

MALLESONS STEPHEN JAQUES

So Natural Foods
Australia Limited
Employee Share Option
Plan

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Employee Share Option Plan

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Employee Share Option Plan

General Terms

1 Introduction

1.1 Object

The object of the Plan is to assist in the recruitment, reward, retention and motivation of employees and Directors of the Group.

1.2 Commencement

The Plan commences on the date that the Company determines.

1.3 Rules are binding

The Company and each Participant are bound by these rules.

2 Definitions and interpretation

2.1 Definitions

In these rules, the following words and expressions have the meanings indicated unless the contrary intention appears:

Arrovest means Arrovest Pty Ltd.

ASX means Australian Stock Exchange Limited.

Board means all or some of the Directors acting as a board.

Change in Control means:

- (a) a person acquiring a relevant interest (as defined in the Corporations Act) to more than 50% of the voting shares of the Company, unless the person's relevant interest in voting shares would not have been more than 50% but for the acceptances of a takeover offer subject to any defeating condition, in which case a change of control is deemed not to have occurred until, for every defeating condition:
 - (i) the takeover offer has been declared free of the defeating condition in accordance with section 650F of the Corporations Act; or
 - (ii) the defeating condition has been fulfilled at the end of the takeover offer period; or
- (b) the Board resolving that it considers that a person who previously had not been in a position to do so, is in the position, directly or

indirectly, and either alone or with associates to remove more than one-half of the Directors.

Company means So Natural Foods Australia Limited ACN 002 814 235.

Company Secretary means the company secretary of the Company from time to time.

Corporations Act means the Corporations Act 2001 (Cwlth).

Date of Grant means the date of an Option grant under clause 6.2.

Director means an executive or a non-executive director of the Company, excluding Ron Perich and Tony Perich.

Employee means an employee of a Group Company.

Exercise Condition means, in respect of any Option, one or more conditions that must be met before the Option may be exercised as determined by the Board in its absolute discretion.

Exercise Period means, in respect of an Option, and subject to clause 4.3, the period during which the Option is exercisable as specified for that Option in the invitation made under clause 5.1 in relation to that Option, provided that any period during which the Option is exercisable does not end later than 5 years after the grant of the Option.

Exercise Price means in respect of an Option, the subscription price on exercise of the Option determined in accordance with clauses 4.2 and 5.1 in relation to that Option (as adjusted under clause 8).

Group means:

- (a) the Company;
- (b) any Related Body Corporate of the Company; and
- (c) any body corporate in which the Company has Voting Power of 20% or more.

Group Company means each member of the Group.

Listed means, in relation to the Company, the Company being and remaining admitted to the official list of ASX and its shares being admitted to official quotation on ASX's stock market.

Listing Rules means the Official Listing Rules of the ASX.

Option means an option issued under the Plan to subscribe for Shares.

Option Certificate means the certificate issued by the Company to a Participant in respect of an Option.

Option Period means, in respect of an Option, subject to clauses 4.3(c) and 7.7, the period from the Date of Grant to the end of the Exercise Period or if earlier, lapse of the Option under clause 7.7.

Participant means a person who holds an Option issued under the Plan.

Permitted Nominee means a spouse of an Employee or a Director, a family company controlled by an Employee or a Director and/or an Employee's or a Director's spouse, a family trust of which the Employee or the Director or the Employee's spouse or the Director's spouse is a beneficiary or a trustee of a superannuation fund established for the benefit of an Employee or a Director.

Plan means the So Natural Foods Australia Limited Employee Share Option Plan, the rules of which are set out in this document.

Related Body Corporate has the same meaning as in the Corporations Act.

Security Trading Policies means the Company's security trading policies from time to time.

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

Subsidiary has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

Tax Act means the *Income Tax Assessment Act 1936* (Cwlth) and the *Income Tax Assessment Act 1997* (Cwlth), as the context requires.

Vesting Period means, in respect of an Option, and subject to clause 4.3, the period specified as the Vesting Period for that Option in the invitation made under clause 5.1 in relation to that Option.

Voting Power has the meaning given in the Corporations Act.

3 Interpretation

In these rules, unless the contrary intention appears:

- (a) words importing the singular include the plural and vice versa;
- (b) references to these rules, or any particular rule, means these rules, or the relevant rule, as amended from time to time;
- (c) references to a statute or other law include regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) references to the exercise of a power or discretion include a decision not to exercise the power or discretion;
- (e) the words "include", "including" or "such as" are not used as, nor are they to be interpreted as words of limitation, and when introducing a list of items does not exclude a reference to other items whether of the same class or genus or not;

- (f) law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (g) a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (h) if a period of time dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (i) if an act under this agreement to be done by a party on or by a given day is done after 5.30pm on that day, it is taken to be done on the next day.

3.2 Heading

Headings are for convenience only and, except where they are inserted as a means of cross-reference, do not affect the interpretation of these rules.

4 Grant of Options

4.1 Eligibility

The Board may, from time to time, decide:

- (a) that an Employee or a Director is eligible to participate in the Plan; and
- (b) the number of Options for which the Participant may, at that time, be invited to apply.

In making these determinations, the Board must consider:

- (a) the Employee's or the Director's position with the Group and the services provided to the Group by the Employee or the Director;
- (b) the Employee's or the Director's record of employment with or service to the Group;
- (c) the potential contribution of the Employee or the Director to the Group; and
- (d) any other matters which the Board considers relevant.

4.2 Determination of price

When the Board decides to invite a Participant to apply for an Option, it must, in its absolute discretion (but subject to clause 8), also determine the Exercise Price for that Option.

4.3 Accelerated Exercise

- (a) If a Participant ceases to be an Employee:
- (i) subject to clauses 4.3(a)(ii) and 4.3(b), an Option which was not exercisable under clause 7.1 before the Participant ceased to be an Employee, becomes immediately exercisable; or
 - (ii) because the Participant resigned from employment or was summarily dismissed or otherwise dismissed for cause under the Participant's employment contract with a Group Company, an Option that was not exercisable under clause 7.1 before the Participant ceased to be an Employee automatically lapses on cessation of employment; or
- (b) A Participant does not cease to be an Employee because the Participant is an employee of Arrovest or an employee of a Related Body Corporate of Arrovest ("Perich Employer"), and the Perich Employer ceases to be a Related Body Corporate of the Company due to:
- (i) a selldown of shares by Arrovest; or
 - (ii) a dilution of shares held by Arrovest because of a new share issue by the Company.

If, however, the Participant subsequently ceases to be an employee of the Perich Employer:

- (iii) subject to clause 4.3(b)(iv), an Option which was not exercisable under clause 7.1 before the Participant ceased to be an employee of the Perich Employer, becomes immediately exercisable; or
 - (iv) because the Participant resigned from employment or was summarily dismissed or otherwise dismissed for cause under the Participant's employment contract with the Perich Employer, an Option that was not exercisable under clause 7.1 before the Participant ceased to be an employee of the Perich Employer automatically lapses on cessation of employment.
- (c) If a Participant ceases to be a Director, subject to clause 4.3(d):
- (i) subject to clause 4.3(c)(ii) an Option which was not exercisable under clause 7.1 before the Participant ceased to be a Director, becomes immediately exercisable; or
 - (ii) because the Participant resigned from their directorship, an Option that was not exercisable under clause 7.1 before the Participant ceased to be a Director automatically lapses on cessation of the Participant's directorship.
- (d) If a Participant ceases to be a Director, but remains an Employee, clause 4.3(c) does not apply.

- (e) If a Change of Control occurs, an Option granted under clause 6.2 becomes immediately exercisable.
- (f) The Board may in its absolute discretion (on any conditions which it thinks fit) decide that an Option does not lapse under clause 7.7(c), but lapses at the time and subject to the conditions it may specify by notice to the Participant, which may include one or more of the following:
 - (i) the Vesting Period of the Option is reduced to a period shorter than that specified in the invitation made in relation to that Option under clause 5.1;
 - (ii) the Exercise Period of that Option is extended for a specified period following the date that the Participant dies or ceases to be an Employee; and
 - (iii) any Exercise Condition of the Option be waived.
- (g) In making a decision under clause 4.3(f), the Board may consider any relevant matter (including whether the Participant ceased to be an Employee by reason of ill-health or accident and whether the event occurred during or after the Vesting Period).

5 Method of Invitation

5.1 Invitations

The Board may from time to time give a Participant notice inviting the Participant to apply for Options and must specify in the invitation:

- (a) the Participant;
- (b) the number of Options for which the Participant is invited to apply;
- (c) the amount payable (if any) by the Participant as consideration for the grant of the Options and the terms of its payment (which may include the circumstances in which the Company must refund some or all of that amount);
- (d) the Exercise Price and any Exercise Condition for each Option;
- (e) the Vesting Period for each Option (which, subject to clause 4.3, must not end before the first anniversary of the date that the Company grants the Option);
- (f) the closing date for applying for each Option; and
- (g) how the Participant is to apply for the Options.

6 Application for Options

6.1 Application

- (a) An Employee or a Director who wishes to apply for Options specified in an invitation made under clause 5.1 must on or before the closing date stated in the invitation (or any later date that the Company may allow either generally or in a particular case) do what is specified in the invitation in order to apply for the Option.
- (b) An Employee or a Director may, on or before the closing date stated in the invitation (or any later date that the Company may allow either generally or in a particular case), nominate a Permitted Nominee in whose favour the Employee or the Director wishes the Options to be granted by giving notice to the Board in writing. The Board may, in its absolute discretion, resolve not to grant the Options in favour of a Permitted Nominee without giving any reason for such a decision.

6.2 Grant and Certificate

Where the Employee or the Director complies with clause 6.1, the Company may accept the application from the Employee or the Director and may:

- (a) grant the relevant Options to the Participant or to a Permitted Nominee in accordance with the invitation made under clause 5.1; and
- (b) issue the holder an Option Certificate in respect of those Options.

7 Option terms

7.1 Exercise

The Participant may exercise any Option granted to the Participant only:

- (a) during an Exercise Period for the Option;
- (b) if all Exercise Conditions applying to that Option at the time of exercise have been met;
- (c) if at the time of exercise, the Participant would not be prevented from buying or selling Shares under the Company's Security Trading Policies ;
- (d) by giving a notice and doing all the other things required by clause 7.3 during that time; and
- (e) if the Participant at the same time either:
 - (i) exercises a number of Options so that the Company will issue a minimum of a number of Shares or multiple of a number of Shares that the Board determines; or

- (ii) exercises all the Options granted to the Participant which the Participant is then entitled to exercise.

The exercise of an Option does not prevent the exercise of any other Option.

7.2 Entitlement

Subject to clauses 14 and 15, each Option entitles the holder to subscribe for and be allotted, credited as fully paid, one fully paid Share on the exercise of the Option in accordance with these rules and the payment of the Exercise Price.

7.3 Notice

To exercise an Option the Participant must give a notice to the Company specifying that the Participant exercises the Option. The notice must be accompanied by:

- (a) the relevant Option Certificate if any; and
- (b) payment of the full amount of the Exercise Price in accordance with clause 7.4.

Exercise of an Option is only effective when the Company receives full value for the full amount of the Exercise Price.

7.4 Payment

All payments of the Exercise Price for an Option must be made by cheque, bank draft or other immediately available funds in favour of the Company.

7.5 Allotment

Not more than 15 business days after the exercise of an Option becomes effective, the Company must allot and issue to the Participant the Shares the subject of the Option.

7.6 Share allotted upon exercise of Option

The Shares allotted and issued following exercise of an Option, upon allotment rank equally in all respects (including as to dividends the entitlement to which is determined after the allotment) with those then issued fully paid Shares which are entitled to participate in full in any dividend and are subject to the Constitution of the Company.

7.7 Lapse

Each Option lapses on the earliest of the following times:

- (a) on exercise of the Option under clause 7.1;
- (b) if the Option is not exercised under clause 7.1 during the Option Period, at the end of the Option Period;
- (c) if the Participant ceases to be:

- (i) an Employee by reason of resignation from employment by the Participant or summary dismissal or other dismissal for cause under the Participant's employment contract with a Group Company and the Option had not by then become exercisable, on the Participant ceasing to be an Employee (subject to clause 4.3(e)); or
- (ii) a Director (and is not an Employee) by reason of resignation from their directorship, and the Option had not by then become exercisable, on the Participant ceasing to be a Director (subject to clause 4.3(e));
- (d) if the Participant ceases to be an Employee, 12 months after the date of cessation of employment;
- (e) if the Participant ceases to be a Director (and is not an Employee), 12 months after the date of cessation of their Directorship;
- (f) if the Board becomes aware of circumstances which, in the reasonable opinion of the Board indicate that the Participant has acted fraudulently, dishonestly or in a manner which is in material breach of his or her obligations to the Company or any Group Company and the Board (in its absolute discretion) determines that the Option lapses; or
- (g) if the Company commences to be wound up,

subject to the Board having the discretion to stipulate differently in an invitation made under clause 5.1.

7.8 Balance certificate

If the Participant exercises less than all of the Options referred to in an Option Certificate, the Board must issue to the Participant an Option Certificate in respect of the Options not exercised at that time.

7.9 Listing on ASX

The Shares to be issued to any Participant upon exercise of an Option will not be quoted on any stock exchange on which the Shares of the Company are quoted until the Option is exercised, at which time the Company must, if it is Listed, apply to ASX (and any other stock exchange on which the Shares of the Company are quoted) for, and will use its best endeavours to obtain, quotation for those Shares.

8 Adjustments

8.1 Capitalisation of profits or reserves

Where during the Option Period the Company issues Shares by way of capitalisation of profits or reserves, subject to clause 8.8, the Board may in its absolute discretion adjust either or both the number of Shares to be issued on exercise of an Option and the Exercise Price for that Option.

8.2 New issues

Where before the end of the Option Period the Company gives holders of Shares the right (pro-rata with existing shareholdings and on terms including the payment of some consideration by the holders of Shares on exercising the right) to subscribe for additional Shares and the Option is not exercised as contemplated in clause 8.3, the Exercise Price of an Option after the issue of those Shares is adjusted in accordance with schedule 1.

8.3 Rights/entitlements issues

Where after the Vesting Period, but during the Option Period of an Option, the Company makes an offer or invitation to holders of Shares for subscription for cash for shares, options or other securities of the Company or any other entity, the Company must give the Participant notice not less than 5 business days before the books closing date to determine entitlements to receive that offer or invitation to enable the Participant to exercise the Option and receive that offer or invitation in respect of the Shares allotted on exercise of the Option.

8.4 Sub-division or consolidation

Where during the Option Period, the Company subdivides or consolidates its Shares, the number of Options is subdivided or consolidated in the same ratio as the Shares are subdivided or consolidated, and the Exercise Price is amended in inverse proportion to the ratio in which the Shares are subdivided or consolidated.

8.5 Return of capital

Where during the Option Period, the Company returns issued capital to holders of Shares, the Exercise Price of each Option is reduced by the same amount as the amount returned in relation to each Share.

8.6 Cancellation of capital

Where during the Option Period, the Company cancels Shares on a pro-rata basis, the number of Options is reduced in the same ratio as the Shares are cancelled, and the Exercise Price of each Option is amended in inverse proportion to the ratio in which the Shares are cancelled.

8.7 Other reorganisations

Where during the Option Period, the Company reorganises its issued capital in a manner that is not referred to in clauses 8.4, 8.5 or 8.6, the number of Options, or the Exercise Price of those Options, or both, must be reorganised so that the Participant does not receive a benefit that holders of Shares do not receive. This clause 8.7 does not prevent a rounding up of the number of Shares the Participant may receive on exercise of an Option if the rounding up is approved at the meeting of shareholders which approves the reorganisation.

8.8 Pro-rata bonus issues

Where during the Option Period, the Company makes a pro-rata bonus issue to holders of Shares and an Option is not exercised before the books closing date to determine entitlements to that bonus issue, the number of shares to be issued on exercise of the Option is the number of Shares before that bonus issue plus the number of bonus shares which would have been issued to the Participant if the Option had been exercised before that books closing date.

8.9 Notice of adjustment

The Company must give notice to Participants of any adjustment to the number, description or items of security which are to be issued on exercise of an Option or to the Exercise Price in accordance with the applicable Listing Rules.

8.10 Listing Rules

Each amendment contemplated by the provisions of this clause 8 is subject to its being consistent with the Listing Rules.

8.11 Cumulative adjustments

Each adjustment provided for in clauses 8.1 to 8.8 (inclusive) is to be made to either or both the Shares and the Exercise Price in respect of each Option granted and unexercised at the time the relevant clause applies on each occasion during the Option Period of the Option that the relevant clause applies.

8.12 Rounding

Before an Option is exercised under clause 7.1, all adjustment calculations are to be carried out including all fractions (in relation to both the Shares and the Exercise Price of the Options), but on exercise by a person of a number of Options, the aggregate number of Shares issued to that person as a result of those exercises is rounded down to the next lower whole number and the Exercise Price per Option rounded up to the next higher cent.

9 Duration of the Plan

9.1 Discretionary

The Plan continues in operation until the Board decides to terminate or discontinue it.

9.2 Suspension

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

9.3 No prejudice

If the Plan terminates or is discontinued or suspended for any reason, that does not prejudice the accrued rights of the Participants.

10 Notices and Correspondence

10.1 To the Company

Any notice required to be given by a Participant to the Company or the Board or any correspondence from a Participant to the Company or the Board in connection with the Plan must be in writing signed by (or on behalf of) the person giving it and must be given or made to the principal place of business of the Company or any other address of which the Company gives notice.

10.2 To a Participant

Any notice required to be given by the Company or the Board to a Participant or any correspondence from the Company or the Board to a Participant in connection with the Plan must be in writing and must be given or made by a person authorised by the Board on behalf of the Company or the Board to the place of employment of the relevant person or to the last address of that person given to the Company.

11 Transfer of the Option

11.1 No transfer

Each Option is personal to the Participant and is not transferable, transmissible, assignable or chargeable, except in accordance with clause 11.2 or with the prior written consent of the Board.

11.2 Death

If the Participant dies, with the written approval of the Board in its absolute discretion, the Option may (subject to any conditions specified in the approval for the purpose of clause 4.3) be transferred to the Participant's legal personal representatives.

12 Limitations of Plan

12.1 Connection with other schemes

Participation in the Plan does not affect, and is not affected by, participation in any other scheme of the Company unless the terms of that scheme provide otherwise.

12.2 Limited application of Plan

These rules:

- (a) do not confer on any Participant the right to continue as an Employee or as a Director; and
- (b) do not affect any right which the Company or a Group Company may have to terminate the employment or directorship of that Participant; and

- (c) may not be used to increase damages in any action brought against the Company or a Group Company in respect of that termination.

13 Maximum number of Options

Options may not be issued under this Plan if, immediately following the issue, the number of Options which are issued pursuant to this Plan and have neither been exercised nor lapsed, together with the number of Shares in the capital of the Company or options to acquire such Shares which are the subject of any other employee incentive scheme of the Company would exceed 15% of the total number of Shares in the capital of the Company in issue at that time.

14 Overriding restrictions on issue and exercise

Notwithstanding these rules or the terms of any Option, no Option may be offered, issued, vested or exercised if to do so:

- (a) would contravene the Corporations Act or the Listing Rules; or
- (b) would contravene the local laws or customs of an Employee's or a Director's country of residence or in the opinion of the Board would require actions to comply with those local laws or customs which are impractical.

15 Administration of the Plan Rules

15.1 Consistency with Plan Rules

The Plan will be administered by the Board in accordance with the rules. The Board may make regulations for the operation of the Plan which are consistent with these rules.

15.2 Board's power and discretion

Any power or discretion which is conferred on the Board by these rules may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person.

15.3 Delegation

Any power or discretion which is conferred on the Board by these rules may be delegated by the Board to a committee consisting of such Directors other officers or employees of the Group, or any combination of such persons, as the Board thinks fit or to a related body corporate of the Company.

15.4 Board's decision final

The decision of the Board as to the interpretation, effect or application of these rules will be final and conclusive.

16 Amendments of the Plan

16.1 Board may amend

Subject to rules 16.2 and 16.3, the Board may at any time by written instrument, amend all or any of the provisions of these rules, including this rule 16.

16.2 No reduction of existing rights

Any amendment to the provisions of these rules must not materially reduce the rights of any Participant as they existed before the date of the amendment, unless the amendment is introduced primarily:

- (a) for the purpose of complying with or conforming to present or future State, Territory or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to enable contributions or other amounts paid by a Group Member to the Plan to qualify as income tax deductions for that member or another member of the Group;
- (d) to enable any Group Company to reduce the amount of fringe benefits tax under the *Fringe Benefits Tax Assessment Act 1986* (Cwlth), the amount of tax under the Tax Acts, or the amount of any other tax or impost that would otherwise be payable by the Group Company in relation to the Plan;
- (e) for the purpose of enabling the Participants generally (but not necessarily each Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan; or
- (f) to enable the Plan or any Group Company to comply with the Corporations Act, the Listing Rules or its constitution.

16.3 Retrospective amendment possible

Subject to rule 16.2, any amendment made under rule 16.1 may be given retrospective effect as specified in the written instrument by which the amendment is made.

Employee Share Option Plan

Schedule 1 - Formula

$$O^1 = O - \frac{E(P - (S + D))}{N + 1}$$

Where:

O¹ = The new exercise price of each Option

O = The old exercise price of each Option

E = The number of underlying securities into which one Option is exercisable

P = The average market price of fully paid ordinary Shares (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the five trading days before the ex rights date or ex entitlements date

S = Subscription price (application money plus calls) for new shares issued under the rights issue

D = Any dividends due but not yet paid on existing Shares (except those to be issued under the rights issue).

N = Number of Shares required to be held to receive a right to one new Share.

Employee Share Option Plan

Signing page

DATED:

EXECUTED by **SO NATURAL**)
FOODS AUSTRALIA LIMITED)
in accordance with section 127(1) of)
the Corporations Act 2001 (Cwlth) by)
authority of its directors:)

.....)
Signature of director)

.....)
Name of director (block letters)

.....)
Signature of director/company)
secretary*)
*delete whichever is not applicable)

.....)
Name of director/company secretary*)
(block letters))
*delete whichever is not applicable)