

RED EMPEROR RESOURCES NL

ACN 124 734 961

Red Emperor Resources NL Employee Incentive Scheme

TERMS AND CONDITIONS

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these Terms and Conditions, the following words and expressions have the meanings indicated unless the contrary intention appears:

“**Associate**” of an Employee means:

- a) a spouse, parent, brother, sister or child of the Employee (“Relative”);
- b) a body corporate that is effectively controlled by one or more of the Employee and the Relatives of the Employee; or
- c) the trustee of a trust that is effectively controlled by one or more of the Employee and the Relatives of the Employee.

“**ASX**” means Australian Stock Exchange Limited.

“**Board**” means all or some of the Directors acting as a board.

“**Company**” means Red Emperor Resources NL (ACN 124 734 961).

“**Director**” means a director of the Company.

“**Employee**” means:

- a) a full-time or part-time employee of a company in the Group;
- b) a director of the company in the Group; or
- c) a consultant of the company and a person, by whatever name called and whether or not a director, whom the Board determines is concerned, or takes part, in the management of a company in the Group.

“**Group**” means the Company and its subsidiaries (as defined in the Corporations Act 2001).

“**Listing Rules**” means the Official Listing Rules of ASX.

“**Market Value**” of a Share means:

- a) unless (b) applies – the market value determined under the Income Tax Act; or
- b) if the Board adopts another method for determining the market value – the value determined under that method.

“**Option**” means an option to subscribe for Shares issued under the Scheme.

“**Participant**” means:

- a) an Employee who personally holds an Option issued under the Scheme; or
- b) an Employee whose nominated Associate holds an Option issued under the Scheme.

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“Redundancy” means any situation where the requirements of the relevant company in the Group for an Employee to carry out a particular kind of work (given his or her particular skills) or to carry out certain work in a particular place, have ceased or diminished (or are likely to do so), but does not extend to the dismissal of an Employee for personal or disciplinary reasons, including for reasons of misconduct or unsatisfactory performance, or where an Employee leaves of his or her own accord.

“Retirement” means retirement by the Participant from employment with the Group at age 55 or over.

“Scheme” means the Red Emperor Resources NL Employee Incentive Scheme constituted by these Terms and Conditions.

“Share” means a fully paid ordinary share in the capital of the Company.

“Total and Permanent Disablement” means that the Participant has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Participant unlikely ever to engage in any occupation for which he or she is reasonably qualified by education, training or experience.

1.2 Words imparting the singular include the plural and vice versa and words denoting a gender include all other genders.

2. ISSUE OF OPTIONS

Eligibility

2.1 The Board may offer Options to an Employee having regard to:

- a) the potential contribution of the Employee to the Group; and
- b) any other matters the Board considers relevant.

Nomination of Associate

2.2 Upon receipt of an offer of Options an Employee may nominate an Associate to be the person issued with those Options. The Board may, in its absolute discretion, resolve not to issue Options to a nominated Associate without giving any reason.

Acceptance of offers

2.3 An Employee or nominated Associate may accept an offer of Options within the time specified in the offer document. No payment is required to accept the offer.

Issue of Options

2.4 Options must be issued in accordance with these Terms and Conditions and each Participant and, where relevant, Associate will be taken to have agreed to be bound by these Terms and Conditions on the issue of any Options.

2.5 The Company must issue each Participant or nominated Associate with an Option certificate indicating the number of Options issued and the exercise price of the Options.

2.6 The Board retains the right to withdraw an offer of Options at any time prior to issuing the Options.

3. MAXIMUM NUMBER OF OPTIONS

The Board may not offer Options under this Scheme if the total number of Shares the subject of the Options, when aggregated with:

- a) the number of Shares in the same class which would be issued if each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to this Scheme or any other employee or executive share scheme, was accepted or exercised; and
- b) the number of Shares in the same class issued during the previous five years pursuant to this or any other employer or executive share scheme,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or by way of excluded offer or invitation within the meaning of the Corporations Act 2001), would exceed 5% of the total number of issued Shares of the Company as at the time of the proposed offer.

4. ENTITLEMENT

4.1 Subject to clauses 8 and 9, each Option entitles the holder to subscribe for and be allotted, credited as fully paid, one Share at the exercise price per Share.

4.2 The exercise price per Share is:

- a) 125% of the Market Value of Shares on the day the Option is issued;
- b) 20 cents; or
- c) any greater exercise price determined by the Board and advised to the Employee when Options are offered to the Employee,

whichever is the greatest.

4.3 Subject to these Terms and Conditions, the Company must allot shares on exercise of an Option in accordance with the Listing Rules.

4.4 Shares issued on the exercise of Options will rank equally with all existing Shares in the capital of the Company from the date of issue.

5. EXERCISE OF OPTIONS

5.1 An Option is exercisable by the holder lodging a notice of exercise of Option and application for Shares in a form approved by the Company, together with the exercise price of each Share to be issued on exercise and the relevant Option certificate, with the Company Secretary.

5.2 Options must be exercised in multiples of 100, unless the holder exercises all Options able to be exercised at that time. The exercise of some Options only does not affect the holder's right to exercise other Options at a later time. If the holder exercises less than all Options represented by a certificate then the Company will cancel the certificate and issue a new certificate for the balance.

5.3 Subject to clauses 5.4-5.7, an Option that has not lapsed may be exercised at any time between 2 and 5 years after the date the Option is issued.

- 5.4 If a Participant ceases to be an Employee;
- a) 2 years or more after Options are issued in relation to the Participant; or
 - b) because of Retirement, Total and Permanent Disablement, Redundancy, death or any other circumstances approved by the Board,
- the options may be exercised within 30 days (or 3 months, in the case of death) after ceasing to be an Employee or any longer period permitted by the Board. If not exercised within that period, the Options lapse.
- 5.5 If a Participant ceases to be an Employee and clause 5.4 does not apply, Options issued in relation to the Participant lapse.
- 5.6 If the Board determines that:
- a) a Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to any company in the Group; and
 - b) Options issued in relation to the Participant are to be forfeited,
- the Options will immediately lapse.
- 5.7 Notwithstanding any other clause, any Option not exercised will lapse on the expiry of five years after the date the Option was issued.

6. TRANSFER

Options may only be transferred with the approval of the Board. Options will not be quoted on ASX.

7. QUOTATION OF SHARES

The Company will make application to ASX for official quotation of Shares issued on the exercise of Options, if other Shares of the Company are listed at that time.

8. PARTICIPATION IN FUTURE ISSUES

- 8.1 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
- 8.2 In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
- 8.3 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.
- 8.4 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = \frac{O - \frac{E[P - (S + D)]}{N + 1}}$$

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

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| E = | the number of underlying securities in the Company into which one option is exercisable. |
| P = | the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date. |
| S = | the Subscription price for a security under the pro rata issue. |
| D = | the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue). |
| N = | the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company. |

- 8.5 The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option Holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.
- 8.6 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

9. ADVICE

The Company must give notice to each Participant or his nominated Associate of any adjustment to the number of Shares which the holder is entitled to subscribe for or be issued on exercise of an Option, or any adjustment to the exercise price per Share, in accordance with the Listing Rules.

10. NOTICES

Notices may be given by the Company to the holder or the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modification to notices to holders or Participants.

11. RIGHT TO ACCOUNTS

Holders will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but will not have any right to attend or vote at those meetings.

12. OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE

Notwithstanding any Terms and Conditions or the terms of any Option, Options may only be issued or exercised within the limitations imposed by the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

13. ADMINISTRATION OF THE SCHEME

- 13.1 The Scheme will be administered by the Board in accordance with these Terms and Conditions. The Board may make regulations for the operation of the Scheme which are consistent with these Terms and Conditions.
- 13.2 Any power or discretion which is conferred on the Board by these Terms and Conditions may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person.
- 13.3 Any power or discretion which is conferred on the Board by these Terms and Conditions may be delegated by the Board to a committee consisting of such Directors as the Board thinks fit.
- 13.4 The decision of the Board as to the interpretation, effect or application of these Terms and Conditions will be final and conclusive.

14. AMENDMENTS

These Terms and Conditions may only be amended, subject to the Listing Rules, by special resolution of the Company in general meeting.

15. RIGHTS OF PARTICIPANTS

Nothing in these Terms and Conditions:

- a) confers on any Employee or Associate the right to receive any Options;
- b) confers on any Participant the right to continue as an Employee;
- c) affects any rights which the Company or a subsidiary may have to terminate the employment of any Employee; or
- d) may be used to increase damages in any action brought against the Company or a subsidiary in respect of any such termination.

16. QUOTATION OF OPTIONS

The Company will not seek quotation on ASX of Options issued pursuant to the Scheme.