



Skin Elements Limited
ASX ANNOUNCEMENT

ASX CODE:SKN

18 October 2021

SKN to be re-instated to Official quotation on ASX

Skin Elements Limited (**ASX: SKN**) ("**SKN**" or "**the Company**") is pleased to advise its securities will be re-instated to official quotation on the ASX on 19 October 2021.

SKN is also pleased to advise that it has finalised the placement announced on 31 August 2021 raising a total of \$2.1 million in cash to fund its stated business plans including the launch of its new TGA registered SuprCuvr hospital grade disinfectant.

SKN's Executive Chairman Mr Peter Malone said "We are delighted with the strong level of investor interest shown in the Company during the recent placement."

"With working capital now secured and TGA registrations in place, I look forward to the execution of our business strategy and sales and marketing campaigns for the delivery of our targeted revenue and growth."

This announcement is approved by the Board of Directors of Skin Elements Limited.

END

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About Skin Elements

Skin Elements is an award winning Australian owned and operated ASX listed health and wellness company focused on the development of scientifically proven formulations using natural and organic ingredients. Skin Elements' innovative approach to chemical free therapeutics has enabled the creation of a portfolio of products that have been sold and distributed across the world. Its flagship products include the plant based SuprCuvr Hospital Grade disinfectant and Invisi Shield sanitiser, Soléo Organics natural and organic sunscreen range, PapayaActivs therapeutic pawpaw skincare range and Elizabeth Jane Natural Cosmetics brand.

Further information is available via the Company website: <http://skinelementslimited.com>



SuprCuvr

**soléo
organics**

PapayaActivs

Elizabeth Jane

STATEMENT OF CONFIRMATIONS

Skin Elements Limited (SKN or the Company) provides the following confirmations to satisfy conditions for re-instatement of the Company's securities to quotation on ASX.

1. Statement of Capital Structure

SKN's capital structure following completion of the Placement is as follows:

Issued Share Capital – Ordinary Fully Paid (post placement and release of Appendix 2A)	433,227,266
Unlisted Options (exercise price of A\$0.12 Exp 15.3.2024 (T1))	10,000,000
Unlisted Options (exercise price of A\$0.15 Exp 15.3.2024 (T2))	10,000,000
Unlisted Options (exercise price of A\$0.18 Exp 15.3.2024 (T3))	4,000,000
Unlisted Options (exercise price of A\$0.22 Exp 15.3.2024 (T4))	2,000,000
Unlisted Performance Rights	47,000,000

2. Statement of Working Capital and Pro Forma Balance Sheet

SKN confirms that it has net working capital of \$3.36 million as set out in the proforma statement of financial position pursuant to LR1.3.3(c) – see Annexure A based on the Audited financial statements as at 30 June 2021 updated with \$2.1 million raised in the placement and \$988,711 received from the 2021 R&D Tax Rebate. SKN further confirms that there are no significant changes from the Audited 30 June 2021 Financial Position other than the addition of \$2.1 million raised in the placement and \$988,711 received from the 2021 R&D Tax Rebate

Further to the completion of the placement, SKN has paid a fee of \$110,425 (excl GST) to Pulse Markets Pty Ltd being 6% of funds raised by Pulse Markets Pty Ltd.

3. Consolidated Activities Report

Skin Elements is an award winning Australian owned and operated skin care company focused on the development of proprietary all-natural skincare SE Formula™ technology. Skin Elements innovative approach to the development of plant-based and organic personal care and skincare products has enabled the creation of a portfolio of over 50 products that have been sold and distributed across the world. Its flagship products include the SuprCuvr TGA approved COVID 19 disinfectant, Invis Shield alcohol free natural sanitiser, Soléo Organics natural and organic sunscreen, PapayaActivs natural therapeutics skincare, and Elizabeth Jane Natural Cosmetics brand.

With focus on continued development and testing of its natural anti-microbial technologies, SKN has invested over \$34.5 million in the development of its business over the past 15 years.

Skin Elements has obtained national Therapeutic Goods Administration (TGA) approval and registration for its Soleo Sunscreen, PapayaActivs natural skincare and SuprCuvr COVID 19 disinfectant, and international registrations such as Federal Drug Administration (USA FDA), European Union, and Ministry of Health Japan.

With these registrations now in place, and working capital secured as detailed in the proforma balance sheet, the Company will now commence scale manufacture and develop more detailed and specific product marketing programs. Through its established network of national and international distributors, its own online store, and potential to open up new distribution opportunities, SKN is positioned to deliver significant new commercial scale sales for the Company's product ranges.

As an example, SKN has entered into a binding Distribution Agreement with Prudential Consultants Pty Ltd (Prudential Consultants) for the distribution of its Invisi Shield hand sanitiser in Australia. Prudential Consultants has agreed to minimum sales commitments of \$2.4 million over three years for the exclusive distribution of Invisi Shield sanitiser in New South Wales and Tasmania, and the distribution of Invisi Shield sanitiser outside of these territories on a non-exclusive basis. Prudential Consultants has commenced marketing activities for the Invisi Shield sanitiser.

SKN continues to use approved contract production laboratories in Australia to produce its SE Formula product ranges in accordance with Good Manufacturing Practices and TGA requirements. Notwithstanding that these manufacturers have production capacity to meet the Company's requirements for the foreseeable future, the restrictions over the past 18 months caused by COVID-19 have delayed production and the delivery of inventories from its contract manufacturers.

Further information is available via the Company website: <http://skinelementslimited.com> and on the Company online store: www.sknlife.com.au

The Board of Skin Elements Limited believes with its current cash reserves of \$2.87 million, proposed entitlement issue of \$2.02 million, and \$20 million LDA Capital equity placement facility, the Company has sufficient working capital to achieve its stated business plans.

The following table shows the expected use of funds from current cash reserves over the next twelve months:

Expected Use of funds	\$	%
Marketing – increase brand awareness of Shield SuprCuvr via physical and digital marketing, strengthen marketing team	\$500,000	18%
Sales – develop local sales channels, recruit key individuals for National and International markets	\$500,000	18%
Production – build stock of SuprCuvr to meet target sales, strengthen production team	\$700,000	25%
Research & Development – broaden applications for SuprCuvr range through product extensions	\$400,000	14%
Corporate and Administration operating expenses	\$350,000	12%
Cash Reserves and Working Capital	\$370,000	13%
	\$2,820,000	100%

4. Option Terms

Skin Elements has granted and issued LDA Capital 26,000,000 unlisted Options, with each Option having an exercise period of three years, as follows:

10,000,000 Options with an exercise price of AUD 0.12 Exp 15.3.2024 (**Tranche 1**);

10,000,000 Options with an exercise price of AUD 0.15 Exp 15.3.2024 (**Tranche 2**);

4,000,000 Options with an exercise price of AUD 0.18 Exp 15.3.2024 (**Tranche 3**); and

2,000,000 Options with an exercise price of AUD 0.22 Exp 15.3.2024 (**Tranche 4**).

Full details of the options are set out in Annexures B, C, D and E.

5. No Litigation

SKN advises that it is not a party to any litigation.

6. No Impediments

SKN confirms that there are no legal, regulatory or contractual impediments to the Company undertaking the activities disclosed by the Company.

7. Responsible person

SKN confirms that Mr Phil Giglia, the Company Secretary, is responsible for communicating with ASX in relation to listing rule matters for the purpose of listing Rule 1.1 condition 13.

8. Compliance with Listing Rule 3.1

SKN confirms that it is in compliance with the Listing rules, in particular, Listing Rule 3.1

Annexure A - PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Statement of Financial Position (Audited) 30/6/2021 \$	Proforma Post Capital Raising \$
CURRENT ASSETS		
Cash and cash equivalents	287,632	3,376,343
Trade and other receivables	1,122,891	134,180
Inventories		
Finished goods	223,225	223,225
Raw materials	16,642	16,642
Deposits for ingredients and production	55,583	55,583
Financial Assets	502,000	502,000
TOTAL CURRENT ASSETS	2,207,973	4,307,973
NON-CURRENT ASSETS		
Property, plant, and equipment	26,648	26,648
Financial Assets	502,000	502,000
Intellectual property	8,290,150	8,290,150
TOTAL NON-CURRENT ASSETS	8,818,798	8,818,798
TOTAL ASSETS	11,026,771	13,126,771
CURRENT LIABILITIES		
Trade and other payables	647,998	647,998
Leases Liabilities	30,990	30,990
Derivative Liability	272,604	272,604
TOTAL CURRENT LIABILITIES	951,592	951,592
NON CURRENT LIABILITIES		
Trade and other payables	200,000	200,000
Derivative Liability	272,604	272,604
TOTAL NON CURRENT LIABILITIES	472,604	472,604
TOTAL LIABILITIES	1,424,196	1,424,196
NET ASSETS	9,602,575	11,702,575
EQUITY		
Issued capital	20,978,594	23,078,594
Reserves	91,252	91,252
Accumulated losses	-11,467,271	-11,467,271
TOTAL EQUITY	9,602,575	11,702,575

Annexure B - Option terms and conditions of issue (Tranche 1)

Entitlement

- 1 Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one fully paid ordinary share (**Share**) upon payment of the Exercise Price.

Exercise Price

- 2 The Exercise Price for each Tranche 1 Option is AUD 0.12 (T1 Exercise Price);

Exercise Period

- 3 An Option is exercisable at any time on or before 5.00pm (WST) on 15 March 2024 (the **Expiry Date**). Options not exercised by the Expiry Date lapse.

Manner of exercise of Options

- 4 The Option may be exercised by notice in writing addressed to the Company's registered office. Payment of the Exercise Price for each Option must accompany each notice of exercise of Option. All cheques must be payable to the Company and be crossed 'not negotiable.
- 5 In lieu of cash exercising this Option, the holder of this Option may elect to receive shares equal to the value of this Option (or the portion thereof being cancelled) by surrender of this Option at the principal office of the Company together with notice of such election, in which event the Company shall issue to the holder hereof a number of Shares computed using the following formula:

$$X = Y(A-B)/A$$

Where

X = The number of Shares to be issued to the holder of this Option.

Y = The number of Shares purchasable under this Option.

A = The fair market value of one share of the Company's Shares.

B = The Exercise Price (as adjusted to the date of such calculations).

For purposes of this Paragraph 5, the fair market value of Shares, shall be the five-day average of the reported closing price each day of the Shares for the five days immediately preceding the exercise of this Option.

Ranking of Shares

- 6 Shares issued on the exercise of Options will rank equally with all existing shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those Shares.

Timing of issue of shares

- 7 After an Option is validly exercised, the Company must as soon as possible:
 - (a) issue and allot the Share as soon as possible; and

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

Options are non-transferrable

- 8 Options may not be transferred.

Participation in new issues

- 9 An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:

- (a) an Option has been exercised; and
 (b) a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

- 10 The Company must give notice to the Option holder of any new issue not less than 6 Business Days before the record date for determining entitlements to the issue.

Adjustment for bonus issues of Shares

- 11 If the Company makes a bonus issue of Shares or other securities to existing shareholders of the Company (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment and for the avoidance of doubt, excluding any Shares issued on vesting or exercise of the Company's options or other convertible securities already on issue on the date of this agreement or as a result of Shares pursuant to an employee incentive plan of the Company):

- (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 Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 (b) no change will be made to the Exercise Price.

Adjustment for rights issue

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

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

$$N + 1$$

O = the old Exercise Price of the Option.

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

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

S = the purchase 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.

Reorganisation

- 13 If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of reorganisation.

Reconstructions

- 14 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders of the Company and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

Dividend entitlement

- 15 Options do not carry any dividend entitlements. Shares issued on exercise of Options rank equally with other issued Shares of the Company on and from issue. Shares issued upon the exercise of Options will only participate in a future dividend or other shareholder action if such Shares have been issued on or prior to the applicable record date for determining entitlements.

Voting rights

- 16 The Options do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.

Interpretation

- 17 These terms and conditions of issue must be interpreted in the same way as the Put Option Agreement under which the Option was issued.

Annexure C - Option terms and conditions of issue (Tranche 2)

Entitlement

- 1 Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one fully paid ordinary share (**Share**) upon payment of the Exercise Price.

Exercise Price

- 2 The Exercise Price for each Tranche 2 Option is AUD 0.15 (T2 Exercise Price).

Exercise Period

- 3 An Option is exercisable at any time on or before 5.00pm (WST) on 15 March 2024 (the **Expiry Date**). Options not exercised by the Expiry Date lapse.

Manner of exercise of Options

- 4 The Option may be exercised by notice in writing addressed to the Company's registered office. Payment of the Exercise Price for each Option must accompany each notice of exercise of Option. All cheques must be payable to the Company and be crossed 'not negotiable.'
- 5 In lieu of cash exercising this Option, the holder of this Option may elect to receive shares equal to the value of this Option (or the portion thereof being cancelled) by surrender of this Option at the principal office of the Company together with notice of such election, in which event the Company shall issue to the holder hereof a number of Shares computed using the following formula:

$$X = Y(A-B)/A$$

Where

X = The number of Shares to be issued to the holder of this Option.

Y = The number of Shares purchasable under this Option.

A = The fair market value of one share of the Company's Shares.

B = The Exercise Price (as adjusted to the date of such calculations).

For purposes of this Paragraph 5, the fair market value of Shares, shall be the five-day average of the reported closing price each day of the Shares for the five days immediately preceding the exercise of this Option.

Ranking of Shares

- 6 Shares issued on the exercise of Options will rank equally with all existing shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those Shares.

Timing of issue of shares

- 7 After an Option is validly exercised, the Company must as soon as possible:
 - (a) issue and allot the Share as soon as possible; and

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

Options are non-transferrable

- 8 Options may not be transferred.

Participation in new issues

- 9 An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:

- (a) an Option has been exercised; and
 (b) a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

- 10 The Company must give notice to the Option holder of any new issue not less than 6 Business Days before the record date for determining entitlements to the issue.

Adjustment for bonus issues of Shares

- 11 If the Company makes a bonus issue of Shares or other securities to existing shareholders of the Company (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment and for the avoidance of doubt, excluding any Shares issued on vesting or exercise of the Company's options or other convertible securities already on issue on the date of this agreement or as a result of Shares pursuant to an employee incentive plan of the Company):

- (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 Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 (b) no change will be made to the Exercise Price.

Adjustment for rights issue

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

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

$$N + 1$$

O = the old Exercise Price of the Option.

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

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

S = the purchase 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.

Reorganisation

- 13 If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of reorganisation.

Reconstructions

- 14 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders of the Company and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

Dividend entitlement

- 15 Options do not carry any dividend entitlements. Shares issued on exercise of Options rank equally with other issued Shares of the Company on and from issue. Shares issued upon the exercise of Options will only participate in a future dividend or other shareholder action if such Shares have been issued on or prior to the applicable record date for determining entitlements.

Voting rights

- 16 The Options do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.

Interpretation

- 17 These terms and conditions of issue must be interpreted in the same way as the Put Option Agreement under which the Option was issued.

Annexure D - Option terms and conditions of issue (Tranche 3)

Entitlement

- 1 Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one fully paid ordinary share (**Share**) upon payment of the Exercise Price.

Exercise Price

- 2 The Exercise Price for of each Tranche 3 Option is AUD 0.18 (T3 Exercise Price).

Exercise Period

- 3 An Option is exercisable at any time on or before 5.00pm (WST) on 15 March 2024 (the **Expiry Date**). Options not exercised by the Expiry Date lapse.

Manner of exercise of Options

- 4 The Option may be exercised by notice in writing addressed to the Company's registered office. Payment of the Exercise Price for each Option must accompany each notice of exercise of Option. All cheques must be payable to the Company and be crossed 'not negotiable.
- 5 In lieu of cash exercising this Option, the holder of this Option may elect to receive shares equal to the value of this Option (or the portion thereof being cancelled) by surrender of this Option at the principal office of the Company together with notice of such election, in which event the Company shall issue to the holder hereof a number of Shares computed using the following formula:

$$X = Y(A-B)/A$$

Where

X = The number of Shares to be issued to the holder of this Option.

Y = The number of Shares purchasable under this Option.

A = The fair market value of one share of the Company's Shares.

B = The Exercise Price (as adjusted to the date of such calculations).

For purposes of this Paragraph 5, the fair market value of Shares, shall be the five-day average of the reported closing price each day of the Shares for the five days immediately preceding the exercise of this Option.

Ranking of Shares

- 6 Shares issued on the exercise of Options will rank equally with all existing shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those Shares.

Timing of issue of shares

- 7 After an Option is validly exercised, the Company must as soon as possible:
 - (a) issue and allot the Share as soon as possible; and

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

Options are non-transferrable

- 8 Options may not be transferred.

Participation in new issues

- 9 An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:

- (a) an Option has been exercised; and
 (b) a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

- 10 The Company must give notice to the Option holder of any new issue not less than 6 Business Days before the record date for determining entitlements to the issue.

Adjustment for bonus issues of Shares

- 11 If the Company makes a bonus issue of Shares or other securities to existing shareholders of the Company (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment and for the avoidance of doubt, excluding any Shares issued on vesting or exercise of the Company's options or other convertible securities already on issue on the date of this agreement or as a result of Shares pursuant to an employee incentive plan of the Company):

- (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 Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 (b) no change will be made to the Exercise Price.

Adjustment for rights issue

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

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

$$N + 1$$

O = the old Exercise Price of the Option.

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

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

S = the purchase 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.

Reorganisation

- 13 If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of reorganisation.

Reconstructions

- 14 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders of the Company and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

Dividend entitlement

- 15 Options do not carry any dividend entitlements. Shares issued on exercise of Options rank equally with other issued Shares of the Company on and from issue. Shares issued upon the exercise of Options will only participate in a future dividend or other shareholder action if such Shares have been issued on or prior to the applicable record date for determining entitlements.

Voting rights

- 16 The Options do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.

Interpretation

- 17 These terms and conditions of issue must be interpreted in the same way as the Put Option Agreement under which the Option was issued.

Annexure E - Option terms and conditions of issue (Tranche 4)

Entitlement

- 1 Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one fully paid ordinary share (**Share**) upon payment of the Exercise Price.

Exercise Price

- 2 The Exercise Price for each Tranche 4 Option is AUD 0.22 (T4 Exercise Price).

Exercise Period

- 3 An Option is exercisable at any time on or before 5.00pm (WST) on 15 March 2024 (the **Expiry Date**). Options not exercised by the Expiry Date lapse.

Manner of exercise of Options

- 4 The Option may be exercised by notice in writing addressed to the Company's registered office. Payment of the Exercise Price for each Option must accompany each notice of exercise of Option. All cheques must be payable to the Company and be crossed 'not negotiable'.
- 5 In lieu of cash exercising this Option, the holder of this Option may elect to receive shares equal to the value of this Option (or the portion thereof being cancelled) by surrender of this Option at the principal office of the Company together with notice of such election, in which event the Company shall issue to the holder hereof a number of Shares computed using the following formula:

$$X = Y(A-B)/A$$

Where

X = The number of Shares to be issued to the holder of this Option.

Y = The number of Shares purchasable under this Option.

A = The fair market value of one share of the Company's Shares.

B = The Exercise Price (as adjusted to the date of such calculations).

For purposes of this Paragraph 5, the fair market value of Shares, shall be the five-day average of the reported closing price each day of the Shares for the five days immediately preceding the exercise of this Option.

Ranking of Shares

- 6 Shares issued on the exercise of Options will rank equally with all existing shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those Shares.

Timing of issue of shares

- 7 After an Option is validly exercised, the Company must as soon as possible:
 - (a) issue and allot the Share as soon as possible; and

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

Options are non-transferrable

- 8 Options may not be transferred.

Participation in new issues

- 9 An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:

- (a) an Option has been exercised; and
 (b) a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

- 10 The Company must give notice to the Option holder of any new issue not less than 6 Business Days before the record date for determining entitlements to the issue.

Adjustment for bonus issues of Shares

- 11 If the Company makes a bonus issue of Shares or other securities to existing shareholders of the Company (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment and for the avoidance of doubt, excluding any Shares issued on vesting or exercise of the Company's options or other convertible securities already on issue on the date of this agreement or as a result of Shares pursuant to an employee incentive plan of the Company):

- (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 Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 (b) no change will be made to the Exercise Price.

Adjustment for rights issue

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

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

$$N + 1$$

O = the old Exercise Price of the Option.

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

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

S = the purchase 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.

Reorganisation

- 13 If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied to the extent necessary to comply with the ASX Listing Rules which apply to the reorganisation at the time of reorganisation.

Reconstructions

- 14 If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders of the Company and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

Dividend entitlement

- 15 Options do not carry any dividend entitlements. Shares issued on exercise of Options rank equally with other issued Shares of the Company on and from issue. Shares issued upon the exercise of Options will only participate in a future dividend or other shareholder action if such Shares have been issued on or prior to the applicable record date for determining entitlements.

Voting rights

- 16 The Options do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.

Interpretation

- 17 These terms and conditions of issue must be interpreted in the same way as the Put Option Agreement under which the Option was issued.