

SLI SYSTEMS SHARE OPTION PLAN

WARNING

This Plan sets out the terms which govern offers of options to acquire ordinary shares in *SLI Systems Limited (SLI)* made by SLI effective as of or after 1 June 2013. Any offer of options to acquire ordinary shares in SLI made by SLI prior to 1 June 2013 are governed by the terms set out in SLI's 2002 Stock Option Plan.

Ordinary shares give you a stake in the ownership of SLI. If you exercise your options and receive ordinary shares, you may receive a return if SLI becomes more valuable, and you may also receive dividends, if SLI decides to pay them.

The options will not be quoted. SLI's ordinary shares are quoted on the NZX Main Board. This means that you may be able to sell them on the NZX Main Board if there are interested buyers. You may get less than you invested. The price will depend on the demand for the ordinary shares.

If SLI runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

Following are the formal terms of the SLI Systems Share Option Plan. You have the right to request and receive, free of charge, a copy of SLI's latest annual report and audited financial statements or another copy of the SLI Systems Share Option Plan by email request to options@sl-systems.com.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

1 THE PLAN

- 1.1 **Name:** This Plan is called the "SLI Systems Share Option Plan".
- 1.2 **Purpose:** The purpose of the Plan is to provide a long-term incentive to attract, retain and reward Employees and to motivate such individuals to contribute to the growth and profitability of the Company.
- 1.3 **Share Limit:** Subject to section 7 of this Plan, the maximum number of Shares that may be issued pursuant to the exercise of options issued under this Plan is 20,000,000 Shares.
- 1.4 **Term of Plan:** Unless earlier terminated by the Board, this Plan is effective from 1 June 2013 and will terminate at the close of business on 31 May 2023. After termination of this Plan, no additional Options may be granted (but previously granted Options shall remain outstanding in accordance with their terms and the terms of this Plan).

2 **INTERPRETATION**

2.1 Except where the context otherwise requires:

Board means the board of directors of the Company;

Business Day means a day on which the NZX Main Board is open for trading;

Company means SLI Systems Limited;

Employee means any person who is employed by, or who provides personal services (other than as an employee) to, the Company or any Subsidiary and includes any director of the Company or any Subsidiary holding salaried office or employment with the Company or any Subsidiary;

Exercise Date means, in respect of an Option, the date on which a Participant exercises the Option in accordance with clause 6;

Exercise Price means the amount payable when an Option is exercised, calculated in accordance with the Plan;

Grant Date means, in respect of an Option, the date on which the Option is granted to a Participant in accordance with clause 4;

Lapse Date means in respect of an Option, the date on which the Option lapses in accordance with clause 8;

Leaving Date means the date on which an Employee ceases to be employed by the Company or any Subsidiary;

Listing Rules means the listing rules of any stock exchange which are binding on the Company as amended or substituted from time to time;

Market Value means the volume weighted average market price for the Company's Shares reported on the NZX Main Board for the ten Business Days prior to a date determined by the Company;

NZX Main Board means the NZX Main Board equity securities market operated by NZX Limited;

Option means an option granted under the Plan over a Share;

Participant means the holder of an Option;

Redundancy means a situation in which an Employee's employment is terminated where the termination is attributable to the fact that the position filled by the Employee is, or will be, discontinued and no comparable position is available;

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

Shareholder means the holder of a Share;

Subsidiary means a subsidiary of the Company within the meaning given to the term "subsidiary" in section 5 of the Companies Act 1993.

- 2.2 Unless the context otherwise requires, words denoting the singular shall include the plural and vice versa.

3 LIMITATIONS ON GRANT

- 3.1 No grant shall be made to a person who is not an Employee.
- 3.2 Notwithstanding any provision of the Plan, no grant shall be made unless permitted by or pursuant to any applicable Listing Rules and all other applicable laws (including insider trading laws).

4 GRANT OF OPTIONS

- 4.1 At regular Board meetings the Board will generally review a summary of Options proposed to be offered to Employees.
- 4.2 The Board may, in its absolute discretion, either approve the summary of Options presented at a Board meeting or otherwise determine the Employees to whom a grant is to be made and the number of Options to be granted to Employees.
- 4.3 The Exercise Price of an Option shall be the amount determined by the Board from time to time and notified to the relevant Employee.

5 RIGHTS OF PARTICIPANTS HOLDING OPTIONS

- 5.1 Options granted to a Participant are not transferable to any other person, other than to an offeror under a full takeover offer made in accordance with the New Zealand Takeovers Code, and no Participant may in any way sell, charge or otherwise dispose of or create any interest in favour of any third party over or in relation to any Option.
- 5.2 Options do not entitle a Participant to receive dividends from, or vote in respect of, the Shares subject to the Options.

6 EXERCISE OF OPTIONS

- 6.1 An Employee may exercise an Option any time permitted by law by giving notice to the Company in the form prescribed by the Company and remitting the Exercise Price to the Company in a manner specified by the Company, subject to the following conditions:

- (a) one quarter ($\frac{1}{4}$) of the Options granted to a Participant on a particular Grant Date may be exercised following the first anniversary of the Grant Date;
- (b) an additional one thirty sixth ($\frac{1}{36}$) of the remaining balance of Options may be exercised on a monthly basis thereafter, so that the Options are fully exercisable on the fourth anniversary of the Grant Date,

unless the Board determines different exercise period(s) for particular Option grant(s).

- 6.2 The minimum number of Options that may be exercised by a Participant on any one occasion is 2,000 Options (unless fewer than 2,000 Options are held, in which case all such Options may be exercised).

- 6.3 The Company shall, within five Business Days after the Exercise Date, issue, transfer or procure the transfer to the Participant of the relevant Shares.
- 6.4 At the Board's discretion (and on such terms as it determines), the Company may facilitate a cashless (net settled) exercise by issuing a reduced number of Shares to the Participant, such number of Shares to be equal to:
- (a) an amount equal to the difference between the Market Value and the Exercise Price, multiplied by the number of Options being exercised, divided by
 - (b) the Market Value.

7 **RIGHTS UPON EXERCISE**

- 7.1 Any Shares issued or transferred upon the exercise of an Option shall be fully paid and shall rank equally in all respects with the relevant Shares on issue at the Exercise Date, except for any dividend in respect of which the record date occurred prior to the Exercise Date.
- 7.2 If, between the Grant Date and the Exercise Date, in respect of any Option, any consolidation or subdivision of Shares, Share buyback, rights issue, amalgamation, or other reconstruction of or adjustment to the Shares or the share structure of the Company, of any nature whatsoever, is made or announced, the Board may make such adjustments or alterations to the terms of Options (provided that it will apply any adjustment formula set out in the Listing Rules in the case of a rights issue), as in the reasonable opinion of the Board are necessary to ensure that, so far as is reasonably possible, no benefit is conferred on a Participant that is not conferred on Shareholders (and vice versa), as a result of the occurrence of the event referred to above. Such arrangements or adjustments may include (without limitation):
- (a) adjustments to the number of Shares to be issued or transferred upon exercise of the Options;
 - (b) adjustments to the Exercise Price of the Options;
 - (c) permitting Participants to exercise Options earlier than would otherwise have been the case; or
 - (d) arranging for Participants to participate in any offer or issue of securities made by the Company.

No such arrangement or alteration shall be made if that arrangement or alteration would:

- (e) cause a breach of the Listing Rules; or
 - (f) result in any taxation under Section 409A of the U.S. Internal Revenue Code.
- 7.3 If between the Grant Date and the Exercise Date Shares are issued pro rata to Shareholders generally (otherwise than pursuant to any dividend reinvestment plan of the Company then in force) by way of a bonus issue, a Participant shall be entitled, upon exercise of his or her Options, to receive in addition to the Shares issued or transferred on the exercise of those Options so many additional bonus 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

Shares issued or transferred on the exercise of those Options (including any additional bonus Shares arising from the operation of this clause in respect of an earlier bonus issue), provided that the application of this Section 7.3 would not result in any taxation under Section 409A of the U.S. Internal Revenue Code.

8 **LAPSE OF OPTIONS**

- 8.1 Unless otherwise determined by the Board, an Option shall lapse and cease to be exercisable on the first to occur of the following events:
- (a) 5pm on the tenth anniversary of the Grant Date;
 - (b) in the case of an Option held by an Employee who ceases to be employed by the Company or any Subsidiary because of serious illness, accident, permanent disablement or because of his or her death, 12 months after the Leaving Date;
 - (c) in the case of an Option held by an Employee who is Terminated with Cause, the Employee shall have no right to exercise the Option, and the option shall terminate on the Leaving Date. "Terminated with Cause" means that the Employee is determined by the Board to have committed an action or omission which has, for good reason, irreparably damaged the employment relationship. Examples of Termination with Cause include, but are not limited to: an act of embezzlement, fraud, dishonesty, or breach of fiduciary duty to the Company or any Subsidiary, or to have deliberately disregarded the rules of the Company or any Subsidiary, under circumstances that could normally be expected to result in loss, damage, or injury to the Company or any Subsidiary, or because the Employee has made any unauthorized disclosure of any of the secrets or confidential information of the Company or any Subsidiary, has induced any client or customer of the Company or any Subsidiary to break any contract with the Company or any Subsidiary, has induced any principal for whom the Company or any Subsidiary acts as agent to terminate the agency relationship, or has engaged in any conduct that constitutes unfair competition with the Company or any Subsidiary; and
 - (d) in the case of an Option held by an Employee who ceases to be employed by the Company or any Subsidiary other than as referred to in paragraph (b) to (c), three months after the Leaving Date.

- 8.2 Where the Board makes a determination in terms of the opening words of clause 8.1, the Board may impose conditions on the future exercise of the Option.

9 **DISPUTES**

Any dispute or difference arising under the Plan shall be determined by the Board whose decision shall be final and binding in all respects.

10 **CORRESPONDENCE**

- 10.1 Any correspondence from a Participant to the Company shall be delivered or posted to the registered office of the Company, or to such other address as may be notified by the Company in writing.

10.2 Any correspondence from the Company to a Participant shall be delivered to the Participant or posted to his or her home address.

11 **EMPLOYMENT RIGHTS**

A Participant waives all rights to compensation or damages in consequence of the termination of employment with the Company or any Subsidiary for any reason whatsoever insofar as those rights arise, or may arise, from ceasing to be entitled to exercise any Option under the Plan as a result of such termination.

12 **COMPLIANCE WITH SECURITIES LAWS**

12.1 The grant of Options and the issuance of Shares upon exercise of Options shall be subject to compliance with all applicable laws including federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange with respect to such securities. Options may not be exercised if the issuance of Shares upon exercise would constitute a violation of any applicable laws including federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange upon which the Shares may then be listed.

12.2 As a condition to the exercise of any option, the Company may require a Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

12.3 The Plan is intended to satisfy all requirements of Rule 701 under the Securities Act of 1933 and California Corporations Code §25102(o) with respect to offers and sales that would otherwise violate Federal and California securities law, and any such requirement is hereby incorporated into the Plan to effect that intent.

13 **TAXES**

13.1 Neither the Company nor any subsidiary is responsible for any taxes which may become payable by a Participant in connection with this Scheme, including:

- (a) the issue or transfer of Options; or
- (b) the issue, transfer or allocation of Shares; or
- (c) any other dealing by a Participant with such Options or Shares including the payment of any cash amount.

Participants are solely responsible for all such amounts.

13.2 Notwithstanding any other provision of this Plan, if the Company or any subsidiary is required or deemed to make a payment to a Participant under or in respect of this Plan or any Grant, the Company or applicable subsidiary may deduct or withhold any amount in respect of taxes payable as a result of the payment (including by withholding Options and/or Shares and selling them to raise the necessary funds at any price reasonably obtainable by the Company or making a deduction from the Participant's net salary or wages). Each Participant authorises and directs the Company and any applicable subsidiary to make any deduction or withholding contemplated by this clause and consents to such deduction or withholding for the purposes of the Wages Protection Act 1983 and any other applicable laws.

14 **AMENDMENT OF PLAN**

The Company may amend the provisions of the Plan in such manner as it thinks fit provided that in respect of Options issued prior to the effective date of any amendment, no such amendment that would adversely affect the position of any Participant may be made without the written consent of that Participant.

15 **GOVERNING LAW**

New Zealand law shall apply to the Plan and the parties submit to the exclusive jurisdiction of the New Zealand Courts.

16 **SHAREHOLDER APPROVAL**

To the extent required by California Corporations Code §25102(o), this Plan shall be subject to approval by the shareholders of the Company within twelve months after the date the Board approves the Plan.

**SLI SYSTEMS
SHARE OPTION PLAN**

EXERCISE NOTICE

SLI Systems Limited
Box 13-841
Christchurch

[OPTION HOLDER] hereby exercises [XXX] share options in SLI Systems Limited (*Company*) for NZD [XXX] in aggregate.

Concurrently with the delivery of this exercise notice to the Company, I hereby pay to the Company the total due as indicated above.

Signature of Option holder: _____

Option holder's name: [XXX]

Address: [XXX]

Date _____

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