Cullinan Share Incentive Scheme
Frequently asked questions.

What is a share option	**A share option is a right given by the Company to an employee to acquire a share in the Company, at a future date, but at a price that is set. For example, the Company awards you 10 000 share options at a price of 10c per share, with a vesting period of 4 years. This means that in 4 years time, you can choose to exercise the option (the company will then give you the shares) and you will pay 10c for each one of those shares. You will then own 10 000 shares at a cost of R1 000. You would then be free to sell those shares at any date in the future.**
What is the option price	The option price is the amount that you will have to pay for the share when it vests. In the above example, 10cents per share.
What is the vesting period and what does it mean	**The vesting period is the length in time between the time the option is issued and when you can exercise the option. In the above case, 4 years. At the end of this period, you can choose to exercise the option or not. You cannot exercise the option before the expiry of the vesting period.**
When can I exercise my options	You can only exercise your options at the end of the vesting period.
If I exercise my options, what will I have to pay	**You will have to pay the option price (10cents) and you will have to pay the tax on the options. See below for how this is worked out.**
How can I exercise my options if I don't have the money to pay for the shares when they vest.	When the options are exercised, the shares must be paid in full to the Company. Please see the example below.
If I exercise my options, how will I be able to sell my shares	**There are different ways to sell shares, but typically this would be done through a stockbroker.**
What would I do if the share price was below the option price	Hopefully this will not be the case but if it were, you would simply choose not to exercise the option and walk away from the shares.
What will be the tax effect of the options	**The tax implications are complicated, but simply put, you will realise a taxable gain at the time the option is unrestricted. At that time, the difference between the market price and the option price will be taxable income, taxed at your marginal rate of tax. Thereafter, any gain in share price would normally be a capital gain.(With some proviso's)**
How long do I have from vesting time to purchase, or alternatively, what period do I have to exercise my options before they lapse.	You must exercise your options within 12 months of the date on which they vests. E.g.. In the 4 year example, you need to exercise these before end of November 2017. If you do not, they will lapse. (Your options will also lapse if you leave, pass away, redundancy, retirement).
Can we look at delayed selling?	**Sales of shares derived from the exercise of options are entirely at the shareholders' discretion...sales can be in whole or in part**

E & OE : 11/08/2016

This has been produced as a guide only. Please refer to the Share Option Scheme rules for the details of the Cullinan Share Options Scheme

Example
You have 10 000 share options

Share option price 10c	10cents
You exercise these on 1 January 2017.	
Share price on the JSE at that time.	150cents
If you exercise all your options	
You will pay Cullinan Holdings on 1 January 2017	10c x 10 000 shares = R1000
You will be required to pay tax on	150c - 10c x 10 000 shares = R14 000
The tax would be at you marginal rate - say	30% x R14 000 = R4 200 tax payable
So in summary	
You will now own 10 000 shares	
They are worth	10 000 x 150c = R15 000
You have paid R5 200 for these shares	R4 200 tax plus R1 000 to Cullinan

You can sell your shares any time in the future. Hopefully they will increase in value over time and you can realise a gain.