



MEMO

To: Board of Directors
From: Company Secretary
Subject: **EXERCISE OF OPTIONS**

Options over unissued shares in a company can be 'exercised' – ie, 'converted' into the shares – by paying up the exercise price. For us that is 12¢ per share.

To exercise options the following procedure must be followed:

1. Receive from the optionholder a completed/signed Notice of Exercise of Options and cheque for the aggregate exercise price payable (ie, ___ options @ 12¢ each)
2. Deposit the cheque and wait for clearance from the bank (an alternative would be to organise a direct credit/transfer)
3. Convene a board meeting – or send out a Circulating Directors' Resolution – to approve the allotment of shares for options to be exercised
4. Send the completed Notice to the share registry
5. The share registry will issue the new shares and send out a Holding Statement, plus adjust the Shares and Options Registers as applicable
6. Prepare and lodge Appendix 3B with the ASX to have the new shares listed
7. If the options were not issued through a prospectus, then prepare and lodge a 'Cleansing Notice' with ASX pursuant to Section 708A of the Corporations Act
8. If the option/share holder is a director then prepare and lodge Appendix 3Y with the ASX
9. If the exercise triggers the substantial shareholding requirements, the shareholder must prepare and lodge Form 603 (or 604) with the company and a copy with ASX
10. Prepare and lodge Form 484 with ASIC to update their records.

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.
