



## MEMO

To: Board of Directors  
From: Company Secretary  
Subject: **OPTIONS TERMS & CONDITIONS**

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A “share option” is an option to acquire a share in a company on certain terms and conditions, usually at a cost per share higher than the current price at which shares are trading (on the stock exchange for a listed company, and in the general market-place for any other company).

Rather than directly issue shares, for a variety of reasons a company may grant options which give the holder the right to be issued shares at some future time if the holder chooses to enforce their right – ie, to “exercise the option” – usually on payment of some sum to the company (being the cost of each share under option).

### **Terms & Conditions**

Typically, share options may be issued subject to terms and conditions such as:

- a. the Options to be issued to each holder (Option Holder) will be exercisable at twenty cents (\$0.20) per Option (Exercise Price) on or before three (3) years from the Issue Date (1 July 2011) by delivering a duly completed form of notice of exercise together with a cheque for the total Exercise Price to the Company at any time prior to the Expiry Date (1 July 2014);
- b. the Options may not be transferred at any time;
- c. the Options will not be listed on the stock exchange;
- d. the Options will expire on the earlier of:
  - (i) the date being three (3) years from the Issue Date unless earlier exercised;
  - (ii) the Business Day after the expiration of three (3) months, or any longer period which the Board may determine, after the Option Holder ceases to be a director, contractor or employee of the Company or an associated body corporate of the Company; or
  - (iii) the date on which the Company terminates any executive or service agreement with the director, contractor or employee.
- e. prior to any new issue of shares or other securities in the Company to shareholders, the holders of the Options will be notified by the Company and will be afforded ten (10) Business Days before the books closing date (to determine entitlements to the issue) to exercise the Options;



- f. a Holding Statement will be issued for the Options. Accompanying the Option Holding Statement, there will be a notice that is to be completed when exercising the Options. The Notice of Exercise of Option form is required to be duly completed and sent to the Company or the Company's Share Registry when exercising the Options. If there is more than one Option on a Holding Statement and prior to the Expiry Date those Options are exercised in part, the Company will issue another Holding Statement for the balance of the Options held and not yet exercised;
- g. on a reorganisation of capital, the rights of the Option Holder will be changed following the procedure set out in the listing rules of the stock exchange then applying to a reorganisation of capital;
- h. if there is a pro rata issue of shares (except a bonus issue), the Exercise Price of an Option may be reduced according to the formula in the stock exchange listing rules;
- i. 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 Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

These terms and conditions will be sent to the option holder accompanying the holding statement issued for the options.

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**DISCLAIMER**

*The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.*