

RECTIFIER TECHNOLOGIES LTD
ACN: 058 010 692

EMPLOYEE SHARE OPTION PLAN

PLAN RULES

1. Definitions and Interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise:

Applicable Law means:

- a) The Corporations Act;
- b) The *Corporations Regulations 2001* (Cth);
- c) Any other applicable securities or financial services laws;
- d) Any class order, declaration, exemption, or modification made or granted by ASIC pursuant to any of the abovementioned statutes, regulations or laws, or any waiver from the Listing Rules granted by ASX, on which the Company seeks to rely or that binds the Company in making any Offer or otherwise in connection with the operation of the Plan;
- e) Listing Rules or the rules of any other applicable securities exchange;
- f) Any other legislation regulating or applying to the activities of the Company; and
- g) The Constitution (as amended from time to time);

Application Form means a form for the application for an Option in respect of an Offer made to an Eligible Employee, or other person who is declared by the Board to be eligible to participate in the Plan;

ASIC means the Australian Securities and Investments Commission;

Associated Entity has the meaning given to that term in section 50AAA of the Corporations Act;

ASX means the Australian Securities Exchange Limited;

Board means the board of directors of the Company or a committee of the Board appointed to administer the Plan;

Cessation Date means the date on which the relevant Participant ceases to be employed by an Employer Company.

Clawback Policy means the policy, if any, adopted by the Board in relation to any circumstances in which the Company may claw back performance-based remuneration from key management personnel (or other senior executives) of the Company or any other Employer Company;

Closing Date means the closing date for acceptance of an Offer;

Company or Rectifier means Rectifier Technologies Ltd ACN 058 010 692;

Constitution means the constitution of the Company;

Corporations Act means the *Corporations Act 2001* (Cth);

Director means a director of the Company;

Eligible Employee means an employee, consultant, officer or executive (including a director employed in an executive capacity) of an Employer Company who is declared by the Board to be an Eligible Employee for the purposes of the Plan;

Employer Company means the Company, a Subsidiary or any other Associated Entity approved by the Board;

ESS Participant has the meaning given to that term in section 1100L(2) of the Corporations Act;

Exchange means any stock exchange on which the shares of the Company become listed;

Exercise Condition means, in respect of any Option, one or more conditions that must be met before the Option may be exercised, as determined by the Board in its absolute discretion;

Exercise Period means, in respect of any Option, the period designated by the Board and notified in writing to the Participant as being the period during which the Participant may exercise the Option or any part of it in accordance with rule 10;

Exercise Price means, in respect of any Offer, the price per Share calculated in accordance with rule 6, subject to any adjustment in accordance with rule 12;

Expiry Date means the final date to exercise an Option;

Grant Date, in relation to an Option, means the date on which the Option is granted in accordance with rule 9.1;

Listing Rules means the rules of the Exchange and, if the Exchange is ASX, means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX;

Market Price in relation to a Share, on a particular day means if there was at least one transaction on the Exchange during the 5 business days before that day, the volume weighted average of the prices at which a Share was traded on the Exchange during the 5 business days before that day, or if there were no transactions on the Exchange in that 5 business days in Shares, the last price at which an offer was made on the Exchange in that period to buy a Share;

Offer means an invitation to an Eligible Employee, or other person declared by the Board to be eligible to apply for an Option under the Plan;

Offer Date means the date that the Offer is made to an Eligible Employee pursuant to an Offer Document;

Offer Document means the invitation letter issued to the Eligible Employee outlining the terms of the Offer;

Option means right to acquire a Share;

Participant means an Eligible Employee, or other person who is an ESS Participant and who is declared by the Board to be eligible, who has been granted an Option under the Plan;

Plan means the Company's Employee Share Option Plan constituted by these rules as amended from time to time;

Resignation means the resignation of a Participant from their employment with an Employer Company other than:

- a) Retirement;
- b) Total and Permanent Disablement;
- c) where the Participant has accepted an offer of employment from any other Employer Company or from the purchaser (or a related body corporate of the purchaser) of all or part of the assets or business of any Employer Company, or from any person to whom any Employer Company has outsourced, or agreed to

outsource, any part of its functions or business; and

- d) for any other reason, or in any other circumstances, that the Offer Document for the Offer of the relevant Options held by the Participant specified would not constitute resignation for the purposes of these rules.

Retirement means the resignation of a Participant from employment by an Employer Company in circumstances where the Board is satisfied that the Participant intends to leave the workforce permanently in the sense that the Participant intends to no longer be employed on a full-time or permanent part-time basis.

Share means a fully paid ordinary share in the capital of the Company;

Subsidiary has the meaning given to that term in section 9 of the Corporations Law;

Takeover Bid has the same meaning as in section 9 of the Corporations Law;

Termination for Cause means the termination by any Employer Company of the Participant's employment with that Employer Company or the Resignation by the Participant from his or her employment with that Employer Company:

- a) where neither notice nor payment in lieu of notice is given by the Employer Company; or
- b) in circumstances involving the Participant's actual or alleged misconduct, whether or not notice or any payment in lieu of notice is given by the Employer Company;

Total and Permanent Disablement means the resignation of the Participant from his or her employment with any Employer Company as a result of his or her total and permanent disablement, as determined by the Board;

Total Exercise Amount means, in relation to each Option, the Exercise Price multiplied by the number of Shares for which the Option is being exercised; and

Trading Policy means any policy adopted by the Company in relation to trading or dealing in Shares or other securities by the Company's key management personnel (or any other persons), as amended from time to time;

Trigger Event means:

- a) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- b) the announcement of a takeover bid or receipt by the Company of a bidder's statement in respect of the Company; or
- c) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

1.2 Interpretation

- a) The singular includes the plural and conversely.
- b) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- c) A reference to a rule is a rule of these rules.

1.3 Governing Law

This Plan and any Options issued under it are governed by the laws of Victoria. Offers made under these rules are made under Division 1A of Part 7.12 of the *Corporations Act 2001* (Cth).

2 Total number of Shares

The Company must ensure that when making an Offer under this Plan, that those Options that may be issued, directly or indirectly as a result of the Offer, and the number of Options that have been issued (or may be issued as a result of previous offers made) under this Plan to Participants within Australia at any time during the three year period ending on the Offer Date do not exceed 5% of the total number of Shares actually issued by the Company as at the Offer Date.

3 Eligibility

The Board may in its absolute discretion:

- a) Declare that an employee or executive of an Employer Company is an Eligible Employee; and
- b) Declare that any other person is eligible to participate in the Plan provided such participation will not require compliance with Chapters 6D.2, 6D.3 and 7.9 of the Corporations Act.

4 Shares comprised in each Option

- a) Subject to rule 3 and paragraph b), the Board must decide, in its absolute discretion, the number of Options to be offered to an Eligible Employee, or other person declared by the Board to be eligible, in accordance with the Plan.
- b) In deciding under paragraph a), the Board may take into account the actual and potential contribution of the Eligible Employee, or other person declared by the Board to be eligible, to the growth of an Employer Company.

5 Offer

5.1 Offer to participate

The Board may, from time to time, at its absolute discretion, make an Offer (in such form as the Board decides from time to time) to:

- a) Eligible Employees; and/or;
- b) any other persons who the Board has declared to be eligible.

5.2 Information about Options

In respect of each Offer, the Board must advise each person to whom the Offer is made under rule 5.1 of the following information relevant to an Option that may be granted under the Plan, namely:

- a) the date of the Offer;
- b) the final date by which an Eligible Employee may accept the invitation constituted by the Offer;
- c) the number of Options and the number of Shares for which the Participant will be entitled to subscribe upon the exercise of the Option;
- d) the Exercise Price;
- e) the vesting conditions (if any) that will apply to the Options (or if the Options will be divided into tranches, the vesting conditions (if any) that will apply to the different tranches) issued subject to the Offer;
- f) if the first day on which the Eligible Employee may (subject to this Plan) exercise the Options the subject of the Offer is fixed at the time of the Offer, that date;
- g) if the last day on which the Eligible Employee may (subject to this Plan) exercise the Options the subject

- of the Offer is fixed at the time of the Offer, that date;
- h) the date Shares will be allocated to the Eligible Employee following exercise of the Options;
 - i) if the Share allocated pursuant to the exercise of any Options are subject to restrictions on disposal under the Listing Rules, that fact and details of the applicable restrictions;
 - j) any other specific terms and conditions applicable to the Offer or that will apply to any Options issued under the Offer; and
 - k) any other information required under Division 1A of Part 7.12 of the Corporations Act.

6 Exercise Price

The Exercise Price of Options issued pursuant to the Plan will be, at the discretion of the Board equal to or greater than the Market Price on the Grant Date or date of the Offer.

7 Market Price

During the Exercise Period, the Board will, make available to the Eligible Employee, the Market Price of Shares in the same class as those offered subject to the Options, within a reasonable time of the Eligible Employee making such a request.

8 Application for Options

8.1 Requirements for Application

Each application for an Option must:

- a) be made on an Application Form;
- b) conform with any instructions contained in the Application Form or in the Offer; and
- c) be received by the Board at the specified place prior to the Closing Date.

8.2 Formal Application

Each Application Form when properly completed and signed by the Participant in accordance with rule 8.1 constitutes an application for the grant of an Option to subscribe for the Shares at the Exercise Price.

8.3 Payment for Grant of Option

Unless the Board otherwise determines, no payment is required at the time an Option is granted.

9 Grant of Options

9.1 Date of Grant

Upon acceptance of a duly signed and completed Application Form, together with any monies payable in respect of the Options applied for, the Company may grant Options to the Eligible Employee, or other person declared by the Board to be eligible, as specified in the Offer, with effect from the date the Board determines, on the terms of the Plan and terms of the Offer.

9.2 Certificate

On the grant of the Option, the Company may issue to the Participant a certificate evidencing the Option and the number of Shares for which the Participant is entitled to subscribe.

9.3 Personal

An Option granted under the Plan is personal to the Participant and may not be assigned to or exercised by any other person or body corporate.

10 Exercise of Options

10.1 Right to Exercise

Subject to rule 10.3, a Participant may exercise the Option, or any part of it, in the applicable Exercise Period, provided any exercise is for a minimum of a marketable parcel (as defined in the Listing Rules) of Shares or such other number or multiple of a number as the Board may determine.

10.2 Exercise Periods

Options may only be exercised during the applicable Exercise Period. The Exercise Period of Options will be determined by the Board at its absolute discretion.

10.3 Restrictions on Exercise

Except where an Option becomes exercisable by virtue of the provisions of rule 12, an Option may not be exercised unless at that time any Exercise Conditions imposed by the Board have been satisfied. Exercise Conditions of Options will be determined by the Board at its absolute discretion.

10.4 Lapse

Any Option not exercised on or before 5.00pm (Melbourne time) on the Expiry Date automatically lapses.

10.5 Lapse of Plan Securities on cessation of employment in certain circumstances

- a) Subject to the terms specified in the Offer Document for the relevant Options and unless otherwise determined by the Board (at any time and whether before or after cessation of employment), all Options held by a Participant will lapse if the Participant ceases to be employed by an Employer Company due to his or her Termination for Cause, with effect on the Cessation Date.
- b) If a Participant ceases to be employed by an Employer Company for any reason or in any circumstances other than his or her Termination for Cause, the Board may (at any time and whether before or after the Cessation Date) determine that all or some of the Participant's Options will lapse, either immediately or at some future time (including following the occurrence of such further event or circumstance as the Board determines).
- c) Any Options held by a Participant that do not lapse by operation of this rule 10.5 or determination of the Board as a result of the Participant ceasing to be employed by an Employer Company will continue to be held by the Participant subject to these Rules and the terms and conditions set out in the Offer for those Options.
- d) If the Board makes a determination under rule 10.5b) before an Offer of Options is made to an Eligible Employee, details of that determination must be included in the Offer Document for that Offer and the treatment of those Options where a Participant ceases to be employed by an Employer Company for any reason or in any circumstances other than his or her Termination for Cause will be determined in accordance with that determination to the extent that it is applicable in relation to the particular cessation of employment, but that determination will not otherwise be taken to limit the Board's powers under rule 10.5b).
- e) For the purposes of these Rules (and any Offer Document), a Participant **ceases to be employed by an Employer Company** if and when the Participant is no longer employed by, and no longer holds any other office with, any Employer Company.

10.6 Lapse and clawback of Options to prevent inappropriate benefits

Subject to the terms specified in the Offer Document for the relevant Options and unless otherwise determined

by the Board (at any time), some or all of the Options that have not otherwise lapsed under this Rule 10 held by a Participant will lapse:

- a) if, and with effect from the date on which, the Board determines that the relevant Options should lapse because, in the Board's opinion, the Participant:
 - i) has been, or could be, dismissed or removed from his or her employment with an Employer Company for a reason that entitles an Employer Company to dismiss the Participant without notice;
 - ii) has committed, or been involved in, an act of fraud, misappropriation, or serious misconduct in relation to the affairs of any Employer Company (whether or not charged with an offence);
 - iii) has done, or has been involved in, an act which brings any Employer Company into disrepute or causes material damage to any Employer Company;
 - iv) has been convicted on indictment of an offence against the Corporations Act in connection with the affairs of the Company or any Employer Company;
 - v) has had a judgement entered against him or her in civil proceedings in respect of the contravention by the Participant of his or her duties at law, in equity or under statute in his or her capacity as an executive or Director of any Employer Company;
 - vi) has materially breached his or her obligations to any Employer Company;
 - vii) has materially breached any policy of the Company (including, without limitation, the Trading Policy or the Company's policy (if any) on the hedging of long-term incentives) or of any Employer Company; or;
 - viii) has dealt with the Options in breach of these rules;
- b) if, in the opinion of the Board, any circumstances occur that the Board determines in good faith to have resulted in an unfair benefit to the Eligible Employee;
- c) if, in the opinion of the Board, there has been a material misstatement or omission in the financial statements in relation to any Employer Company; or
- d) if, in the opinion of the Board, the Options are liable to clawback under any Clawback Policy.

10.7 Notice of Exercise

- a) In order to exercise an Option, the Participant (or his or her personal representative in the case of a deceased Participant) must deliver to the Company a completed and signed notice of exercise in a form prescribed by the Board and made available to the Participants, together with the Total Exercise Amount. All payments made pursuant to this rule shall be made by cheque, bank draft or postal order made out in favour of the Company.
- b) If a Participant exercises only part of the Option, the Company must issue to the Participant a new certificate evidencing the remaining number of Shares for which the Participant is entitled to subscribe.

10.8 Allotment of Shares

Subject to rule 10.7 upon receipt of the Total Exercise Amount the Company must promptly allot to the Participant the Shares for which the Participant is entitled to subscribe.

10.9 Quotation of Shares

After Shares have been allocated pursuant to rule 10.8, if the Company's Shares are listed on the Exchange at the date of allotment, the Company will apply for listing of the Shares on the Exchange within the timeframe required by the Listing Rules.

11 New Issues

There is no inherent right in the Option to participate in any new issues of Shares which may be offered to shareholders from time to time prior to the exercise of the Option.

12 Rights of Participant upon exercise of Option

12.1 Ranking of Shares

The Shares to be allotted upon the exercise of an Option will upon allotment rank equally in all respects with the then existing ordinary issued Shares in the capital of the Company and will be subject to the provisions of the Constitution of the Company.

12.2 Adjustment for Rights issue

If:

- a) Shares are offered pro rata for subscription by the Company's shareholders generally by way of a rights issue; and
- b) The price at which each Share is so offered is less than the Market Price on the day of public announcement of the rights issue,

then, the Exercise Price (if any) of the Option will be reduced in accordance with the relevant formula set out in the Listing Rules applying to options at the time of the pro-rata issue, and there will be no change to the number of Shares to which the Participant is entitled on exercise of the Option.

12.3 Adjustment for Bonus Issue

In the event of a Bonus Issue of Shares being made pro-rata to ordinary shareholders (other than issue in lieu of dividends), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the Bonus Issue. No adjustment will be made to the exercise price per share of the Option.

12.4 Other reconstruction

If there occurs any other reconstruction or reorganisation of the capital of the Company affecting issued Shares (including a consolidation, subdivision, reduction or return of capital), then the rights of each Participant (including, where applicable, the number of Options and the Exercise Price (if any) of any Options held by the Participant) will be amended to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

12.5 No additional Rights

The Plan shall afford a Participant no additional rights to compensation or damages as a consequence of the termination of his or her employment or appointment for any reason whatsoever.

13 Trigger Event

Notwithstanding the terms and conditions as set out in these Rules, upon the occurrence of a Trigger Event, the Directors may determine:

- a) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Board acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event, provided that the Board will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
- b) to use their reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Board shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become

exercisable and if not exercised within 10 days, shall lapse.

14 Duration of the Plan

- a) The Plan will continue in operation at the Board's discretion.
- b) If for any reason the Plan terminates or is discontinued, such termination or discontinuance will not prejudice the rights of the Participants to whom Options have been granted.

15 Amendment of the Plan

The Board may at any time and from time to time by resolution, revoke, add to or vary any of the rules of the Plan or all or any of the rights or obligations of the Participants or any of them provided the interests of the Participants are not, in the opinion of the Board, materially prejudiced by such addition or variation.

16 Administration

The Plan will be administered by the Board or a committee appointed by the Board in its absolute discretion with such powers and duties as are conferred upon it.

17 Notices and Correspondence

17.1 Notice to Company

Any notice required to be given by a Participant under the Plan or any correspondence to be made between a Participant and the Company or the Board may be given or made to the principal office of the Company or such other address as may be notified in writing.

17.2 Notice to the Participant

Any notice required to be given by the Company or the Board to the Participant or any correspondence to be made between the Company or the Board and a Participant may be given or made by the Board on behalf of the Company.

18 Disputes

Any disputes or differences of any nature arising under the Plan must be referred to the Board and its decision will be final and binding in all respects.

19 Advice

Participants should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to participation in the Plan.

20 Taxation

Neither the Company nor its Directors are liable for taxes assessed against or imposed upon a Participant arising from participation in the Plan and neither the Company nor its Directors represents or warrants that any person will gain any financial or taxation advantage by participating in the Plan.

21 Listing Rules and Constitution

The terms and conditions as set out in these Rules are subject to the Listing Rules of the Exchange and the Company's Constitution.

22 No prohibited financial assistance

No person may, whether directly or indirectly, provide financial assistance that is prohibited by the Corporations Act for the purposes of, or in connection with, the acquisition by an Eligible Employee or Options under the Plan, or of Shares on exercise of Options.

23 Contravention of law

Nothing in this Plan requires or permits any act to be done, determination to be made or thing to occur where that act, determination or thing would, in the opinion of the Board:

- a) Cause any Employer Company or Participant to contravene, or be involved in a contravention of, any provision of any Applicable Law; or
- b) Require approval by resolution of the Company's shareholders under a provision of Applicable Law (including section 200B of the Corporations Act or the Listing Rules) where no such approval has been given.