

Terms & Conditions

2014 LTI Invitation for Performance Rights

1. Offer Conditions

1.1	Grant Date:	On or about 13 November 2014
1.2	Number of Performance Rights:	Tranche 1: Quantity Per Appendix Tranche 2: Quantity Per Appendix Tranche 3: Quantity Per Appendix TOTAL: Quantity Per Appendix
1.3	Vesting Date:	31 August 2017
1.4	Exercise Price:	Nil
1.5	Expiry Date:	30 September 2017, unless lapsed earlier.
1.6	Vesting Conditions:	<p>In order for the Performance Rights to vest and become available for exercise is dependent on you meeting the Service Vesting Condition and the Company meeting the Performance Vesting Conditions.</p> <p>Collectively, these conditions are known as the Vesting Conditions.</p>

2. Vesting Conditions

2.1 Service Vesting Condition:

For the **2014 LTI Invitation for Performance Rights** the Service Vesting Condition is continuous employment with Simonds Group Limited from Grant Date to **31 August 2017** unless your employment is terminated due to:

Death or permanent disability:	All unvested Performance Rights immediately lapse, unless the Board determines otherwise.
Redundancy:	All unvested Performance Rights vest on a pro-rata basis. The balance of unvested Performance Rights immediately lapse, unless the Board determines otherwise.
Resignation or Retirement:	All unvested Performance Rights immediately lapse, unless the Board determines otherwise.
Cause:	All unvested Performance Rights immediately lapse, unless the Board determines otherwise.

2.2 Performance Vesting Condition Tranche 1: TSR Outperformance Hurdle

Up to **1/3rd** of the Performance Rights granted to you will vest if Simonds Group's Total Shareholder Return (TSR) achieves the following percentile ranking against the constituent companies within the S&P/ASX Small Ordinaries Index (ASX Code XSI), excluding resources, over the over the Measurement Period:

Simonds Group Percentile Ranking	Percentage of Performance Rights to vest:
Less than the 50 th percentile:	None
At or above the 50 th percentile:	50% (straight-line interpolation between the 50 th and 75 th percentile)
At or above the 75 th percentile:	100%

- The Measurement Period for the **TSR Outperformance Hurdle** shall be the period from Grant Date to **30 June 2017**.
- Only those companies within the S&P/ASX Small Ordinaries Index at the Grant Date shall be included in the calculation of the percentile rankings at the Vesting Date. New entrants to the index after the Grant Date will be excluded. Any companies within the index at the Grant Date which are subsequently delisted, for any reason, are also excluded.
- TSR is the return to a shareholder measured as the percentage increase in share price plus dividends reinvested as at the ex dividend date. The specific TSR methodology will be determined by the Board.

2.3 Performance Vesting Condition Tranche 2: CAGR EPS Hurdle

Up to **1/3rd** of the Performance Rights granted to you will vest if Simonds Group achieves the following Compound Annual Growth Rate in Earnings Per Share (CAGR EPS Hurdle) over the Measurement Period:

CAGR in EPS	Percentage of Performance Rights to vest:
Less than 26.3% per annum:	None
At least 26.3% per annum:	50% (straight-line interpolation between 26.3% and 29.0% per annum)
At least 29.0% per annum:	100%

- The Measurement Period for the **CAGR EPS Hurdle** shall be the 3 financial years 2015, 2016 and 2017.
- EPS CAGR will be calculated based on the pro-forma NPAT for FY15 and not the statutory profit or reported EPS for that year.
- The specific EPS methodology will be determined by the Board.

2.4 Performance Vesting Condition Tranche 3: Prospectus Forecast Earnings Hurdle

1/3rd of the Performance Rights granted to you will vest if Simonds Group achieves the Prospectus forecast in earnings for the year ended **30 June 2015**.

Any Performance Rights which fail to meet the Vesting Conditions on or before the Vesting Date shall immediately lapse: there will be no retesting.

3. Exercise of Performance Rights and shares in the SHG Employee Share Trust:

Your Performance Rights will be available for exercise once the Vesting Conditions have been met.

On completion of the exercise of Performance Rights:

- your Performance Rights will lapse; and
- the Board will instruct the Trustee of the SHG Employee Share Trust (EST Trustee) to **acquire** the number of Simonds Group Limited shares which you are entitled to through the exercise of the Performance Rights, and the EST Trustee will hold those Shares on your behalf.

While the shares are held by the EST Trustee on your behalf, if the Board determines that you:

- have committed an act of fraud;
 - are ineligible to hold your office for the purposes of Part 2D.6 of the Corporations Act; or
 - are found to have acted in a manner that the Board considers to be gross misconduct,
- you will forfeit any right or interest in the Shares and the Board will notify the EST Trustee accordingly.

4. Other Conditions

4.1 This offer should be read in conjunction with the:

- Simonds Group Employee Share Plan Rules;
- 2014 LTI Invitation for Performance Rights Participant Guide; and
- Simonds Group Limited Prospectus.

4.2 Dealing in Shares is subject to the constraints of Australian insider trading laws and the Simonds Group Share Trading Policy. Participants are required to contact the **Company Secretary** if they have any questions about how these constraints apply.

4.3 Participants are specifically prohibited from hedging their Simonds Group Limited share price exposure in respect of their Performance Rights during the vesting period.

4.4 If, in the Board's opinion, you have acted fraudulently or dishonestly or are in breach of your material obligations to Simonds Group Limited, the Board may determine that any or all of your Performance Rights which have not yet vested, lapse.