

PETRONEFT RESOURCES PLC

Share Option Scheme

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Business/8049.4/OptionScheme Final

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Petroneft Resources PLC
Share Option Scheme
Rules

1. ESTABLISHMENT

- 1.1 The Scheme is established by resolution of the Board of Directors of the Company passed on 18 November 2005. The purpose of the Scheme is to provide for the granting of share options to directors and employees of the Company and its subsidiaries in accordance with the provisions of these Rules.

2. DEFINITIONS

- 2.1 In this Scheme the following expressions bear the following meanings:-

“Admission” means the admission of the Shares to trading on AIM and IEX becoming effective in accordance with the AIM Rules and the IEX Rules respectively;

the “Adoption Date” means the date on which the Scheme is adopted by the Board, namely the date in Clause 1.1;

"Associated Company" means any Subsidiary and any company in which the Company has a shareholding of not less than 25% of the number of shares in issue in such company and includes any "associated company" for the purpose of Section 432 of the Taxes Consolidation Act, 1997;

“AIM” means the market of that name operated by the London Stock Exchange plc;

“AIM Rules” meansthe rules for AIM companies and their nominated advisors issued by the London Stock Exchange plc in relation to AIM traded securities;

the “Auditors” means the auditors of the Company from time to time;

the "Board" means the board of directors of the Company from time to time or the directors present at a duly convened meeting of the directors of the Company (at which a quorum is present) or a duly constituted committee of the Board of Directors;

“Cause” means a finding by the Board of acts or omissions constituting, in the Board’s reasonable judgment, (i) a breach of duty by the Participant in the course of his employment involving fraud, acts of dishonesty (other than inadvertent acts or omissions), or moral turpitude constituting a criminal felony; or (ii) acts or omissions of the Participant materially in violation of his obligations under his employment agreement or at law;

the "Company" means Petroneft Resources PLC, a company incorporated in Ireland under the Companies Acts 1963

to 2005 on 15th September 2005 under company number 408101;

“Contractor”	means a person or entity which provides services to or acts as a consultant to the Company or an Associated Company;
"Director"	means a director of the Company or any Associated Company;
“Disability”	means inability to work due to accident or ill health for a period of six months or more;
"Employee"	means an employee of the Company or any Associated Company;
“Exercise Conditions”	means the conditions (if any) which must be satisfied in order for an Option to be exercised which are determined by the Board on the date of grant of the Option and which are set forth in any Participant's Option Certificate and which may include, without prejudice to the generality of the foregoing, a minimum period during which an Option must be held by a Participant prior to such Option becoming exercisable;
“Exercise Period”	means the period from the date upon which an Option becomes an Exercisable Option until the Expiration Date of the Option;
“Exercisable Option”	means an Option in respect of which either (a) there are no Exercise Conditions or (b) the Exercise Conditions (if any) attached thereto have been satisfied;
“Expiration Date”	means the date specified in Rule 4.1;
“Financial Period”	means a twelve month period ending on 31 December each year;
“IEX”	means the market of that name operated by the Irish Stock Exchange Limited;
“IEX Rules”	the rules for IEX companies and their nominated advisors issued by the Irish Stock Exchange in relation to IEX traded securities;
“Market Price”	means the closing mid-market price per The Irish Stock Exchange Limited of the Shares which are the subject of the Option on the last trading day immediately prior to the date of grant of the Option or, in the case of Options granted prior to Admission, the Placing Price;
"Nominated Person"	means a person who shall have been nominated pursuant to Rule 3.1;

"Non-Executive Director"	means any Director who is not required to devote to his duties for the Company or an Associated Company more than 25 hours per week (excluding meal breaks);
"Option"	means an option to subscribe for Shares granted under these Rules;
"Option Certificate"	means a certificate in respect of an Option substantially in the form set out in Appendix 2 hereto;
"Option Price"	means the price at which the Shares the subject of an Option may be subscribed on exercise of the Option being that price which is determined at the discretion of the Board on the date of grant of the Option;
"Participant"	means any person who is for the time being the holder of an Option;
"Participation Agreement"	means the agreement between the Company and a Nominated Person substantially in the form set out in Appendix 1 hereto;
"Placing Price"	means the price per Share at which Shares are placed by J&E Davy (trading as Davy) in connection with the Admission;
the "Rules"	means these Rules as the same from time to time may be amended and in force;
the "Scheme"	means the Company's share option scheme consisting of these Rules as amended from time to time in accordance with the provisions in that regard herein contained;
"Shares"	means ordinary shares of €0.01 (one cent) each in the capital of the Company from time to time; and
"Subsidiary"	means any company which is for the time being a subsidiary of the Company within the meaning of the Companies Acts, 1963 to 2005.

2.2 Any expressions in the singular shall include the plural and vice versa.

2.3 The headings are for ease of reference only and shall not in any way affect the interpretation hereof.

2.4 Any reference to a statutory provision shall be deemed to include a reference to any statutory modification or re-enactment thereof.

3. ELIGIBILITY FOR PARTICIPATION

3.1 Power of Board

The Scheme is available to any Director, Employee or Contractor who shall be nominated for the purpose by the Board.

3.2 Absolute Discretion

Subject to the provisions of Rule 3.1, the Board shall at its absolute discretion determine whether or not a person is a Director, an Employee or a Contractor.

3.3 No Right

No person shall be entitled as of right to participate in the Scheme and the decision as to who shall have the opportunity of participating and the extent of participation will, subject to these Rules, be made by the Board in its absolute discretion. No Nominated Person shall be entitled to participate in the Scheme until he/she has entered into a Participation Agreement.

4. LIMITATIONS

4.1 Limit on Exercise

No Option granted under this Scheme shall be exercised more than seven years after the date of grant of the Option.

4.2 Overall and Individual Limits for Scheme at Adoption Date

- (i) The maximum aggregate number of Shares the subject of Options granted under the Scheme shall not exceed 10% of the number of issued Shares from time to time.
- (ii) The maximum number of Shares the subject of unexercised Options held by any individual Participant at any time shall not exceed in aggregate 3% of the number of issued Shares from time to time;

5. GRANT OF OPTIONS

5.1 Power to Grant

The Board may on behalf of the Company grant Options to Nominated Persons at any time within ten years of the Adoption Date. Each Nominated Person shall be granted an Option over a maximum number of Shares to be fixed by the Board at its discretion and such Option shall be exercisable subject to satisfaction of the Exercise Conditions (if any) pertaining to it.

5.2 Consideration

Any Option granted to a Nominated Person shall be conditional upon the Nominated Person paying to the Company (on or before such date as the Board may at its discretion specify) the consideration of €1 (one euro) payable for the grant of such Option.

5.3 Non-Assignable

Subject to Rule 11, any Option granted to a Nominated Person shall be personal to the Nominated Person and shall be non-assignable, save where such assignment

shall be required at law or pursuant to a court order or with the prior consent of the Board in appropriate circumstances.

5.4 Participation Agreements and Certificates

As soon as practicable after nomination by the Board in accordance with Rule 3.1 each Nominated Person shall enter into a Participation Agreement with the Company.

6. OPTION PRICE

6.1 The Option Price shall not be less than the higher of (a) the nominal value of the Shares which are the subject of the Option; and (b) the Market Price.

7. EXERCISE CONDITIONS AND PERIODS FOR EXERCISE OF OPTIONS

7.1 An Option may be exercised during the Exercise Period subject to satisfaction of the Exercise Conditions (if any) pertaining to it.

8. PROCEDURE ON EXERCISE OF OPTIONS

8.1 Upon the exercise of an Option in whole or in part the Participant shall serve notice in writing on the Company stating the number of Shares for which he wishes to subscribe and shall at the same time pay the Option Price by way of bank draft to the Company and shall deliver the Option Certificate to the Company. Provided that the Exercise Conditions (if any) in respect of any such Option have been satisfied the Company shall issue the appropriate number of Shares to the Participant, deliver a share certificate to the Participant in respect of such Shares and deliver to the Participant any appropriate balancing Option Certificate.

8.2 All Shares issued on any exercise of an Option shall rank equally in all respects with the Shares already in issue save that they will not rank for dividends, distributions or any other rights in respect of any Financial Periods already completed before the date of issue of the Shares.

9. LOSS OF OPTIONS

9.1 Subject to Clause 12, if a Participant shall cease to be an Employee or a Director other than for Cause:-

- (i) the Participant will be entitled, during the period of 90 days from the date of such cessation, to exercise all unexercised Exercisable Options held by him on the date of cessation; and
- (ii) all unexercised Options (other than Exercisable Options) held by the Participant on the date of such cessation shall forthwith expire;

and thereafter the Participant shall cease to have any interest in the Scheme.

9.2 If a Participant shall cease to be an Employee or a Director for Cause all unexercised Options (including Exercisable Options) held by the Participant on the date of such cessation shall forthwith expire and thereafter the Participant shall cease to have any interest in the Scheme.

10. TRANSFER OF SHARES

- 10.1 A Participant may only transfer Shares issued under the Scheme in accordance with the Articles of Association of the Company and the Exercise Conditions (if any) applicable thereto.

11. DEATH AND TRANSFER OF RIGHTS

- 11.1 In the event of the death or mental incapacity of a Participant before the expiry of the Participant's Options all unexercised Options (other than Exercisable Options) held by the Participant on the date of death or determination of mental incapacity of the Participant shall forthwith expire but the personal representatives or the committee (as the case may be) of such Participant shall be entitled for a period of twelve months from the date of death or determination of mental incapacity of the Participant to exercise all rights in respect of any Exercisable Options the subject of the Scheme. Save for this provision, the Scheme shall not permit a Nominated Person or a Participant to transfer any rights in respect of an Option save as may be required at law or pursuant to a court order.

12. OFFERS FOR SHARE CAPITAL

- 12.1 In the event of an offer being made (or the Board being of the opinion that an offer is about to be made) to acquire the whole or a specified proportion of the issued share capital of the Company (an "Offer"), the Board shall be entitled at its discretion and notwithstanding anything contained in these Rules or the Exercise Conditions (if any) applicable to any Options, to request Participants to exercise any unexercised Options held by them in relation to the whole or a specified portion of the Shares to which such Options relate and within such time or times and upon and subject to any other conditions or limitations as the Board may at its discretion determine.

- 12.2 If any Participant shall not have complied with a request made under Rule 12.1 within 30 days of such request being made, all unexercised Options (including Exercisable Options) held by the Participant shall forthwith expire and thereafter the Participant shall cease to have any interest in the Scheme.

- 12.3 As alternative to Rule 12.1,

- 12.3.1 the person/company making the Offer (the "Offeror") may assume all outstanding Options and convert such Options into options over shares in the capital of the Offeror; or

- 12.3.2 the Board may with the agreement of the Offeror cancel each outstanding Option (the "Old Option") in consideration of the grant of a new option (the "New Option") to the Participant who held the Old Option over shares in the Offeror or otherwise. Where an Option Holder is granted a New Option in return for his Old Option in accordance with this Rule then: -

- (i) the New Option shall be treated as having been acquired at the same time as the Old Option and be exercisable in the same manner as the Old Option;
- (ii) the New Option shall be subject to the provisions of the Scheme as it had effect in relation to the Old Option immediately before the cancellation; and
- (iii) with effect from the release of the Old Option and the grant of the New Option, the provisions of these Rules shall, in relation to the New Option be construed as if references to the Company and to the Shares were references

to the Offeror (or otherwise) and to shares in the Offeror (or otherwise), as the case may be.

13. **LIQUIDATION**

- 13.1 In the event of a liquidator being appointed to the Company (save in the event of a members' voluntary winding up) all Options shall ipso facto cease to be exercisable and (save to the extent, if at all, that the Board may prior to such liquidation at its absolute and uncontrolled discretion determine) Participants shall not be entitled to damages or other compensation of any kind.

14. **ALTERATIONS**

- 14.1 The Company may at any time by resolution of the Board vary, amend or revoke any of the provisions of the Scheme in such manner as may be thought fit **PROVIDED THAT:-**

- (i) the purpose of the Scheme shall not be altered;
- (ii) except with the sanction of the Company in general meeting, no alteration shall be made to the provisions of the Scheme which would have the effect of overriding any of the limitations specified in Rule 4 or reducing the minimum Option Price; and
- (iii) no such variation, amendment or revocation shall increase the amount payable by any Participant or otherwise impose more onerous obligations on any Participant in respect of the exercise of an Option which has already been granted.

15. **OBLIGATION TO KEEP UNISSUED CAPITAL**

- 15.1 The Company shall keep unissued sufficient Shares to enable it to discharge its obligations under the Scheme and shall take any necessary steps (including if necessary the passing of Resolutions of the Company) to ensure that the Directors of the Company shall, at all times, be generally and unconditionally authorised to allot Shares pursuant to Options to Nominated Persons in accordance with the Companies Acts 1963 to 2005, as amended.

16. **CAPITALISATION AND RIGHTS ISSUES**

In the event of any variation in the share capital of the Company by way of capitalisation or rights issue or any consolidation, subdivision or reduction or otherwise, the number of Shares subject to any Option and the Option Price for each of those Shares shall be adjusted in such manner as the Auditors confirm to be fair and reasonable.

17. **NO EMPLOYMENT RIGHTS**

- 17.1 Any entitlement a Participant may have under the Scheme is a matter entirely separate from any right or entitlement such Participant may have under his/her terms or conditions of employment and such entitlement shall in no respects whatever affect in any way a Participant's entitlements or terms or conditions of employment. In particular (but without limiting the generality of the foregoing) the provisions of these Rules shall not form part of any contract of employment of any Participant nor shall

any Options granted be taken into account for the purpose of calculating any redundancy or unfair dismissal payment.

18. TERMINATION

18.1 The Scheme may be terminated at any time by ordinary resolution of the Company.

18.2 Subsequent to any termination of the Scheme under this Rule 19 the Company shall not grant any further Options but no such termination shall affect or modify any subsisting rights or obligations of Participants in respect of any Options and notwithstanding such termination the Company shall continue to act, administer and manage the Scheme in accordance with its terms.

19. GOVERNING LAW

19.1 The Scheme and these Rules shall be governed by Irish Law.

APPENDIX 1

PARTICIPATION AGREEMENT

THIS AGREEMENT is made the day of

BETWEEN **Petronet Resources PLC** having its registered office at One Earlsfort Centre, Earlsfort Terrace, Dublin 2.

(the “Company”) of the One Part

AND

[] of [] (hereinafter called the “Participant”) of the Other Part.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. The Participant acknowledges receipt of a copy of the current Rules of the Share Option Scheme (the “Rules”) originally adopted by the Company on [] November 2005 and a copy of the current Memorandum and Articles of Association of the Company (“Memorandum & Articles”).

2. The Participant confirms that he/she has read and understood the Rules and agrees to comply with and be bound by them and any variations to them, in particular, but in no way to restrict the generality of the foregoing, Rules 3, 4, 7, 8, 9, 10, 12 and 13. The Participant also agrees to be bound by any terms and conditions endorsed on any Option Certificate and/or applying to any Shares issued to him/her pursuant to the exercise of any Options.
3. The Participant acknowledges that any Option which may be granted and any Shares which may be issued pursuant to the Scheme, shall be governed by the Rules and by the Memorandum & Articles (in either case, as same may be amended from time to time).
4. The Participant hereby acknowledges that the Company has advised him/her to seek independent legal and tax advice before signing this Agreement.
5. Defined terms in this Agreement shall have the same meaning as is ascribed thereto in the Rules.

SIGNED SEALED AND DELIVERED

by []
in the presence of:

PRESENT when the **COMMON SEAL** of **Petroneft Resources PLC** was affixed hereto:

**APPENDIX 2
Petronaft Resources PLC
(the “Company”)**

**OPTION CERTIFICATE
SHARE OPTION SCHEME**

THIS IS TO CERTIFY that [] of [] is the holder of an option to acquire up to a maximum of [x] Ordinary Shares of €0.01 each in the capital of the Company, at a price [Option Price] of €0.01 each on or before the [] and subject to the exercise conditions (if any) contained herein. The option was granted on [] under the Rules of the Share Option Scheme. The option is exercisable in whole or in part as specified in the Rules of the Scheme.

EXERCISE CONDITIONS (IF ANY)

PRESENT when the **COMMON SEAL** of **PETRONEFT RESOURCES PLC** was affixed hereto:-

Seal

_____ Director

_____ Director/Secretary

THIS CERTIFICATE IS IMPORTANT AND SHOULD BE KEPT IN A SAFE PLACE

This Certificate is issued as a matter of record only and is not a document of title. This option is personal to the option holder named herein and his legal personal representatives and may not be sold, transferred, charged or otherwise disposed of in any other manner.