

# EXPLANATORY NOTES

In the Resolutions for consideration at the Annual General Meeting, and in these Explanatory Notes, references are made to Articles in the Company's Constitution. The Constitution is available for inspection at the Company's Registered Office and at the Annual General Meeting.

## ANNUAL REPORTS AND ACCOUNTS (RESOLUTION 1)

Under the Corporations Act and the Company's Constitution, the business of an Annual General Meeting must include the receipt and consideration of the Directors' Report, Financial Statements and Independent Audit Report for the past financial year. The meeting provides a forum for shareholders to ask questions on the reports and accounts.

## ELECTION OF DIRECTORS (RESOLUTION 2)

Article 106 of the Company's Constitution provides for the appointment of Directors by the Board during the year, either to fill a casual vacancy, or as an addition to the Board, but so that the total number of Directors does not exceed the maximum number fixed by Article 101. Article 107 of the Constitution requires that Directors appointed pursuant to Article 106 hold office until the next Annual General Meeting, but then be eligible for re-election.

During the year Mr T P Burnet was appointed a Director, and being eligible, offers himself for re-election.

Article 110 of the Company's Constitution provides for the retirement by rotation at each Annual General Meeting of one third (to the nearest number to but not exceeding one third) of the Directors, but excluding those Directors appointed to fill a casual vacancy or as an addition to the Board pursuant to Article 106, the Managing Director, who was appointed pursuant to Article 117, or Directors who have attained the age of 72 years.

Mr R F E Warburton retires by rotation, but does not offer himself for re-election. He will therefore retire as a Director at the conclusion of the Annual General Meeting.

Article 104 of the Company's Constitution requires that to be eligible to be appointed a Director, persons (other than retiring Directors) must either be recommended for election by Directors or be proposed by a member who has given the Company at least 35 business days notice of

the proposal. To fill the vacancies created by the retirement or intended retirement as Directors of Mr D R Argus and Mr R F E Warburton, the Directors have recommended Mr J W Murphy and Mr E J J Pope for election as Directors of the Company.

Details of the persons standing for election are as follows:

*Thomas P Burnet*

*Executive Director*

Mr Burnet, aged 49, was appointed a Director in March 2003. He joined Southcorp in September 2002 as the President of Southcorp Wines, The Americas from US wine company, Brown Forman, where he was President of both the international spirits and worldwide wine divisions, prior to which he served as Chief Financial Officer of the wine & spirits businesses.

He holds a Bachelor's Degree in Economics from Princeton and an MBA from the University of Chicago. He lives in California, USA.

*John W Murphy*

*Candidate*

Mr Murphy, aged 50, has been recommended for election by the Directors in accordance with Article 104 of the Company's Constitution. He is a Fellow of the Australian Society of Certified Practising Accountants and a member of the Institute of Chartered Accounts. A former partner of Arthur Andersen, since 1998 Mr Murphy has been engaged in private equity investment and is currently the Managing Director of Investec Wentworth Private Equity Pty Limited, the private equity funds manager of Investec Bank (Australia) Limited. He is a member of the boards of the fund's investments including AAV Limited, SMS Management and Technology Limited, Staging Connections Pty Limited, Service Corporation International Australia Pty Limited, Fone Zone Pty Limited, Eduvest Limited and Betta Foods Group Pty Limited. Mr Murphy lives in Sydney, New South Wales.

*Ern J J Pope*  
*Candidate*

Mr Pope, aged 56, has been recommended for election by the Directors in accordance with Article 104 of the Company's Constitution. He is the President and Chief Executive Officer (Asia Oceania & Africa) of Nestlé Purina PetCare. He was Managing Director of Carnation Australia from 1983 to 1985. Following Nestlé's acquisition of Carnation in 1985, he held a number of senior roles with Nestlé in Australia, and New Zealand (including Managing Director of Nestlé Australia from 1992 to 1998) and in Nestlé's headquarters in Switzerland (where he was a Senior Vice President), before returning to Australia in 2001 to assume his current role. Mr Pope is a Director of Nestlé Australia Limited and related companies, and is a past Director of Grocery Manufacturers of Australia and a founder and past Director of the Australian Food and Grocery Council. He lives in Sydney, New South Wales.

The Board (excluding directors standing for election) unanimously recommends that each of Messrs Burnet, Murphy and Pope be elected as Directors of the Company.

**ELECTION OF DIRECTOR OVER 72 YEARS (RESOLUTION 3)**

Clause 201C(8) of the Corporations Act requires candidates for the office of director who are over the age of 72 years, to be appointed to hold office until the conclusion of the next Annual General Meeting of the Company. The Directors are pleased to once again nominate Mr Robert I (Bob) Oatley, BEM, aged 75, for re-election as a Non-Executive Director and Deputy Chairman of the Company. Mr Oatley is a member of the Audit and Compliance Committee, and the Remuneration and Nomination Committee.

Mr Oatley was a Director and former Chairman of Rosemount Estates, prior to the merger between Southcorp Wines and Rosemount. His private company, Reline Investments Pty Ltd, is the largest shareholder in Southcorp. Mr Oatley founded Rosemount in 1969, before which he had been a successful coffee and cocoa trader in Papua New Guinea, for which he was awarded the British Empire Medal.

In 1992, Mr Oatley was awarded the Graham Gregory Trophy for his significant contribution to the wine industry in New South Wales. Mr Oatley was appointed Deputy Chairman of the Company following his election to the Board of Directors at the 2001 Annual General Meeting. He lives in Sydney, New South Wales.

The Directors (other than Mr R I Oatley) unanimously recommend Mr Oatley's re-election as a Director of the Company.

**GRANT OF OPTIONS TO MANAGING DIRECTOR (RESOLUTIONS 4(a) AND 4(b))**

Mr Ballard's appointment as a Director and Managing Director of the Company was announced on 20 March 2003. He was appointed Chief Executive Officer on 28 April 2003.

Your Directors have agreed to provide a remuneration package to Mr Ballard commensurate with his qualifications and experience, which includes the grant of options, subject to shareholder approval.

Mr Ballard's total employment cost (TEC), excluding any incentive payment, is \$1.4 million, comprising base salary, superannuation, car allowance, and other benefits. In addition, Mr Ballard is entitled to an incentive payment of 70% of his TEC if agreed short-term financial objectives are achieved. If performance exceeds target, a higher incentive can be awarded, based on percentages achieved above target. If shareholders do not approve the grant of options to Mr Ballard, equivalent long-term incentive benefits will be payable in cash. The maximum amount payable to Mr Ballard on termination of his appointment as Managing Director is 12 months TEC plus a pro rata share of annual incentive.

As notified to the ASX on 28 April 2003, Mr Ballard holds 20,000 shares in the Company. Mr Ballard purchased these shares from his own resources. He does not currently hold any options granted by the Company.

Pursuant to the Managing Director Share Option Deed set out on Pages 8 to 11 of this Notice of Meeting, and on terms designed to provide an incentive to Mr Ballard to improve the Company's share price, the Company proposes to grant to Mr Ballard options to purchase shares in the capital of the Company in three tranches of 666,000, 666,000 and 668,000 shares respectively. The new options will be exercisable at \$3.36 per share, which was the weighted average price of the Company's shares on the Australian Stock Exchange over the 5 trading days before 20 March 2003, the date that the Company announced Mr Ballard's appointment. There is no discount to that price.

In the 12 months to the date prior to the announcement of Mr Ballard's appointment on 20 March 2003, the Company's shares traded on the ASX in a range between a high of \$6.67 on 11 April 2002 and a low of \$3.05 on 5 March 2003. In the period since the date of the announcement of Mr Ballard's proposed appointment up to 5 September 2003 (the date this Notice of Meeting went to print), the Company's shares traded in a range between a high of \$4.00 on 17 April 2003 and a low of \$2.63 on 30 May 2003. The closing price on 5 September 2003 was \$3.23.

The options proposed to be granted to Mr Ballard have been assessed by independent actuaries Mercer Finance and Risk Consulting (“Mercer”) to have a value to Mr Ballard of \$1,054,583. Mercer has valued the options in a manner consistent with the International Accounting Standards Board’s Exposure Draft Standard 2, “Share-Based Payment”, as recommended by the Australian Securities and Investments Commission. The actuaries have taken into account the exercise price, exercise period, and performance conditions attaching to the options. The material assumptions used in valuing the options are:

- a current Southcorp share price of \$3.11;
- Mr Ballard is employed for the entire option exercise period;
- the options will be exercised during the option exercise period;
- Southcorp share price volatility of 32% per annum based on 5 year trading records;
- a risk free rate of 5.11% pa;
- a dividend yield of 3.5% pa; and
- no tax allowance.

The options cannot be exercised earlier than two years after the date of grant and only if:

- (a) with respect to the first tranche of options converting to up to 666,000 shares, the share price increases to a weighted average price of \$5.0466 (1.5 times the Exercise Price of \$3.36);
- (b) with respect to the second tranche of options converting to up to 666,000 shares, the share price increases to a weighted average price of \$6.7288 (2.0 times the Exercise Price of \$3.36);
- (c) with respect to the third tranche of options converting to up to 668,000 shares, the share price increases to a weighted average price of \$8.4111 (2.5 times the Exercise Price of \$3.36).

The options will lapse if the share price targets are not achieved, in each case for a continuous period of twenty consecutive days within five years of the date of grant. Therefore, Mr Ballard will not be entitled to exercise any options unless all shareholders have obtained the benefits of substantial increases in the Company’s share price.

Your Directors do not believe that the Company will incur any opportunity cost or forgo any benefit by making this grant of options. The Company will not make any loans to Mr Ballard to finance the exercise price of the options. He must fund the share purchases from his own resources.

The terms of the Managing Director Share Option Deed are set out in full in this notice of meeting.

Since he joined the Company at the end of April, Mr Ballard has clearly demonstrated the attributes that led your Directors to appointing him to his current position. His remuneration arrangements have been determined with a view to providing Mr Ballard with incentives to perform for the benefit of the Company and all shareholders, in a manner which the Board believes will accord with the expectations of shareholders.

The options will be granted to Mr Ballard within one month after shareholder approval. Directors anticipate that funds raised from the allotment of shares following the exercise of options would be applied to the general capital requirements of the Company. The dilution effect of 2 million new shares on current shareholders, should the options be granted and achieve all hurdle rates, will be negligible. The total number of the Company’s shares on issue as at 5 September 2003 was 744,508,138 shares and, therefore, the dilution effect of this transaction will be approximately 0.27%. Shareholders should note that none of the options may be exercised until 2 years after the date of grant.

Any votes cast on the resolutions concerning arrangements for Mr Ballard by him or any of his associates are to be disregarded (except where such persons are voting as proxies in accordance with clear instructions from a shareholder as to how to vote).

Each of the Directors of the Company (other than Mr Ballard), namely TB Finn, RI Oatley, RFE Warburton, S Gerlach, HA Lynch, AG Oatley and TP Burnet recommend that shareholders vote in favour of these resolutions for the reasons set out in these explanatory notes. None of the Directors of the Company have any interest in the outcome of the proposed resolutions except to secure the services of Mr Ballard on a continuing basis.

## **ISSUE OF SHARES AND GRANT OF OPTIONS TO EXECUTIVE DIRECTOR (MR T P BURNET (RESOLUTIONS 5(a), 5(b) AND 5(c))**

Mr Burnet joined the Company as the President of Southcorp Wines, The Americas on 1 September 2002. Subsequently, on 18 March 2003, Mr Burnet was appointed a Director of the Company.

### *Issue of shares (Resolution 5(a))*

At the time he joined the Company as an Executive, your Directors agreed to provide a remuneration package to Mr Burnet which included the annual grant of options to acquire 250,000 shares in the Company in each of the three years of his initial contract. In pursuance of this arrangement, on 16 September 2002 Mr Burnet was granted options to acquire 250,000 shares at an exercise price of \$5.42 ("the Executive Options"). This exercise price was based on the weighted average price at which the Company's shares traded on the Australian Stock Exchange on 21 August 2002, the day following the release of the Company's 2002 annual results. In the 12 months prior to Mr Burnet joining the Company, Southcorp's shares traded on the ASX in a range between a high of \$8.30 on 6 September 2001 and a low of \$4.94 on 7 August 2002.

The options now held by Mr Burnet have been assessed by independent actuaries Mercer Finance & Risk Consulting ("Mercer") to have a value to Mr Burnet of \$271,250. Mercer has valued the options in a manner consistent with the International Accounting Standards Board's Exposure Draft Standard 2, "Share-Based Payment", as recommended by the Australian Securities and Investments Commission. The actuaries have taken into account the exercise price, exercise period, and performance conditions attaching to the options. The material assumptions used in valuing the options (recognising that these options have already been issued) are:

- a Southcorp share price at grant date of \$5.38;
- Mr Burnet is employed for the entire option exercise period;
- the options will be exercised during the option exercise period;
- Southcorp share price volatility of 27% per annum based on 5 year trading records;
- a risk free rate of 5.35% pa;
- a dividend yield of 3.5% pa; and
- no tax allowance.

The above options already granted to Mr Burnet cannot be exercised before 16 September 2005, and then only if:

- (a) in the case of options converting to up to 125,000 shares, the weighted average prices for the Company's shares in any period of 20 consecutive trading days before 16 September 2007 is not less than \$7.24; and
- (b) in the case of the remaining options converting to up to 125,000 shares, if the weighted average prices for the Company's shares in any period of 20 consecutive trading days before 16 September 2007 is not less than \$7.79

being respectively a 30% and a 40% increase in the weighted average prices at which the Company's shares traded on the ASX on 21 August 2002, the day following the release of the Company's 2002 annual results;

As Mr Burnet has now become a Director of the Company, it is necessary under the Listing Rules of the Australian Stock Exchange and under the Corporations Act for the issue of any shares upon exercise of the Executive Options, as well as the granting of any further options, to be approved by shareholders.

### *Grant of Options (Resolutions 5(b) & 5(c))*

Under the terms of the remuneration arrangements with Mr Burnet, subject to shareholder approval, the Company proposes to grant to Mr Burnet a further two tranches of options to acquire in total up to 500,000 shares in the capital of the Company pursuant to the Executive Director Share Option Deed set out on Pages 12 to 16 of this notice of meeting. Each tranche of options will enable Mr Burnet to acquire up to 250,000 shares in the Company on terms designed to provide an incentive to Mr Burnet to contribute to the improvement of the Company's share price.

Subject to shareholder approval, the first tranche of options will be granted within one month of that approval being given ("the First Tranche Options") and the second tranche will be granted on 1 September 2004, (but subject always to the Board's final decision as to whether to make the grant or not) ("the Second Tranche Options").

In the case of both the First Tranche Options and the Second Tranche Options, the exercise price will be the weighted average of prices at which the Company's shares are traded on the Australian Stock Exchange during the five trading days before the date the options are granted. There is no discount to that price.

In the 12 months up to 5 September 2003 (the date this notice of meeting went to print), the Company's shares traded in a range between a high of \$5.84 on 11 October 2002 and a low of \$2.63 on 30 May 2003. The closing price on 5 September 2003 was \$3.23.

The options proposed to be granted to Mr Burnet have been assessed by independent actuaries Mercer Finance & Risk Consulting ("Mercer") to have a value to Mr Burnet of \$391,750. Mercer has valued the options in a manner consistent with the International Accounting Standards Board's Exposure Draft Standard 2, "Share-Based Payment", as recommended by the Australian Securities and Investments Commission. The actuaries have taken into account the exercise price, exercise period, and performance conditions attaching to the options. The material assumptions used in valuing the options are:

- a current Southcorp share price of \$3.11;
- an exercise price per Southcorp share of \$3.04;
- Mr Burnet is employed for the entire option exercise period;
- the options will be exercised during the option exercise period;
- Southcorp share price volatility of 32% per annum based on 5 year trading records;
- a risk free rate of 5.11% pa;
- a dividend yield of 3.5% pa; and
- no tax allowance.

These options cannot be exercised earlier than three years after the date of their respective grant, and then only if the weighted average of prices of shares in the Company for any consecutive period of 20 days within 5 years of the date of granting the First Tranche Options or the Second Tranche Options (as the case may be) is greater than the relevant exercise price;

- (a) by a factor of 30% in the case of half of each of the First Tranche Options and the Second Tranche Options (ie in each case, options converting to up to 125,000 shares); or
- (b) by a factor of 40% in the case of the remaining half of each of the First Tranche Options and the Second Tranche Options (ie, in each case, options converting to up to 125,000).

The options will lapse if their particular share price targets are not met. Mr Burnet therefore, will be unable to exercise any options unless all shareholders have obtained the benefits of substantial increases in the Company's share price.

The terms of the Executive Director Share Option Deed are set out in full in this notice of meeting.

## FURTHER INFORMATION

Mr Burnet's salary and benefits package, excluding any incentive payment is US\$936,476 (A\$1,401,910) comprising gross base salary, and net pension entitlements, car allowance and other net benefits. In addition Mr Burnet is entitled to an incentive payment of 40% of his gross base salary if agreed short-term financial objectives are achieved. If performance exceeds target, a higher incentive payment can be awarded, based on percentages achieved, to a maximum of 40% above target.

Mr Burnet was employed by the Company for a 3 year term. On 1 September 2003, he will have served 1 year of that contract. The maximum amount payable to Mr Burnet on termination of his employment with the Company is the greater of his annual base salary for the remainder of his contracted term or a sum equivalent to one and one half times his annual base salary.

Directors anticipate that funds raised from the allotment of shares following the exercise of options would be applied to the general capital requirements of the Company. The dilution effect of 750,000 new shares on current shareholders, should all the options be granted, achieve all hurdle rates, and be issued, will be negligible. The total number of Company shares on issue as at 5 September 2003 was 744,508,138, and therefore the dilution effect of this transaction will be approximately 0.10%.

If shareholders do not approve the proposed issue of shares to Mr Burnet, should he validly exercise the options he already holds, or the grant of options to Mr Burnet, equivalent long term incentive arrangements will be paid in cash.

Your Directors do not believe that the Company will incur any opportunity cost or forgo any benefit by making the grant of options. The Company will not make any loans to Mr Burnet to finance the exercise price of the options. He must fund the share purchases from his own resources.



Your Directors are very pleased to have selected a person with the outstanding ability and achievements that Mr Burnet has demonstrated since his commencement as the President, Southcorp Wines, The Americas and in his previous positions elsewhere. His remuneration arrangements have been determined with a view to providing Mr Burnet with incentives to perform for the benefit of the Company and all shareholders, in a manner that the Board believes will accord with the expectations of shareholders.

Any votes cast on the resolutions concerning arrangements for Mr Burnet by him or any of his associates are to be disregarded (except where such persons are voting as proxies in accordance with clear instructions from a shareholder as to how to vote).

Each of the Directors of the Company (other than Mr Burnet), namely TB Finn, RI Oatley, RFE Warburton, S Gerlach, HA Lynch, AG Oatley and JC Ballard recommend that shareholders vote in favour of these resolutions for the reasons set out in these explanatory notes. None of the Directors of the Company have any interest in the outcome of the proposed resolutions except to secure the services of Mr Burnet on a continuing basis.

## MANAGING DIRECTOR SHARE OPTION DEED

### DATE

[ ] 2003

### PARTIES

**Southcorp Limited** (ABN 80 007 722 643), of 403 Pacific Highway, Artarmon, New South Wales, 2064 (the “Company”); and

**John Charles Ballard** of Unit 1, 71 Kirribilli Avenue, Kirribilli, New South Wales, 2061 (the “Executive”).

### RECITAL

The Company has agreed to employ the Executive and the Executive has agreed to serve the Company as its Chief Executive Officer and Managing Director.

### OPERATIVE PART

In consideration of the services to be rendered by the Executive to the Company, the Company will grant Options to the Executive upon the terms and conditions set out in this Deed.

**It is agreed** as follows.

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

The following definitions apply unless the context requires otherwise.

**Approval Date** means the day on which the grant of Options to which this Deed relates is approved by an ordinary resolution of the Company for all purposes under the ASX Listing Rules and the entry by the Company into this Deed is approved by an ordinary resolution of the Company for the purposes of Section 208 of the Corporations Act.

**ASX** means Australian Stock Exchange Limited.

**Exercise Price** means \$3.36 per share, being the weighted average price per share of the Company's shares on the ASX over the five trading days before 20 March 2003 (the date that the Company announced the proposed appointment of the Executive) subject to adjustment in accordance with Clause 9 of this Deed.

**Expiry Date** means midnight on the 5th anniversary of the Issue Date.

**Issue Date** means the date of the grant of Options pursuant to Clause 3(a).

**Options** means the options to subscribe for Shares granted pursuant to Clause 3(a).

**Shares** means ordinary shares in the capital of the Company.

### 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules of interpretation apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.
- (e) A reference to any party to this Deed or any other agreement or document includes the party's successors and permitted assigns.
- (f) A reference to any agreement or document is to that agreement or document as amended, novated, supplemented, varied or replaced from time to time.

- (g) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it, and all regulations and statutory instruments issued under it.
- (h) A reference to “dollars” and “\$” is to Australian currency.
- (i) A word or phrase appearing in a certain context which, when used in a similar context in the Corporations Act would have a particular meaning, has that meaning in this Deed.
- (j) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and severally.
- (k) A reference to conduct includes, without limitation, any omission, statement or undertaking, whether or not in writing.

## 2. SHAREHOLDER APPROVAL

The provisions of this Agreement, except Clause 1 and this Clause 2, shall not become binding upon the parties unless and until the grant of Options and the allotment of Shares to be issued upon the exercise of Options have been approved by a resolution of the Company for all purposes under the ASX Listing Rules and the entry by the Company into this Deed is approved by an ordinary resolution of the Company for the purposes of Section 208 of the Corporations Act.

## 3. GRANT OF OPTIONS

- (a) The Company shall grant to the Executive no later than one month after the date upon which shareholder approval is obtained in accordance with Clause 2, the following options to subscribe for a total of 2,000,000 shares on the terms and subject to the conditions set out in this Deed, as follows:
  - (i) an Option to subscribe for 666,000 Shares exercisable not earlier than two years after the Issue Date (“the first Option”);
  - (ii) an Option to subscribe for 666,000 Shares exercisable not earlier than two years after the Issue Date (“the second Option”); and
  - (iii) an Option to subscribe for 668,000 Shares exercisable not earlier than two years after the Issue Date (“the third Option”);
- (b) Notwithstanding the provisions of Clause 3(a), each Option shall become exercisable upon the earlier occurrence of any one of the following events:

- (i) the death of the Executive but only to the extent that the provisions of Clauses 7(b), (c) or (d) of this Deed (as the case may be) are also satisfied;
- (ii) a takeover offer being made to acquire the whole of the issued capital of the Company where acceptances are received for not less than 51% of the issued share capital and the offer is or has become unconditional, but only to the extent that the provisions of Clauses 7(b), (c) or (d) of this Deed (as the case may be) are also satisfied and the price (or cash equivalent) offered exceeds the relevant performance price hurdle.

## 4. CERTIFICATES

The Company shall deliver certificates in respect of each Option following grant, evidencing the Option and setting out the terms of the Option described in this Deed.

## 5. ASSIGNMENT

Each Option is personal to the Executive and may not be assigned to or exercised by any other person (except the Executive’s legal personal representative if the Executive dies).

## 6. EXPIRY

Each Option shall expire on the earlier of:

- (a) cessation of employment of the Executive by the Company (otherwise than by permanent disability, retirement, retrenchment or death);
- (b) twelve months (or such other period determined by the Board) after cessation of employment of the Executive due to permanent disablement, retirement, retrenchment, or death of the Executive, or other circumstances at the discretion of the Board;
- (c) the failure of a condition applicable to the relevant Option; and
- (d) the Expiry Date.

## 7. TERMS OF EXERCISE

- (a) Each Option may be exercised in whole or from time to time in part, provided that an Option shall not be exercised in part to acquire less than 100,000 Shares at one time.
- (b) The first Option shall not be exercisable unless the weighted average price per Share on the ASX over any one period of 20 consecutive trading days between the Issue Date and the Expiry Date is greater than or equal to \$5.0466 (1.5 times the Exercise Price).

- (c) The second Option shall not be exercisable unless the weighted average price per Share on the ASX over any one period of 20 consecutive trading days between the Issue Date and the Expiry Date is greater than or equal to \$6.7288 (2.0 times the Exercise Price).
- (d) The third Option shall not be exercisable unless the weighted average price per Share on the ASX over any one period of 20 consecutive trading days between the Issue Date and the Expiry Date is greater than or equal to \$8.4111 (2.5 times the Exercise Price).

## 8. METHOD OF EXERCISE

- (a) An Option may be exercised by delivering to the Company:
  - (i) the certificate for the Option;
  - (ii) a notice stating that the Executive exercises the Option for a specified number of Shares, which is signed by the Executive; and
  - (iii) payment to the Company of the Exercise Price for the number of Shares specified in the notice of exercise.
- (b) Upon receipt of the items described in Clause 8(a), the Company shall apply monies received on account of the Exercise Price in paying up and allotting the number of Shares in respect of which the Option was exercised fully paid together with any additional shares to be issued in accordance with the terms of Clause 9.
- (c) All Shares issued and allotted pursuant to the exercise of an Option shall rank pari passu in all respects with Shares on issue at the time of allotment.
- (d) If an Option is exercised in part, the Company shall issue a replacement option certificate specifying the remaining number of shares in respect of which the Option is exercisable.

## 9. ADJUSTMENTS

- (a) The rights of the Executive shall be changed to the extent necessary to comply with the Listing Rules of ASX applying to a reorganisation of capital at the time of the reorganisation.
- (b) If the Company makes a rights issue prior to the expiry of any Option by offering Shares pro-rata for subscription by shareholders (except pursuant to the dividend reinvestment plan) the Exercise Price per Share will be reduced in accordance with the following formula:

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

- A = the new exercise price of the option
- O = the Old exercise price of the option
- E = the number of Shares into which one option is Exercisable  
 Note: E is one unless the number changed because of a bonus issue.
- P = the average market Price per Share (weighted by reference to volume) of the Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date
- S = the Subscription price for a Share under the pro rata issue
- D = the Dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue)
- N = the Number of Shares with rights or entitlements that must be held to receive a right to one new Share

- (c) If prior to the expiry of any Option, the Company issues Shares pro-rata to its shareholders by way of a bonus issue, the Executive shall be entitled to receive an additional number of Shares upon the later exercise of an Option, calculated as if the Option had been exercised prior to the books closing date for the bonus issue.
- (d) If prior to the expiry of any Option, Shares are sub-divided or consolidated, the Options shall be sub-divided or consolidated in the same ratio and the Exercise Price shall be amended in inverse proportion to that ratio.
- (e) If prior to the expiry of any Option, the Company makes a return of capital to its shareholders generally, the Exercise Price shall be reduced by the amount of capital returned per Share.
- (f) If prior to the expiry of any Option, the Company reduces its capital by cancelling paid up capital that is lost or not represented by available assets and no securities are cancelled, there will be no alteration to the number or terms of the Options.



- (g) If prior to the expiry of any Option the Company undertakes a pro-rata cancellation of capital, the number of Options will be reduced in the same ratio as the Shares, and the Exercise Price will be amended in inverse proportion to that ratio.
- (h) If prior to the expiry of any Option the Company implements any other reconstruction of its issued capital, the Shares the subject of the Option and or the exercise of the price per Share is to be adjusted so that upon the exercise of the Option, the Executive is at no greater or lesser advantage than he would have been upon the exercise of the Option if the reconstruction had not occurred.
- (i) In applying any provision of this Clause 9 to adjust a number of Shares the subject of an Option or the exercise price per share, account shall be taken of each prior event requiring adjustment under this Clause 9 so that the effect of successive applications of the provisions of this Clause 9 is cumulative.
- (j) If prior to the expiry of any Option any of the events described in Clauses 9(a) to 9(h) occur, the share price targets described in Clause 7 shall be adjusted (if necessary) to maintain the same relativity between the Exercise Price per Share and each share price target as that applying at the date of this Deed.

10. NEW ISSUES

The options confer no right on the Executive to participate in new issues of securities by the Company without exercising the Options or any one or part of an Option.

11. NO FINANCIAL ASSISTANCE

The Company will not make any loan or provide any other financial accommodation to the Executive to fund the payment of the Exercise Price.

12. NO ACCRETION OF RIGHTS

There shall be no accretion of any rights to the Executive as a result of the holding of Options except in accordance with the terms of this Deed.

13. NOTICES

Notices shall be given by delivery to the registered office of the Company, marked to the attention of the relevant party.

14. COUNTERPARTS

This Deed may be executed in counterparts.

15. LAW AND JURISDICTION

This Deed shall be interpreted in accordance with the laws of the state of New South Wales and the Commonwealth of Australia and the parties submit to the jurisdiction of courts administering those laws.

EXECUTED unconditionally as a Deed.

THE COMMON SEAL of SOUTHCORP LIMITED was affixed in accordance with the Constitution and in the presence of:

Signature

Signature

Print Name

Print Name

Office held

Office held

SIGNED as a Deed by the said JOHN CHARLES BALLARD in the presence of:

Witness Signature

Signature

Print Name

Print Name

## EXECUTIVE DIRECTOR SHARE OPTION DEED

### DATE

[ ] 2003

### PARTIES

**Southcorp Limited** (ABN 80 007 722 643), of 403 Pacific Highway, Artarmon, New South Wales, 2064 (the “Company”); and

**Thomas Palmer Burnet** of 2700 Napa Valley Corporate Drive, Suite A, Napa, California, United States of America (the “Executive”).

### RECITAL

1. On 1 September 2002 the Executive commenced as the President, Southcorp Wines, The Americas;
2. On 18 March 2003 the Executive was appointed a Director of the Company.

### OPERATIVE PART

In consideration of the services to be rendered by the Executive to the Company as President, Southcorp Wines, The Americas, the Company has agreed to grant Options to the Executive upon the terms and conditions set out in this Deed.

**It is agreed** as follows.

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

The following definitions apply unless the context requires otherwise.

**Approval Date** means the day on which the grant of Options to which this Deed relates is approved by an ordinary resolution of the Company for all purposes under the ASX Listing Rules and the entry by the Company into this Deed is approved by an ordinary resolution of the Company for the purposes of Section 208 of the Corporations Act.

**ASX** means Australian Stock Exchange Limited.

**Exercise Price** means the weighted average price per share of the Company’s shares on the ASX over the five trading days before the date upon which, respectively, the First Tranche Options and the Second Tranche Options, are granted subject to adjustment in accordance with Clause 9 of this Deed.

**Expiry Date** means midnight on the 5th anniversary of the Issue Date of the First Tranche Options and the Second Tranche Options, (as the case may be).

**First Tranche Options** means the options to subscribe for shares granted pursuant to Clause 3(a).

**Issue Date** means the date of the grant of the First Tranche Options and the Second Tranche Options, (as the case may be).

**Options** means the First Tranche Options and the Second Tranche Options.

**Second Tranche Options** means the options to subscribe for shares granted pursuant to Clause 3(b).

**Shares** means ordinary shares in the capital of the Company.

### 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules of interpretation apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person includes a body corporate, an unincorporated body or other entity and conversely.
- (e) A reference to any party to this Deed or any other agreement or document includes the party’s successors and permitted assigns.
- (f) A reference to any agreement or document is to that agreement or document as amended, novated, supplemented, varied or replaced from time to time.
- (g) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it, and all regulations and statutory instruments issued under it.
- (h) A reference to “dollars” and “\$” is to Australian currency.
- (i) A word or phrase appearing in a certain context which, when used in a similar context in the Corporations Act would have a particular meaning, has that meaning in this Deed.

- (j) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and severally.
- (k) A reference to conduct includes, without limitation, any omission, statement or undertaking, whether or not in writing.

## 2. SHAREHOLDER APPROVAL

The provisions of this Agreement, except Clause 1 and this Clause 2, shall not become binding upon the parties unless and until the grant of Options and the allotment of Shares to be issued upon the exercise of Options have been approved by a resolution of the Company for all purposes under the ASX Listing Rules and the entry by the Company into this Deed is approved by an ordinary resolution of the Company for the purposes of Section 208 of the Corporations Act.

## 3. GRANT OF OPTIONS

- (a) The Company shall grant to the Executive no later than one month after the date upon which shareholder approval is obtained in accordance with Clause 2, Options to subscribe for 250,000 shares on the terms and subject to the conditions set out in this Deed, as follows:
  - (i) an option to subscribe for 125,000 shares exercisable not earlier than three years after the Issue Date ("Option A"); and
  - (ii) an option to subscribe for 125,000 shares exercisable not earlier than three years after the Issue Date ("Option B").
- (b) Subject to the prior approval of the Board, the Company shall grant to the Executive no later than one month after 1 September, 2004, options to subscribe for 250,000 shares on the terms and subject to the conditions set out in this Deed, as follows;
  - (i) an option to subscribe for 125,000 shares exercisable not earlier than three years after the Issue Date ("Option C"); and
  - (ii) an option to subscribe for 125,000 shares exercisable not earlier than three years after the Issue Date ("Option D").
- (c) Notwithstanding the provisions of Clauses 3(a) and 3(b), each of the Options then granted shall become exercisable:

- (i) with the prior approval of the Board, upon the acquisition of Shares by a person who does not have voting power in respect of more than 50 per cent of the issued Shares so that after the acquisition the person has voting power with respect to more than 50 per cent of the issued Shares, except as a result of a conditional offer or contract, in which case the acquisition will be deemed to occur when the offer or contract becomes unconditional;
- (ii) with the prior approval of the Board, within 6 months of the Executive's employment with the Company ceasing due to retirement, retrenchment, permanent disablement or death between the date two years after the Issue Date and the date thirty months after the Issue Date, so long as the provisions of Clauses 7(b) or (c) (as the case may be) of this Deed have then been satisfied; and
- (iii) within 6 months of the Executive's employment with the Company ceasing due to retirement, retrenchment, permanent disablement or death between the date thirty months after the Issue Date, and the date three years after the Issue Date, so long as the provisions of Clauses 7(b) or (c) (as the case may be) of this Deed have been satisfied.

## 4. CERTIFICATES

The Company shall deliver certificates in respect of each Option following grant, evidencing the Option and setting out the terms of the Option described in this Deed.

## 5. ASSIGNMENT

Each Option is personal to the Executive and may not be assigned to or exercised by any other person (except the Executive's legal personal representative if the Executive dies).

## 6. EXPIRY

Each Option shall expire on the earlier of:

- (a) cessation of employment of the Executive by the Company (otherwise than by permanent disablement, retirement, retrenchment or death);
- (b) six months after cessation of employment of the Executive due to permanent disablement, retirement, retrenchment, or death of the Executive;
- (c) the failure of a condition applicable to the relevant Option; and
- (d) the Expiry Date.

## 7. TERMS OF EXERCISE

- (a) Each Option may be exercised in whole or from time to time in part, provided that an Option shall not be exercised in part to acquire less than 100,000 Shares at one time.
- (b) Each of Option A and Option C shall not be exercisable unless the weighted average prices of shares in the Company for any one period of 20 consecutive trading days within 5 years of the Issue Date is 30% greater than;
  - (i) in the case of Option A, the Exercise Price for the First Tranche Options; and
  - (ii) in the case of Option C, the Exercise Price for the Second Tranche Options.
- (c) Each of Option B and Option D shall not be exercisable unless the weighted average prices of shares in the Company for any consecutive period of 20 days within 5 years of the Issue Date is 40% greater than;
  - (i) in the case of Option B, the Exercise Price for the First Tranche Options; and
  - (ii) in the case of Option D, the Exercise Price for the Second Tranche Options.

## 8. METHOD OF EXERCISE

- (a) An Option may be exercised by delivering to the Company:
  - (i) the certificate for the Option;
  - (ii) a notice stating that the Executive exercises the Option for a specified number of Shares, which is signed by the Executive; and
  - (iii) payment to the Company of the Exercise Price for the number of Shares specified in the notice of exercise.
- (b) Upon receipt of the items described in Clause 8(a), the Company shall apply monies received on account of the Exercise Price in paying up and allotting the number of Shares in respect of which the Option was exercised fully paid together with any additional shares to be issued in accordance with the terms of Clause 9.
- (c) All Shares issued and allotted pursuant to the exercise of an Option shall rank pari passu in all respects with Shares on issue at the time of allotment.
- (d) If an Option is exercised in part, the Company shall issue a replacement option certificate specifying the remaining number of shares in respect of which the Option is exercisable.

## 9. ADJUSTMENTS

- (a) The rights of the Executive shall be changed to the extent necessary to comply with the Listing Rules of ASX applying to a reorganisation of capital at the time of the reorganisation.
- (b) If the Company makes a rights issue prior to the expiry of any Option by offering Shares pro-rata for subscription by shareholders (except pursuant to the dividend reinvestment plan) the Exercise Price per Share will be reduced in accordance with the following formula:

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

A = the new exercise price of the option

O = the Old exercise price of the option

E = the number of Shares into which one option is Exercisable

Note: E is one unless the number changed because of a bonus issue.

P = the average market Price per Share (weighted by reference to volume) of the Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date

S = the Subscription price for a Share under the pro rata issue

D = the Dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue)

N = the Number of Shares with rights or entitlements that must be held to receive a right to one new Share

- (c) If prior to the expiry of any Option, the Company issues Shares pro-rata to its shareholders by way of a bonus issue, the Executive shall be entitled to receive an additional number of Shares upon the later exercise of an Option, calculated as if the Option had been exercised prior to the books closing date for the bonus issue.
- (d) If prior to the expiry of any Option, Shares are sub-divided or consolidated, the Options shall be sub-divided or consolidated in the same ratio and the Exercise Price shall be amended in inverse proportion to that ratio.
- (e) If prior to the expiry of any Option, the Company makes a return of capital to its shareholders generally, the Exercise Price shall be reduced by the amount of capital returned per Share.

(f) If prior to the expiry of any Option, the Company reduces its capital by cancelling paid up capital that is lost or not represented by available assets and no securities are cancelled, there will be no alteration to the number or terms of the Options.

(g) If prior to the expiry of any Option, the Company undertakes a pro-rata cancellation of capital, the number of Options will be reduced in the same ratio as the Shares, and the Exercise Price will be amended in inverse proportion to that ratio.

(h) If prior to the expiry of any Option, the Company implements any other reconstruction of its issued capital, the Shares the subject of the Option and/or the exercise of the price per Share is to be adjusted so that upon the exercise of the Option, the Executive is at no greater or lesser advantage than he would have been upon the exercise of the Option if the reconstruction had not occurred.

(i) In applying any provision of this Clause 9 to adjust a number of Shares the subject of an Option or the exercise price per share, account shall be taken of each prior event requiring adjustment under this Clause 9 so that the effect of successive applications of the provisions of this Clause 9 is cumulative.

(j) If prior to the expiry of any Option, any of the events described in Clauses 9(a) to 9(h) occur, the share price targets described in Clause 7 shall be adjusted (if necessary) to maintain the same relativity between the Exercise Price per Share and each share price target as that applying at the date of this Deed.



**10. NEW ISSUES**

The options confer no right on the Executive to participate in new issues of securities by the Company without exercising the Options or any one or part of an Option.

**11. NO FINANCIAL ASSISTANCE**

The Company will not make any loan or provide any other financial accommodation to the Executive to fund the payment of the Exercise Price.

**12. NO ACCRETION OF RIGHTS**

There shall be no accretion of any rights to the Executive as a result of the holding of Options except in accordance with the terms of this Deed.

**13. NOTICES**

Notices shall be given by delivery to the registered office of the Company, marked to the attention of the relevant party.

**14. COUNTERPARTS**

This Deed may be executed in counterparts.

**15. LAW AND JURISDICTION**

This Deed shall be interpreted in accordance with the laws of the state of New South Wales and the Commonwealth of Australia and the parties submit to the jurisdiction of courts administering those laws.

**EXECUTED** unconditionally as a Deed.

**THE COMMON SEAL** of **SOUTHCORP LIMITED** was affixed in accordance with the Constitution and in the presence of:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Office held

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Office held

**SIGNED** as a Deed by the said **THOMAS PALMER BURNET** in the presence of:

\_\_\_\_\_  
Witness Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name