



PharmX Technologies Limited Incentive Plan Rules

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PharmX Technologies Limited - incentive plan

Between

Company	PharmX Technologies Limited ACN 000 091 305 of Suite 11.02, Level 11, 17 Castlereagh Street, Sydney NSW 2000
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Participants	Each person who has been admitted by the Company to participate in the Plan as a 'Participant' in accordance with clause 3.4.
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Background	The Company wishes to align the interests of Eligible Participants and the Shareholders of the Company by providing the Eligible Participants with the opportunity to participate in the ownership of the Company through the grant or issue of Incentive Securities that, subject to satisfaction of certain conditions in the future, in some cases, may be exercised and converted into Plan Shares on the terms of this Plan.
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1 Definitions and interpretation

1.1 Definitions

In this Plan, unless specified to the contrary:

Advance has the meaning given to that term in clause 4.2(a).

Affiliate means, in relation to a Participant or Eligible Participant:

- (a) an Associated Company of the Participant or Eligible Participant;
- (b) the trustee of an Associated Trust of the Participant or Eligible Participant;
- (c) a Privileged Relation or Privileged Relations of the Participant or Eligible Participant; or
- (d) another person specifically approved by the Company as an Affiliate of the Participant or Eligible Participant (in which case the Company may set conditions which the person must continue to meet in order to remain such an Affiliate).

Ancillary Documentation means all documentation which the Board specifies in an Invitation that an Eligible Participant must enter into and/or provide in connection with an Application.

Applicable Law means any one or more or all, as the context requires of:

- (a) the Corporations Act;
- (b) the Listing Rules;
- (c) the Constitution;
- (d) the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth);
- (e) any relevant practice note, policy statement, regulatory guide, class order, legislative instrument, declaration, guideline, policy, procedure, ruling, judicial interpretation or other guidance note made to clarify, expand or amend (a), (b), or (d) above;
- (f) any other legal requirement (including the rules of the general law, including common law and equity, and any judgment, order, decree, declaration or ruling of a court of competent jurisdiction or government agency binding on a person or the assets of that person) that applies to the Plan; and
- (g) in respect of acquisition or disposals of any Shares, any formal policy relating to dealings in Shares adopted by the Board, including the Share Trading Policy.

Application means, in respect of an Incentive Security, an application for that Incentive Security made by an Eligible Participant in response to an Invitation.

Application Form means an application form attached to, or enclosed with, an Invitation.

Associated Company means any company associated with an individual Participant or Eligible Participant where 100% of the shares in the company are owned, legally and beneficially, by the Participant or Eligible Participant, Privileged Relations or trustees of Associated Trusts of the Participant or Eligible Participant and where the affairs of the company are controlled by the Participant or Eligible Participant.

Associated Trust means any trust where the affairs of the trustee are controlled by the Participant or Eligible Participant and any trust associated with an individual Participant or Eligible Participant being a trust under which no person other than the Participant or Eligible Participant or a Privileged Relation or Associated Company of the Participant or Eligible Participant:

- (a) has or acquires an interest, whether legal or beneficial, direct or indirect, vested or unvested, in any trust property; or
- (b) receives, is entitled to receive, or may become entitled to receive, any distribution of any of the income or capital of the trust.

Associate has the same meaning as in section 12 of the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691 or the securities exchange operated by it, as the context requires.

ASX Holding Lock has the same meaning as 'Holding Lock' in Chapter 19 of the Listing Rules.

Board means the board of directors of the Company.

Business Day means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday in that city.

Change of Control Event means:

- (a) a change in Control of the Company;
- (b) where members of the Company approve any compromise or arrangement for the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other body corporate or bodies corporate (other than a scheme that does not involve a change in the ultimate beneficial ownership of the Company), which will, upon becoming effective, result in any person (either alone or together with its Associates) owning more than fifty per cent (50%) of Issued Capital;
- (c) where a person becomes the legal or the beneficial owner of, or has a Relevant Interest in, more than fifty per cent (50%) of Issued Capital;
- (d) where a person becomes entitled to acquire, hold or has an equitable interest in more than fifty per cent (50%) of Issued Capital; and
- (e) where a Takeover Bid is made to acquire more than fifty per cent (50%) of Issued Capital (or such lesser number of Shares that when combined with the Shares that the bidder (together with its Associates) already owns will amount to more than 50% of Issued Capital) and the Takeover Bid becomes unconditional and the bidder (together with its Associates) has a Relevant Interest in more than 50% of Issued Capital,

but, for the avoidance of doubt, does not include any internal reorganisation of the structure, business and/or assets of the Group.

Company means PharmX Technologies Limited ACN 000 091 305.

Constitution means the constitution of the Company.

Control has the same meaning as in section 50AA of the Corporations Act.

Corporations Act the *Corporations Act 2001* (Cth).

Current Value means:

- (a) if the Company is not admitted on a recognised securities exchange, the value of a Share based on the last valuation undertaken by the Company; and
- (b) if the Company is admitted on a recognised securities exchange, the Market Value.

Deal or Dealing means in relation to an Incentive Security or a Plan Share issued or exercise of an Incentive Security (as the case may be), any dealing, including:

- (a) a sale, transfer, assignment, Encumbrance, option, swap, or any other alienation of all or any part of the rights attaching to the Incentive Security or the Plan Share;
- (b) any attempt to do any of the actions set out in paragraph (a) of this definition; and
- (c) any hedging (including any dealing with a derivative instrument intended to 'lock in' a profit relating to an Incentive Security, and any other transactions in financial products that operate to limit the economic risk associated with holding an Incentive Security).

Eligible Participant means each person selected by the Company as an eligible participant for the purposes of participating in this Plan.

Encumbrance means any burden, charge, mortgage, lien, pledge, assignment, by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or other security arrangement or any other arrangement having the same effect.

Exercise Notice means a notice in the form of Schedule 1 (or in such other form as determined by the Company) given by or on behalf of the Participant to exercise an Incentive Security in accordance with clause 6.1.

Expiry Date means, in relation to a Performance Right and/or Option, the date that is 10 years after the Grant Date or such earlier date specified as the expiry date in the Invitation.

Forward Looking Statement means any forward looking statement, estimate, projection or forecast communicated to a Participant (including prior to that person becoming a Participant).

Good Leaver means ceasing to be employed or engaged by the Group due to a Good Leaver Event.

Good Leaver Event means:

- (a) resignation due to a material breach by the Company of a material term of the Participant's employment or engagement agreement which is not remedied within 15 Business Days after the Company receives notification of the breach from the Participant;
- (b) redundancy of the Participant;
- (c) death of the Participant;
- (d) sickness or permanent incapacity of the Participant as determined by the Board acting reasonably and in good faith;
- (e) retirement at an age agreed by the Board and the Participant;
- (f) departure by mutual agreement of the Board and the Participant; or

- (g) any other reason which the Board in its absolute discretion determines is a Good Leaver Event.

Governmental Agency means any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

Grant Date means, in relation to a Performance Right and/or Option, the date on which that Performance Right and/or Option is granted to a Participant.

Group means the Company and all its subsidiaries.

Incentive Security means a security or a right to a security in the capital of the Company granted under these Rules which may include any of the following:

- (a) Performance Rights;
- (b) Options;
- (c) Plan Shares; or
- (d) any other forms of security or right to a security as determined by the Board.

Insolvent means a person is Insolvent if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it has had a controller appointed or is in liquidation, in provisional liquidation, under administration, wound up or has had a receiver appointed to any part of its property;
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the Company);
- (d) an application or order has been made (and in the case of the application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is likely to result in any of (a), (b) or (c) above);
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand);
- (f) it is subject to an event described in section 459C(2)(b) or section 585 of the Corporations Act;
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Invitation means an invitation to an Eligible Participant to apply for the grant or issue of Incentive Securities made in accordance with clause 3.2 of these Rules.

Issued Capital means issued Shares.

Listing Rules means the listing rules, market rules and operating rules of a financial market in respect of which the Company's shares are quoted or are the subject of an application for quotation, including the official listing rules of the ASX.

Market Value means the 30-day volume weighted average price of the Shares on ASX (or any other recognised securities exchange on which the Company has its primary listing) for (as applicable):

- (a) the period up to the close of trading on the day prior to the receipt by the Company of an Exercise Notice; or
- (b) the period up to the close of trading on the day prior to the issue of Plan Shares by the Company to a Participant.

Option means an option which, subject to its terms could be exercised into a Share in the Company at a future date, subject to the satisfaction of applicable exercise conditions.

Participant means each person who has been admitted by the Company to participate in the Plan as a 'Participant' in accordance with clause 3.4.

Performance Right means a contractual right to acquire one or more Plan Shares by issue or transfer as set out in the relevant Invitation.

Plan means the PharmX Technologies Limited incentive plan contained in this document.

Plan Shares means the Shares issued or transferred to a Participant under these Rules, including upon the valid exercise of a Performance Right and/or Option.

Privileged Relation means, in respect of a Participant, the spouse, siblings, parents and children of that Participant.

Relevant Interest has the meaning given in section 608 of the Corporations Act.

Rules means the rules of this Plan.

Share means a fully paid ordinary share in the capital of the Company.

Share Trading Policy means the share trading policy of the Company.

Shareholder means a person that is a registered holder of Shares.

Takeover Bid has the meaning given to that term in the Corporations Act.

Trustee means the trustee of any employee share trust used by the Company to hold Plan Shares on behalf of a Participant or to deliver any Plan Shares arising from the exercise of a Performance Right and/or Option under these Rules.

Trustee Shareholder has the meaning given in clause 13(a).

Vest, Vested or Vesting means the process by which the holder of an Incentive Security becomes entitled to the issue or transfer of a Plan Share in accordance with clause 5.

Vesting Condition means the conditions to Vesting (if any) set out in the Invitation.

Vesting Date means the date specified in the Vesting Notice as the date on which outstanding Performance Rights or Options will Vest.

Vesting Notice means a notice given by, or on behalf of, the Company under clause 5 (in the form determined by the Company).

1.2 Interpretation

In this Plan:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Plan;
- (b) the singular includes the plural and the plural includes the singular;

- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Plan have a corresponding meaning;
- (e) use of the word including and similar expressions are not, nor are they to be interpreted as, words of limitation;
- (f) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any governmental agency as well as an individual;
- (g) a reference to a clause, Rule, party, schedule or attachment is a reference to a clause and Rule of, and a party, schedule and attachment to, this Plan;
- (h) a reference to any legislation includes all delegated legislation and amendments, consolidations, replacements or re-enactments of any of them;
- (i) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (j) a reference to an agreement other than this Plan includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing;
- (k) a reference to dollars, AUD or \$ is a reference to Australian dollars; and
- (l) no provision of this Plan will be construed adversely to a party because that party was responsible for the preparation of this Plan or that provision.

1.3 Constitution

The entitlements of Eligible Participants under these Rules are subject to the Constitution. In the event of any inconsistency between these Rules and the Constitution, the terms of the Constitution prevail.

1.4 Employment or engagement terms

Notwithstanding anything to the contrary in any employment or engagement arrangement with a participant, but subject at all times to these Rules, if there is any inconsistency between these Rules and any employment or engagement terms, these Rules prevail.

1.5 Components

This Plan includes any schedule.

2 Purpose

2.1 Purpose

The purpose of the Plan is to:

- (a) assist in the reward, retention and motivation of Eligible Participants;
- (b) link the reward of Eligible Participants to Shareholder value creation; and
- (c) align the interests of Eligible Participants with Shareholders by providing an opportunity to Eligible Participants to receive an equity interest in the Company through the grant or issue of Incentive Securities.

2.2 Commencement

The Plan commences on a date determined by the Board.

2.3 Rules are binding

The Company and each Participant are bound by these Rules.

3 Invitation to Eligible Participants

3.1 Eligibility

The Board may determine that an Eligible Participant may participate in the Plan.

3.2 Invitation

The Board may, in its absolute discretion, invite any Eligible Participant to participate in a grant or issue of Incentive Securities (an **Invitation**).

Each Invitation must be in writing and must specify:

- (a) the name and address of the Eligible Participant to whom the Invitation is made;
- (b) the type of Incentive Securities that are being offered to the Eligible Participant;
- (c) the total number of Incentive Securities that the Eligible Participant may accept (or the method by which the number will be calculated);
- (d) the time and date by which the Invitation must be accepted;
- (e) if the Incentive Securities will be held on behalf of the Eligible Participant (or its Affiliate) in an employee share trust, that fact;
- (f) the date on, or the time period within, which the Company will grant or issue the Incentive Securities;
- (g) the amount (if any) payable by the Eligible Participant on the grant and/or issue or exercise of the Incentive Securities;
- (h) the conditions (if any) that must be satisfied before the Incentive Securities will Vest in the Participant;
- (i) the last date (if any) by which the Participant may exercise Incentive Securities that Vest;
- (j) such other terms applicable to the Invitation as determined by the Board, or such other matters as the Board may determine.

3.3 Application by Eligible Participants

- (a) Acceptance of an Invitation must be made by the Eligible Participant on an Application Form in accordance with the instructions that accompany the Invitation, or in any other way the Board determines, including completing, signing and returning any documentation or taking such other steps as may be required by the Board.
- (b) At the time of submitting an Application Form, an Eligible Participant may nominate an Affiliate to receive the Incentive Securities to be granted or issued to the Eligible Participant specified in the Invitation. The Eligible Participant must provide evidence satisfactory to the Board, in its absolute discretion, that the nominated person satisfies the definition of 'Affiliate' in this Plan. The Board has absolute discretion with respect to allowing an Eligible Participant to nominate an Affiliate to receive the Incentive Securities.
- (c) By submitting a completed Application Form, each Eligible Participant is, by submitting a completed Application Form, deemed to have agreed to be bound by:

- (i) the terms of the Invitation and the Application Form;
- (ii) the Ancillary Documentation (if any);
- (iii) these Rules; and
- (iv) the Constitution.

3.4 Acceptance of Application

- (a) After receiving an Application Form in accordance with clause 3.3(a) and all Ancillary Documentation (if any), the Board may, in its absolute discretion:
 - (i) admit the Eligible Participant to participate in this Plan as a 'Participant';
 - (ii) grant or issue (as applicable) the Incentive Securities to the Participant (or an Affiliate nominated in accordance with clause 3.3(b)) or to a Trustee (in accordance with clause 15) specified in the Invitation in whole or in part; and
 - (iii) enter the Participant's name (unless the Incentive Securities are to be held by a Trustee in which case the Participant will be noted as the beneficiary under the trust) in the appropriate register of the Company.
- (b) If an Eligible Participant's Incentive Securities are granted or issued to an Affiliate nominated in accordance with clause 3.3(b), the Eligible Participant will be admitted, and must comply with the terms of this Plan, as a 'Participant', and must procure that its Affiliate complies with the terms of this Plan that apply to the Participant.
- (c) The Board may, in its absolute discretion, refuse to allow the participation of an Eligible Participant where that Eligible Participant ceases to satisfy any relevant conditions imposed by the Board which may include circumstances where:
 - (i) the applicant is not an Eligible Participant;
 - (ii) notice of termination of the applicant's employment or engagement with any entity within the Group has been given (whether by the applicant or by the Company or any related body corporate); or
 - (iii) the Board has determined that the applicant is no longer eligible to participate in the Plan.

3.5 Invitation terms and conditions take precedence

To the extent of any inconsistency, the terms and conditions advised to an Eligible Participant by the Board in an Invitation and Application Form will prevail over any other provision of this Plan.

4 Terms of the Incentive Securities

4.1 Grant or issue of Incentive Securities

- (a) Where the Board has admitted an Eligible Participant to participate in this Plan in respect of a grant or issue of Incentive Securities in accordance with clause 3.4, the Board will grant or issue Incentive Securities to the Eligible Participant (or an Affiliate nominated in accordance with clause 3.4(b)).
- (b) Unless the Board determines otherwise:

- (i) no payment is required for the grant of a Performance Right or an Option;
- (ii) Eligible Participants will be required to subscribe for Plan Shares based on the price determined by the Board (and which may be offset against any remuneration to be paid to the Eligible Participant or which may be made by way of a loan in accordance with clause 4.2); and
- (iii) Incentive Securities may not be registered in any name other than that of the Eligible Participant (or an Affiliate nominated in accordance with clause 3.4(b)) or the name of a Trustee in accordance with clause 15.

4.2 Company may make advance

- (a) The Company or an entity within the Group may make an advance to an Eligible Participant to assist the Eligible Participant (or an Affiliate nominated in accordance with clause 3.4(b)) to acquire Plan Shares under the Plan (**Advance**).
- (b) The loan agreement for an advance must:
 - (i) be in writing;
 - (ii) state the terms and conditions of the Advance; and
 - (iii) be in such form as the Board determines.
- (c) Upon acceptance of the Advance, the Eligible Participant (and any Affiliate nominated in accordance with clause 3.4(b)) shall be bound by the terms of the loan agreement and the Eligible Participant will be taken to have irrevocably directed the Company to apply the Advance to the payment of the issue price of the applicable Plan Shares.

4.3 Lien

The Company shall have a lien over any Plan Shares the acquisition of which is ultimately funded using the proceeds of an Advance, until the total amount outstanding under the loan agreement has been repaid.

4.4 Participant's rights prior to exercise

Prior to the exercise of a Performance Right or Option in accordance with clause 6.1:

- (a) a Participant does not have any interest (legal, equitable or otherwise) in any Plan Shares the subject of the Performance Right or Option, other than those expressly set out in these Rules; and
- (b) a Participant is not entitled to:
 - (i) notice of, or to vote or attend at, a meeting of the Shareholders of the Company; or
 - (ii) receive any dividends declared by the Company,

by virtue of holding the Performance Right or Option.

4.5 No Dealing in Incentive Securities

- (a) Any Dealing in respect of an Incentive Security is prohibited unless:
 - (i) the Company determines otherwise; or
 - (ii) the Dealing is required by law and the Participant has provided satisfactory evidence to the Company of the requirement.

- (b) Where, in the opinion of the Company, a Participant Deals with an Incentive Security in contravention of clause 4.5(a), the Incentive Security will immediately lapse and be forfeited (and become subject to the terms of clause 9).

4.6 Prohibition on hedging

A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to an Incentive Security that has been granted or issued to them.

4.7 Listing

Unless determined otherwise by the Board in its absolute discretion, a Performance Right or Option granted under the Plan will not be quoted on the ASX or any other recognised securities exchange.

5 Vesting of Incentive Securities

- (a) Subject to clauses 4.5(b) and 8, an Incentive Security that is subject to Vesting Conditions will only Vest where each Vesting Condition, and all other relevant conditions advised to the Participant by the Board in an Invitation, have been satisfied, or waived in accordance with clause 5(b), and a Vesting Notice in respect of that Incentive Security is given to the Participant.
- (b) A Vesting Condition for an Incentive Security may, subject to Applicable Laws, be waived by the Board by written notice to the relevant Participant and on such terms and conditions as determined by the Board and set out in that notice.
- (c) Upon Vesting and exercise of a Performance Right and/or Option, a Plan Share will be issued to the Participant in accordance with clause 6.

6 Exercise of Performance Rights and/or Options

6.1 Exercise of Vested Performance Rights and/or Options

- (a) Subject to clause 6.1(c), following receipt of a Vesting Notice, a Participant will be entitled to exercise a Performance Right and/or Option that has vested by delivering a signed Exercise Notice to the Company at any time prior to the Expiry Date. In the case of the exercise of Options only, subject to clause 6.1(b), each Exercise Notice must be accompanied by payment of the aggregate Exercise Price for all of the Options being exercised. Performance Rights and/or Options may not be exercised if the Board considers that such exercise would give rise to a breach of the Company's constitution or Share Trading Policy and/or any laws or regulations, or where a temporary suspension of the exercise of Performance Rights and/or Options is required in certain circumstances.
- (b) The Board may, in its discretion (and on such terms as it determines), facilitate a cashless (net settled) exercise of Options by issuing a reduced number of Plan Shares to the Participant, such number of Plan Shares to be equal to:
 - (i) an amount equal to the difference between the Current Value and the Exercise Price, multiplied by the number of Options being exercised, divided by
 - (ii) the Current Value.

- (c) Where a Participant ceases to be employed or engaged by an entity within the Group, all Vested Performance Rights and/or Options held by the Participant may be exercised within a period of 90 days following the date of cessation (or such other period as determined by the Board at its absolute discretion).
- (d) If a Participant does not deliver a signed Exercise Notice to the Company in relation to a Performance Right and/or Option by the date required under either clause 6.1(b) or 6.1(c), the Performance Right and/or Option automatically lapse and are forfeited.

6.2 Settlement of Performance Rights and/or Options

- (a) As soon as reasonably practicable after the receipt by the Company of a valid Exercise Notice, the Company will:
 - (i) issue or cause to be transferred to that Participant the number of Plan Shares to which the Participant is entitled under these Rules and/or Invitation and:
 - (A) enter the details of the Participant or the Trustee (if applicable under clause 15) as the holder of the Plan Shares in its register of members; and
 - (B) procure the issue of a holding statement with respect to the number of Plan Shares issued or transferred; or
 - (ii) in the Company's sole and absolute discretion, settle the exercise of the Performance Rights and/or Options by way of a cash payment equal to the Market Value of the Plan Shares that would have otherwise been issued or transferred (subject to an adjustment for the Exercise Price of Options, if applicable), such payment to be made to the bank account notified by that Participant to the Company.
- (b) A Participant may nominate an Affiliate to receive the Plan Shares that will be issued on exercise of the Participant's Vested Performance Rights and/or Options.

7 Rights attaching to Plan Shares

7.1 Plan Shares to rank equally

All Plan Shares issued under this Plan will rank *pari passu* in all respects with other Shares on issue by the Company (for example, having rights with respect to voting, dividends and in the event of a winding up of the Company), except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue or conversion, and subject to clause 4.3 will be issued free of Encumbrances.

7.2 Listing

If Plan Shares are in the same class as Shares which are listed on the ASX or any other recognised securities exchange, the Company will apply for quotation of the Plan Shares issued (or any unquoted Plan Shares transferred) within the time required by the Listing Rules after the date of allotment.

7.3 Dividends

Subject to the terms of any loan arrangement pursuant to clause 4.2, a Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares which, at the closing date for determining

entitlement to such dividends, are standing to the account of the Participant (or a Trustee for and on behalf of the Participant).

7.4 Dividend Reinvestment Plan

A Participant may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares held by the Participant (or a Trustee for and on behalf of the Participant). Shares issued under any dividend reinvestment plan operated by the Company will be subject to the same terms and conditions as the Plan Shares held by the Participant (or a Trustee for and on behalf of the Participant) unless the Board determines otherwise.

7.5 Voting rights

Subject to the terms of any applicable trust deed of an employee incentive trust, a Participant may exercise any voting rights attaching to Plan Shares held by the Participant.

7.6 Dealing restrictions on Plan Shares

- (a) If the Invitation provides that any Plan Shares are subject to any restrictions as to the Dealing in Plan Shares by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant (or its Affiliate) with this restriction, including imposing an ASX Holding Lock (where applicable) on the Plan Shares or using an employee share trust to hold the Plan Shares during the relevant restriction period.
- (b) For so long as a Plan Share is subject to any disposal restrictions under this Plan, the Participant must not Deal with a Plan Share or take any action to remove or circumvent the disposal restrictions without the prior written consent of the Company.
- (c) Subject at all times to the Company's Share Trading Policy, upon the expiry of any Dealing restrictions over a Plan Share, the Company will take all action necessary to ensure that the Participant can Deal with that Plan Share.
- (d) To avoid doubt, the imposition of a Dealing restriction on a Plan Share held by a Participant will not affect the Participant's entitlement to receive a notice of, or to vote or attend at, a meeting of the members of the Company, and subject to the terms of any loan arrangement pursuant to clause 4.2, to receive any dividends declared by the Company during the relevant Dealing restriction period on the Plan Share. If an employee share trust arrangement is implemented in respect of this Plan, the Board may implement such procedures it deems appropriate to give effect to the intent of this clause 7.6(d).

8 Forfeiture of Performance Rights and/or Options

8.1 Cessation of employment before Vesting

- (a) Subject to clause 8.1(b), where a Participant ceases to be employed or engaged by an entity of the Group, all unvested Incentive Securities held by the Participant are forfeited, unless the Board determines otherwise.
- (b) The Board may, in its sole and absolute discretion, determine that some or all of the unvested Incentive Securities held by a Participant will not be forfeited where a Participant ceases to be employed or engaged by an entity within the Group, which may include circumstances where the Participant is a Good Leaver.

8.2 Preventing inappropriate benefits

- (a) Where, in the opinion of the Board, a Participant:
- (i) has acted fraudulently or dishonestly;
 - (ii) has acted negligently;
 - (iii) has wilfully breached his or her duties to an entity within the Group, including breaching a material term of an employment, executive services, or consultancy agreement (or equivalent);
 - (iv) has done an act which has brought the Company, the Group or any entity within the Group into disrepute; or
 - (v) is in breach of his or her obligations to the Group (including breach of any Group policies, charters or codes of conduct),

or where:

- (vi) the Company becomes aware of a material misstatement or omission in the financial statements in relation to an entity within the Group;
- (vii) a Participant is convicted of an offence in connection with the affairs of an entity within the Group; or
- (viii) a Participant has a judgment entered against him or her in any civil proceedings in respect of the contravention by the Participant of his or her duties at law, in equity or under statute, in his or her capacity as an employee or officer of an entity within the Group,

the Board may determine in its absolute discretion that any unvested Incentive Securities held by the Participant are forfeited and any vested Incentive Securities held by the Participant that have not yet been exercised are dealt with in accordance with the Board's direction which may include forfeiture or the exercise of the Incentive Securities within a fixed period of time, otherwise they will be forfeited.

8.3 Forfeiture of Incentive Securities

- (a) An Incentive Security automatically lapses and is forfeited upon the earliest to occur of:
- (i) any forfeiture occurring in any of the circumstances in clause 6.1(d) or under this clause 8;
 - (ii) the date on which the Participant becomes Insolvent, unless otherwise stated in the Invitation; and
 - (iii) the failure to meet a Vesting Condition or any other condition applicable to the Incentive Security within the prescribed period.

8.4 Discretion to determine that Incentive Securities are not forfeited

Notwithstanding clauses 8.1 to 8.3 (inclusive), the Board may decide (on any conditions it thinks fit) that some or all of a Participant's Incentive Securities are not forfeited at that time, but will be forfeited at the time and subject to the conditions it may specify by written notice to the Participant.

8.5 Voluntary forfeiture

A Participant may by written notice to the Company voluntarily forfeit their Incentive Securities for no consideration.

9 Effect of forfeiture of Incentive Securities

9.1 Forfeiture of Performance Rights and/or Options

- (a) Where a Performance Right and/or Option has been forfeited in accordance with these Rules:
 - (i) the Performance Right and/or Option automatically lapses;
 - (ii) the Participant or the Participant's agent or attorney must sign any transfer documents required by the Company (if any) to effect the forfeiture of that Performance Right and/or Option; and
 - (iii) the Company is not liable for any damages or other amounts to the Participant in respect of that forfeited Performance Right and/or Option.

9.2 Forfeiture of Plan Shares

- (a) Where Plan Shares are forfeited under the terms of these Rules, the Participant is deemed to have:
 - (i) agreed to sell those forfeited Plan Shares to the Company pursuant to an Employee Share Scheme Buy-Back (as defined in the Corporations Act) for an amount equal to the amount paid, or other consideration provided by, the Participant to acquire those Plan Shares (or nil, where no consideration was provided by the Participant); or
 - (ii) appointed any officer of the Company as his or her agent to sell the Plan Shares on market (where the Company is admitted to the official list of ASX) or by any other means permitted by Applicable Law in which case the proceeds (net of any brokerage fees and net of any amounts owed to the Company in connection with those Plan Shares or otherwise) are to be applied:
 - (A) to the Participant in the same proportion as the Plan Shares are paid up by the Participant (where the Participant paid an amount or provided other consideration to acquire those securities) with the Company to retain the balance (if any); or
 - (B) to the Company where nil consideration was paid or provided by the Participant; and
 - (iii) agreed to take all action necessary, including executing all necessary documentation, to implement any transfer in accordance with this clause 9.2.

10 Change of Control

Notwithstanding any other provisions of these Rules, if a Change of Control Event occurs, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Incentive Securities will be dealt with, including in a manner that allows the Participant to participate in and/or benefit from any transaction arising from, or in connection with, the Change of Control Event.

11 Irrevocable Power of Attorney

In order to ensure compliance with these Rules, each Participant must grant an irrevocable power of attorney (in the form set out in the Invitation or such other form determined by the Board) to any person nominated by the Board.

12 Adjustment of Performance Rights and/or Options

12.1 Reorganisation

If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Performance Rights and/or Options will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

12.2 Bonus Issue

- (a) If Shares are issued by the Company pro rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Performance Rights and/or Options is entitled, upon exercise of the Performance Rights and/or Options, to receive, in addition to the Plan Shares in respect of which the Performance Rights and/or Options are exercised and without the payment of any further consideration, an allotment of as many additional Plan Shares as would have been issued to a Shareholder who, on the date for determining entitlements under the bonus issue, held Shares equal in number to the Plan Shares in respect of which the Performance Rights and/or Options are exercised.
- (b) Additional Shares to which the holder of Performance Rights and/or Options becomes so entitled will, as from the time Shares are issued pursuant to the bonus issue and until those additional Plan Shares are allotted, be regarded as Shares in respect of which the Performance Rights and/or Options are exercised for the purposes of subsequent applications of clause 12.2(a), and any adjustments which, after the time just mentioned, are made under clause 12.1 to the number of Shares will also be made to the additional Plan Shares.

12.3 Rights Issue

Unless otherwise determined by the Board, a holder of Performance Rights and/or Options does not have the right to participate in a pro rata issue of Shares made by the Company or to sell renounceable rights.

12.4 No other participation

Subject to clauses 12.1 to 12.3 (inclusive), during the currency of any Performance Rights and/or Options and prior to their exercise, the holders of Performance Rights and/or Options are not entitled to participate in any new issue of Shares of the Company as a result of their holding of Performance Rights and/or Options.

12.5 Rounding

Until a Performance Right and/or Option is exercised, all calculations adjusting the number of Shares must be carried out to include all fractions, but when a Performance Right and/or Option is exercised and is settled in Shares the number of Plan Shares to be issued or transferred to the Participant is rounded down to the next lowest whole number.

12.6 Application of adjustment

- (a) In the application of this clause 12, the Board may (as far as possible) make whatever adjustments it deems necessary or desirable to ensure that the consequences of any application of an adjustment are fair as between the Participants and the holders of other securities in the Company, subject to the Listing Rules and other Applicable Laws.
- (b) Unless otherwise provided in these Rules, a Participant has no right to change the number of Plan Shares over which the Performance Right and/or Option can be exercised.

13 Trustee capacity and liability

- (a) Where a person is registered as a holder of Plan Shares and has indicated that it is the trustee of a trust (**Trustee Shareholder**):
 - (i) that person is bound by this Plan in its capacity as the trustee of the relevant trust and in no other capacity; and
 - (ii) the liability of that person under this Plan and the Constitution is limited to the rights of indemnity against the assets of the relevant trust,provided that the limitations contained in this clause 13(a) do not apply to the extent that such rights of indemnity are or become unavailable as a result of the operation of law, or as a result of any fraud, negligence or breach of trust by the person.
- (b) Each Trustee Shareholder warrants and represents in respect of itself to the Company that as at the date of issue of its Plan Shares it has a full right of indemnity against the assets of the relevant trust.

14 Administration of the Plan

14.1 Board administration

The Plan will be administered by the Board. For the avoidance of doubt, the Board may make further provisions for the operation of the Plan which are consistent with these Rules.

14.2 Board powers and discretions

Any power or discretion which is conferred on the Board by these Rules may be exercised in its sole and absolute discretion. The Board does not, in exercising any power or discretion under these Rules, owe any fiduciary or other obligations to any Eligible Participant or Participant.

14.3 Delegation of Board powers and discretions

Any power or discretion which is conferred on the Board by these Rules (including the power to invite Eligible Participants to participate in the Plan and to determine the terms and conditions of the Incentive Securities) may be delegated by the Board to:

- (a) a committee consisting of such directors, other officers or employees of an entity within the Group, or any combination of such persons as the Board thinks fit;
- (b) an entity within the Group; or
- (c) a third party,

for such periods and on such conditions as the Board thinks fit.

14.4 Documents

The Company may from time to time require an Eligible Participant invited to participate in the Plan or a Participant or a person nominated by an Eligible Participant under clause 3.3(b) to complete and return such other documents as may be required by Applicable Law to be completed by that person or entity, or such other documents which the Company considers should, for legal, taxation and/or administrative reasons, be completed by that Eligible Participant, Participant or person in order to give effect to the intent of the Plan.

14.5 Decisions final

Every exercise of a discretion by the Board (or its delegates) and any decision by the Board (or its delegates) regarding the interpretation, effect or application of these Rules and all calculations and determinations made by the Board under these Rules are final, conclusive and binding in the absence of manifest error.

15 Trust

The Board may, in its discretion, use an employee share trust or other mechanism for the purposes of holding Plan Shares issued to a Participant, or holding Shares and Plan Shares before or after the exercise of a Performance Right and/or Options or delivering any Plan Shares arising from exercise of a Performance Right and/or Options under these Rules on such terms and conditions as determined by the Board. For the avoidance of doubt, the Board may do all things necessary for the establishment, administration, operation and funding of an employee share trust.

16 Restrictions on and amendments to the Plan

16.1 Compliance with Applicable Laws

- (a) Notwithstanding these Rules or any terms of an Incentive Security or Plan Share issued on exercise of a Performance Right or Option, no Incentive Security may be offered, granted, vested, exercised or issued, and no Plan Share may be issued or transferred on exercise of a Performance Right and/or Option, if to do so would contravene any Applicable Laws.
- (b) Unless the Board determines otherwise, Incentive Securities to be granted under the Plan will be offered in accordance with, and in reliance on, the provisions in Division 1A of Part 7.12 of the Corporations Act.
- (c) In particular, where the Company is making any offer of Incentive Securities in accordance with, and in reliance on, section 1100Q of the Corporations Act (offers of Incentive Securities that involve, or may involve the provision of monetary consideration), at the time of making the Invitation, the Company must comply with the applicable issue cap under section 1100V of the Corporations Act and the disclosure requirements under section 1100W of the Corporations Act.

16.2 Amendment of Plan

- (a) Subject to clause 16.2(b), the Board may:
 - (i) at any time amend any provisions of these Rules or Ancillary Documentation, including the terms and conditions upon which any Incentive Securities have been granted or issued under the Plan; and

- (ii) determine that any amendments to these Rules be given retrospective effect, immediate effect or future effect.
- (b) No amendment to any provision of these Rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment:
 - (i) introduced primarily:
 - (A) for the purposes of complying with or conforming to present or future legislation governing or regulating the Plan or like plans;
 - (B) to correct any manifest error or mistake;
 - (C) to allow the implementation of an employee share trust arrangement pursuant to clause 15;
 - (D) to enable the Plan or any entity within the Group to comply with its Constitution and other constituent documents, and any other Applicable Laws; and/or
 - (E) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation; or
 - (ii) agreed to in writing by all Participant(s).
- (c) As soon as reasonably practicable after making any amendment to any provision of these Rules, the Board will give notice of the amendment to each Participant affected by the amendment. Failure by the Board to notify a Participant of any amendment will not invalidate the amendment as it applies to that Participant.

17 Duration

17.1 Termination

The Plan continues in operation until the Board decides to end it.

17.2 Suspension

The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely and may end any suspension.

17.3 Effect of termination / suspension

If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

18 Miscellaneous

18.1 Rights of Participants

Nothing in these Rules:

- (a) confers on any person any right or expectation to become a Participant, or the right to be invited to apply for, or be offered or to receive any Incentive Securities;
- (b) confers on any person the right to continue as an employee or officer of any entity within the Group (as the case may be);

- (c) affects the rights of any entity within the Group to terminate the employment or engagement arrangement of an Eligible Participant;
- (d) forms part of any contract of service between an Eligible Participant and any entity within the Group;
- (e) may be used to increase rights of compensation or damages in any action brought against an entity within the Group in respect of an employment or engagement arrangement;
- (f) confers any legal or equitable right on an Eligible Participant whatsoever to take action against any entity within the Group in respect of their employment or engagement arrangement; or
- (g) confers on an Eligible Participant any rights to compensation or damages in consequence of the termination of their employment or engagement arrangement by any entity within the Group for any reason whatsoever, including ceasing to have rights under the Plan as a result of such termination.

18.2 Participants' acknowledgements

Each Participant acknowledges that:

- (a) the future value of Shares is unknown and cannot be predicted with certainty and the value of the equity interests in the Company may increase or decrease over time;
- (b) there can be no certainty that the Participant will make any economic return from his or her participation in the Plan;
- (c) the Participant has not relied on any Forward Looking Statement in relation to the Incentive Securities or Shares, or any matter concerning the Incentive Securities or Shares (or any other document related to the Participant's employment/engagement and incentive arrangements), and each Participant acknowledges that no person represents (or has at any time represented) that any such Forward Looking Statements will be achieved or are accurate or are made on reasonable grounds;
- (d) the Participant will have no entitlement to compensation or damages or to make any other claim as a result of:
 - (i) any failure of the Plan to generate economic returns for the Participant or in respect of any diminution in value in any equity interests in the Company, including if occurring as a result of the termination of the employment or engagement of the Participant with an entity within the Group or any other person (whether or not in breach of contract);
 - (ii) the operation or amendment of the Plan; or
 - (iii) the lapsing or forfeiture of any Incentive Security in accordance with the Plan; and
- (e) the Participant is solely responsible for any taxes or duties which may become payable by it in connection with, or as a result of, its participation in the Plan.

18.3 Non-exclusivity

- (a) This Plan is not the sole means by which all entities within the Group intend to provide incentives to Eligible Participants. Nothing in this Plan is intended to restrict any entity within the Group from remunerating or

otherwise rewarding employees or directors of any entity within the Group outside the Plan.

- (b) Participation in the Plan does not affect, and is not affected by, participation in any other incentive or other scheme operated by any entity within the Group unless the terms of that other scheme provide otherwise.

18.4 Notice

- (a) Any notice or other communication under or concerning the Plan is validly given:
 - (i) to a Participant, if delivered personally to the addressee or sent by prepaid post to the Participant's last known residential address, or sent to the Participant (or its Affiliate) by electronic mail at the Participant's (or its Affiliate's) place of work; and
 - (ii) to the Company, if delivered or sent by prepaid post addressed to the company secretary at the Company's registered office (or any other address the Board specifies), or as otherwise notified by the Company from time to time.
- (b) Subject to clause 18.4(a), a notice or other communication will be deemed to have been served:
 - (i) if delivered by hand, at the time of delivery;
 - (ii) if sent by electronic mail, on receipt of a successful transmission notice, return receipt or such other confirmation by which the sender can reasonably verify delivery; or
 - (iii) if posted, and provided it is properly addressed and stamped, 48 hours after mailing in Australia and seven days after mailing outside Australia.

18.5 Further assurances

All parties bound by these Rules must do all things reasonably necessary to give full effect to this Plan and the transactions contemplated by this Plan.

18.6 Costs and charges

- (a) The Company is responsible for any brokerage, commission, stamp duty or other costs payable in relation to the issue or transfer of Plan Shares to or on behalf of a Participant.
- (b) Each Participant is responsible for all costs associated with the disposal of a Plan Share by that Participant.

18.7 No representation or warranty

- (a) The Company makes no representation or warranty as to the value of Incentive Securities (or Plan Shares received on vesting and exercise of Performance Rights and/or Options) or with respect to any tax matters affecting any Eligible Participant or Participant in connection with the Plan.
- (b) Neither the Company or any other entity within the Group, nor any of their respective directors, officers or employees are liable for anything done or omitted to be done by such person or any other person with respect to price, time, quantity or other conditions and circumstances of the issue or acquisition of Plan Shares under this Plan, with respect of any fluctuations in the market price of Shares, or in any other manner related to the Plan.

18.8 Data protection

By participating in the Plan, the Participant consents to the holding and processing of personal data provided by the Participant (or its Affiliate) for the purposes of the Plan. These purposes include:

- (a) administering and maintaining records held in respect to a Participant and any Affiliate;
- (b) providing information to an entity within the Group, registrars, brokers or third party administrators of the Plan (if any) or advisers of the Board; and
- (c) providing information to corporate advisers or potential future third party purchasers in connection with a sale of shares in an entity within the Group, or the business and assets of an entity within the Group.

18.9 Governing law

- (a) This Plan is governed by the laws of New South Wales, Australia.
- (b) Each Participant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought in connection with these Rules.

18.10 Waiver of rights

- (a) A waiver of any right, power, authority, discretion or remedy arising upon a breach of or default under these Rules must be in writing and signed by the party granting the waiver, and may be subject to such terms and conditions as determined by the party granting the waiver.
- (b) A failure or delay in the exercise, or partial exercise, of a right, power, authority, discretion or remedy arising from a breach of or default under these Rules, does not prevent the exercise of or result in a waiver of that right, power, authority, discretion or remedy.
- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of these Rules or default under these Rules as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A party may not rely on any conduct of another party as a defence to the exercise of a right, power, authority, discretion or remedy by that other party.
- (e) A waiver is only effective in the specific instance and for the specific purpose for which it is given and subject to any specific terms and conditions as specified in the waiver.
- (f) This clause may not itself be waived except in writing.

18.11 Assignment

- (a) Rights, powers and remedies arising out of or under this Plan are not assignable by a Participant without the prior written consent of the Company.
- (b) This clause 18.11 does not affect the construction of any other part of this Plan.

18.12 Withholding

If the Company or any entity within the Group is obliged, or reasonably believes it may have an obligation, as a result of or in connection with any Incentive

Securities granted and/or issued or Plan Shares allocated under this Plan, to account for:

- (a) income tax or employment taxes under any wage, withholding or other arrangements; or
- (b) any other tax, social security contributions or levy or charge of a similar nature,

then the relevant Group entity is entitled to be reimbursed by the Participant or Participant Shareholder (as applicable) for the amount or amounts so paid or payable.

18.13 Tax

To the extent that the grant of Performance Rights and/or Options under this Plan gives rise to a tax liability in Australia under Division 83A of the *Income Tax Assessment Act 1997* (Cth), Sub-division 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies (subject to the conditions in that Act) to those grants made under this Plan.

Schedule 1 Form of Exercise Notice

To: The Board
 PharmX Technologies Limited (**Company**)

I, _____ (full name)

of _____ (address)

(**Participant**), exercise _____ Performance Rights and/or Options issued and/or granted to me pursuant to a confirmation of issue and/or grant of Performance Rights and/or Options dated _____ under the PharmX Technologies Limited Incentive Plan (**Plan**) and apply for the issue of fully paid ordinary shares in the capital of the Company,

_____ in my name above; or

_____ in the name of my Affiliate: _____

*** Tick as appropriate, and provide any relevant details**

I agree to be bound by the Constitution of the Company and the Rules of the Plan.

If I have indicated above that I will hold any Shares on exercise of my Performance Rights and or Options through an Affiliate, by signing below, I confirm that my Affiliate acknowledges and agrees to the above terms, and that I will ensure compliance by my Affiliate with the Constitution of the Company and the rules of the Plan.

I further warrant that any Affiliate to which Shares will be issued pursuant to this Exercise Notice satisfies the definition of "Affiliate" under the rules of the Plan.

This Exercise Notice is governed by the laws of New South Wales.

Signed: _____

Name: _____

Date: _____