

23 December 2014

Dear Acrux Shareholder,

At our Annual General Meeting on 27 November, I informed you an Extraordinary General Meeting would be held to formally approve the grant of options to the CEO.

The following documents are enclosed:

- Notice of the meeting, including explanatory statement and notes
- A personalised proxy form and return envelope

The Extraordinary General Meeting will be held at the offices of Pitcher Partners, Level 19, 15 William Street, Melbourne, on Tuesday 3 February 2015, commencing at 10:00 am.

If you are able to attend, I look forward to welcoming you and ask you please to bring the personalised proxy form with you to assist registration and admission to the meeting.

If you are unable to attend but wish to appoint a proxy, please either lodge your vote online, following the instructions on the proxy form, or complete the proxy form and return it to the registry in the envelope provided. The proxy form must be received by 10am on Sunday 1 February 2015.

I encourage you also to consider electing to receive Acrux communications electronically, which can be done via the registry website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)), or by completing the enclosed election form.

Yours sincerely,



Ross Dobinson  
Executive Chairman

**ACRUX LIMITED ABN 72 082 001 152**

**NOTICE OF EXTRAORDINARY GENERAL  
MEETING**

**NOTICE** is hereby given that an Extraordinary General Meeting of the members of Acrux Limited will be held at the offices of Pitcher Partners, Level 19, 15 William Street, Melbourne, Victoria, Australia on Tuesday 3 February 2015 at 10:00 am.

**AGENDA**

**Grant of options to Michael Kotsanis**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

1. *That approval is given for the grant of options to the Company's Chief Executive Officer, Michael Kotsanis under the Company's CEO Share Option Plan as referred to in the attached Explanatory Statement.*

A copy of the Company's CEO Share Option Plan is attached.

**By order of the Board**



Sharon Papworth  
CFO & Company Secretary  
Date: 23 December 2014

## EXPLANATORY STATEMENT

### Resolution 1: Grant of options to Michael Kotsanis under CEO Share Option Plan

In accordance with the terms of the employment agreement between the Company and its Chief Executive Officer (CEO), Michael Kotsanis, the Board has resolved, subject to certain conditions (set out below) to grant options to Mr Kotsanis under the Company's CEO Share Option Plan. The options are to be granted in three tranches as follows:

- (a) Initial Tranche - 2 million options, following signing of the employment agreement
- (b) Second Tranche - 1 million options, on the first anniversary of the employment agreement
- (c) Third Tranche - 1 million options, on the second anniversary of the employment agreement

It is a condition to the grant of each tranche that:

- (1) Mr Kotsanis continues to be employed in the position of CEO of the Company and is not serving a period of notice; and
- (2) member approval to grant the options has been obtained; and
- (3) Mr Kotsanis is performing to an acceptable level as determined by the Board.

The Company is now seeking member approval to grant options under Listing Rule 10.14.

The options have a nil issue price and an exercise price as follows:

- (A) for the Initial Tranche of options, the amount which is 25% higher than the volume weighted average price (**VWAP**) of the shares over the five business days preceding the signing of the employment agreement. The employment agreement was signed on 22 July 2014, the five business day VWAP for the relevant period was \$1.06 and the exercise price is therefore \$1.32 per option.
- (B) for the Second Tranche of options, the lesser of:
  - (i) the amount which is 25% higher than the VWAP of the shares over the five business days preceding 22 July 2015, being the first anniversary of the employment agreement; and
  - (ii) \$2.00.
- (C) for the Third Tranche of options, the lesser of:
  - (i) the amount which is 25% higher than the VWAP of the shares over the five business days preceding 22 July 2016, being the second anniversary of the employment agreement; and
  - (ii) \$2.50.

An option, once issued may be exercised at any time prior to the third anniversary of the date of issue of that option. The other terms applicable to the options are as set out in the CEO Share Option Plan, a copy of which is attached to this notice.

Following the issue of the three Tranches of options, Mr Kotsanis will hold options equivalent to approximately 2.3% of the Company's issued share capital. If the grant of options to Mr Kotsanis under the CEO Share Option Plan is approved by shareholders, the Initial Tranche of 2 million options will be issued within ten business days. The Second and Third Tranche will be issued, without the need for further shareholder approval but subject to the other conditions (set out above) being satisfied, within ten business days of 22 July 2015 and 22 July 2016 respectively, being the first and second anniversary of the signing of Mr Kotsanis' employment agreement.

The CEO is the only person who is eligible to participate in the CEO Share Option Plan. No other options have been issued in accordance with the Plan. The objective of the Company's CEO Share Option Plan is to incentivise the CEO to create long term value for all shareholders. The Board will review and evaluate the performance of the CEO on a regular basis and has set Key Performance Indicators (KPI's) for the company to achieve. These KPI's will be used to evaluate the CEO's performance to drive long term value for all shareholders.

Details of any options issued under the CEO Share Option Plan will be published in each annual report relating to a period in which options, approved under Listing Rule 10.14, have been issued.

Any additional persons who become entitled to participate in the CEO Share Option Plan after the resolution is approved will not participate until approval is obtained under Listing Rule 10.14.

## **NOTES**

### **Entitlement to Vote and Proxies**

Only registered holders of the Company's shares as at 30 January 2015 at 7pm are eligible to attend and vote at the EGM.

### **Voting exclusions**

The Company will disregard any votes cast by Michael Kotsanis and any of his associates, unless:

- the vote is cast by that person as a proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- the vote is cast by the chairman of the EGM as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Voting by Proxy**

A member entitled to attend and vote at this EGM is entitled to appoint not more than two proxies, using the enclosed proxy form. A proxy need not be a member of the Company. The proxy may be an individual or a body corporate. Your proxy's authority to speak and vote for you at the meeting is suspended if you are present at the meeting.

If you appoint one proxy, that proxy may vote on a show of hands. Where two proxies are appointed,

each proxy may be appointed to represent a specific proportion of your voting rights on a poll but neither proxy has a vote on a show of hands. If you appoint two proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, section 249X of the *Corporations Act 2001* provides that each proxy may exercise half of the votes (ignoring fractions). If you appoint another member as your proxy, that person will have only one vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

You may direct your proxy how to vote by marking **X** in one of the three boxes opposite each item of business. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item by inserting the percentage of your voting rights applicable to the proxy appointed by the proxy form in the appropriate box. If you do not mark any of the boxes relating to the items of business, your proxy may vote as he or she chooses. If you mark more than one box relating to the same item of business any vote by your proxy on that item will be invalid.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. Proxies and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received **not later than 10:00am on 1 February 2015:**

- by lodging it on-line at the registry's website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)) in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website); **or**
- by post in the reply paid envelope provided addressed to Link Market Services Limited; **or**
- by facsimile to Link Market Services Limited on fax number (02) 9287 0309.

Documents received after that time will not be valid for the scheduled meeting.

### **Bodies Corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.



**ACRUX LIMITED**  
ABN 72 082 001 152

## LODGE YOUR VOTE



**ONLINE**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



By mail:

Acrux Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1300 554 474 Overseas: +61 1300 554 474



**X99999999999**

## PROXY FORM

I/We being a member(s) of Acrux Limited and entitled to attend and vote hereby appoint:

### STEP 1

### APPOINT A PROXY

☐

the Chairman  
of the Meeting  
(mark box)

OR if you are NOT appointing the Chairman of the Meeting  
as your proxy, please write the name of the person or  
body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at 10:00am on Tuesday, 3 February 2015 at Pitcher Partners, Level 19, 15 William Street, Melbourne VIC (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

### STEP 2

### VOTING DIRECTIONS

#### Resolution 1

Grant of options to Michael Kotsanis

For Against Abstain\*

☐☐☐

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### STEP 3

### SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

**ACR PRX501A**



## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### Default to Chairman of the Meeting

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted as set out in this Proxy Form.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

## Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Sunday, 1 February 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE**  [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### by mail:

Acrux Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### by fax:

+61 2 9287 0309



#### by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.  
This will assist in registering your attendance.

**ACRUX LIMITED**

**A.C.N. 082 001 152**

**CHIEF EXECUTIVE OFFICER (CEO) SHARE  
OPTION PLAN**

**ACRUX LIMITED**

**ACN 082 001 152**

**CEO SHARE OPTION PLAN**

**RULES**

**1. Definitions**

1.1 In these Rules, unless the contrary intention appears:

**Acrux Group** means the Company and all Associated Companies.

**Appointment** means the date of the Employment Agreement between Acrux Limited and the Chief Executive Officer (CEO), being 22 July 2014.

**Associated Company** means any entity that is controlled by the Company within the meaning of the Corporations Act 2001 (whether or not that entity is a body corporate) and is declared to be an Associated Company for the purposes of the Plan by the Directors.

**Board** means Board of Directors of an Issuing Group Company as constituted from time to time.

**Company** means Acrux Limited (ACN 082 001 152).

**Directors** means the board of Directors for the time being of the Company or of an Associated Company and includes non-executive Directors.

**Eligible Person** means the CEO of the Company.

**Employee Option** means an option to acquire by way of issue a Share granted pursuant to the Plan; and **Employee Options** shall be construed accordingly.

**Exercise Period** has the meaning given to it in Clause 4.3(d).

**Exercise Price** means the consideration per Share, determined in accordance with Clause 5, payable by a Holder to the Company for the issue of Shares subject of the relevant Employee Option.

**Expiry Date** means in respect of an Employee Option the third anniversary of the date of issue of that Employee Option.

**Grant Date** means in relation to any Employee Option, the date on which the Board resolves to grant an Employee Option, or such other date as specified by a resolution of the Board.

**Holder** means the registered holder of an Employee Option.

**Issuing Group Company** means the Company or an Associated Company, being a company in respect of which a resolution is made by the board of that company to grant an Employee Option to acquire a share in that company pursuant to this Plan.

**Law** means the Corporations Act 2001, as amended.

**Listing Rules** means the Listing Rules, for the time being, of the ASX.

**Marketable Parcel** means a parcel of Employee Options, which, if taken up in full, would result in a parcel of Shares that would be not less than \$2000 based on the value of a Share as determined by the Board or by the market value if the Shares are listed on an exchange.

**Option Certificate** means the certificate issued by the Company to the relevant holder in respect of:

- (a) an Employee Option, where an Employee Option only is granted; or
- (b) the Employee Options, where more than one Employee Option is granted.

**Plan** means the CEO Share Option Plan, for the time being, existing in accordance with these Rules.

**Retirement** means the termination of an Eligible Person's employment or employment relationship with the Company or an Associated Company by the volition of the Eligible Person or by reason of:

- (a) Reaching the normal retirement age of the Company or an Associated Company as determined by the Board from time to time;
- (b) Participation in an early retirement scheme of the Company or an Associated Company;
- (c) Being approved for early retirement under any superannuation plan of the Company or an Associated Company;
- (d) The illness or incapacity of the Eligible Person, necessitating the permanent withdrawal of the Eligible Person from the workforce, as accepted to the satisfaction of the Board; or
- (e) Circumstances which the Board considers should be treated as a Retirement for the purposes of the Scheme,

and **Retires** has a corresponding meaning.

**Retrenchment** means the compulsory termination of the employment or employment relationship of an Eligible Person with the Company or an Associated Company where the termination is expressed to be on the grounds that:

- (a) The Employment of the Eligible Person is not necessary and his or her position is not to be filled;
- (b) The work for which the Eligible Person was engaged is finished; or
- (c) The quantity of work required by the Company or the Associated Company to be undertaken has diminished and has rendered necessary a reduction in the number of Eligible Persons,

and includes termination of employment by reason of participation in a voluntary redundancy

scheme of the Company or an Associated Company and, **Retrenches** has a corresponding meaning.

**Rules** means these rules, for the time being.

**Share** means an ordinary fully paid share in the capital of the Issuing Group Company; and **Shares** shall be construed accordingly.

## 1.2 Interpretation

### 1.2.1 In this Plan:

- (a) Words denoting the singular number include the plural number and vice versa;
- (b) Words denoting any gender include all genders;
- (c) References to persons include bodies corporate and vice versa;
- (d) Words defined in another part of this Agreement shall have the meaning given in that part;
- (e) References to Clauses, Sub-Clauses, Schedules and Annexures are references to Clauses, Sub-Clauses, Schedules and Annexures of or to this Agreement;
- (f) References to the parties include references to respective directors, officers, employees and agents of the parties; and
- (g) Headings are inserted for convenience only and will not affect interpretation.

### 1.2.2 Unless the context otherwise requires, a term defined in the Listing Rules has the same meaning when used in these Rules.

## 1.3 Compliance with the Law and the Listing Rules:

- (a) Notwithstanding anything express or implied in these Rules, each and every provision of these Rules is subject to the Law and, if the Company is Listed, the Listing Rules.
- (b) If there is any inconsistency between any provision of these Rules and the Law or, if the Company is Listed, the Listing Rules, the Law or the Listing Rules (as the case may be) will prevail to the extent of the inconsistency.

## 2. Purpose

To provide an incentive to Eligible Employees to participate in the future growth of the Acrux Group and assist in the retention of key executives and, upon becoming shareholders, to enable participation in Acrux Group profits and capital growth.

## 3. Director's Authority

The Directors may establish and administer the Plan in accordance with the terms and conditions set out in these Rules, and otherwise as they determine from time to time at their absolute discretion.

#### 4. Issue of Employee Options

- 4.1 Subject to the Corporations Act 2001, the Rules of this Plan (and such ASX Listing Rules as applicable), the Board may, at such times and upon such terms and conditions as it may determine, from time to time issue invitations to Eligible Persons inviting applications for the grant of Employee Options pursuant to this Plan. Applications may be made by an Eligible Person or nominee as approved by the Board, being a member of following classes:

- (a) the spouse of an Eligible Person;
- (b) a trustee of a trust in which the Eligible Person is a beneficiary;
- (c) any corporation in which a controlling interest is held by the Eligible Person; or
- (d) the trustee of a superannuation fund of which the Eligible Person is a member.

Invitations are to be in writing and must specify the number of Employee Options for which the Eligible Person may apply, the period within which the Employee Options may be exercised and any conditions to be satisfied before exercise, the expiry date and the exercise date.

Invitations may be in the form of an employment offer, contract of employment or a performance appraisal document. Signature of these documents shall constitute application by the Eligible Person.

- 4.2 The Eligible Person will be eligible to participate in the Plan if:

- (a) the Eligible Person continues to be employed in the position of the CEO of the Company and is not serving a period of notice;
- (b) member approval to grant the options has been obtained; and
- (c) the Eligible Person is performing to an acceptable level as determined by the Board.

- 4.3 Options will be issued free of charge on the following terms and conditions:

- (a) **(Number of Shares)** Each Employee Option entitles the Holder to acquire by way of issue one Share at the Exercise Price.
- (b) **(Exercise)** Subject to Clause 4.3(m), Options may only be exercised during the Exercise Period. An Employee Option may only be exercised during the Exercise Period, and will lapse on the expiry of the Exercise Period.
- (c) **(Notice of Exercise)** Employee Options may be exercised by notice in writing to the Company accompanied by payment of the Exercise Price and the Option Certificate to which the Employee Option relates, delivered to the registered office of the Company. The notice must specify the number of Employee Options exercised.
- (d) **(Exercise Period)** Exercise Period means the period commencing on the date an Employee Option is granted and ends on the Expiry Date for that Employee Option.
- (e) **(Board to issue Shares)** Subject to the Listing Rules of ASX, within 28 days after receipt of the notice referred to in Clause 4.3(c) and the payment of the Exercise Price, the Directors will:
  - (i) issue the number of Shares which corresponds to the number of Employee Options properly exercised by the Holder;
  - (ii) cancel the Option Certificate relating to those Employee Options; and
  - (iii) if applicable, issue a new Option Certificate in relation to any unexercised Employee Options.
- (f) **(No participating rights)** Unless otherwise provided in these Rules, there are no participating rights or entitlements inherent in the Employee Options.

- (g) **(New Issues)** Holders will not be entitled to participate in new issues of capital offered to shareholders of the Company during the currency of the Employee Option unless they have exercised their Employee Options in accordance with Clause 4.3(b) prior to the date for determining entitlements to participate in any such issue. The Company will ensure that for the purposes of determining entitlements to any such issue, the record date in respect of that issue will be at least ten Business Days after the issue is announced.
- (h) **(Pro rata issue)** Subject to the Listing Rules, if during the life of an Employee Option, there is a pro rata issue (except a bonus issue) to the holders of Shares, the Exercise Price 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 Employee Option.

O = the exercise price of the Employee Option which would apply but for this formula.

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

Note: E is one unless the number has changed pursuant to Clause 4.3(i) because of a bonus issue.

P = the average market price per share (weighted by reference to volume) of the Shares during the five trading days ending on the day before the ex - rights date or ex - entitlements date.

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

D = the dividend due but not yet paid on the existing 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 a right to one new security under the pro rata issues received.

- (i) **(Reorganisation of Employee Options)** If any reorganisation of the issued capital of the Company takes place prior to the Expiry Date, the number of Employee Options to which each Holder is entitled and the Exercise Price will be reorganised as follows:
- (1) Subject to Clause 4.3(j), in the following manner:
    - (A) in a consolidation of capital, the number of Employee Options will be consolidated in the same ratio as the ordinary capital and the Exercise Price will be amended in inverse proportion to that ratio;
    - (B) in a sub – division of capital, the number of CEO Options will be sub – divided in the same ratio as the ordinary capital and the Exercise Price will be amended in inverse proportion to that ratio;
    - (C) in a return of capital, the number of Employee Options will remain the same and the Exercise Price will be reduced by the same amount as the amount returned in relation to the ordinary capital;
    - (D) in a reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled, the number of Employee Options and the Exercise Price of each Employee Option will remain unaltered;
    - (E) in a pro rata cancellation of shares, the number of Employee Options must be reduced in the same ratio as the ordinary capital and the Exercise Price of each Employee Option will be amended in inverse proportion to that ratio;

- (F) in any other case, the number of Employee Options or the Exercise Price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Holder of the Employee Option which are not conferred on shareholders.
- (2) to the extent necessary to comply with the Listing Rules of ASX applying to a reorganisation of capital at the time of the reorganisation.
- (j) **(Ranking)** All Shares issued upon exercise of the Employee Options will rank equally in all respects with the Company's then existing Shares. The Company will apply for official quotation by the ASX of all Shares issued upon exercise of the Employee Options.
- (k) **(Non-transferability)** The Employee Options are not transferable and no application will be made to the ASX for official quotation of the Employee Options.
- (l) **(Lapse of Employee Options)** If any of the following events occur prior to expiry of the Exercise Period, Employee Options shall expire on the first to occur of these events:
  - (A) At the expiration of 6 months after the termination of office or employment of the Eligible Person for any reason, including without limitation, by reason of resignation, Retirement or removal from office on termination of the Executive's employment agreement with the Company.
  - (B) Bankruptcy or commencement of winding up or de-registration of the Holder of the Employee Option; and
  - (C) termination of the Eligible Employee's employment for cause.
- (m) **(Effect of Change of Control)** If, during the life of an Employee Option and provided the Company is admitted to the Official List of the ASX, a takeover bid is made for the Shares and the Board becomes aware that more than 20% of the issued Shares have or will become vested in the offeror and its associates, the Board must notify each Holder that all unexercised Employee Options (whether vested or not) have become exercisable.

## 5. Issue and Exercise Price of Employee Options

- 5.1 The Exercise Price of an Employee Option will be determined by the Board when the Board resolves to grant the Eligible Person the Employee Option but in all cases will not be less than the Minimum Offer Price.
- 5.2 For the purposes of Clause 5.1 "**Minimum Offer Price**" means the higher of:
  - (a) One dollar; and
  - (b) If the Shares of the Issuing Group Company are listed on an exchange, the market value of a Share in the Issuing Group Company on the Grant Date.
- 5.3 For the purposes of Clause 5.2(b) as long as the Issuing Group Company is listed:
  - (a) The market value of a Share on a date means the weighted average sale price for a Share over the previous 5 business days on which the exchange upon which the Shares are listed was open for trading prior to that date; but
  - (b) Otherwise the market value of a Share on a date means the value determined by the Board.

**6. Amendments to the Rules**

These Rules may be amended from time to time by the Board subject to member approval as required by the *Corporations Act* 2001 and ASX Listing Rules.



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**CFO & Company Secretary**