



Your Smile. Our Vision.

SDI Limited

ABN: 27 008 075 581

Executive Share Option Plan Rules

This document is important and should be read in its entirety.
If you do not understand its contents, you should consult your
Accountant or other professional adviser.

This document is for the information of certain executive or executives of SDI Limited
only and cannot be relied upon by any other person.

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PLAN RULES**1. Definitions & Interpretation**

1.2 In these Rules, unless the context otherwise requires -

"Application" means a written application to participate in the Plan in the form determined by the Board from time to time;

"Application Date" means the date the Board receives an Application;

"ASX" means the Australian Stock Exchange Limited and its successors;

"Board" means all or some of the directors for the time being of the Company acting as a board;

"Company" means SDI Limited A.B.N. 27 008 075 581

"Constitution" means the Constitution of the Company;

"Directors" means the directors for the time being of the Company;

"Dismissal" means

(a) in relation to a Participant who is an Eligible Executive or executives, termination of that Participant's engagement by the Company (but excluding termination by reason of Retirement or Resignation); and

(b) in relation to a Participant who is the Nominated Entity of an Eligible Executive or executives, termination of that Eligible Executive or executives's engagement by the Company (but excluding termination by reason of Retirement or Resignation);

"Eligible Executive/s" means any executive or executives (excluding Non Executive Directors and Mr. Jeffrey James Cheetham) of the Company or any Group Company and includes a Nominated Entity.

"Exercise Conditions" means one or more conditions which must be satisfied or circumstances which must exist before an Option may be exercised, as determined by the Board and includes Trigger Event/s;

"Exercise Date" means the latest date of the release of the Company's results to the market which indicate that the Trigger Event has been satisfied;

"Exercise Notice" means a notice signed by the Participant under Rule 8.1;

"Exercise Price" means the amount determined in accordance with Rule 6.2;

"Expiry Date" means the date shown as the expiry date on the Option Certificate;

"Grant Date" means, in relation to an Option, the date on which the Option was granted;

"Group Company" means the Company or any related body corporate (within the meaning of section 50 of the Corporations Law);

“Listing Rules” means the Listing Rules of the ASX as they apply to the Company from time to time;

“Nominated Entity” means any person or other entity as defined in the Income Tax Assessment Acts (including without limitation a trustee of a superannuation fund) nominated by an Eligible Executive or executives in an Application.

“Option Certificate” means the certificate issued by the Company to the Participant following a successful application for Options;

“Option Fee” means the fee or amount (if any) payable by a Participant on the grant of an Option;

“Option” means the right granted to an Eligible Executive or executives or his or her Nominated Entity to acquire a Share in the Company;

“Participant” means a person or entity which has been granted an Option under the Plan;

“Plan” means the SDI Limited Executive Share Option Plan as set out in these Rules and as from time to time amended;

“Qualifying Period” means the period within which time the options may not be exercised;

“Resignation” means:

- (a) in relation to a Participant who is an Eligible Executive the termination of that Participant’s engagement with the Company by the choice of the Participant but does not include Dismissal or Retirement or resignation by the Participant in order to assume another engagement with a Group Company or taking approved study leave or approved leave of absence;
- (b) in relation to a Participant who is a Nominated Entity of an Eligible Executive the termination of the relevant Eligible Executive’s engagement with the Company by the choice of the Eligible Executive but does not include Dismissal or Retirement or resignation by the Participant in order to assume another engagement with a Group Company or taking approved study leave or approved leave of absence.

“Retirement” means;

- (a) in relation to a Participant who is an Eligible Executive, the termination of the Participant’s engagement by the choice of the Participant by reason of:
 - (i) the attainment of the age of 60 years or any other age which the Board from time to time specifies as the age for retirement; or
 - (ii) total and permanent disability as certified by a medical practitioner who is approved in writing by the Company.
- (b) in relation to a Participant who is a Nominated Entity of an Eligible Executive, the termination of the relevant Eligible Executive’s engagement by the choice of the Eligible Executive by reason of:
 - (i) the attainment of the age 60 years or any other age which the Board from time to time specifies as the age for retirement; or

- (ii) total and permanent disability as certified by a medical practitioner who is approved in writing by the Company;

“Rules” means these rules as amended from time to time;

“Share” means one ordinary share in the capital of the Company;

“Takeover Bid” has the meaning ascribed to that term in section 9 of the Corporations Act.

“Trigger/Trigger Event” means an earnings per share floor to be defined by the Board;

1.3 In this Plan unless the contrary intention appears;

- (a) Reference to any statute code or order, ordinance, regulation, rule by-law made under or pursuant to them includes all amendments or consolidations of or substitutions for any of them from time to time.
- (b) Reference to this Plan and any Option, or other instrument shall be deemed to include the recitals, schedules and annexures to them and any amendment, novation, variation, addition or replacement to them from time to time.
- (c) Words importing the singular include the plural and vice-versa, words importing gender include every other gender and words importing corporations mean and include natural persons and vice versa.
- (d) The headings are for convenience of reference only and do not affect the interpretation of this Plan.

2. **Operation of the Executive Option Plan**

2.1 This Plan must be operated in accordance with these Rules.

2.2 These Rules bind the Company and each Participant.

3. **Invitations to Apply for Options**

Subject to the Listing Rules the Board may, on such dates as it determines and at its absolute discretion, issue invitations to any Eligible Executive to participate in the Plan.

4. **Form of Invitation**

4.1 Each invitation shall be in writing and shall specify:

- (a) the last day for submission of an Application where the Eligible Executive wishes to make an Application, which date must not be more than 20 business days after the date on which the invitation was issued;
- (b) the number of Shares over which the Eligible Executive or their Nominated Entity is invited to apply for Options;
- (c) the Option Fee (if any) payable on the grant of the Option and the manner in which the Option Fee is to be paid or otherwise satisfied or discharged;
- (d) the Exercise Price ;

- (e) the Qualifying Period;
 - (f) the period or periods during which the Options or any of them may be exercised;
 - (g) any Trigger Event which must be satisfied before exercise and any period in which there will be a restriction preventing the Participant from disposing of or dealing with the Shares issued upon Exercise of an Option; and
- 4.2 Subject to the above, the invitation is to be made and to include such other terms, conditions and information as the Board in its absolute discretion may determine from time to time.
- 4.3 A copy or summary of these Rules will accompany each invitation made in relation to Options.

5. Applications for Options.

- 5.1 Where an Eligible Executive wishes to participate in the Plan, the Eligible Executive, or in the case where he or she has nominated a Nominated Entity, the Nominated Entity, must give to the Company, not later than the date specified in the invitation for submission of the Application, a duly completed and signed Application requesting the Company to issue to the Eligible Executive or his or her Nominated Entity (as the case may be) all or any of the Options specified in the corresponding invitation.
- 5.2 The Application to be given to the Company under Rule 5.1 is irrevocable and upon its delivery to the Company the Eligible Executive and/or his or her Nominated Entity will be deemed to be bound by this Plan and the Constitution.

6. Grant of Options.

The Board may grant Options to an Eligible Executive or his or her Nominated Entity from whom it has received an Application made in accordance with Rule 5 (together with any document required or money payable in respect of the grant).

- 6.1 Unless otherwise determined by the Board, the Options will not be listed on the ASX.
- 6.2 The exercise price for the initial grant of options will be the market weighted average price of shares over the last 12 months. For options granted subsequent to the initial issue, the exercise price will be the weighted average market price of shares over 21 days prior to the granting of the options.
- 6.3 The Options will be divided into tranches which will be exercisable as to 20% in each of 1, 2, 3, 4 and 5 years after being granted if the earnings per share Triggers determined by the Directors for each tranche is satisfied.

7. Option Certificates

- 7.1 As soon as practicable after granting an Option to an Eligible Executive or his or her Nominated Entity, the Company shall issue to the relevant Eligible Executive or the Nominated Entity an Option Certificate in respect of the Option so granted.
- 7.2 The Option Certificate shall state:
- (a) the number of Shares to which each Option relates;
 - (b) the Exercise Price in relation to each Option;
 - (c) any Exercise Conditions applicable to each Option;
 - (d) the Qualifying Period;

- (e) the Exercise Date;
- (f) the Expiry Date; and
- (g) any Trigger Event which must be satisfied before exercise and any period in which there will be a restriction preventing the Participant from disposing of or dealing with the Shares issued upon exercise of an Option,

and, subject to the above, shall otherwise be in such form as the Board may from time to time prescribe.

8. Exercise of Options

- 8.1 Where all Exercise Conditions have been met and subject to Rule 8.5 and 8.6, a Participant (or his or her legal personal representative in the event of death) may exercise an Option at any time on or after the Exercise Date by lodging with the Company an Exercise Notice in the form and in the manner approved by the Board from time to time together with a cheque in payment of the Exercise Price for each Option exercised.
- 8.2 An Option will be deemed to have been exercised on the date the Exercise Notice in relation to that Option is received by the Company.
- 8.3 Subject to obtaining all necessary consents of the ASX and other applicable governmental or regulatory authorities, the Company must within 30 days after an Option has been validly exercised by a Participant and the Exercise Price paid, allot to the Participant the number of Shares in respect of which the Options have been exercised.
- 8.4 Shares issued upon exercise of an Option will, upon allotment, rank equally with all other issued Shares for the time being on issue. If Shares of the same class as those allotted under this Plan are listed on the ASX the Company shall apply to the ASX within a reasonable time (but no longer than the time required by the Listing Rules) for the Shares to be listed.
- 8.5 Notwithstanding anything in these Rules, no Option or any right in respect of an Option shall be capable of being exercised within the Qualifying Period.
- 8.6 An Option will lapse, and be incapable of being exercised, on the First to occur of the following:
 - (a) at 5.00 pm on the Expiry Date;
 - (b) the date being the 10th anniversary of the Grant Date;
 - (c) the date of Resignation or Dismissal of that Participant;
 - (d) the date of expiry of 12 months after that Participant ceases to be an Eligible Executive or executives by reason of death or Retirement;
 - (e) the date on which a resolution is passed or any action is taken for or with a view to the liquidation (including provisional liquidation) or winding up of the company; and
 - (f) the date on which the Participant does or omits to do anything as a result of which he ceases to be the legal and beneficial owner of the Options or any of them.
- 8.7 The Board may, subject to any legal restriction, in their absolute discretion allow an Option to be exercised by a Participant as the Directors think fit after any of the events mentioned in Rule 8.6 has occurred.
- 8.8 If an Option lapses then any Option Fee paid by the Participant will be forfeited.

9. New Issues

- 9.1 Subject to Rules 9.2, 9.3 and 10 a Participant is not entitled to participate in new issues of Shares merely by reason of holding Options which have not been exercised.
- 9.2 If Shares are offered pro rata to existing holders of Shares in circumstances where no consideration is payable for the Shares (other than an issue in lieu of dividends or by way of dividend reinvestment), the Participant will be entitled to participate in the offer of Shares on the exercise of the Option. The Participant will be entitled to exercise the Option during a period of 15 working days before the closing date of the books of the Company to determine entitlements to the issue of Shares.
- 9.3 If Shares are offered pro rata for subscription or application by the Company's shareholders generally by way of a rights issue (other than a bonus issue), the Exercise Price in relation to each Option will be adjusted in the manner set out in Listing Rule 6.22.

10. Reorganisation of Capital

- 10.1 Upon any reorganisation (including consolidation, sub-division, return, reduction and cancellation) of the capital of the Company, the number of Options and the applicable Exercise Price (as the case may be) held by a Participant will be adjusted to comply with the Listing Rules. The adjustment will, unless otherwise permitted or required by the Listing Rules, be made in accordance with Listing Rule 7.22.

11. Loan Scheme

- 11.1 The Board may in its absolute discretion and on such terms and conditions and in such amounts as it thinks fit, make loans available to any Participant for the sole purpose of funding the payment by the Participant of the Exercise Price for the Shares underlying the Options issued under this Plan.
- 11.2 The Board shall be under no obligation to make any loan or financial accommodation available to a Participant.
- 11.3 All monies advanced under any loan shall be applied to the Exercise Price.

12. Rights attaching to Options

- 12.1 An Option does not confer any right or entitlement to participate in any dividend, until the Option has been exercised and the underlying Shares allotted.
- 12.2 An Option does not confer any right to vote at general meetings of the Company.
- 12.3 A Participant is not entitled to sell, transfer, encumber or otherwise deal with an Option or any legal or beneficial interest in an Option without the prior consent of the Board or unless compelled by law.

13. Commencement & Termination of Plan

This Plan shall commence upon the date nominated by the Board and will terminate by a resolution of the Board or a resolution of the Company in general meeting. Upon termination, no further Options shall be granted. Termination shall be without prejudice to any accrued rights in existence as at the date of termination.

14. Limit on Options to be issued

- 14.1 At any time, the maximum number of Shares in respect of which Options are granted (and not exercised or expired) shall not exceed such number as represents 10% of the total number of issued Shares in the capital of the Company at that time.
- 14.2 The maximum number of shares in respect of which Options may be granted to any single person under this Plan shall not exceed such number as represents 5% of the total number of shares issued in the capital of the Company from time to time.

15. Exercise of Option on Take Over Bid or Liquidation

- 15.1 If after this Plan is approved, a Takeover Bid is made, the Board may give written notice of the Takeover Bid to each Participant. The Options will then be exercisable within the period of 30 days from the date of the written notice.
- 15.2 If, pursuant to a Takeover Bid, more than 30% of the issued shares of the Company have or will become vested in the offer and associated entities, the Board shall within 7 days of becoming aware of that fact, notify each Participant in writing that the Options may be exercised during the period commencing on the date of such notice and ending on a date specified in such notice. Upon receipt of such notice a Participant becomes entitled to exercise all or any of their unexercised Options.

16. Administration and Amendment

- 16.1 This Plan will be administered by the Board in accordance with these Rules.
- 16.2 Subject to these Rules and the Listing Rules, the Board shall have the power from time to time to make and vary such regulations (not being inconsistent with this Plan) for the implementation and administration of this Plan as it thinks fit.
- 16.3 The decision of the Board shall be final and binding in all matters relating to this Plan.
- 16.4 This Plan and the terms of any Options granted under it may be amended or added to in any respect by the Board provided that no amendment or addition may be made which:-
- (a) would materially adversely affect any of the existing rights of Participants in relation to Options granted to them unless such amendment is introduced primarily for the reason of complying with the Listing Rules or any law applicable to the Plan; or
 - (b) would cause this Plan to cease to comply with the Corporations Law, the Listing Rules or any other applicable law.
- 16.5 Written notice of any amendment to the Rules shall be given to all Participants.
- 16.6 The costs of establishing and administering this Plan shall be borne by the Company.

17. Legal Entitlement or Rights

- 17.1 Nothing in this Plan confers on any Eligible Executive or Nominated Entity the right or any expectation to receive an invitation to apply for Options.
- 17.2 Nothing in this Plan confers on any Eligible Executive:
- (a) the right to continue as an executive of the Company or affects any rights which the Company may have to terminate the employment of any Eligible Executive; and
 - (b) may not be used to increase damages in any action brought against the Company as a result of that termination.

18. Assignment

- 18.1 Each Option shall be personal to the Participant and shall not be capable of being assigned, transferred, charged or otherwise dealt with by the Participant.
- 18.2 Nothing in the Rules prohibits Options being transferred to the legal personal representatives of a Participant upon his or her death.

19. General

- 19.1 The Board may revoke an invitation to apply for Options at any time before an Application has been received.
- 19.2 The Company will at all times keep available sufficient authorised and unissued shares to satisfy the right to exercise Options.
- 19.3 Save as otherwise provided in this Plan any notice or communication to be given by the Company to any Eligible Executive, Invitee or Participant may be personally delivered or sent by ordinary post to his last known address and where a notice or communication is sent by post it shall be deemed to have been given two business days after the date of dispatch.
- 19.4 Any notice to be given to the Company shall be delivered or sent to the Company at its registered office and shall be effective upon receipt.
- 19.5 A certificate signed by the secretary of the Company stating whether an Eligible Executive has been Dismissed or has Resigned or Retired and the date in the certificate as to when the Eligible Executive was Dismissed, Resigned or Retired will be conclusive for all purposes including without limitation these Rules and for determining when any of the Options are exercisable or lapse.
- 19.6 The Plan shall be administered by the Board, which shall have absolute power to determine, and if appropriate delegate appropriate procedures for administration of the Plan consistent with these terms and conditions.
- 19.7 Except as otherwise expressed and provided in these Rules, the Board has absolutely unfettered discretion in respect of the administration of this Plan.
- 19.8 In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or relating to the Plan or to an Option granted under it, the decision of the Board shall be final and binding upon all parties.
- 19.9 The Laws of Victoria and the Commonwealth of Australia govern this Plan and any options issued under it.
- 19.10 No option may be granted or exercised and no security may be allotted which would contravene the Corporations Law, the Listing Rules or any other Laws of Victoria or the Commonwealth of Australia.