

ASX Announcement | 18 August 2023

TERMS AND CONDITIONS OF OPTIONS

The Terms and Conditions on Unquoted Options issued under the Long Term Incentive Plan (**LTIP**) to employees and consultants of Loyal Lithium Limited (ASX:LLI) (**Loyal Lithium, LLI**, or the **Company**) announced in the Appendix 3G separately lodged with the ASX on 18 August 2023.

- (A) (**Entitlement**): Each Option entitles the holder to subscribe for 1 fully paid share in the capital of the Company (**Share**) upon exercise of the Option.
- (B) (**Exercise Price**): The amount payable upon exercise of each Option will be \$0.75.
- (C) (**Expiry Date**): Each Option will expire at 5:00 pm (AWST) on 08 August 2026 (**Expiry Date**).
- (D) (**Vesting Date**) Each Option will vest after 6 months of continuous employment from the 08 August 2023.
- (E) (**Exercise Period**): The Options are exercisable at any time and from time to time on or prior to the Expiry Date (**Exercise Period**).
- (F) (**Notice of Exercise**): The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (G) (**Exercise Date**): A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (H) (**Cashless exercise**): Option holders may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise of the option (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the option holder will receive Shares to the value of the surplus after the exercise price has been set off.

If an option holder elects to use the Cashless Exercise Facility, the option holder will only be issued that number of Shares (rounded down to the nearest whole number) as are equal to the value of the difference between the exercise price otherwise payable for the options and the then market value of the Shares at the time of exercise (determined as the volume weighted average price on ASX over the five trading days prior to providing a notice of exercise).

- (I) (**Lapse**): Unvested Options will lapse on the earlier of:
 - (1) the cessation of employment, engagement or office of the holder;
 - (2) the day the Board makes a determination that all unvested Options and vested options of the holder will lapse because, in the opinion of the Board the holder has

acted fraudulently or dishonestly, or is in material breach of his or her duties or obligations to the Company;

- (3) if any applicable exercise are not achieved by the relevant time;
- (4) the Expiry Date.

Where a holder of Option ceases to be employed or engaged by the Company and is not a “Bad Leaver” (as that term is defined in the Company’s Long Term Incentive Plan (**Plan**)), and the Options have vested, they will remain exercisable until the Options lapse in accordance with the Plan rules or if they have not vested, the Board will determine as soon as reasonably practicable after the date the holder ceases to be employed or engaged, how many (if any) of those holder’s Options will be deemed to have vested and exercisable. Where a holder becomes a “Bad Leaver” (as that term is defined in the Plan), all Options, unvested or vested, will lapse on the date of the cessation of employment, engagement or office of that holder.

- (J) (**Quotation**): The Company will not apply for quotation of the Options on ASX.
- (K) (**Timing of issue of Shares on exercise**): Within 5 business days after the Exercise Date, the Company will:
- (1) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which, subject to paragraph (H), cleared funds have been received by the Company;
 - (2) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (3) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph K(2) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investor.

- (L) (**Shares issued on exercise**): Shares issued on exercise of the Options will rank equally with the then Shares.
- (M) (**Reconstruction of capital**): If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
- (N) (**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 without exercising the Options. The Company

must give notice to holders of the Options before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX.

- (O) **(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):
 - (1) 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
 - (2) no change will be made to the Exercise Price.
- (P) **(Change in exercise price)**: An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (Q) **(Transferability)**: The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

This announcement has been authorised for release by Loyal Lithium's Company Secretary, Ian Pamensky

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About Loyal Lithium

Loyal Lithium Limited (ASX: LLI) is a well-structured listed resource exploration company with projects in Tier 1 North American mining jurisdictions in the Northwest Territories, Canada, James Bay Lithium District in Quebec, Canada and Nevada, USA. Through the systematic exploration of its projects, the Company aims to delineate JORC compliant resources, creating value for its shareholders.