



Rules of the Allegra Orthopaedics Limited Option Plan

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Allegra Orthopaedics Limited Option Plan

1 Purpose

- 1.1 This Allegra Orthopaedics Limited Option Plan (the Plan) is governed by these Rules.
- 1.2 The purpose of the Plan is to:
 - (a) ensure that Eligible Employees have commonly shared goals related to producing relatively high returns for Shareholders,
 - (b) assist Eligible Employees to become Shareholders,
 - (c) provide a component of remuneration to enable the Company to compete effectively for the calibre of talent required for it to be successful, and
 - (d) help retain Eligible Employees, thereby minimising turnover and stabilising the workforce.

2 Interpretation

- 2.1 Unless the context otherwise requires:
 - (a) headings and subheadings are for convenience only and shall not affect interpretation except for specific cross-references,
 - (b) words denoting the singular shall include the plural, and the converse also applies,
 - (c) words denoting any gender include all genders,
 - (d) any reference to a party to any agreement or document includes its successors and permitted assigns and substitutes by way of assignment or novation, and
 - (e) any reference to any agreement or document includes that agreement or document as amended at any time.
- 2.2 The capitalised words used in these Rules have the meaning ascribed to them in Rule 32 Dictionary.

3 Administration

- 3.1 This Plan will be administered by the Board, but it may delegate responsibility to a committee of the Board in relation to all Participants or to the Chief Executive Officer and in relation to Participants other than the Chief Executive Officer. The Board is authorised, subject to the provisions of these Rules, to establish such guidelines for the administration of the Plan as are deemed appropriate, and to make determinations under the Plan as may be deemed necessary or advisable from time to time. Such determinations shall be conclusive and binding on all Participants.

4 Eligibility

- 4.1 All full-time and permanent part-time employees including Directors and other persons selected by the Board in its absolute discretion are eligible to become Participants in the Plan.

5 Invitations

- 5.1 The Plan will operate through a series of Invitations. The Board will in its absolute discretion determine in respect of each occasion of making of Invitations, those Eligible Employees to whom Invitations will be made and the numbers of Option that each Eligible Employee will be invited to apply for.

- 5.2 Each Invitation may contain terms and conditions that vary between Invitations. The terms and conditions that apply to an Invitation are to be determined by the Board and included in the Letter of Invitation.
- 5.3 It is intended that Invitations be made annually in respect of the Company's financial year and that Invitations will be made as soon after the annual general meeting of the Company as possible given any approvals that may be required such as from the Board and, in the case of Directors, from Shareholders. Subject to compliance with the Listing Rules and the Corporations Act, the Board may make Invitations at such times and to such Eligible Employees as it determines in its discretion.
- 5.4 The Board may in its absolute discretion withdraw an Invitation or reject an Application at any time prior to the Application being accepted and the Options being granted. Situations in which such withdrawals may occur include when the Board becomes aware that the employment of an Eligible Employee will cease in the near term.
- 5.5 Details to be contained in an Invitation will include each of the following to the extent applicable to the intended features of a particular Invitation and the Options that are the subject of the invitation:
- (a) name of the Eligible Employee,
 - (b) date of the Invitation
 - (c) number of Option in each Tranche, that may be applied for,
 - (d) price of the Options which will be nil, unless otherwise determined by the Board,
 - (e) Exercise Price will be determined by the Board,
 - (f) vesting conditions which are to apply to Options, as may be applicable to each Tranche,
 - (g) Measurement Period, if applicable,
 - (h) the Vesting Date or how the Vesting Date will be determined,
 - (i) whether any Shares to be provided to a Participant on exercise of Options that are the subject of an Invitation must be purchased on-market or may be acquired otherwise,
 - (j) other terms and conditions that the Board determines to include, and
 - (k) how to apply for Options that are the subject of the Invitation, including the name of the person to whom the Application should be sent and when it should be received by that person (Application Period).

6 Application for Options

- 6.1 If an Application is made, it must be in writing (Notice of Application).
- 6.2 The form of Notice of Application and the time period within which Applications may be made shall be determined by the Board in its discretion from time to time. In submitting an Application, the Participant will be agreeing to be bound by these Rules.
- 6.3 Applications may only be made in relation to all of the Options outlined in an Invitation.

7 Granting of Options

- 7.1 The Board will consider valid Applications for Options that are made in response to Invitations, and determine whether or not the applications are accepted, prior to making any grants.
- 7.2 The Company will use reasonable endeavours to grant the Options, unless otherwise withdrawn in accordance with Rule 5.4, within 30 days of the last date on which a valid

Application may be made. Invitations will not be made prior to shareholder approval having been obtained when such approval is necessary.

- 7.3 Participants will be advised in writing when Options have been granted and the date of the grant, via a Notice of Grant.

8 Participants

- 8.1 Eligible Employees whose applications have been accepted and have been granted Options will be referred to as Participants in the Plan.
- 8.2 They will remain Participants until all Options they have been granted have either lapsed or been exercised and both any risk of forfeiture and disposal restriction applicable to the Shares acquired by exercising the Options have ceased to apply.
- 8.3 The receipt of an Invitation or Invitations under the Plan does not guarantee nor confer any entitlement to receive any other Invitation under the Plan.

9 Options May Not Be Disposed of or Transferred or Encumbered

- 9.1 Options may not be disposed of or transferred or otherwise dealt with (including for purposes of this Rule, encumbered or made subject to any interest in favour of any other person) and lapse immediately on purported disposal, transfer or dealing unless the transfer is effected by operation of law on death or legal incapacity, to the Participant's legal personal representative.

10 Measurement Periods

- 10.1 The Measurement Period, if any, applicable to each Tranche in each Invitation to apply for Options will be determined by the Board and specified in the Letter of Invitation. Measurement Periods will relate to periods when performance and/or service conditions must be satisfied for Options to vest.

11 Vesting Conditions

- 11.1 Vesting Conditions may relate to:
- (a) service of the Participant i.e. continued employment of the Participant with a Group Company, or
 - (b) performance of the Company or an aspect of the Company's operations or the performance of the Participant, or
 - (c) any combination of the foregoing determined by the Board for each Tranche.
- 11.2 Vesting Conditions must be specified in the Letter of Invitation, along with the relationship between various potential levels of performance and levels of vesting that may occur.
- 11.3 Performance conditions may vary between different Invitations and between different Tranches of Options described in an Invitation.

12 Vesting of Options

- 12.1 Following the end of the Measurement Period, the Board will determine for each Tranche of Options to which the Measurement Period applies, the extent to which they each vest and notify Participants in writing of both the extent of vesting and the date of vesting which will be the date of the notification (Notice of Vesting), unless otherwise determined by the Board.
- 12.2 Prior to the end of a Measurement Period the Board may determine that some or all of the Options held by a Participant will vest in which case the Board will notify Participants in

writing of both the extent of vesting and the date of vesting (Notice of Vesting) which will be the date of the notification, unless otherwise determined by the Board. In such circumstances the Board may also determine that any remaining Options will be forfeited and lapse in which case the Board shall notify Participants in writing, in a form determined by the Board in its absolute discretion.

13 Lapsing Of Options

- 13.1 If Options in a Tranche have not vested and there is no opportunity for those Options to vest at a later date then they lapse.

14 Retesting

- 14.1 Retesting may be applied to a Tranche of Options if specified in the relevant Letter of Invitation.
- 14.2 Retesting will only apply if nil vesting occurs for the Tranche at the end of the initial Measurement Period and will only occur once at the end of the Extended Measurement Period.
- 14.3 Retesting may only be applied to vesting conditions where the Extended Measurement Period does not empirically reduce the difficulty of achieving vesting.

15 When Options May Be Exercised

- 15.1 Unvested Options may not be exercised.
- 15.2 Vested Options will be exercised as specified in Rule 16.

16 Exercise of Options

- 16.1 Options may be exercised any time between the date they vest and the last day of their Term, inclusive.
- 16.2 To exercise an Option the Participant must complete and lodge, along with payment of the Exercise Price, with the Company Secretary of the Company, or other role nominated by the Board, an exercise election in such form as the Board may from time to time prescribe.
- 16.3 On exercise the Company will issue Shares to Participants.

17 Retirement Benefit Limit

- 17.1 This Rule applies to all termination payments to which Part 2D.2 Division 2 of the Corporations Act applies.
- 17.2 The Company is not required to provide, or procure the provision, of any benefit under Rule 17 which is not permitted by Part 2D.2 Division 2 of the Corporations Act in the absence of shareholder approval.
- 17.3 Any benefits required to be provided to a Participant in accordance with Rule 18 must be reduced to ensure compliance with Rule 17.2. In the event of overpayment to a Participant, the Participant must, on receiving written notice from the Board, immediately repay any monies or benefits specified in such notice to ensure compliance with Rule 17.2.
- 17.4 The Company may, if the Board so decides, seek shareholder approval where Rule 17.2 applies at a general meeting.
- 17.5 The Company has sole discretion as to the wording of any resolutions or explanatory material or other information to be put to shareholders in connection with the approval.

- 17.6 If shareholder approval is sought under Rule 17.2 but the resolution is not passed by shareholders or the Board decides not to seek Shareholder approval, then Rule 17.2 applies to the payment of the benefit, unqualified.

18 Disposal Restriction Attached to Shares

- 18.1 All Shares acquired by Participants as a consequence of the exercise of Options, shall be subject to a disposal restriction being that such Shares (Restricted Shares) may not be sold or disposed of in any way until their sale would not breach either:
- (a) the Company's share trading policy, or
 - (b) Division 3 of Part 7.10 of the Corporations Act.
- 18.2 If Shares subject to disposal restrictions are held in the name of the Participant then the Company may impose a CHES holding lock to ensure that the disposal restrictions are complied with.
- 18.3 Disposal restrictions attached to Restricted Shares acquired when Options were exercised shall cease when the Participant ceases to be an employee of a Group Company and is not immediately re-employed by another Group Company, unless otherwise determined by the Board and specified in a Letter of Invitation. Once a Participant has ceased to be an employee of a Group Company and has not been immediately re-employed by another Group Company, the Company will remove any such holding lock that was in place at the date of the cessation of employment, unless otherwise determined by the Board and specified in the Letter of Invitation.

19 No Hedging

- 19.1 Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Options (vested or unvested) or Restricted Shares.

20 Bonus Issues, Rights Issues and Capital Reorganisation

- 20.1 In cases of bonus share issues by the Company the number of Options held by a Participant shall be increased by the same number as the number of bonus shares that would have been received by the Participants had the Options been fully paid ordinary shares in the Company, except in the case that the bonus share issue is in lieu of a dividend payment, in which case no adjustment will apply.
- (a) In the case of general rights issues to Shareholders the Exercise Price of the Options will be adjusted pursuant to ASX Listing Rule 6.22.2.
- 20.2 In the case of an issue of rights to other than to Shareholders there will be no adjustment to the Options.
- 20.3 In the case of other capital reconstructions the Board may, subject to the Listing Rules, make such adjustments to the Options as it considers appropriate with a view to ensuring that holders of Options are neither advantaged nor disadvantaged.

21 Termination of Employment

- 21.1 If a Participant ceases to be an employee of a Group Company and is not immediately re-employed by another Group Company then all unvested Options held by the Participant will be forfeited and lapse unless and to the extent otherwise determined by the Board.

22 Change of Control Including Takeover

- 22.1 In the event of a Change of Control including a takeover, all unvested Options will vest, unless otherwise determined by the Board.

23 Major Return of Capital to Shareholders

- 23.1 In the event of a major return of capital to Shareholders, unvested Options will vest in the proportion that the Company's share price has grown relative to the share price used to calculate the number of Options in an Invitation, or such proportion as is determined appropriate in the discretion of the Board, under the circumstances. The terms and conditions that apply to the remainder of the Options, in particular the standards of performance required in order to allow for vesting, would then be reviewed to account for the Company's changed circumstances.
- 23.2 In the event of a major return of capital to Shareholders, the Board will have sole and absolute discretion to vest unvested Options, or to determine that they will be unaffected, as may be appropriate in the circumstances of the return to Shareholders at the time. If the decision is made not to vest the Options, the number of Options may be adjusted to ensure that Participants are neither advantaged nor disadvantaged by the return of capital to Shareholders, at the Board's discretion.

24 Clawback

- 24.1 While the Company has a policy governing clawback of incentive remuneration and that policy allows clawback of unvested and/or vested Options and/or Restricted Shares then in the event of any inconsistency between the Plan Rules and the clawback policy, the latter shall prevail.

25 Fraud, Gross Misconduct Etc.

- 25.1 In the event that the Board forms the opinion that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company, the Participant will forfeit all unvested Options. The Company may also recover damages from vested Options and Restricted Shares held by or for the benefit of the Participant.

26 ASIC Class Order Compliance

- 26.1 Invitations are intended to comply with the provisions of ASIC Class Order 14/1000 (or the equivalent at the time) including the limit on Invitations (referred to in the Class Order as "Offers") that may be made relying on the relief provided in that Class Order. The Board will take such action or refrain from taking actions so as to remain able to rely on the relief provisions of the Class Order, including notifying ASIC when it first relies on the Class Order.

27 Employee Share Scheme Taxing Provisions to Apply

- 27.1 Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to this Plan including to all Options granted under the Plan and all Shares that arise from exercise of Options.

28 Board Determinations and Amendment of the Plan

- 28.1 A determination by the Board or a Board committee or a delegate of the Board may be evidenced by minutes of a meeting of the Board or Board committee or a record of a determination by the delegate (as applicable). Any such minute or determination shall be prima facie evidence of the determination in the absence of manifest error.
- 28.2 The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules, including this Rule.
- 28.3 No amendment to or repeal of the Rules is to reduce the existing rights of any Participant in respect of any accepted Application that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant or where the amendment is introduced primarily:

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- (a) for the purpose of complying with or conforming to a present or future State, Territory or Commonwealth legal requirement governing, regulating or effecting the maintenance or operation of the Plan or like plans;
 - (b) to correct any manifest error or mistake;
 - (c) to address possible adverse tax implications for Participants generally or the Company arising from:
 - i. a ruling of any relevant taxation authority;
 - ii. a change to tax legislation or the application or termination of the legislation or any other statute or law (including an official announcement by any relevant taxation or government authority);
 - iii. a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
 - iv. to enable the Company to comply with the Corporations Act or the Listing Rules.

29 Not Exclusive Method of Incentive

- 29.1 This Plan shall not be an exclusive method of providing incentive remuneration for employees of the Company, nor shall it preclude the Company from authorising or approving other forms of incentive remuneration.

30 No Right to Continued Employment

- 30.1 Neither the establishment of the Plan nor receipt of an Invitation, nor the approval of an Application, nor the payment of an award nor the vesting of Options or any other action under the Plan shall be held to confer upon any Participant the right to continue in the employment of the Company or affect any rights the Company may have to terminate the employment of the Participant.

31 Relationship to Other Plans

- 31.1 Participation in the Plan shall not affect or be affected by participation in or payment under any other plan of the Company, except as otherwise determined by the Board.

32 Dictionary

- 32.1 Unless the context otherwise requires, the following terms and abbreviations have the following meanings.

Application	The act of submitting a Notice of Application or otherwise applying to receive Options under the Plan.
Application Period	The period between the date of a Letter of Invitation and the late date on which a Notice of Application may be submitted.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691 (aka Australian Securities Exchange) or the securities market which it operates, as the context requires.
Board	The Board of the Company.
Company	Allegra Orthopaedics Limited ACN 066 281 132.

Change of Control	When the earlier of the following occurs: <ul style="list-style-type: none">a) when one or more persons acting in concert have acquired or are likely to imminently acquire “control” of the Company as defined in section 50AA of the Corporations Act, orb) Board advises Participants that one or more persons acting in concert have acquired or are likely to imminently acquire “control” of the Company as defined in section 50AA of the Corporations Act.
CHESS	Clearing House Electronic Sub-register System
Corporations Act	Corporations Act 2001 (Cth).
Director	Means a member of the Board whether in an executive or non-executive capacity.
Eligible Employees	Those employees of a Group Company who are eligible to become Participants under Rule 4.
Exercise Price	Means the amount, if any, specified in the Letter of Invitation as being the Exercise Price.
Extended Measurement Period	Means a Measurement Period which replaces the original Measurement Period for a Tranche of Options. It will commence on the same date as the replaced Measurement Period and finish a year later than the replaced Measurement Period unless otherwise determined by the Board.
Group	means the Company and its Related Bodies Corporate
Group Company	means any body corporate within the Group.
Invitation	An invitation to apply for a grant of Options under the Plan.
Letter of Invitation	Means the communication that contains the terms and conditions of the specific invitation to apply for Options, in respect of an Eligible Employee.
Listing Rules	The Listing Rules of the ASX.
Measurement Period	In relation to Invitations of Options means the period or periods specified in the Letter of Invitation in relation to conditions applying to the vesting of the Options.
Notice of Application	A document submitted by an Eligible Employee to apply for specific Options, as outlined in a Letter of Invitation, the valid submission of which binds the participants to the terms of the Invitation and these Rules, in relation to any Options that may be issued as a result.

Notice of Grant	The document issued to a participant to notify them that a grant of Options has been made to them, which must include the date of the grant.
Notice of Vesting	The document issued to a Participant to notify them that Options have vested, including the date of vesting.
Option	Means an entitlement as determined in the discretion of the Board to a) one Share for each option that is exercised and for which the Exercise Price is payable.
Participant	See Rule 8.
PAYG	Pay As You Go tax instalment system.
Plan	Allegra Orthopaedics Limited Option Plan.
Related Bodies Corporate	Has the meaning in section 50 of the Corporations Act.
Restricted Shares	Shares acquired by exercise of vested Options and which are subject to disposal restrictions.
Retesting	Means the application of vesting conditions for a Tranche of Options on a second occasion at the end of an Extended Measurement Period.
Rules or Plan Rules	These Rules that govern the Plan.
Shareholders	Means those persons who hold Shares.
Share	A fully paid ordinary share in the Company.
Term	Means the period commencing on the date of grant of the Option and ending six years later unless otherwise determined by the Board and notified in the Letter of Invitation in respect of the Option.
Tranche	Refers to a group of Options defined by the fact that each Option in the group has identical terms and features.
TSR	Means Total Shareholder Return which represents the percentage return achieved during a specified period from investing in a company's shares assuming that dividends are reinvested into the company's shares.
Vesting Conditions	Conditions that must be satisfied in order for vesting to occur, as contemplated in Rule 11
Vesting Date	The date on which unvested Options become vested, as specified in a Notice of Vesting.

33 Governing Law

33.1 These Rules are governed by the laws of New South Wales, Australia.