10.15A sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under ASX Listing Rule 10.14. In accordance with ASX Listing Rule 10.15A, the following information is provided to shareholders in relation to resolution 2.

<b>Name of allottee and relationship to the Company:</b>	<b>Allottee</b>	<b>Relationship</b>
	Paul M Cmrlec (or Nominee)	Managing Director
<b>Number of securities to be issued:</b>	<p>2,000,000 Options. Each option entitles the holder to acquire fully paid ordinary shares in the Company.</p> <p>2,000,000 Performance Rights to acquire 2,000,000 fully paid ordinary shares in the Company subject to the performance hurdles stated in Table A below.</p> <p>If all the Performance Rights and Options vest, then Mr Paul Cmrlec (or his nominee) will be entitled to 4,000,000 fully paid ordinary shares in the Company.</p>	
<b>Price at which the Securities are to be issued:</b>  <b>Options</b>  <b>Performance rights</b>	<p>No consideration</p> <p>No consideration</p> <p>No funds will be raised by the grant of the Performance Rights and Options.</p> <p>Upon vesting of the Performance Rights the Shares will be issued and allotted for no consideration.</p>	
<b>Terms of the Securities</b>	The proposed grant of the Options and Performance Rights will be made pursuant to	



# Long Term Incentive Plan Rules

Pacific Niugini Ltd  
ACN 003 207 467

# RULES OF PACIFIC NIUGINI LTD LONG TERM INCENTIVE PLAN

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# Rules of the Pacific Niugini Ltd Long Term Incentive Plan

## 1. Introduction

- 1.1 This document sets out the Rules of the “Pacific Niugini Ltd Long Term Incentive Plan” (**Plan**).
- 1.2 There are legal and tax consequences associated with participation in the Plan. Eligible Participants should ensure that they understand these consequences before accepting an invitation to participate in the Plan.

## 2. Objectives

- 2.1 The objectives of the Plan are to:
- (a) establish a method by which Eligible Participants can participate in the future growth and profitability of Pacific Niugini Ltd ( the Company);
  - (b) provide an incentive and reward for Eligible Participants for their contributions to the Company; and
  - (c) attract and retain a high standard of managerial and technical personnel for the benefit of the Company.

## 3. Definitions and interpretation

### 3.1 Definitions

In these Rules:

**Application** means an application for Options or Performance Rights in such form as the Board may from time to time determine, by which an Offer may be accepted.

**Application Date** means the date on which an Application is lodged with the Company by an Eligible Participant or his or her nominee in accordance with the requirements of these Rules.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the Australian Securities Exchange as the context requires.

**Board** means the board of Directors of the Company from time to time.

**Business Day** has the meaning given to it in the Listing Rules.

**Change of Control Event** means a person, or a group of associated persons, becoming entitled to sufficient Shares to give that person or persons the ability, in general meeting, to replace all or a majority of the Board.

**Class Order** means ASIC Class Order 03/184 or any subsequent class order made or approved by ASIC in substitution of Class Order 03/184.

**Company** means Pacific Niugini Ltd ACN 003 207 467.

**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 person who is a full time or part-time employee or director or officer of the Company or a Related Body Corporate of the Company, other than any such person who has given notice of resignation, or who has been given notice of termination, of his or her employment, or removed from his or her position.

**Exercise Condition** means a condition (excluding a Vesting Condition) relating to an Option or Performance Right which must be satisfied or waived before the Option or Performance Right may be exercised.

**Exercise Period** means:

- (a) in relation to an Option, the period from the end of the Restricted Period to the Expiry Date; and
- (b) in relation to a Performance Right, the period from the Vesting Date to the date two years after the Vesting Date or such other period as determined by the Board.

**Exercise Price** means:

- (a) in relation to an Option, an amount determined by the Board as the subscription price per Share prior to the offer of the Option in accordance with paragraph 1 of schedule 1 payable by a Participant on exercise of the Option; and
- (b) in relation to a Performance Right, a nil amount unless otherwise determined by the Board as the subscription price per Share prior to the offer of the Performance Right in accordance with paragraph 1 of Schedule 2 payable by a Participant on exercise of the Performance Right.

**Expiry Date** means 5.00pm Brisbane Time on the day which is 2 years after the Issue Date or Vesting Date (if later) or such other time specified in an Offer as determined by the Board in its absolute discretion.

**Forfeiture Conditions** means conditions of the kind referred to in clause 9 of the Plan.

**Group Company** means the Company and any Related Body Corporate of the Company.

**Holder** means the registered holder of Options or Performance Rights.

**Issue Date** means the date on which the Company issues the Option or Performance Right.

**Listing Rules** means the Listing Rules of ASX, and any other rules of ASX which are applicable to the Company while the Company is admitted to the official list of ASX, each as amended from time to time, except to the extent of any express waiver by ASX.

**Nominal Consideration** means consideration of not more than 1 cent per Option or Performance Right.

**Offer** means the offer of Options or Performance Rights made substantially in accordance with paragraph 1 of Schedule 1 or paragraph 1 of Schedule 2 and on the terms set out in these Rules with such adjustments as the Board may consider relevant having regard to any Class Order or the requirements of the Listing Rules or the individual circumstances of an Offer.

**Option** means a right, other than a Performance Right, to subscribe for or otherwise acquire a Share on the terms set out in these Rules.

**Option Exercise Notice** means a notice for the exercise of Options in accordance with the Rules in such form as the Board may from time to time prescribe.

**Participant** means an Eligible Participant to whom Options or Performance Rights have been validly granted (either directly or to a nominee) under the Plan.

**Performance Hurdle** means performance hurdles as determined by the Board and specified in the Offer of Performance Rights.

**Performance Right** means a right to subscribe for or otherwise acquire a Share on the terms set out in these Rules.

**Performance Right Exercise Notice** means a notice for the exercise of Performance Rights in accordance with the Rules in such form as the Board may from time to time prescribe.

**Permanent Disablement** means:

- (a) the illness or incapacity of the Eligible Participant necessitating the permanent withdrawal of the Eligible Participant from the work force, 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 Pacific Niugini Ltd Long Term Incentive Plan established in accordance with these Rules.

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

**Restricted Period** means

- (a) in relation to Options, the meaning given to that term in paragraph 5.1 of Schedule 1; and
- (b) in relation to Performance Rights, the period of time between the Issue Date and the later of the Vesting Date and the date the last of any Vesting Conditions, Exercise Conditions or Forfeiture Conditions are satisfied or waived by the Board.

**Rules** means the rules of the Plan as set out in this document as amended from time to time.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a holder of a Share.

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

**Vesting Conditions** means such conditions as determined by the Board which must be satisfied before a Performance Right can be exercised, and may include Performance Hurdles.

**Vesting Date** means 5.00pm Brisbane Time on the day which is 3 years after the Issue Date or such other date as determined by the Board and specified in an Offer.

### 3.2 Interpretation

In these Rules:

- (a) headings are for convenience only and do not affect the interpretation of the Plan; and unless expressed to the contrary;
- (b) any reference in the Plan to any enactment includes a reference to that enactment as from time to time amended, consolidated, re-enacted or replaced and to all regulations or instruments issued under it;
- (c) any words denoting the singular include the plural and words denoting the plural include the singular;
- (d) any words denoting one gender include the other gender;
- (e) where any word or phrase is given a definite meaning in the Plan, any part of the speech or other grammatical form of that word or phrase has a corresponding meaning;
- (f) a reference to a power, right or discretion being exercisable by the Board is taken to be a reference to that power, right or discretion being exercisable by a delegate of the Board;
- (g) a reference to an application to participate in the Plan includes any process implemented by the Board to provide for deemed applications; and
- (h) a reference to:
  - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes its legal personal representatives, successors and assigns;
  - (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (iv) a right includes a benefit, remedy, discretion, authority or power;
  - (v) an obligation includes a warranty or representation and a reference to a failure to observe or perform an obligation includes a breach of warranty or representative;
  - (vi) **\$** or **dollars** is a reference to the lawful currency of Australia;
  - (vii) this or any other document includes the document as varied or replaced and notwithstanding any change in the identity of the parties; and
  - (viii) any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.
- (i) Unless the context otherwise requires any word or phrase used in these Rules which is not defined above, but which is defined in the Listing Rules has the same meaning as defined in the Listing Rules.
- (j) A reference to the Listing Rules has effect only if the Company is admitted to the official list of ASX, and is otherwise to be disregarded (save where any term is defined by reference to the meaning given to it in the Listing Rules).

#### **4. The Plan**

- 4.1 There shall be set aside for the purposes of the Plan such number of Options and Performance Rights as the Board may from time to time determine.
- 4.2 The Board will administer the Plan.
- 4.3 For so long as the Company is admitted to the official list of ASX, Options and Performance Rights may not be offered to a Director or his or her associates except where approval is given by the shareholders of the Company in general meeting in accordance with the requirements of the Listing Rules and where required the Corporations Act.
- 4.4 Participation in the Plan is subject to the Rules.
- 4.5 The provisions of:
- (a) Schedule 1 apply to the extent the Company makes a Participant an Offer of Options (subject to the power of the Board to vary or supplement Schedule 1 in relation to any Offer); and
  - (b) Schedule 2 apply to the extent the Company makes a Participant an Offer of Performance Rights (subject to the power of the Board to vary or supplement Schedule 1 in relation to any Offer).

#### **5. Eligibility to participate**

- 5.1 The Board may in its absolute discretion determine criteria to apply to an Eligible Participant for participation in the Plan including, without limitation, a minimum period of service.
- 5.2 Subject to Rule 4.3 in respect of the participation of Directors, Eligible Participants are eligible to participate in the Plan.
- 5.3 Eligibility to participate in the Plan does not confer a right to participate in the Plan. Participation in the Plan will be solely determined by the Board in accordance with these Rules.
- 5.4 Options and Performance Rights may be granted to Eligible Participants or their nominees as approved by the Board from time to time.
- 5.5 The Board may in its discretion determine the number of Options or Performance Rights to be offered to an Eligible Participant and the Board may, subject to these Rules, determine the terms and conditions applicable to such Options or Performance Rights.

#### **6. Cessation of employment of Participant**

- 6.1 Subject to Rule 6.3, Options and Performance Rights will automatically lapse and be forfeited if during the Restricted Period the Participant to whom the Options or Performance Rights were first offered and subsequently granted (whether directly or to a nominee of such Participant):
- (a) voluntarily resigns from employment with the Company other than to take up employment with a Related Body Corporate of the Company;
  - (b) is dismissed from employment or is removed from his or her position with the Company for any one or more of the following reasons:
    - (i) wilful misconduct bringing disrepute on the Company or a Related Body Corporate;
    - (ii) repeated disobedience;
    - (iii) incompetence in the performance of any duties for which the Eligible Participant was employed;
    - (iv) fraud or any other dishonesty in respect of the property or affairs of the Company or a Related Body Corporate; or
    - (v) any other reason, based on which the Board believe is fair and reasonable to warrant the lapsing and forfeiture of the Options or Performance Rights;
  - (c) Performance Hurdle(s) are not satisfied in full, in which case a proportion of Performance Rights may be forfeited, such proportion to be at the absolute discretion of the Board; or
  - (d) Performance Hurdle(s) are not satisfied to a minimum threshold, in which case all Performance Rights will be forfeited.

- 6.2 The Board may in its absolute discretion determine that the Options granted to a Participant (or a nominee thereof) who voluntarily resigns from employment with a Group Company (other than to take up employment with another Group Company) at any time after an Option has become exercisable, may be exercised by the Participant within:
- (a) 1 month after such resignation; or
  - (b) such longer periods as the Board determines,
- and any Options the subject of this clause not exercised within the 1 month or longer period determined by the Board, will automatically lapse and be forfeited.
- 6.3 Options and Performance Rights that are subject to a Restricted Period and Options that are exercisable will not lapse and be forfeited if the Participant ceases employment or is removed from his or her position with the Company in the following circumstances:
- (a) death of the Participant;
  - (b) total permanent disability of the Participant, such that the Participant is incapable of performing his or her duties due to a form of illness, injury or other disablement, as determined by the Board;
  - (c) retirement;
  - (d) redundancy; or
  - (e) any other reason, based on which the Board believe is fair and reasonable to warrant the Eligible Participant or nominee maintaining his/her right to exercise the Options or Performance Rights.
- 6.4 Should a Participant, in the opinion of the Board, satisfy the requirements of Rule 6.3 the Participant or nominee will have a period of one (1) year to exercise the Options and/or Performance Rights from the date the Company receives notice or determines the existence of the specified event (as the case may be) and acknowledges in writing that such event satisfies the requirements of Rule 6.3.

## **7. Dividends and voting rights**

Holders of Options or Performance Rights have no rights to vote at meetings of the Company or receive dividends until Shares are allotted or acquired on the exercise of Options or Performance Rights pursuant to the Rules.

## **8. Maximum number of Options and Performance Rights**

- 8.1 The Board must not offer or grant Options or Performance Rights to any Eligible Participant under the Plan if, immediately following the grant of the Options or Performance Rights the subject of the Offer, the total number of Shares to which the Options or Performance Rights to be granted under the Offer relate, when aggregated with:
- (a) the total number of Shares which are the subject of any outstanding Offers of Options and Performance Rights;
  - (b) the number of Shares which would be issued if each outstanding Option and Performance Right or other outstanding rights or options or other outstanding entitlements to Shares issued under any other employee or director share or option scheme operated by the Company were to be exercised, ignoring any Vesting Conditions; and
  - (c) the number of Shares issued during the previous five (5) years pursuant to the Plan or any other employee or director share or option plan operated by the Company,
- would exceed five per cent (5%) of the total number of issued Shares in the Company as at the time of the Offer.
- 8.2 For the purposes of Rule 8, any Shares, Options, Performance Rights or options offered in the following circumstances may be disregarded:
- (a) an offer made to a person situated outside Australia at the time of receipt of the Offer;
  - (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act;
  - (c) an offer made pursuant to a disclosure document (as defined in the Corporations Act); or
  - (d) an offer that was an excluded offer or invitation within the meaning of the Corporations Act as in force before the commencement of Schedule 1 of the *Corporate Law Economic Reform Program Act 1999* (Cth).

## **9. Forfeiture Conditions**

- 9.1 The Board may when the Options or Performance Rights are offered determine that the Options or Performance Rights issued will be subject to Forfeiture Conditions.
- 9.2 Options or Performance Rights which are subject to the Forfeiture Conditions are liable to be forfeited by the Company if any of the Forfeiture Conditions are not satisfied. An Option or Performance Right which is forfeited by the Company will be cancelled and will not thereafter be capable of being exercised by the Holder.
- 9.3 Any Options or Performance Rights which are subject to Forfeiture Conditions cannot be exercised until such time as the Forfeiture Conditions have been satisfied or waived.
- 9.4 Forfeiture Conditions will comprise those conditions described as such by the Board and set out in an Offer (or in a document accompanying an Offer).
- 9.5 Without limiting the Board's power to impose Forfeiture Conditions, Forfeiture Conditions may include:
- (a) A condition that the Eligible Participant remain as an employee or director (as the case may be) of the Company or its related body corporate for a stipulated minimum period;
  - (b) A condition that any stipulated performance criterion be satisfied by the Eligible Participant;
  - (c) A condition that certain specified milestones in connection with the development or operation of any mineral or other project of the Company or related body corporate are completed within a specified time or in a specified manner;
  - (d) A condition that the market price of the Company's ordinary shares attain a specified price (or remain at a specified price for a specified number of days) within a specified period.
- 9.6 Any Forfeiture Conditions imposed by the Board may subsequently be waived in whole or in part by the Company by notice in writing to the Holder of the relevant Options or Performance Rights. Any Forfeiture Conditions so waived will be deemed to be satisfied. For the avoidance of doubt Forfeiture Conditions may be waived after a Participant has ceased to be an Eligible Participant in which case the waiver will be deemed to have occurred while the Participant remained an Eligible Participant.
- 9.7 Subject to the Listing Rules the Company may also vary any Forfeiture Conditions by notice in writing to the Holder of the relevant Options or Performance Rights provided such variation is not adverse to the Participant holding the relevant Options or Performance Rights.
- 9.8 For the avoidance of doubt, a Performance Hurdle, Exercise Condition and a Vesting Condition will generally constitute a Forfeiture Condition unless the terms of such Performance Hurdle, Exercise Condition or Vesting Condition, as the case may be, indicate a contrary intention.
- 9.9 Options and Performance Rights may also be liable to forfeiture in the circumstance on such to the terms and conditions set out in clause 6 of this Plan.

## **10. Taxation**

Neither the Company nor its directors, officers, employees, representatives or agents take any responsibility or assume any liability for the taxation liabilities of Participants that arise in respect of the issue or exercise of Options and Performance Rights.

## **11. Listing Rules**

The terms and conditions of the Plan must at all times comply with the Listing Rules. If there is any inconsistency between the terms and conditions of the Plan and the Listing Rules then the Listing Rules will prevail.

## **12. Administration of the Plan**

### **12.1 Board powers**

The Plan will be administered by the Board who shall have the power and absolute discretion to:

- (a) determine the appropriate procedures from time to time for the administration of the Plan, including the form of application and other forms and notices to be issued under the Plan, subject to the Rules;
- (b) subject to Rules 6.2, 11, 12.2 and 14, amend, modify or waive any or all of the Rules (including this Rule), or any restriction or other condition relating to any Options or Performance Rights allocated under the Plan;

- (c) resolve conclusively all questions of fact or interpretation concerning the Plan and the applicable Rules and any dispute of any kind that arises under the Plan, including as to the interpretation or application of the Plan or any restrictions or other conditions relating to any Options or Performance Rights allocated under the Plan, and the decision of the Board is final and binding on the Company and the Participants;
- (d) delegate to any one or more persons for such period and on such conditions as the Board may determine the exercise of any of the Board's powers or discretions under the Plan; and
- (e) waive any breach of a provision of the Plan.

## 12.2 Limitation on amendments

Subject to the applicable Rules, without the consent of the Participant, no amendment may be made to any restriction or other condition relating to any Options or Performance Rights allocated under the Plan, which reduces the rights of Participants to those Options or Performance Rights, other than an amendment made primarily to:

- (a) comply with present or future State or Commonwealth legislation;
- (b) correct any manifest error; or
- (c) take into consideration possible adverse tax implications in respect of the Plan arising from, among other things:
  - (i) adverse rulings from the Commissioner of Taxation;
  - (ii) changes to Australian tax legislation (including an official announcement by the Commonwealth of Australia); or
  - (iii) changes in the interpretation of Australian tax legislation by a court or tribunal of competent jurisdiction.

## 12.3 Board's discretion

The Board has absolute and unfettered discretion:

- (a) to act or refrain from acting under the applicable Rules or concerning the Plan or any Options or Performance Rights allocated under the Plan; and
- (b) in exercising any power or discretion concerning the Plan or any Options or Performance Rights allocated under the Plan,

except that while the Company is listed on the official list of the ASX, the Board may only exercise its powers in accordance with the Listing Rules of the ASX.

## 12.4 Indemnification

The Company must indemnify, and keep indemnified, to the full extent permitted by law, each person who is or has been a director or alternate director of the Company against all proceedings, actions, claims, demands, losses, liabilities, damages, costs and expenses which may be made, brought against, suffered or incurred by the person arising directly or indirectly out of or in connection with the operation of the Plan.

## 13. Restriction on exercise of Options and Performance Rights

No Option or Performance Right given under this Plan may be exercised unless the underlying Shares pertaining to that Option or Performance Right have been listed on ASX for a period of 3 months immediately before the date of the Offer without suspension for more than a total of five trading days during that period such that the Company is following issue of the Shares on exercise of the Option or Performance Right eligible to issue a cleansing notice under Sections 708A(5) of the Corporations Act.

## 14. Termination, suspension and amendment of the Plan

Subject to any applicable Listing Rules or laws, the Plan will take effect when the Board decides and may be suspended, terminated or amended at any time by resolution of the Board.

## 15. Costs, charges and duties

The Company:

- (a) is not responsible for any costs, charges or duties which are or may become payable on the transfer, allotment and issue of Options or Performance Rights under the Plan or any other dealing with the Options or Performance Rights; and
- (b) may make any withholding or payment which it is required by law to make in connection with the Plan or the Options or Performance Rights.

## **16. Terms of employment not affected**

- 16.1 The rights and obligations of a Participant under the terms of his or her office, employment or contract with a Group Company are not affected by his or her participation in the Plan.
- 16.2 The applicable Rules do not form part of, and will not be incorporated into, any contract of a Participant (whether or not they are an employee of a Group Company).
- 16.3 No Participant has any right to compensation or damages as a result of the termination of his or her office, employment or other contract with a Group Company for any reason, so far as those rights arise or may arise from the Participant ceasing to have rights under the Plan as a result of the termination.
- 16.4 The Company makes no representation or guarantee as to the ongoing value of Options or Performance Rights which a Participant acquires under the Plan. No Participant has any right to compensation or damages as a result of any decrease in value of Options or Performance Rights which the Participant acquires under the Plan.

## **17. Notices**

- 17.1 A notice or other communication under or concerning the Plan is validly given:
- (a) by the Company to a Participant, if delivered personally to the addressee or sent by prepaid post to his or her last known residential address, or sent to him or her by facsimile or email at his or her place of work or posted on an electronic noticeboard maintained by the Company and accessible by the Participant; and
  - (b) by a Participant to the Company if delivered or sent by prepaid post addressed to, as appropriate, the company secretary of the Company at the Company's registered office (or any other address the Board specifies).
- 17.2 A notice or other communication sent by post will be treated as received 48 hours after it was posted.

## **18. Miscellaneous**

- 18.1 No broker's fees or commissions are payable by an Eligible Participant for the grant of Options or Performance Rights pursuant to this Plan.
- 18.2 Participants (or nominees thereof) granted Options or Performance Rights under this Plan are bound by these Rules and the Constitution.
- 18.3 No Participant or Holder has or is to be regarded for any purpose as having any interest in Shares the subject of an Option or Performance Right until that Option or Performance Right is exercised and the Share is allotted.
- 18.4 The Company will establish and maintain a register of Participants.
- 18.5 Neither the adoption of the Plan by the Board nor any provisions of these Rules will be construed as creating any limitation on the power of the Board to adopt such additional remuneration arrangements as it may deem desirable, including without limitation, the granting of share options and bonuses otherwise than under the Plan, and any such arrangements may be either generally applicable or applicable only in specific cases.
- 18.6 All Options and Performance Rights lapse on liquidation of the Company.

## **19. Governing law**

The Plan and these Rules are governed by the laws of Queensland and the Commonwealth of Australia.

## **20. Severance**

If any provision in the 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 the Rules without thereby affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of the Rules which shall continue in full force and effect.

## Schedule 1 - Options

### 1. Offer of Options

- 1.1 The Company may from time to time make Offers in writing to Eligible Participants inviting them to accept an offer of Options under the Plan.
- 1.2 No Offer may be made if to do so would contravene the Constitution, the Corporations Act, the Listing Rules or any other applicable law.
- 1.3 Each Offer must be in writing and must:
- (a) specify the name of the Eligible Participant to whom the Offer is made;
  - (b) specify the total number of Options (and the number of Shares to which the Options relate) being offered;
  - (c) specify such terms and conditions of the issue of the Options the subject of the Offer, as determined by the Board, including:
    - (i) the Expiry Date;
    - (ii) any Forfeiture Conditions;
    - (iii) the Exercise Price; and
    - (iv) the Restricted Period.
  - (d) specify the time and date by which the Offer must be accepted;
  - (e) specify any other matters required to be specified in the Offer by the Corporations Act, the Listing Rules and/or applicable instruments issued by ASIC; and
  - (f) have an Acceptance Form and copy of these Rules attached.
- 1.4 If the Company is admitted to the official list of ASX, the Offer must include an undertaking by the Company to provide to a Participant, within a reasonable period of being so requested, the current market price (as defined in the Listing Rules) of the Shares.
- 1.5 Options must be offered under the Plan for no more than Nominal Consideration unless the Board otherwise determines.

### 2. Acceptance of Offer of Options

- 2.1 Upon receipt of an Offer of Options, an Eligible Participant may, within the period specified in the Offer:
- (a) accept the whole or any lesser number of Options offered by submitting an Acceptance Form; or
  - (b) nominate a nominee in whose favour the Eligible Participant wishes to renounce the Offer.
- 2.2 Upon:
- (a) receipt of the completed Acceptance Form; or
  - (b) the Board resolving to allow the renunciation to a nominee for the Eligible Participant and the nominee accepting the whole or any lesser amount of Options offered by notice in writing to the Board,
- then the Eligible Participant, or the nominee, as the case may be, will be taken to have agreed to be bound by:
- (c) these Rules;
  - (d) the terms of the Offer; and
  - (e) the Constitution in respect of any Shares acquired on the exercise of Options.

### 3. Grant of Options

- 3.1 Upon acceptance of a duly signed and completed Acceptance Form, the Company may grant the Options applied for to the applicant (such person then being known as the **Holder**) on the terms determined by the Board under paragraph 1 of this Schedule.
- 3.2 The Company will issue a certificate or holding statement to each Holder in respect of Options granted to them.

3.3 The Offer will lapse if not accepted within the time required under the terms of the Offer.

#### **4. Terms of Options**

4.1 The terms of Options granted under the Plan shall be as determined by the Board from time to time in accordance with this paragraph 4.

4.2 The Exercise Price of an Option shall be the price determined by the Board in its absolute discretion prior to or on grant of the Options.

4.3 Subject to Rule 6, the Exercise Period of an Option shall be the period determined by the Board in its absolute discretion prior to or on grant of the Option. If no period is determined by the Board then the Exercise Period shall be the period from the date of grant of the Option to the Expiry Date.

4.4 Unless otherwise determined by the Board when it resolves to grant the Option, each Option is granted on the terms set out in this Schedule and the Rules generally. The Options will be subject to the terms and conditions of the Plan and in the event of any inconsistency between the terms in this Schedule and the provisions in the Plan, the Plan will prevail to the extent of the inconsistency.

##### **Exercise of Options**

- (a) Each Option entitles the Holder to subscribe for one Share on exercise of the Option.
- (b) Subject to paragraph (e), a Holder may not exercise Options before expiry of the Restricted Period.
- (c) Subject to paragraph (e), a Holder may only exercise Options during the Exercise Period (and then only after any Exercise Conditions or other Forfeiture Conditions have been satisfied or waived by the Company).
- (d) On expiry of the Exercise Period an Option not exercised shall automatically lapse.
- (e) Notwithstanding paragraph (c), Options may be exercised:
  - (i) during a Takeover Period;
  - (ii) at any time after a Change of Control Event has occurred;
  - (iii) at any time after the announcement of a proposed capital reconstruction referred to in paragraph (n);
  - (iv) in the Board's absolute discretion, following the occurrence and announcement by the Company of an event that in the opinion of the Board is likely to lead to the Company being removed from the official list of ASX; or
  - (v) in the Board's absolute discretion, within 12 months, in the event of the death or Permanent Disablement of an Eligible Participant, in respect of Options held by or on behalf of that Eligible Participant.
- (f) If, in the reasonable opinion of the Board, an Eligible Participant 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 held by or on behalf of the Eligible Participant to have lapsed.

##### **Notice of exercise**

- (g) Options may only be exercised by notice in writing to the Company which is signed by the Holder and delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:
  - (i) the Exercise Price for the number of Options specified in the notice; and
  - (ii) the certificate or holding statement for those Options, for cancellation by the Company.

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

##### **Issue of certificates**

- (h) Subject to paragraphs (c) to (g) above, within 10 Business Days of the notice referred to in paragraph (g) above becoming effective, the Board must:
  - (i) acquire or allot and issue the number of Shares specified in the notice to the Holder;
  - (ii) cancel the certificate or holding statement for the Options being exercised; and

- (iii) if applicable, issue a new certificate or holding statement for any remaining unexercised Options covered by the certificate or holding statement accompanying the notice.

#### **Allotment of Shares**

- (i) All Shares allotted upon the exercise of Options will be credited as fully paid and will be of the same class and rank equally in all respects with other Shares, and, in particular, entitle their holders to participate fully in:
  - (i) dividends declared 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.

#### **Quotation on ASX**

- (j) If existing 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.
- (k) The Company will not apply to have the Options granted under the Plan quoted on ASX or any other stock exchange.

#### **New issues**

- (l) Holders will only be permitted to participate in a pro rata issue of Shares to the holders of Shares on the prior exercise of Options. The Company must notify the Holder of the proposed issue at least 7 Business Days before the record date to determine entitlements to the pro rata issue.

#### **Bonus issues**

- (m) If from time to time prior to the expiry of any Options the Company makes an issue of any class of shares 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**) then upon exercise of a Option, each Holder is entitled to have issued (in addition to the Shares which would otherwise be issued upon such exercise) the number of shares of the class which would have been issued to the Holder under the Bonus Issue (**Bonus Shares**) if on the date on which entitlements to participate in the Bonus Issue were calculated the Holder had been registered as the holder of the number of Shares of which the Holder would have been registered as holder if immediately prior to that date the Option had been exercised and the Shares the subject of such exercise had been duly allotted and issued. 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.

#### **Reorganisation of capital**

- (n) In the event of a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Options to which each Holder is entitled or the Exercise Price (if any) or both will be changed in the manner required by the Listing Rules and, in any case, in a manner which will not result in any benefits being conferred on holders of Options which are not conferred on Shareholders.
- (o) The Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe for or to the Exercise Price (if any) pursuant to the provisions of paragraph (n).

#### **Restrictions**

- (p) A Holder must not without the prior written consent of the Company sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Options, or agree to do any of those things.
- (q) An Offer may specify a restriction period for Shares issued on the exercise of Options during which such Shares may not be disposed of.

## **5. Conditions of exercise of Options**

- 5.1 Subject to any Exercise Conditions or other Forfeiture Conditions, Options may be exercised at any time during the period commencing on the Issue Date and ending on the Expiry Date. The period commencing on the Issue Date and expiring on the later of the Vesting Date and the date when the last of any Exercise Conditions or other Forfeiture Conditions is satisfied or waived by the Company is the "Restricted Period."
- 5.2 If a takeover bid is made to acquire the whole or any part of the issued Shares, or a scheme of arrangement, selective reduction or other transaction is initiated which has an effect similar to a full takeover bid of the issued Shares (**Bid**), and the Bid is accepted by the holder of at least 50% of the Shares on issue, then each Holder will be able to exercise all or any part of his or her Options, notwithstanding that the applicable Restricted Period has not expired.

## Schedule 2 - Performance Rights

### 1. Offer of Performance Rights

- 1.1 The Company may from time to time make Offers in writing to Eligible Participants inviting them to accept an offer of Performance Rights under the Plan.
- 1.2 No Offer may be made if to do so would contravene the Constitution, the Corporations Act, the Listing Rules or any other applicable law.
- 1.3 Each Offer must be in writing and must:
- (a) specify the name of the Eligible Participant to whom the Offer is made;
  - (b) specify the total number of Performance Rights (and the number of Shares to which the Performance Rights relate) being offered;
  - (c) specify such terms and conditions of the issue of the Performance Rights the subject of the Offer, as determined by the Board, including:
    - (i) the Expiry Date;
    - (ii) the Exercise Price (if any);
    - (iii) any Forfeiture Conditions;
    - (iv) the Vesting Conditions (if any);
    - (v) the Restricted Period;
  - (d) specify the time and date by which the Offer must be accepted;
  - (e) specify any other matters required to be specified in the Offer by the Corporations Act, the Listing Rules and/or applicable instruments issued by ASIC; and
  - (f) have attached an Application and copy of these Rules.
- 1.4 If the Company is admitted to the official list of ASX, the Offer must include an undertaking by the Company to provide to a Participant, within a reasonable period of being so requested, the current market price (as defined in the Listing Rules) of the Shares.
- 1.5 Performance Rights must be offered under the Plan for no more than Nominal Consideration unless the Board otherwise determines.

### 2. Acceptance of Offer of Performance Rights

- 2.1 Upon receipt of an Offer of Performance Rights, and Eligible Participant may, within the period specified in the Offer:
- (a) accept the whole or any lesser number of Performance Rights offered by submitting an Acceptance Form; or
  - (b) nominate a nominee in whose favour the Eligible Participant wishes to renounce the Offer.
- 2.2 Upon:
- (a) receipt of the completed Acceptance Form; or
  - (b) the Board resolving to allow the renunciation to a nominee for the Eligible Participant and the nominee accepting the whole or any lesser amount of Performance Rights offered by notice in writing to the Board,
- then the Eligible Participant, or the nominee, as the case may be, will be taken to have agreed to be bound by:
- (c) these Rules;
  - (d) the terms of the Offer; and
  - (e) the Constitution in respect of any Shares acquired on the exercise of Performance Rights.

### 3. Grant of Performance Rights

- 3.1 Upon acceptance of a duly signed and completed Acceptance Form, the Company may grant the Performance Rights applied for to the applicant (such person then being known as the **Holder**) on the terms determined by the Board under paragraph 1 of this Schedule.
- 3.2 The Company will issue a certificate or holding statement to each Holder in respect of Performance Rights granted to them.
- 3.3 The Offer will lapse if not accepted within the time required under the terms of the Offer.

## **4. Terms of Performance Rights**

- 4.1 The terms of Performance Rights granted under the Plan shall be as determined by the Board from time to time in accordance with this paragraph 4. The Performance Rights will be subject to the terms and conditions of the Plan and in the event of any inconsistency between the terms in this Schedule and the provisions in the Plan, the Plan will prevail to the extent of the inconsistency. The Exercise Price (if any) of a Performance Right shall be the price determined by the Board in its absolute discretion prior to or on grant of the Performance Rights.
- 4.2 Subject to Rule 6, the Exercise Period of a Performance Right shall be the period between the Vesting Date and the Expiry Date.
- 4.3 The Board may in its absolute discretion impose Vesting Conditions or other Forfeiture Conditions in respect of a Performance Right on such terms as the Board considers appropriate. If a Performance Right is subject to Vesting Conditions or other Forfeiture Conditions then the Performance Right may only be exercised if the Vesting Conditions or other Forfeiture Conditions relating to it have been satisfied or waived by the Board in its absolute discretion. The Board shall notify the Holder of the satisfaction or waiver of any Vesting Conditions or other Forfeiture Conditions applicable to the Performance Rights held by the Holder.
- 4.4 Unless otherwise determined by the Board when it resolves to grant the Performance Right and subject to any Vesting Conditions or other Forfeiture Conditions applicable to the Performance Right, each Performance Right is granted on the terms set out in this paragraph 4.4 and the Rules and this Schedule generally.

### **Exercise of Performance Rights**

- (a) Each Performance Right entitles the Holder to subscribe for one Share on exercise of the Performance Right.
- (b) Subject to paragraph (e), a Holder may not exercise Performance Rights before expiry of the Restricted Period.
- (c) Subject to paragraph (e), a Holder may only exercise Performance Rights during the Exercise Period and then only if any, Exercise Conditions, Vesting Conditions or other Forfeiture Conditions have been satisfied or waived by the Company.
- (d) On expiry of the Exercise Period a Performance Right not exercised shall automatically lapse.
- (e) Notwithstanding paragraph 4.3 and paragraph (c) the Board may, in its absolute discretion, determine that Performance Rights may be exercised:
- (i) during a Takeover Period;
  - (ii) at any time after a Change of Control Event has occurred;
  - (iii) at any time after the announcement of a proposed capital reconstruction referred to in paragraph (n);
  - (iv) following the occurrence and announcement by the Company of an event that in the opinion of the Board is likely to lead to the Company being removed from the official list of ASX;
  - (v) within 12 months, in the event of the death or Permanent Disablement of an Eligible Participant, in respect of Performance Rights held by that Eligible Participant or his or her nominee; or
  - (vi) within 12 months, in the event of the cessation of an Eligible Participant's employment with a Group Company as a result of the Eligible Participant's position becoming redundant.
- (f) If, in the reasonable opinion of the Board, an Eligible Participant 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 Performance Rights held by the Eligible Participant or his or her nominee to have lapsed.

### **Notice of exercise**

- (g) Performance Rights may only be exercised by notice in writing to the Company which is signed by the Holder and delivered to the registered office of the Company. The notice must specify the number of Performance Rights being exercised and must be accompanied by:
- (i) the Exercise Price (if any) for the number of Performance Rights specified in the notice; and
  - (ii) the certificate or holding statement for those Performance Rights, for cancellation by the Company.

The notice only becomes effective when the Company has received the full amount of the Exercise Price (if any) for the number of Performance Rights specified in the notice in cleared funds.

#### **Issue of certificates**

- (h) Subject to paragraphs (c) to (g) above, within 10 Business Days of the notice referred to in paragraph (g) above becoming effective, the Board must:
  - (i) acquire or allot and issue the number of Shares specified in the notice to the Holder;
  - (ii) cancel the certificate or holding statement for the Performance Rights being exercised; and
  - (iii) if applicable, issue a new certificate or holding statement for any remaining unexercised Performance Rights covered by the certificate or holding statement accompanying the notice.

#### **Allotment of Shares**

- (i) All Shares allotted upon the exercise of Performance Rights will be credited as fully paid and will be of the same class and rank equally in all respects with other Shares, and, in particular, entitle their holders to participate fully in:
  - (i) dividends declared 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 Performance Rights.

#### **Quotation on ASX**

- (j) If existing Shares are officially quoted by ASX, the Company must apply for official quotation by ASX of all Shares allotted pursuant to the exercise of Performance Rights not later than 10 Business Days after the date of allotment.
- (k) The Company will not apply to have the Performance Rights granted under the Plan quoted on ASX or any other stock exchange.

#### **New issues**

- (l) Holders will only be permitted to participate in a pro rata issue of Shares to the holders of Shares on the prior exercise of Performance Rights. The Company must notify the Holder of the proposed issue at least 7 Business Days before the record date to determine entitlements to the pro rata issue.

#### **Bonus issues**

- (m) If from time to time prior to the expiry of any Performance Rights the Company makes an issue of any class of shares 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**) then upon exercise of a Performance Right, each Holder is entitled to have issued (in addition to the Shares which would otherwise be issued upon such exercise) the number of shares of the class which would have been issued to the Holder under the Bonus Issue (**Bonus Shares**) if on the date on which entitlements to participate in the Bonus Issue were calculated the Holder had been registered as the holder of the number of Shares of which the Holder would have been registered as holder if immediately prior to that date the Performance Right had been exercised and the Shares the subject of such exercise had been duly allotted and issued. 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.

#### **Reorganisation of capital**

- (n) In the event of a reorganisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Performance Rights to which each Holder is entitled or the Exercise Price (if any) or both will be changed in the manner required by the Listing Rules and, in any case, in a manner which will not result in any benefits being conferred on holders of Performance Rights which are not conferred on Shareholders.
- (o) The Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe for or to the Exercise Price (if any) pursuant to the provisions of paragraph (n).

**Restrictions**

- (p) A Holder must not without the prior written consent of the Company sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Performance Rights.
- (q) An Offer may specify a restriction period for Shares issued on the exercise of Performance Rights during which those Shares cannot be disposed of.

**Pacific Niugini Limited  
(ABN 30 003 207 467)**

**Proxy form**

**Section 1: Name and address of member**

**All correspondence to:**  
Pacific Niugini Limited  
PO Box 1578  
Toowong  
QLD 4066  
Telephone (07) 3367 3996  
Facsimile (07) 3368 2998  
Email: admin@niugini.com.au

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**Section 2: Appointment of proxy**

I, being a member of the Company and entitled to attend and vote appoint

the Chairman of the meeting  
(mark with an 'X')

OR

Write here the full name of the person or body corporate you are appointing if this person **is someone other than** the Chairman of the meeting.

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the meeting, as my proxy to attend, to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit), and to act generally on my behalf, at the General Meeting of the Company to be held at:

<b>Location</b>	Level 18 Riverside Centre 123 Eagle Street, Brisbane, QLD 4000
<b>Date</b>	Thursday, 23 June 2011
<b>Time</b>	11.00 am

and at any adjournment of that meeting.

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**Section 3: Voting instructions**

Voting directions to proxy – please mark  to indicate your directions.

- Resolution 1. Approval of New Long Term Incentive Plan
- Resolution 2. Issue of options and performance rights to a related party

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the Abstain box for a particular item, you are directing your proxy **not** to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**If you do not wish to direct the Chairman as your proxy to vote, please place a mark in this box.**

By marking this box you acknowledge that the Chairman may exercise your proxy even if he or she has an interest in the outcome of the resolution, and that votes cast by him or her, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your votes on a resolution and your votes will not be counted in calculating the required majority if a poll is called on a resolution.

The Chairman intends to vote all undirected proxies in favour of the resolutions to be put to the meeting.

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**Section 4: Signing by member**

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

**Individual or Member 1**

**Sole Director and Sole Secretary**

**Member 2 (if joint holding)**

**Director/Company Secretary**  
(delete one)

**Member 3 (if joint holding)**

**Director**

Please provide the information below in case we need to contact you.

\_\_\_\_\_  
**Contact name**

\_\_\_\_\_  
**Contact day time telephone**

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
**Date**

# Instructions for completion of proxy form

## Section 1: Name and address of member

1 This is your address as it appears in the register of members of the Company. If this information is incorrect, please advise the Share Registry – Computershare Investor Services Pty Ltd of any changes.

Address: 117 Victoria Str, West End QLD 4101  
Postal address: GPO Box 523, Brisbane, QLD4001  
Phone within Australia: 1300 552 270  
Phone outside Australia: +61 3 9415 4000  
Internet: www.computershare.com

Members sponsored by a broker (in which case your reference number will commence with an 'x') should advise their broker of any changes. **Please note you cannot change the ownership of your shares using this form.**

## Section 2: Appointment of proxy

2 If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If the person or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting, write the full name of that person or body corporate in the space provided. A proxy may be an individual or a body corporate. If you leave this section blank or your named proxy does not attend the Meeting, the Chairman of the meeting will be your proxy. A proxy need not be a member of the Company.

3 If you are entitled to cast two or more votes at the General Meeting, you are entitled to appoint two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company. Alternatively you may copy this form.

4 To appoint a second proxy:

- (a) on each of the first proxy form and second proxy form state the percentage of your voting rights or number of shares applicable to that form (if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise one half of your votes, and fractions of votes will be disregarded); and
- (b) return both forms in the same envelope.

## Section 3: Voting instructions

5 You may direct your proxy how to vote on an item of business by placing a mark in one of the three boxes opposite that item of business. All of your shares will be voted in accordance with your direction unless you indicate a proportion of voting rights on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may decide whether or how to vote on that item. If you mark more than one box on an item, your vote on that item will be invalid.

## Section 4: Signing by member

6 You must sign this form as follows in the spaces provided:

<b>Individual</b>	Where the holding is in one name, the member must sign.
<b>Joint holding</b>	Where the holding is in more than one name, all of the members must sign.
<b>Power of Attorney</b>	To sign under power of attorney, either the power of attorney must have already been lodged with the Company's share registry for notation or the original (or a certified copy) of the power of attorney must accompany this document.
<b>Companies</b>	In the following cases, subject to the Company's constitution, the following person must sign: (a) <b>Australian proprietary company</b> with a <b>sole director</b> who is <b>also the sole company secretary</b> - that person must sign; (b) <b>Australian proprietary company</b> with a <b>sole director and no company secretary</b> - that person must sign; (c) <b>other Australian companies</b> - two directors, or one director and one company secretary must sign; and (d) <b>foreign company</b> - in accordance with the laws of the jurisdiction of incorporation and constituent documents.

## Section 5: Lodging of proxy

7 This proxy form (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not later than close of business on the date set out below, by mail, hand delivery, or facsimile.

<b>Last time and date for lodgement *</b>	Tuesday, 21 June 2011 at 11.00am (Brisbane time)
<b>By mail</b>	Pacific Niugini Limited, P.O. Box 1578, Toowong, QLD 4066
<b>By delivery</b>	Pacific Niugini Limited, 14/46 Douglas St, Milton, QLD 4064
<b>By facsimile</b>	(07) 3368 2998

\* Any proxy form received after that time will not be valid.

## For Further Information

If you need any further information about this form or attendance at the Company's General Meeting, please contact Dennis Lovell, Company Secretary on 07 3367 3996.

# Appointment of Corporate Representative

## Section 250D of the Corporations Act

This is to certify that by a resolution of the Directors of:

..... (Company)  
*Insert name of shareholder*

the Company has appointed:

.....  
*Insert name of Corporation Representative*

in accordance with the provisions of section 250D of the Corporations Act, to act as the body corporate representative of that company at the meeting of Pacific Niugini Limited to be held on 23 June 2011 and at any adjournments of that meeting.

### DATED

**Executed by** the Company )  
in accordance with its constituent documents )

.....  
Signed by authorised representative

.....  
Signed by authorised representative

.....  
Name of authorised representative (print)

.....  
Name of authorised representative (print)

.....  
Position of authorised representative (print)

.....  
Position of authorised representative (print)

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### INSTRUCTIONS FOR COMPLETION

Under Australian law, an appointment of a body corporate representative will only be valid if the Certificate of Appointment is completed precisely and accurately.

Please follow the instructions below to complete the Certificate of Appointment:

1. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
2. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
3. Insert the date of execution where indicated.
4. Send or deliver the Certificate to the Company at P.O. Box 1578 Toowong QLD 4066, or 14/46 Douglas Street, Milton, QLD 4064, or by facsimile to the registered office on 07 3368 2998. Alternatively the Certificate of Appointment may be presented upon attendance at the General Meeting of the Company.