

Employee Share and Option Plan

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

“Associate” has the same meaning as in section 139GE of the Income Tax Assessment Act, except that “taxpayer” shall be construed as a reference to “Participant”.

“Associated Body Corporate” means any:

- (a) related body corporate of the Company; and
- (b) entity designated by the Board, in its discretion, to be an associated company for the purposes of the Plan.

“ASX” means ASX Limited.

“Board” means all or some of the Directors of the Company acting as a board.

“Borrower” means a Participant to whom the Company agrees to make a Loan under the Plan and, in the event of his or her death after the grant to him or her of a Loan, his or her executors, administrators or other legal personal representatives;

“Business Day” means any day that is not Saturday, Sunday or public holiday in New South Wales.

“Change of Control Event” means:

- a) the Company entering into a scheme of arrangement with its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- b) the commencement of a Takeover Period; or
- c) a person or a group of associated persons having a relevant interest in, subsequent to the adoption of these Rules, sufficient Shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

“Company” means Medical Australia Limited ACN 096 048 912.

“Exercise Price” means in relation to a Share to be issued upon exercise of an Option the issue price of that Share as determined in accordance with clause 6.2 of these Rules.

“Expiry Date” means in relation to an Option the date of its expiry as determined in accordance with clause 6.3 of these Rules.

“Issue Date” means the date determined by the Board as the date on which an Option was granted or a share allotted.

“Listing Rules” means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any waiver by ASX.

“Loan” means a non-recourse loan granted by the Company to a Participant (or his or her nominee) under these Rules;

“Loan Share” means a Share subscribed for under this Plan, or to be subscribed for by the Borrower on the exercise of an Option under this Plan where the Issue price or the Exercise Price is funded in whole or in part with a Loan;

“Official List” means the Official List of entities that ASX has admitted and not removed.

“Option” means an option issued under this Plan to subscribe for Shares.

“Participant” means an employee (including an executive or non executive Director) or a full-time or part-time employee of the Company or an Associated Body Corporate, who is invited by the Board to participate in the Plan and subscribes for shares or is issued Options under the Plan.

“Plan” means this Employee Share and Option Plan as in force and amended from time to time.

“Rules” means these Rules of the Plan as altered or added to from time to time and a reference to a provision of these Rules is a reference to that provision as altered or added to from time to time.

“Secretary” means the Secretary or a Secretary of the Company from time to time;

“Share” means an ordinary share in the capital of the Company.

“Takeover Period” in relation to a takeover bid in respect of Shares means the period referred to in section 624 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company in relation to that takeover bid, the takeover period shall be deemed to have commenced at the time of that announcement.

1.2 Interpretation

For the purposes of these Rules, unless the contrary intention appears:

- a) the singular includes the plural and vice-versa;
- b) words denoting a gender include all genders;
- c) if a word or phrase is defined cognate words and phrases have corresponding definitions;
- d) a reference to a related body corporate of the Company is a reference to a body corporate which is so related within the meaning of the Corporations Act;

- e) a reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements or any of them; and
- f) any power, authority or discretion vested in the Company or the Board may be exercised at any time and from time to time and unless expressed otherwise, in their absolute discretion.

2. OFFER OF SHARES OR GRANT OF OPTIONS

2.1 General Eligibility

At any time and from time to time, the Board may offer shares or issue Options to Participants (or to a nominated Associate as the Participant directs) having regard, in each case, to:

- a) the contribution to the Company which has been made by the Participant;
- b) the period of employment of the Participant with the Company, including (but not limited to) the years of service by that Participant;
- c) the potential contribution of the Participant to the Company; and
- d) any other matters which the Board considers in its absolute discretion, to be relevant.

2.2 Option Terms

Options must be granted in accordance with these Rules and may be granted on such additional terms, conditions and restrictions, not being inconsistent with these Rules as the Board determines either generally or in relation to particular Options.

2.3 Price of Options

Options are to be issued free to Participants. Shares may be offered at such prices as the Directors shall from time to time determine.

2.4 Issue of Options

Each Option must be issued on the terms of these Rules and each Participant will be taken to have agreed to be bound by these Rules on acceptance by that Participant of an Option.

3. MAXIMUM NUMBER OF SHARES AND OPTIONS

A Share may not be offered or an Option may not be issued if, immediately following its issue, the number of Shares together with the number of Options which have been issued under the Plan and remain capable of being exercised after disregarding any issues that can be disregarded under the Corporations Act or applicable Class Orders, would exceed 10% of the total number of Shares then on issue, provided that the Board

may, in its absolute discretion, increase this percentage, subject to any applicable Corporations Act or Listing Rule requirements.

4. OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE

Notwithstanding anything else in these Rules or in the terms of any Option, a Share or an Option may not be offered, issued, or exercised if to do so:

- a) would contravene the Corporations Act or the Listing Rules; or
- b) would contravene the local laws of, or the rules or requirements of any regulatory or statutory body in, a Participant's country of residence or in the opinion of the Board compliance with those local laws, rules or requirements would be impractical or result in any unnecessary or unreasonable expense in the circumstances.

5. ADMINISTRATION OF THE PLAN

5.1 Delegation

The Plan shall be in all respects administered under the directions of the Board or a committee of the Board. The Board or committee may appoint, for the proper administration and management of the Plan, such secretarial or executives or staff or other persons as it considers desirable and may delegate to those persons such powers and authorities as may be necessary or desirable for the administration and management of the Plan.

5.2 Procedures

Subject to these Rules, the Board may make such regulations and establish such procedures for the administration and management of the Plan as it considers appropriate. If any disagreement or dispute with respect to the interpretation of these Rules or the terms of grant of any Option arises, such disagreement or dispute shall be referred to the Board and the decision of the Board shall, in the absence of manifest error, be final and binding upon all parties.

5.3 Covenant or exercise of discretion

The Company or an Associated Body Corporate or the Board may, subject to any express provision in these Rules, the Listing Rules or the Corporations Act to the contrary:

- a) do any act, matter or thing or make any decision, determination or resolution; or
- b) conditionally or unconditionally give or withhold any consent or approval,

as contemplated by these Rules in its absolute uncontrolled and unexaminable discretion and is not obliged to give reasons for so doing.

6. KEY TERMS

6.1 Each Option entitles the holder to subscribe for and be issued, credited as fully paid, the number of Shares specified in the Option.

- 6.2 The Exercise Price of a Share to be issued on exercise of an Option shall be such Exercise Price as determined by the Board (in its discretion) on or before the Issue Date.
- 6.3 The Expiry Date of any Option shall be that date as the Board, in its absolute discretion determines, on or before the Issue Date.
- 6.4 Subject to these Rules, the Company shall issue Shares on exercise of an Option in accordance with the Listing Rules and shall cause a holding statement to be issued, for Shares so issued within 10 Business Days after the date of exercise of the relevant Option.
- 6.5 Shares allotted under the Plan and Shares issued on the exercise of Options will rank pari passu with all existing Shares in the capital of the Company from the date of allotment of those Shares.

7. EXERCISE OF OPTIONS

- 7.1 Subject to **clause 7.2** of these Rules, an Option is exercisable by the holder lodging with the Company Secretary:
- a) a notice of exercise of that Option in the form attached to these Rules;
 - b) a cheque, or an application for a Loan in the approved form (or a combination of both), for the Exercise Price for each Share to be issued on the exercise of that Option; and
 - c) the certificate for that Option.

In the event of the death of a holder of Options, those Options are exercisable by the executor of the estate of the holder in the same manner as set out above.

- 7.2 An Option must be exercised (if at all) not later than its Expiry Date and, subject to this **clause 7**, may only be exercised at any time after the Option has been vested and before its Expiry Date. The Board may determine (in its absolute discretion) any further conditions of exercise consistent with these Rules that apply to an Option. The exercise of some Options only does not affect the Participant's right to exercise other Options at a later time. If the Participant exercises less than all Options represented by the certificate then the Company will cancel the certificate and issue a new certificate for the balance.

- 7.3 An Option held by a Participant will immediately lapse upon the first to occur of:

- a) its Expiry Date;
- b) the making by the Board of a determination that:
 - i. the Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to the Company or an Associated Body Corporate; and
 - ii. the Option is on that account to be forfeited;

- c) the Participant ceasing to be employed by the Company or an Associated Body Corporate for any reason (or, in the case of an Option held by a nominated Associate, the employment of the nominating Participant is terminated) except where the Participant ceases to be employed as a direct result of the disposal or sale of the Company or Associated Body Corporate (in which case, for the avoidance of doubt, such Options shall not lapse by virtue of that event alone);
- d) the day which is 30 days following any person or corporation having a relevant interest in not less than 90% of the Shares; or
- e) the day which is 10 days following the Company issuing a notice of meeting convening a meeting of shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares.

7.4 For the purposes of **clause 7.3(c)** of these Rules, a Participant shall be deemed to have ceased to be employed by the Company or an Associated Body Corporate:

- a) on the day which is six months after the day the Participant ceases to be employed by the Company or an Associated Body Corporate by virtue of:
 - i. the Participant's death; or
 - ii. the Participant being retrenched or made redundant by the Company or an Associated Body Corporate (other than as a direct result of the disposal or sale of the Company or Associated Body Corporate); and
- b) on the later of 21 days following the Participant ceasing to be employed by the Company or an Associated Body Corporate or such later date that the Board determines in its absolute discretion where the Participant ceases to be employed by virtue of:
 - iii. the Participant retiring; or
 - iv. the Participant's permanent illness or permanent physical or mental incapacity (as certified by a medical practitioner who is approved in writing by the Board).

7.5 If, in the opinion of the Board, a Change of Control Event has occurred, or is likely to occur, the Board may declare an Option to be free of any conditions of exercise and Options which are so declared may, subject to **clause 7.3** of these Rules, be exercised at any time on or before the Expiry Date and in any number.

7.6 If any person or corporation having a relevant interest in not less than 90% of the Shares or the Company issues a notice of meeting convening a meeting of shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares, all Options shall be free of any conditions of exercise and may be exercised at any time prior to their lapsing pursuant to **clause 7.3** of these Rules.

8. NON-RECOURSE LOAN

8.1 Advance of the Loan

- a) Upon receipt of an application for a Loan, the Board may offer a Participant a Loan from the Company under these Rules for the purposes of funding in whole or in part the subscription by the Participant for the Shares or for the Shares to be issued on the exercise of the Options granted under the Plan.
- b) Subject to these Rules, the terms and conditions of any Loan will be determined by the Board in its absolute discretion and must be set out in the Board's offer pursuant to Rule 8.1(a).
- c) The maximum amount of a Loan which may be provided to a Participant is an amount equal to the Share price on allotment of the Shares or the aggregate Exercise Price on exercise of the Options.
- d) The Borrower irrevocably authorises and directs the Company to apply the entire amount of the Loan to pay the Share price or Exercise Price (or part thereof) payable on allotment of the Shares or exercise of the Options.

8.2 Interest

Any Loan granted under the Plan shall be interest free.

8.3 Repayment and Early Repayment

- a) The Borrower agrees to repay the Loan from the proceeds of sale of any Loan Shares and from the Borrower's own funds.
- b) The Board may, in its absolute discretion, impose an obligation on the Borrower to repay the Loan in certain events or by a certain date if that obligation is specified in the acceptance of the application for the Loan.
- c) The Borrower may elect to repay the balance of any amount outstanding in respect of the Loan at any time and, upon receipt of the entire amount of the Loan outstanding by the Company, the Loan Shares shall become the free and unencumbered property of the Borrower and the Participant may, at any time, transfer or deal in the Loan Shares.
- d) The entire amount outstanding under a Loan is immediately due and payable on the earliest of:
 - i. the date of sale of any Loan Shares;
 - ii. the date the Participant ceases to be employed by the Company or an Associated Body Corporate (other than by death);
 - iii. in the event of a takeover offer or takeover announcement in relation to the Company, on the date the Board recommends acceptance of that offer; and

- iv. the Borrower becoming bankrupt.

8.4 Charge

By accepting a Loan the Borrower grants a first ranking charge over the Loan Shares to the Company. If the Borrower defaults in complying with its obligations under these Rules the Company may sell the Loan Shares and deal with the proceeds of sale as provided in these Rules. The Borrower must execute any documents required by the Company and pay any stamp duty payable in respect of the charge.

8.5 Sale of Shares

- a) A Participant must not sell, transfer, assign, mortgage, charge or otherwise encumber or otherwise deal with the Loan Shares until repayment of the Loan in full, except in accordance with these Rules.
- b) The Company may do all things necessary or desirable to protect or give effect to any right or restriction under this Plan including placing a holding lock on the Loan Shares to prevent transfer.
- c) If the Borrower defaults in complying with its obligations under these Rules or has not repaid the outstanding amount of a Loan at the end of the period for repayment of the Loan, the Company may, after having given seven (7) days written notice to the Borrower, on behalf of the Borrower, sell the Loan Shares and apply the proceeds of sale in repayment of the Loan.
- d) Upon the sale of any Loan Shares while any amount is outstanding under a Loan, the Borrower:
 - i. irrevocably directs all sale proceeds to be paid to the Company until the Loan is repaid in full; and
 - ii. irrevocably appoints the Company its attorney to execute all such documents and take all such actions as are necessary for the sale proceeds to be paid to the Company in accordance with clause 8.4 of these Rules.
- e) A Borrower who wishes to sell a Loan Share may forward to the Secretary:
 - i. a request (in the form prescribed by the Board from time to time) that the Company, on behalf of the Participant, sell or arrange the sale of the Loan Share; and
 - ii. such other documents as the Company prescribes.

The Company may, but is not obliged to, sell the Loan Shares in accordance with the request referred to in this clause. If the Company does so, the proceeds of sale of the Loan Shares (after deducting the costs of sale including, without limitation, any brokerage, taxes and duties) may be applied by the Company towards paying any amounts outstanding in relation to all Loans of the Borrower. After so applying the net proceeds of sale of the Loan Shares the Company will pay to the Borrower the balance (if any) of such proceeds.

- f) A Borrower shall not have any claim against the Company as a result of the exercise of the Company of a power or discretion to sell Shares under these Rules.

8.6 Limited Recourse

Notwithstanding any other provision of these Rules or a Loan, each particular Loan in respect of Loan Shares shall be limited so that at the time the Loan becomes repayable the liability of the Participant is limited to the lesser of:

- a) the particular Loan; and
- b) the net proceeds of sale of Loan Shares which related to that Loan.

8.7 Bonus Shares

If bonus Shares are issued by the Company during the period of any Loan then such bonus Shares as are issued to the Borrower in respect of the Loan Shares shall become Loan Shares and be subject to the provisions of this **clause 8**.

8.8 Voting Rights

The Borrower is entitled to exercise the voting rights in respect of the Loan Shares held by him or her during the term of any Loan.

8.9 Reduction of Loan

In the event of a Borrower electing to pay an amount in relation to a Loan, the amount paid shall be applied, in the event of a Borrower owing an amount under more than one Loan, in reduction of the amount owing under the earliest Loan.

9. TRANSFER

An Option is personal to the Participant to whom it was granted, and the Participant may not sell, transfer or otherwise dispose of, or make a declaration of trust in respect of, it except to an Associate of that Participant.

10. QUOTATION OF OPTIONS AND SHARES

Options will not be listed for quotation on ASX, however, the Company will make application for official quotation of Shares allotted under the plan or shares issued on the exercise of Options to ASX and to each other stock exchange on which Shares are listed at the time.

11. FUTURE ISSUES OF SHARES

11.1 New Issues

There are no participating rights or entitlements inherent in the Options and Participants will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 9 Business Days after the issue is announced. Participants shall be afforded the opportunity to exercise all Options

which they are entitled to exercise pursuant to these Rules prior to the date for determining entitlements to participate in any such issue.

11.2 If there is a pro rata issue of securities (except a bonus issue) to the holders of the underlying securities of the Company, the exercise price of an option may be reduced as provided in ASX Listing Rule 6.22.2

11.3 Bonus Issues

If the Company makes an issue of Shares to the holders of Shares in the Company by way of capitalisation of profits or reserves ("**Bonus Issue**"), each Participant holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him or her upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the Participant may subscribe pursuant to the exercise of those Options immediately before the record date for determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the Options.

12. RECONSTRUCTION OF CAPITAL

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Participant is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

13. ADVICE

13.1 The Company shall give notice to each Participant of any adjustment to the number of Shares which the Participant is entitled to subscribe for or be issued on exercise of an Option or the exercise price per Share in accordance with the Listing Rules.

13.2 The Company will provide to a Participant upon request, within a reasonable time, either verbally or in writing, details of the current market price (in Australian dollars) of the Shares in the Company and details of the Exercise Price in relation to Options held by that Participant.

14. NOTICES

Notices may be given by the Company to the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modification to notices to Participants.

15. RIGHT TO ACCOUNTS

Participants will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but will not have any right to attend or vote at those meetings.

16. ASSIGNMENT OF OPTIONS

Subject to **clause 9** of these Rules, a Participant may not assign or transfer an Option except during a Takeover Period, in which case the Options may only be transferred by the Participant to the bidder or its nominees in accordance with the Corporations Act.

17. COMPANY'S RIGHTS NOT WAIVED

17.1 The Company's right to terminate or vary the terms of employment of any Participant shall not be prejudiced in any way by the Company or any Participant participating in the Plan or anything contained in these Rules or both. Further, participation in the Plan, the rights or benefits of a Participant under these Rules or the inability or restricted ability of a Participant to exercise an Option or any of them, shall not be used as grounds for granting or increasing damages in any action brought by any Participant against the Company whether in respect of any alleged wrongful dismissal or otherwise.

17.2 None of the Company, its directors, officers or employees represents that the Company's share price will attain, maintain or exceed the Exercise Price. A Participant who chooses to exercise any Option does so at his own risk in that he may suffer financial detriment if the Company's share price falls.

18. GOVERNING LAW

This Plan and these Rules shall in all respects be governed by and shall be construed in accordance with the laws of New South Wales.

19. SEVERANCE

If any provision in these Rules is void, voidable by any party or illegal, it shall be read down so as to be valid and enforceable or, if it cannot be so read down, the provision (or where possible, the offending words) shall be severed from these Rules without affecting the validity, legality or enforceability of the remaining provisions (or parts of those provisions) of these Rules which shall continue in full force and effect.

20. AMENDMENT OF RULES

Subject to and in accordance with the Listing Rules (including any waiver granted under the Listing Rules):

- a) subject to **clause 20(b)** of these Rules, the Board may from time to time amend (including the power to revoke, add to or vary) all or any of the provisions of these Rules in any respect whatsoever, by an instrument in writing without the necessity of obtaining the prior or subsequent consent of shareholders of the Company or any Associated Body Corporate in a general meeting;
- b) the Board may make any amendment to these Rules with retrospective effect as the Board may determine in good faith, providing that the Board obtains the prior

approval of at least 50% of Participants who shall be adversely affected by the retrospective amendment in relation to Options previously granted to them.

21. SUSPENSION OR TERMINATION OF THE PLAN

The Board may suspend or terminate the Plan at any time, in which case the Company shall not make any further grants of Options under the Plan during the suspended or terminated period. However, during that period the Board shall otherwise continue to administer the Plan in accordance with these Rules until all Options have been exercised or expired.

FORM OF NOTICE OF EXERCISE

The Company Secretary

Medical Australia Limited
Level 17, 275 Alfred Street
North Sydney NSW 2060

Dear Sir/Madam

[Name of Optionholder] hereby gives notice of the exercise of **[number of Options]** issued pursuant to the Company's Employee Share Option Plan and exercisable at [\$].

The certificate for these Options, along with a cheque made payable to "Medical Australia Limited" for [\$] (being the total of the exercise price payable on the exercise of these Options), is enclosed.

[Optionholder to sign]

Individual:

SIGNED by _____ in _____)
in the presence of: _____)

.....

.....
Witness

.....
Name of Witness (print)

Company:

EXECUTED by _____ in _____)
accordance with section 127 of the _____)
Corporations Act by: _____)

.....
Secretary/ Director

.....
Director

.....
Name of Secretary/Director (print)

.....
Name of Director (print)