
Memorandum

Terms and Conditions of Redstone Resources Limited Options to Shareholders as at 4 April 2006

1. Entitlement

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

2. Exercise Price

The exercise price of each Option is as follows:

Option	Exercise Price
Options to Shareholders	\$0.25

3. Expiry Date

Each Option has an expiry date of as follows:

Option	Expiry Date
Options to Shareholders	31 December 2009

4. Exercise Period

The Options are exercisable at any time after the date 12 months from the date of ASX listing, and prior to the expiry date.

5. Notice of Exercise

The Options may be exercised by notice in writing to the Company. Any notice of exercise of Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

6. Timing of issue of Shares

After an Option is validly exercised, the Company must as soon as possible:

- (a) issue and allot the Share; and
- (b) do all such acts matters and things to obtain the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option.

7. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then shares of the Company.

8. Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

11. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of a Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

12. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders will be varied to comply the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

13. Quotation of Options

No application for quotation of the Options will be made by the Company.

14. Transfer of Options

The Options may only be transferred to an Associate (as defined in Section 139GE of the Income Tax Assessment Act 1936) of an Optionholder (unless otherwise determined by the directors of the Company). Otherwise Options will remain non-transferable until such time as they have been exercised.

15. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the options with the appropriate remittance should be lodged with the Company Secretary.