
Schedule 5 Option Terms

Interpretation

- (a) **ASX** means ASX Limited ACN 008 624 691;
- (b) **NSX** means the National Stock Exchange of Australia Limited ACN 000 902 063;
- (c) **Board** means the board of directors of the Company;
- (d) **Business Day** means a day not being a Saturday, Sunday or public holiday, on which banks are general open for business in New South Wales;
- (e) **Company** means **Farmaforce Limited** ACN 167 748 843;
- (f) **Conversion Shares** has the meaning set out in the Convertible Note Subscription Agreement.
- (g) **Convertible Note Subscription Agreement** means the agreement between the Optionholder and the Company dated 25 February 2015 pursuant to which the Optionholder purchased convertible notes in the Company.
- (h) **Corporations Act** means the *Corporations Act* 2001 (Cth) as amended from time to time;
- (i) **Exercise Price** has the meaning given at paragraph 2.2 of these Terms;
- (j) **Listing Rules** means if the Company is listed on the ASX, the official listing rules of ASX. If the Company is listed on the NSX, the NSX Listing and Business Rules as published by NSX, or the official listing rules of any other Australian licensed Stock Exchange.
- (k) **Official List** has the meaning given to that term in the Listing Rules;
- (l) **Option and Options** means the options to be issued to the Optionholder on the terms detailed in these Terms of Options;
- (m) **Quotation** has the meaning given to that term in the Listing Rules;
- (n) **Shareholder and Shareholders** means a person who owns shares in the capital of the Company, notwithstanding that those share may not be fully paid;
- (o) **Stock Exchange** means the ASX, the NSX or any other Australian licensed Stock Exchange, on whose official list the Company may, from time to time, be admitted; and
- (p) **Terms** means these Option terms.

Terms of Options

1. Entitlement

- 1.1 Each Option entitles the Optionholder to subscribe for, and be allotted, one Ordinary Share in the capital of the Company.
- 1.2 Each Ordinary Share issued on the exercise of Options will rank equally with all existing Ordinary Shares on issue, as at the exercise date, and will be subject to the

provisions of the Constitution of the Company and any escrow restrictions imposed on them by any stock exchange on which the Company is listed.

2. Exercise of Option

- 2.1 The Options may be exercised during the period commencing on the 2 year anniversary of the date of upon which the Conversion Shares to which the Options were attached are admitted to the Official List until 5pm AEST on the 3 year anniversary of the date upon which the Conversion Shares to which the Options were attached are admitted to the Official List. If an anniversary date falls on a day that is not a Business Day, the anniversary date will be the next Business Day.
- 2.2 The exercise price of each Option is \$0.20 (subject to adjustment pursuant to paragraphs 5 and 6 of these terms).
- 2.3 There is no restriction on the number of Options that may be exercised at one time.
- 2.4 Each Option is exercisable by the Optionholder signing and delivering a notice of exercise of Option (a pro-forma notice is attached to these Terms) together with the exercise price in full for each Ordinary Share to be issued upon exercise of each Option to the Company's share registry.
- 2.5 Remittances must be made payable to 'Farmaforce Limited' and cheques should be crossed 'Not Negotiable'.
- 2.6 The Company shall allot the resultant Ordinary Shares and deliver a statement of shareholdings with a holders' identification number within 10 Business Days of exercise of the Options.
- 2.7 Subject to paragraph 2.8, all Options will lapse on the earlier of the:
 - 2.7.1 receipt by the Company of notice from the Optionholder that the Optionholder has elected to surrender the Option; and
 - 2.7.2 expiry of the final date and time for exercise of the Option as set out in paragraph 2.1.
- 2.8 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).
- 2.9 In the event of liquidation of the Company, all unexercised Options will lapse.

3. Quotation

- 3.1 The Company will not apply to any stock exchange for official quotation of the Options and has no obligation to apply to any stock exchange for the official quotation of the Ordinary Shares.
- 3.2 If the Ordinary Shares of the Company are quoted on any Stock Exchange, the Company will apply to the appropriate Stock Exchange as applicable for, and will use its best endeavours to obtain, quotation of all Ordinary Shares issued on the exercise of any Options within 10 Business Days of issue. The Company gives no assurance that such quotation will be granted.

4. Participation in Securities Issues

Subject to paragraph 5 below, the Optionholder is not entitled to participate in new issues of securities without exercising the Options.

5. Participation in a Reorganisation of Capital

- 5.1 In the event of any reconstruction or reorganisation (including consolidation, subdivision, reduction or return of capital of the Company), the number of Options, the exercise price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction or reorganisation will not result in any benefits being conferred on the Optionholder which are not conferred on Shareholders.
- 5.2 In any reorganisation referred to in paragraph 5.1, Options will be treated in the following manner:
- 5.2.1 in the event of a consolidation of the share capital of the Company, the number of Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
 - 5.2.2 in the event of a subdivision of the share capital of the Company, the number of Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
 - 5.2.3 in the event of a return of the share capital of the Company, the number of Options will remain the same and the exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
 - 5.2.4 in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of Options and the exercise price of each Option will remain unaltered;
 - 5.2.5 in the event of a pro-rata cancellation of shares in the Company, the number of Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each Option will be amended in inverse proportion to that ratio; and
 - 5.2.6 in the event of any other reorganisation of the issued capital of the Company, the number of 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 Optionholder which are not conferred on shareholders.

6. Adjustments to Options and Exercise Price

- 6.1 Adjustments to the number of Conversion Shares over which Options exist and/or the exercise price may be made as described in paragraphs 6.2 and 6.3 to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.

6.2 Pro-rata Cash Issues

Where a pro-rata issue is made (except a bonus issue) to the holders of underlying securities, the exercise price of an Option may be reduced according to the following formula:

$$O_n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O_n = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying securities into which one Option is exercisable;

P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex-right date or the ex-entitlements date;

S = the subscription price for a security under the pro-rata issue;

D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro-rata issue);

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

6.3 *Pro-rata Bonus Issues*

If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue. The exercise price will not change.

7. **Takeovers and Schemes of Arrangement**

7.1 If during the currency of any Options and prior to their exercise a takeover offer or a takeover announcement (within the meaning of the Corporations Act) is made to holders of Ordinary Shares on issue, then within 10 Business Days after the Company becomes aware of the offer, the Company must forward a notice notifying the Optionholder of the offer and from the date of such notification, the Optionholder has 60 days within which to exercise the Options notwithstanding any other terms and conditions applicable to the Options or arrangement. If the Options may be exercised at any other time according to their terms of issue.

7.2 If an offer for shares in the Company is made to Shareholders pursuant to a scheme of arrangement which has been approved in accordance with the Corporations Act, the Optionholder will be entitled to exercise Options held by him/her within the period notified by the Company.

8. **Transfers Not Permitted**

The Options are not transferrable.

9. **Notices**

Notices may be given by the Company to the Optionholder in the manner prescribed by the Constitution of the Company for the giving of notices to Shareholders and the relevant provisions of the Constitution of the Company will apply with all necessary modification to notices to be given to the Optionholder.

10. Rights to Accounts

The Optionholder will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meeting of Shareholders, however, if the Optionholder is not a Shareholder, it will not have any right to attend or vote at these meetings.