
Application of Clause 4.8 of FarmaForce Limited Option Terms

This statement contains additional information to provide further clarity on the application of clause 4.8 of the FarmaForce Limited Option Terms contained at Schedule 5 of the Convertible Note Subscription Agreement. This statement should be read together with Schedule 5 of the Convertible Note Subscription Agreement.

Clause 4.8 currently reads:

In the event that the Optionholder disposes of any of the Conversion Shares to which the Options were attached, the Company may reduce the number of Options held by the Optionholder pro-rata to the number of Conversion Shares disposed of (i.e. 1 Option may lapse for every 1 Conversion Shares disposed of).

Supplementary information

The Company intends to apply clause 4.8 of the Option Terms as follows:

- In the event an optionholder trades in the Company's shares prior to exercising the Options, the Company's right to reduce the number of Options held by the optionholder will be determined by comparing total the number of shares held by the optionholder as at the date the Company receives a duly executed notice of exercise of Option, and the aggregate number of Conversion Shares issued under the Convertible Note Subscription Agreement.
- In those circumstances where the total number shares held are more than the number of Conversion Shares held by the optionholder, the total number of exercisable Options available will remain unchanged until exercised. Where the total number shares held is less than the number of Conversion Shares acquired under the Convertible Note Subscription Agreement, the total number of exercisable Options held will be reduced accordingly by a proportionate number to reflect any change since the previous exercise of Options.
- The number of exercisable Options, in any event, will be reduced directly in proportion to the number of options exercised. The number of exercisable Options available under the Convertible Note Subscription Agreement cannot exceed the total number of Conversion Shares acquired on listing.

Examples

Example A

An optionholder acquires a total of 10,000 shares on listing. Of the 10,000 shares acquired, 1000 are Conversion Shares to which 1,000 Options are attached. If the optionholder has traded shares but has at least 1000 shares on hand as at the exercise date, then the optionholder will continue to retain the benefit of the 1,000 Options issued under the Convertible Note Subscription Agreement.

Example B

Continuing with the example in Example A, if as a result of trading shares, an optionholder disposes of an aggregate of 9,800 shares by the exercise date and has exercised no Options since acquisition, then the optionholder will, as at the exercise date, only retain the benefit of 200 Options. This is because the number of shares held by the optionholder at the exercise date is 800 less than the number Conversion Shares acquired on listing.