

8 October 2015

Binding protocol in respect of SLI Systems Share Option Plan

Background

SLI Systems Limited (the *Company*) has in place a share option plan adopted as of 1 June 2013 (the *Plan*) that governs the granting of options to employees (including directors). Non-executive directors are not eligible to participate.

Cap on maximum options

As required by US securities laws, the Plan contains a cap on the maximum number of shares that can be issued on the exercise of options under the Plan in the ten year period ending 31 May 2023 of 20 million.

In addition, the NZX Main Board listing rules do not permit the grant of options under the Plan of more than 3% of the total number of shares on issue in the Company measured over a rolling 12 month period, without specific shareholder approval by ordinary resolution.

Solely for the purposes of compliance with US securities laws, the Company has notified its shareholders of a resolution to ratify, confirm and approve entry into the Plan for consideration at its annual meeting of shareholders to be held on 16 October 2015. The resolution will not be effective to permit the grant of any options in excess of the NZX Main Board listing rule cap.

Issue price for exercise of options

The Plan provides the Board of the Company with discretion to set the exercise price of options granted under the Plan (subject to any legal requirements). The Companies Act 1993 requires the board to be satisfied that the exercise price of any options are fair and reasonable to the Company and existing shareholders. The Company's practice has been to grant options with an exercise price equal to the recent market price at the time of grant.

Purpose of this protocol

The Board wishes to (i) further restrict its power to grant further options under the Plan to a maximum amount of 9,283,155 options (being 3,135,255 options granted under the Plan to date (of which 1,861,993 options remain available to vest and 1,273,262 options have expired) plus an additional 6,147,900 options which may be granted under the Plan from the date of the shareholder's approval of the Plan), without specific shareholder approval by ordinary resolution and (ii) formalise its practice for setting the exercise price of options granted under the Plan.

Restrictions on the Company

The Company irrevocably agrees and declares:

- (a) That the maximum number of options that may be granted under the Plan in the ten year period is 9,283,155 options, subject to any shareholder approval by ordinary resolution; and
- (b) That the exercise price for any options granted under the plan will be the last closing price of the Company's shares quoted on the NZX Main Board on the day of grant (or if that day is not a day on which the NZX is open for trading, the next such trading day).

This document has been approved by resolution of the Board on the date specified above, and is binding on the Company. This document may be disclosed to shareholders.