

**RULES OF SHARE OPTION PLAN FOR  
WEST AFRICAN DIAMONDS PLC**

## RULES OF SHARE OPTION PLAN FOR WEST AFRICAN DIAMONDS PLC

This Plan is established by West African Diamonds plc (the “Company”) on 15 September 2006 (the “Adoption Date”) and amended by the Company (to be renamed Stellar Diamonds plc) on 27 JANUARY 2010.

### 1. DEFINITIONS

1.1 In these Rules, the following expressions have the following meanings:-

- |                     |  |
|---------------------|--|
| “the Auditors”      | the auditors for the time being of the Company;  |
| “the Board”         | the board of Directors for the time being of the Company;  |
| “Consultant”        | any person (including an advisor) engaged by a member of the Group to render services to that member of the Group;   |
| “Control”           | being interested (whether alone or in concert with others) in more than 50% of the issued share capital or voting capital of the Company;  |
| “Director”          | a director for the time being of the Company;  |
| “Disability”        | (i) the total or partial absence of a person’s bodily or mental functions, including the absence of a part of a person’s body;<br><br>(ii) the presence in the body of organisms causing, or likely to cause, chronic disease or illness;<br><br>(iii) the malfunction, malformation or disfigurement of a part of a person’s body;<br><br>(iv) a condition or malfunction which results in a person learning differently from a person without the condition or malfunction; or<br><br>(v) a condition, illness or disease which affects a person’s thought processes, perception of reality, emotions or judgment or which results in disturbed behaviour; |
| “Eligible Employee” | any Officer of or any person employed by any member of the Group including any non-executive director of that member of the Group;   |

<b>“Equity Share Capital”</b>	as defined in section 548 of the Companies Act 2006;
<b>“Exercise Price”</b>	the price payable to the Company on the exercise of an Option being the Option Price multiplied by the number of Shares in respect of which an Option is exercised at that time;
<b>“Group”</b>	the Company, its Holding Company or any Subsidiary thereof;
<b>“Holding Company”</b>	as defined in section 1159 of the Companies Act, 2006;
<b>“In Concert”</b>	has the meaning applied to that term by and for the purposes of The City Code on Takeovers & Mergers;
<b>“Market Value”</b>	as defined in section 272 of the Taxation of Chargeable Gains Act 1992 and as certified by the Auditors;
<b>“Notice of Exercise”</b>	the notice in the form set out in <b>Appendix 3</b> ;
<b>“Notification Letter”</b>	the letter in the form set out in <b>Appendix 1</b> ;
<b>“Notification of Acceptance”</b>	the notification of acceptance in the Notification Letter;
<b>“Officer”</b>	as defined in section 1173 of the Companies Act, 2006;
<b>“Option Certificate”</b>	a certificate in the form set out in <b>Appendix 2</b> ;
<b>“Option Price”</b>	the price payable for each Share on the exercise of an Option as determined by the Board at the time of the grant of the relevant Option, such price to be not less than the average closing market price for the Shares in the five dealing days preceding the grant of the Option;
<b>“Option”</b>	an option granted pursuant to the Plan;
<b>“Participant”</b>	any person who is for the time being the holder of an Option or of Shares held pursuant to the exercise of Option rights;
<b>“Plan Shares”</b>	Such shares as are issued pursuant to the Plan;
<b>“Plan”</b>	the share option plan to which these Rules relate as amended from time to time in accordance with these Rules;

<b>“Sale”</b>	means an agreement for the purchase of all the ordinary share capital of the Company (to the extent not already owned by the purchaser or persons acting In Concert or connected with the purchaser) or the acceptance of an offer as a result of which the offeror becomes entitled or bound to acquire the remainder of such shares in accordance with the Companies Act 2006;
<b>“Shares”</b>	ordinary shares in the capital of the Company;
<b>“Subsidiary”</b>	as defined in section 1159 of the Companies Act 2006;
<b>“these Rules”</b>	These rules as the same from time to time may be amended and for the time being may be in force, and references herein to specific rules hereof shall be construed accordingly; and
<b>“Vesting”</b>	Point at which an Option becomes exercisable in the hands of the Participant; and the word <b>“Vest”</b> shall be construed accordingly.

1.2 In these Rules, the masculine shall include the feminine and neuter and vice versa. References in these rules to any enactment or to any constituent part or provision thereof shall mean such enactment, part or provision as the same may be amended and may from time to time and for the time being be in force. References in these Rules to currency are references to the euro.

## 2. ELIGIBILITY

2.1 The Plan is available for any Eligible Employee or Consultant. The Board shall determine at its absolute discretion whether or not a person is an Eligible Employee or Consultant.

2.2 No person shall be entitled as of right to participate in the Plan. The decision as to who shall have the opportunity of participating and the time and extent of his participation will be made, subject to the Plan, by the Board at its absolute discretion in the light of changes in personnel, levels of remuneration, performance of non-participants and other factors which the Board considers relevant.

2.3 Subject to applicable laws, neither the Plan nor any Option shall confer any right to continuing the Participant's employment, consultancy or other contract or engagement (as the case may be) with any member of the Group nor shall they interfere in anyway with the Participant's right or the right of such member of the Group to terminate such employment, consultancy or other contract or engagement (as the case may be) at any time.

### 3. LIMITATIONS ON ISSUE

3.1 Subject to the provisions of Rule 9, the aggregate number of Shares issued under or pursuant to Options granted under the Plan or any other share option or share incentive plan relating to Shares adopted on or after the Adoption Date shall not exceed 10% of the issued Shares from time to time.

3.2 All Options granted under this Plan are subject to the following:-

- (i) no Option shall be exercisable after the Participant shall cease to hold the employment by virtue of which he was eligible to participate in the Plan subject to the provisions of Rules 3.2(ii), 3.2 (iii) and 3.2 (iv);
- (ii) the right of the Company in cases where any Participant's office or employment with any member of the Group has been terminated (other than as provided for in these Rules) in its absolute discretion to:-
  - (a) allow an Option which has Vested to remain exercisable as if the employment has not ceased; or
  - (b) require the Participant to exercise the Option at the date the employment ceased or within six months from the date the employment ceased; or
  - (c) require the Participant to exercise the Option at the date the employment ceased and to sell to the Company, or to such person nominated by the Company, any Shares issued to him on that exercise at the price equal to the Market Value at such time; or
  - (d) require the Participant to sell to the Company, or such person nominated by the Company, at the date the employment ceased any Shares issued to him on the exercise of any Options received during his employment at the price equal to the Market Value of such shares at such time;
- (iii) if a Participant dies, his legal personal representatives may exercise an Option which has Vested in whole or in part at any time within twelve months from the date of his death or such longer period as the Board may determine in any particular case. On any partial exercise of such an Option the balance of the rights then remaining unexercised under such Option shall expire forthwith. No Option may be exercised later than twelve months (or such longer period as aforesaid) after the death of a Participant and upon the expiration of such period the Option shall expire to the extent that it has not been exercised;
- (iv) if a Participant ceases to hold the employment by virtue of which he is eligible to participate in the Plan:-
  - (a) at a time when an Option is capable of being exercised by him, because he has retired on or after reaching the normal retirement

age of the Group in which he held such office or by which he was employed; or

- (b) at any time, because of Disability; or
- (c) at a time when an Option is capable of being exercised by him, because he is made redundant within the meaning of the redundancy legislation under UK law;

then in such case any Option (which is capable of being exercised) then held by him must be exercised at any time prior to the date the employment ceased or such longer period (but not more than 7 (seven) years after the grant of such Option) as the Board may determine in any particular case and shall expire on the expiry of such period.

- (v) No Option shall be capable of being exercised more than 7 (seven) years after the date upon which it was granted; and
- (vi) Each Option granted under this Plan will be subject to such Vesting period and performance conditions as the Board may from time to time in its absolute discretion decide and such Vesting period and performance conditions shall be set out in each Notification Letter and each Option Certificate. The Board may in its absolute discretion waive any outstanding Vesting period in the case of the Disability of a Participant

3.3 If the Company wishes to exercise its right under Rules 3.2 (ii)(b) or (c), it shall notify the Participant in writing of its exercise of such right within 14 days of the cessation of the Participant's employment with the Company and any Option not exercised by the Participant within such period of 14 days will lapse.

#### **4. GRANT OF OPTIONS**

4.1 At any time from time to time while the Plan is in operation, the Board may offer to grant Options to such Eligible Employees or Consultants as may be nominated by it to subscribe at the Option Price, and on the terms and conditions contained in these Rules, for such number of Shares as the Board may determine.

4.2 Every such offer shall be notified to the relevant Eligible Employee or Consultant (as the case may be) by the Company delivering the Notification Letter specifying the appropriate number of Shares and the Option Price relating thereto.

4.3 Every such offer will be conditional upon the person to whom it is addressed returning to the Company the Notification of Acceptance duly signed within such time as the Board may require and if such person shall fail to do so within the time so specified the offer shall be deemed to have lapsed.

4.4 Upon receipt by the Board of the Notification of Acceptance duly signed, the Company shall grant to such person an Option to subscribe, on the terms and conditions contained in these Rules and as set out in the Notification Letter and shall deliver an Option Certificate in respect thereof to the Participant.

## 5. EXERCISE OF OPTIONS

5.1 Upon the exercise of an Option in whole or in part the Participant shall:

- (i) pay immediately to the Company the Exercise Price and failure to pay shall result in the immediate lapse of the Option; and
- (ii) deliver to the Company the Option Certificate duly executed; and
- (iii) if requested by the Board, complete a section 431 election in the form set out in Appendix 4.

As soon as practicable after the receipt thereof, the Company shall issue the appropriate number of Shares to the Participant and deliver to the Participant any appropriate balance Option Certificate.

5.2 An Option shall not be exercisable nor shall any issued Plan Shares be sold where such exercise or sale would constitute the breach of any applicable law or any applicable share dealing code or any rule of the Alternative Investment Market.

5.3 Each Participant agrees to indemnify and to continue to indemnify the Company against any tax or social security liability arising to the Company in respect of, by reference to or in consequence of the exercise by that Participant of his Option.

5.4 Where any tax or social security liability arises to the Company in respect of, by reference to or in consequence of the exercise by a Participant of his Option and the Company fails to recover from the Participant under Rule 5.3 in respect of any liability arising to the Company within fourteen days of the Company seeking to enforce its indemnity, the Company shall be deemed to have been appointed attorney of the Participant with full power to execute, complete and deliver the sale of the participant's Plan Shares and to retain from the proceeds of the sale of the Participant's Plan Shares such amount as is equal to the tax or social security liability of the Company arising from the exercise of the Participant of his Option and to remit the remainder of the proceeds of the sale of the participant's Plan Shares to the Participants.

## 6. PLAN SHARES

6.1 During the period in which the Plan is in operation, the Company shall keep available sufficient unissued Shares to satisfy any outstanding Options.

6.2 Plan Shares shall rank *pari passu* in all respects with the Shares for the time being in issue. For the avoidance of doubt, Plan Shares shall not confer on the holders thereof any rights which the holders of the Shares for the time being in issue have by reference to a record date which has occurred before the date on which the Plan Shares were issued.

## 7. NO COMPENSATION

- 7.1 In no circumstances shall any Participant be entitled to any compensation for any loss or cancellation in accordance with these Rules of any right or benefit or prospective right or benefit under the Plan which he might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

## **8. CHANGES IN CAPITALISATION**

- 8.1 Subject to any required action by the shareholders of the Company, the number of Shares covered by each unexercised Option and the number of Shares which have been authorised for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such unexercised Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible shares of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Board whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares or stock of any class, or securities convertible into shares or stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an unexercised Option.

## **9. ALTERATION, REVOCATION AND TERMINATION**

- 9.1 The Plan may be altered, revoked or terminated at any time by resolution of the Board in such manner as it may in its absolute discretion decide.
- 9.2 No such alteration, revocation termination of the Plan under Rule 9.1 shall affect or modify any subsisting rights or obligations of the Participants in respect of any unexercised Options and notwithstanding such alteration, revocation or termination the Company shall continue to do and perform such acts in accordance with the provisions hereof as are necessary for or incidental to the administration and management of outstanding rights and obligations which arose under or by virtue of the Plan.

## **10. TAKEOVERS AND LIQUIDATIONS**

- 10.1 Subject to Rule 10.6, if any person makes an offer which, if accepted would result in a Sale, an Option may be exercised:
- 10.1.1 within a reasonable period to be specified by the Board for that purpose and ending immediately before completion of such Sale provided that the Company may make such exercise of the Option conditional upon the Option Holder agreeing to sell all Shares acquired pursuant to the Option to the person who obtains Control of the Company on the same date and on the same terms (*mutatis mutandis*) as have been agreed by



the other shareholders. If an Option is not exercised before completion of a Sale, it shall lapse immediately upon such completion for all purposes other than Rule 10.1.2 and Rule 11; or

- 10.1.2 if the Board does not give notice to the Option Holders before completion of a Sale in accordance with Rule 10.1.1, within 30 days following the Sale provided that, where requested to do so, the Option Holder has agreed in writing prior to exercise and in a form acceptable to the Board to sell all the Shares the Option Holder acquires on exercise of their Option to the purchaser or offeror (or any one of them) of the ordinary share capital of the Company on no less favourable terms than those offered to holders of ordinary shares on the Sale.
- 10.2 If any court of competent jurisdiction sanctions a compromise or arrangement pursuant to section 899 of the Companies Act 2006, all Options may be exercised immediately prior to and conditional upon the Court sanctioning such compromise or arrangement, or within six months of the Court sanctioning such compromise or arrangement and thereafter all Options shall lapse.
- 10.3 If any person becomes bound or entitled to acquire Shares in the Company under sections 979 of the Companies Act 2006, all Options may be exercised at any time when that person remains so bound or entitled and thereafter all Options shall lapse.
- 10.4 If the Company passes a resolution for voluntary winding up, all Options may be exercised within six months of the passing of the resolution and thereafter all Options shall lapse.
- 10.5 If any corporate transaction or event occurs, other than a transaction or event set out in Rules 10.1 to 10.4, which the Board, in its discretion (provided such discretion is exercised fairly and reasonably), determines justifies the exercise of Options, Options may be exercised at any time within six months of the date of the occurrence of such an event (or such shorter time as it may specify) and thereafter all Options shall lapse.
- 10.6 Rules 10.1, 10.2 and 10.3 shall not apply where:
- 10.6.1 the events set out in those Rules form part of a scheme or arrangement whereby Control of the Company is obtained by another Company (the "Acquiring Company"); and
- 10.6.2 immediately following the Acquiring Company obtaining Control, the issued equity capital of the Acquiring Company is owned substantially by the same persons who were the equity shareholders of the Company immediately prior to the Acquiring Company obtaining Control; and
- 10.6.3 the Acquiring Company has agreed to grant new options in accordance with Rule 11 in consideration for the release of any Options which have not lapsed.

## 11. EXCHANGE OF OPTIONS ON A TAKEOVER

11.1. Notwithstanding the provisions of Rule 10, if any company (the "**Acquiring Company**") obtains Control of the Company or becomes bound or entitled to acquire shares in the Company within any of the sets of circumstances specified in Rule 10, a Participant may, at any time within the period specified for the exercise of an Option in Rule 10, by agreement with the Acquiring Company, release his Option (the "**Old Option**") in consideration of the grant to him of a new option (the "**New Option**") which is equivalent in value to the Old Option.

11.2 Where any New Options are granted pursuant to Rule 11.1, they shall be regarded for the purposes of the subsequent application of the provisions of this Plan as having been granted at the time when the corresponding Old Options were granted and, with effect from the date on which the New Options are granted, these Rules shall, in relation to the New Options, be construed as if references to the Company and to the Shares were references to the Acquiring Company and to shares in the Acquiring Company or, as the case may be, to the other company to whose shares the New Options relate and to the shares in that other company.

11.3 As soon as practicable after having granted a New Option in accordance with the provisions of Rule 11.1, the Acquiring Company shall issue an Option Certificate in respect of such Option or shall procure that such an Option Certificate is issued. The Option Certificate shall state:

11.3.1 the date on which the Old Option (which has been released in consideration of the grant of the New Option) was granted;

11.3.2 the number and class of shares subject to the New Option;

11.3.3 the Exercise Price payable for each share under the New Option;

11.3.4 the first date on which the New Option can normally be exercised; and

11.3.5 the last date on which a notice exercising the New Option can be received; and

subject as aforesaid shall be issued in such form and manner as the Board may from time to time prescribe.

## 12. OVERSEAS PARTICIPANTS

Notwithstanding any other provision of this Plan, the Board may, in respect of Options granted to Participants who are or may become primarily subject to taxation outside the United Kingdom on their remuneration, amend or alter the provisions of this Plan as the Board considers necessary or desirable to mitigate, take account of or comply with relevant overseas taxation, securities or exchange control laws provided that the terms of Options granted to such Participants shall not be more favourable overall than the terms of Options granted to other Participants and the Plan limit contained in Rule 3.1 is not exceeded.

**13. DISPUTES**

Any disputes arising hereunder shall be referred to the decision of an independent arbitrator to be appointed by agreement between the Company and the Participant or in default of agreement to be appointed by the President for the time being of the Law Society of England and Wales. The arbitrator shall act as expert and his decision shall be final and (save for manifest error) shall be binding on all persons concerned.

**14. GOVERNING LAW**

These Rules shall in all respects be governed by and construed in accordance with the laws of England and Wales.

## APPENDIX I

### Letter Notifying Grant of Option

#### WEST AFRICAN DIAMONDS PLC

#### SHARE OPTION PLAN

Dear •

The Directors of WEST AFRICAN DIAMONDS PLC (the "Company") are pleased to grant you an option (the "Option") over • ordinary shares of £• each in the capital of the Company in accordance with the rules of the WEST AFRICAN DIAMONDS PLC Share Option Plan (the "Plan") which are to vest as follows:

\*

We confirm that the Option Price for the purposes of the Option is £• per share. We enclose an Option Certificate showing the grant of the Option to you.

This grant is made subject to the terms and conditions of the Plan, a copy of which is enclosed with this letter.

Please note that participation in the Plan by you is voluntary and does not form part of your contract of employment and is a matter entirely separate from any pension rights or entitlements you may have and/or from your terms or conditions of employment. Participation in this Plan by you shall not affect your pension rights or entitlements or terms or conditions of employment.

You are advised to seek your own taxation advice concerning any Option under the Plan, and to bear in mind (if applicable) any legislation for the time being in force and any relevant rules of any stock exchange concerning dealings in shares in the Company by directors and employees of the Company and its subsidiaries.

Yours sincerely

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For and on behalf of  
WEST AFRICAN DIAMONDS PLC

#### NOTICE OF ACCEPTANCE

I hereby accept the grant of the Option over • ordinary shares of £• in the capital of the Company on the terms of the above letter.

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Signed

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Date

\* Insert details of Vesting.

**APPENDIX 2**

**Option Certificate**

**WEST AFRICAN DIAMONDS PLC**

**SHARE OPTION PLAN**

**THIS DOCUMENT IS IMPORTANT**

A form of notice for use by the Participant for the exercise of an Option is set out over leaf.

Name of Participant: \_\_\_\_\_

Address of Participant: \_\_\_\_\_

Date of Grant: \_\_\_\_\_

Number of Ordinary Shares: \_\_\_\_\_

Option Price per Share for this Option: £• \_\_\_\_\_

\* Vesting Period

Last date on which Option  
can be exercised: \_\_\_\_\_

THIS IS TO CERTIFY that the Participant named above was on the above date granted an option (the "**Option**") to subscribe for the above number of ordinary shares in the Company at the above Option Price per share in accordance with and subject to the rules of the WEST AFRICAN DIAMONDS PLC Share Option Plan (the "**Plan**"). The Option is personal to the Participant and may not be transferred, assigned, mortgaged, charged or otherwise disposed of by the Participant. The Option is capable of exercise in whole or in part subject to and in accordance with the terms and conditions of the Plan.

**IN WITNESS WHEREOF** this Certificate has been executed under the common seal of  
**WEST AFRICAN DIAMONDS PLC**

\* Delete or insert details as appropriate

Present when the common seal  
of **WEST AFRICAN DIAMONDS PLC**  
was affixed hereto:

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Director

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Director/Secretary

**APPENDIX 3**

**Notice of Exercise**

**[To be printed on reverse of Option Certificate]**

**WEST AFRICAN DIAMONDS PLC**

**SHARE OPTION PLAN**

**TO: The Secretary, WEST AFRICAN DIAMONDS PLC**

1. I hereby exercise the Option referred to in the attached Option Certificate in respect of [Note (a)] Ordinary Shares in the Company subject to the terms and conditions of the WEST AFRICAN DIAMONDS PLC Share Option Plan.
2. I enclose the sum of £•..... [Note (b)].
3. I undertake to deal with any personal tax obligations that devolve on me as a result of my exercising the Option referred to in the attached Option Certificate.

Full Name(s): \_\_\_\_\_

Address: \_\_\_\_\_

Signature(s): \_\_\_\_\_

Date: \_\_\_\_\_

Notes:

- (a) Insert the number of shares in respect of which the Option is being exercised.
- (b) Insert the total price payable for the shares; multiply the Option Price per share by the number of shares inserted in paragraph 1 above.
- (c) To validly exercise the Option, the Participant must insert the number of shares in respect of which the Option is exercised in this Notice of Exercise.
- (d) This form is to be completed when it is desired to exercise in whole or in part the Option represented by the Option Certificate printed over leaf. It is only to be completed by the Participant or, in the event of his/her death, by his/her personal representative(s).

## APPENDIX 4

### Joint Election under s431 ITEPA 2003 for full or partial disapplication of Chapter 2 Income Tax (Earnings and Pensions) Act 2003

#### One Part Election

##### 1. Between

the Employee *[insert name of employee]*  
whose National Insurance Number is *[insert NINO]*  
and  
the Company (who is the Employee's employer) *[insert name of company]*  
of Company Registration Number *[insert CRN]*

##### 2. Purpose of Election

This joint election is made pursuant to section 431(1) or 431(2) Income Tax (Earnings and Pensions) Act 2003 (ITEPA) and applies where employment-related securities, which are restricted securities by reason of section 423 ITEPA, are acquired.

The effect of an election under section 431(1) is that, for the relevant Income Tax and NIC purposes, the employment-related securities and their market value will be treated as if they were not restricted securities and that sections 425 to 430 ITEPA do not apply. An election under section 431(2) will ignore one or more of the restrictions in computing the charge on acquisition. Additional Income Tax will be payable (with PAYE and NIC where the securities are Readily Convertible Assets).

**Should the value of the securities fall following the acquisition, it is possible that Income Tax/NIC that would have arisen because of any future chargeable event (in the absence of an election) would have been less than the Income Tax/NIC due by reason of this election. Should this be the case, there is no Income Tax/NIC relief available under Part 7 of ITEPA 2003; nor is it available if the securities acquired are subsequently transferred, forfeited or revert to the original owner.**

##### 3. Application

This joint election is made not later than 14 days after the date of acquisition of the securities by the employee and applies to:

Number of securities *[insert number]*  
Description of securities *[insert description]*  
Name of issuer of securities *West African Diamonds plc*  
\* acquired by the Employee on *[insert date]*  
\* to be acquired by the Employee between *[dd/mm/yyyy]* and *[dd/mm/yyyy]*



\* to be acquired by the Employee after [dd/mm/yyyy] under the terms of [insert scheme/plan name] (\* delete as appropriate)

**4. Extent of Application**

This election disapplies all restrictions attaching to the securities.

**5. Declaration**

This election will become irrevocable upon the later of its signing or the acquisition (and each subsequent acquisition) of employment-related securities to which this election applies.

In signing this joint election, we agree to be bound by its terms as stated above.

..... /...../.....  
Signature (Employee) Date

..... /...../.....  
Signature (for and on behalf of the Company) Date

.....  
Position in company

