

## Island Pharmaceuticals Limited - Option Terms

### 1. Entitlement

- (a) The Company will issue the number of options set out in **Item 1** of the Schedule to these Option Terms which entitles the Optionholder to subscribe for one Share for each option at the exercise price specified in clause 3, during the option period specified in clause 4 of these Option Terms (**Options**).
- (b) Options will only be granted to you provided that the Company receives conditional listing approval from the ASX (**Grant Date**).
- (c) Options will be granted to you free of charge and may only be granted in your or your nominees name (see clause 3.6).
- (d) The Options are not transferrable.

### 2. Issue price

No amount is payable on issue of the Options.

### 3. Exercise price

The exercise price of an Option the price set out in **Item 2** of the Schedule to these Option Terms.

### 4. Option period and vesting

- (a) Vesting of the Options is subject to an overriding condition that the Company is admitted to the Official List of ASX and until that condition occurs, the Options will not be vested (**Overriding Condition**).
- (b) Vesting schedule - as set out in the **Item 3** of the Schedule to these Option Terms.
- (c) The vesting date is the date set out in the table above and is subject to the Overriding Condition (**Vesting Date**).
- (d) The Options may be exercised in part or in whole at any time after the vesting of the Options and if not exercised, the Options automatically expire 3 years from the Grant Date.

### 5. Participation rights, bonus issues, rights issues and reorganisations

#### 5.1 Participation

The Optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless he has exercised his Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.

#### 5.2 Notice of new issue

The Company must give the Optionholder, in accordance with the ASX Listing Rules, notice of:

- (a) the proposed terms of the issue or offer proposed under clause 5.1 of these Option Terms; and

- (b) where the option can be exercised by the Optionholder, the right to exercise his option under clause 5.1 of these Option Terms.

### **5.3 Bonus issues**

If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the option is exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the option before the record date for determining entitlements to the issue.

### **5.4 Pro rata issues**

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.

### **5.5 Reorganisation**

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of options to which the Optionholder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

### **5.6 Calculations and adjustments**

Any calculations or adjustments which are required to be made under clause 5 of this Schedule will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

### **5.7 Notice of change**

The Company must within a reasonable period give to the Optionholder notice of any change under clause 5 of these Option Terms 1 to the exercise price of any options held by the Optionholder or the number of shares which the Optionholder is entitled to subscribe for on exercise of an option.

## **6. Method of exercise of options**

### **6.1 Method and payment**

To exercise options, the Optionholder must give the Company or its share registry, at the same time:

- (a) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of options being exercised and shares to be issued; and
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

### **6.2 Exercise of Options**

- (a) The Optionholder may exercise the Options in part or in whole.

- (b) Options will be deemed to have been exercised on the date the application is lodged with the directors of the Company.

### **6.3 Issue of Shares**

Within 10 business days after receiving an application for exercise of options and payment by the Optionholder of the exercise price, the Company must issue the Optionholder the number of Shares specified in the application.

## **7. Ranking of Shares issued on exercise of options**

Subject to the Company's constitution, all Shares issued on the exercise of Options rank in all respects (including rights relating to dividends) *pari passu* with the existing Shares at the date of issue.

## **8. Quotation**

- (a) The Company will not apply to ASX Limited for official quotation of the Options.
- (b) The Company will apply to ASX Limited for official quotation of the Shares issued on exercise of Options.

## **9. Deferral of Exercise if resulting in a prohibited acquisition of Shares**

- (a) If the exercise of an Option would result in any person being in contravention of section 606(1) of the Corporations Act (**Prohibition**), the exercise of those Options shall be deferred until such time or times when the exercise would not result in a contravention of the Prohibition. In assessing whether the exercise of a Option would result in any person being in contravention of the Prohibition:
- (b) Optionholders may give written notice to the Company if they consider that the exercise of a Option may result in contravention of the Prohibition. The absence of such written notice from the Holder will entitle the Company to assume that the exercise of a Option will not result in any person being in contravention of the Prohibition.
- (c) the Company may (but is not obliged to) by written notice to an Optionholders request that an Optionholders provides the written notice referred to in paragraph (b) within 7 days if the Company considers that the exercise of a Option may result in the contravention of the Prohibition. The absence of such written notice from the Optionholders will entitle the Company to assume that the exercise of an Optionholders will not result in any person being in contravention of the Prohibition.

## **10. Control events**

Options issued to an Option Holder may be immediately exercised and Shares issued to the Holder at the total discretion of the Board of the Company on the occurrence of any of the following events:

- (a) a Takeover Bid is made to acquire all or some of the ordinary shares in the capital of the Company and the directors of the Company recommend to shareholders that the Takeover Bid be accepted;
- (b) a court approves a Scheme of Arrangement which would result in a person having a Relevant Interest in more than 50% of the ordinary shares in the capital of the Company; or
- (c) the Company announces to the ASX an intention to sell all or substantially all of its business undertakings or assets.

## 11. Dealing restrictions

### 11.1 Options

Any Dealing in respect of an Option is prohibited, unless the Board determines otherwise or the Dealing is required by law.

### 11.2 Shares

Subject to the overriding restriction below, the Optionholder will be free to Deal in the Shares which are delivered on vesting and exercise of your Options.

## 12. Definitions:

- (a) **Dollar** means an Australian dollar.
- (b) **Relevant Interest** has the meaning given to it in the Corporations Act.
- (c) **Scheme of Arrangement** has the meaning given to it in the Corporations Act.
- (d) **Takeover Bid** has the meaning given to it in the Corporations Act.

### Schedule to Option Terms

<b>Class of option holders</b>	<b>Item 1</b> Number of Options	<b>Item 2</b> Exercise price of Options	<b>Item 3</b> Vesting Schedule
Replacement Warrant Options	4,245,871	\$0.373	Fully vested on issue
60P Options	58,389	\$0.213	2 years from IPO
Broker Equity	3,669,744	\$0.3125	2 years from IPO