



ACN 129 035 221

## NOTICE OF ANNUAL GENERAL MEETING

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The Annual General Meeting of the Company will be held at HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia on Wednesday, 28 February 2018 at 10.30am (WST).

*The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9204 8400.*

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

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## ALTERRA LIMITED

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### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Alterra Limited (**Company**) will be held at HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia on Wednesday, 28 February 2018 at 10.30am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 10.30am on 26 February 2018 (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

### AGENDA

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#### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 September 2017, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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#### 2. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

##### Voting Prohibition

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person as a proxy if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
  - (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.
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#### 3. Resolution 2 - Re-election of Director - Mr Andrew McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That for the purpose of clause 13.2 of the Constitution, Listing Rule 14.5 and for all other purposes, Mr Andrew McBain, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

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#### 4. Resolution 3 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion**

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue (except a benefit solely by reason of being a holder of Shares), or an associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 5. Resolution 4 - Approval of Employee Share Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.2, Exception 9, and for all other purposes, Shareholders approve the adoption of the option incentive scheme of the Company known as the "Employee Share Option Plan" and the issue of securities under that plan, on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or their respective associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and

- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 6. Resolution 5 - Approval of potential termination benefits under the Employee Share Option Plan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That conditional on Resolution 4 being approved, for a period commencing from the date this Resolution is passed and ending upon the expiry of all Options issued or to be issued under the Employee Share Option Plan, approval be given for the purposes of Part 2D.2 of the Corporations Act for the giving of benefits to any current or future person holding a managerial or executive office of the Company or a related body corporate in connection with that person ceasing to hold such office, on the terms and conditions in the Explanatory Memorandum."*

### Voting Prohibitions

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

In addition, a vote on this Resolution must not be cast by any participants or potential participants in the Employee Share Option Plan and their associates, otherwise the benefit of this Resolution will be lost by such a person in relation to that person's future retirement. However, a vote may be cast by such a person if:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; and
- (b) it is not cast on behalf of the person or an associate of the person.

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## 7. Resolution 6 - Approval of Issue of Incentive Options to Mr Andrew McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That pursuant to and in accordance with Listing Rule 10.14, section 195(4) of the Corporations Act, and for all other purposes, Shareholders approve the issue of up to 2,000,000 Incentive Options under the Company's Employee Share Option Plan to Mr Andrew McBain (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion and Prohibition

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a Director who is eligible to participate in the Employee Share Option Plan, or an associate of such Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## **8. Resolution 7 - Approval of Issue of Incentive Options to Mr Trevor Stoney**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That pursuant to and in accordance with Listing Rule 10.14, section 195(4) of the Corporations Act, and for all other purposes, Shareholders approve the issue of up to 1,000,000 Incentive Options under the Company's Employee Share Option Plan to Mr Trevor Stoney (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion and Prohibition**

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a Director who is eligible to participate in the Employee Share Option Plan, or an associate of such Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 9. Resolution 8 - Approval of Issue of Incentive Options to Mr Neil McBain

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That pursuant to and in accordance with Listing Rule 10.14, section 195(4) of the Corporations Act, and for all other purposes, Shareholders approve the issue of up to 1,000,000 Incentive Options under the Company's Employee Share Option Plan to Mr Neil McBain (or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion and Prohibition

The Company will disregard any votes cast in favour of the Resolution by or on behalf of a Director who is eligible to participate in the Employee Share Option Plan, or an associate of such Directors.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**BY ORDER OF THE BOARD**



Mr Anthony Fitzgerald  
Company Secretary

Dated: 22 January 2018

## **EXPLANATORY MEMORANDUM**

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### **1. Introduction**

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at HLB Mann Judd Boardroom, Level 4, 130 Stirling Street, Perth, Western Australia on Wednesday, 28 February 2018 at 10.30am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 - Remuneration Report
Section 5:	Resolution 2 - Re-election of Director - Mr Andrew McBain
Section 6:	Resolution 3 - Approval of 10% Placement Facility
Section 7:	Resolution 4 - Approval of Employee Share Option Plan
Section 8:	Resolution 5 - Approval of potential termination benefits under the Employee Share Option Plan
Section 9:	Resolution 6 - Approval of issue of Incentive Options to Mr Andrew McBain
Section 10:	Resolution 7 - Approval of issue of Incentive Options to Mr Trevor Stoney
Section 11:	Resolution 8 - Approval of issue of Incentive Options to Mr Neil McBain
Schedule 1:	Definitions
Schedule 2:	Summary of Employee Share Option Plan
Schedule 3:	Terms and conditions of Incentive Options

A Proxy Form is located at the end of the Explanatory Memorandum.

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### **2. Action to be taken by Shareholders**

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

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### 3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 September 2017.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.alterra.com.au](http://www.alterra.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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### 4. Resolution 1 - Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Part 2G.2, Division 9 of the Corporations Act provides Shareholders with the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.



Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2016 annual general meeting. If the Remuneration Report receives a Strike at this Meeting (the 2017 annual general meeting), Shareholders should be aware that if a second Strike is received at the 2018 annual general meeting, this may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

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## 5. Resolution 2 - Re-election of Director - Mr Andrew McBain

Clause 13.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (d) in determining the number of Directors to retire, no account is to be taken of:
  - (i) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; and/ or
  - (ii) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

Listing Rule 14.5 requires that an entity which has directors must hold an election of directors at each annual general meeting.

The Company currently has three Directors and accordingly one must retire.

Mr Andrew McBain, the Director longest in office since his last election, has agreed to retire by rotation and seek re-election at this Meeting.

Mr Andrew McBain is one of the founders of the Company and was instrumental in the establishment and early development of the Company's business. Mr Andrew McBain has been involved with a number of start-up businesses and has experience in business management and development, capital raising and corporate compliance.

As an Executive Director, Mr Andrew McBain is not considered to be independent.

The Board (excluding Mr Andrew McBain) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

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## 6. Resolution 3 - Approval of 10% Placement Facility

### 6.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12-month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. Based on the ASX closing price on 15 January 2018, the Company has a market capitalisation of approximately \$4.31 million. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 3.

### 6.2 Listing Rule 7.1A

#### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

#### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted class of Equity Securities, Shares.

#### (c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue during the 12-month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

- A** is the number of shares on issue 12 months before the date of issue or agreement:
- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
  - (B) plus the number of partly paid shares that became fully paid in the 12 months;
  - (C) plus the number of fully paid shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;
  - (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 143,599,988 Shares and has a capacity to issue:

- (i) 21,539,998 Equity Securities under Listing Rule 7.1; and
- (ii) 14,359,999 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c)).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

**(10% Placement Period).**

### 6.3 Listing Rule 7.1A

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

### 6.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are converted into Shares). There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

- (c) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of the Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.015 50% decrease in Issue Price	\$0.03 Issue Price	\$0.06 100% increase in Issue Price
Current Variable A 143,599,988 Shares	10% Voting Dilution	14,359,999 Shares	14,359,999 Shares	14,359,999 Shares
	Funds raised	\$215,400	\$430,800	\$861,600
50% increase in current Variable A 215,399,982 Shares	10% Voting Dilution	21,539,998 Shares	21,539,998 Shares	21,539,998 Shares
	Funds raised	\$323,100	\$646,200	\$1,292,400
100% increase in current Variable A 287,199,976 Shares	10% Voting Dilution	28,719,998 Shares	28,719,998 Shares	28,719,998 Shares
	Funds raised	\$430,800	\$861,600	\$1,723,200

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (ii) No convertible securities (including any issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
  - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - (vii) The issue price is \$0.03 being the closing price of the Shares on ASX on 15 January 2018.
- (d) The Company will only issue the Equity Securities during the 10% Placement Period.
- (e) The Company may seek to issue the Equity Securities for the following purposes:
- (i) cash consideration in which case the Company intends to use funds raised for the acquisition of new projects, assets and investments (including expenses associated with such an acquisition, such as due diligence and external advisers, amongst other expenses), continued expenditure on the Company's current assets and general working capital; or
  - (ii) non-cash consideration for the acquisition of new projects, assets and investments including previously announced acquisitions, in such circumstances the Company will provide a valuation of the non-cash consideration as required under Listing Rule 7.1A.3.
- (f) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (g) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).
- (h) The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company.

Further, if the Company is successful in acquiring new projects, assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new projects, assets or investments.

- (i) The Company obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 28 February 2017.

As at the date of this Notice, the Company has not issued any Equity Securities in the 12 months preceding the date of the Meeting.

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## **7. Resolution 4 - Approval of Employee Share Option Plan**

### **7.1 General**

The Board recognises the need to adequately incentivise and remunerate staff, but is keen to ensure that the Company's cash reserves are invested in development, distribution and marketing efforts to the extent possible. As such, predominantly equity based incentives continue to provide the best and most viable means for the Company to recognise and reward performance.

The key foundations of an entities incentive program are designed to:

- (a) align employee incentives with Shareholders' interests;
- (b) encourage broad-based share ownership by employees; and
- (c) assist employee attraction and retention.

### **7.2 Listing Rule 7.1**

Listing Rule 7.1 prohibits an entity from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities without the approval of holders of its ordinary securities.

### **7.3 Listing Rule 7.2, Exception 9(b)**

Listing Rule 7.2 Exception 9(b) provides that Listing Rule 7.1 does not apply in relation to, among other things, an issue under an employee incentive scheme if within 3 years before the date of the issue the holders of the entity's ordinary securities approve the issue of securities under the scheme as an exception to Listing Rule 7.1.

The Listing Rules define "employee incentive scheme" as:

- (a) a scheme for the issue or acquisition of equity securities in an entity to be held by, or for the benefit of, participating employees or non-executive directors of the entity or a related entity; or

- (b) a scheme which, in ASX's opinion, is an employee incentive scheme.

The Employee Share Option Plan is an employee incentive scheme for the purposes of the Listing Rules.

If Resolution 4 is passed, Options issued under the Employee Share Option Plan during the next 3 years will be excluded in determining the 15% limit under Listing Rule 7.1. This would assist the Company should it require additional fundraising flexibility.

The following information is provided for the purposes of Listing Rule 7.2 Exception 9(b):

- (a) a summary of the terms and conditions of the Employee Share Option Plan is outlined in Schedule 2 of this Notice and the Company Secretary will provide Shareholders with a copy of the Employee Share Option Plan free of charge on request;
- (b) 14,000,000 Options have been issued under the Employee Share Option Plan since it was first approved by Shareholders, at the general meeting held on 27 January 2015 (with 2,000,000 of these Options having subsequently lapsed in accordance with their terms); and
- (c) a voting exclusion statement is included in the Notice.

#### **7.4 Additional information**

The Board recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 4.

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## **8. Resolution 5 - Approval of potential termination benefits under the Employee Share Option Plan**

### **8.1 General**

Subject to Shareholder approval of Resolution 4, Shareholder approval is also sought for the purposes of Part 2D.2 of the Corporations Act to approve the giving of benefits under the Employee Share Option Plan to a person by the Company in connection with that person ceasing to be an officer of, or ceasing to hold a managerial or executive office in, the Company (or subsidiary of the Company) on the terms and conditions in this Explanatory Memorandum.

Resolution 5 is conditional on the passing of Resolution 4. If Resolution 4 is not approved at the Meeting, Resolution 6 will not be put to the Meeting.

Under the terms of the Plan (summarised in Schedule 2), the Board possesses discretion to resolve that in certain circumstances, Options granted under the Plan (**Plan Options**) will not lapse within the specified timeframes of a person ceasing employment or office. The Board also possesses discretion to resolve that unvested Options may not lapse following a person ceasing employment or office. The Board's current intention is to only exercise such discretion where the person leaves employment or office without fault on their part.

The exercise of such discretion by the Board may constitute a "benefit" for the purposes of section 200B of the Corporations Act. The Company is therefore seeking Shareholder approval for the exercise of the Board's discretion in respect of any current or future participant in the Plan who holds:

- (a) a managerial or executive office in, or is an officer of, the Company (or subsidiary of the Company) at the time of their leaving or at any time in the three years prior to their leaving; and
- (b) Plan Options at the time of their leaving.

### **8.2 Value of the termination benefits**

The value of the termination benefits that the Board may give under the Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. In particular, the value of a particular benefit will depend on factors such as the Company's Share price at the time of vesting

and the number of Plan Options that will vest or otherwise be affected. The following additional factors may also affect the benefit's value:

- (a) the participant's length of service and the status of any vesting conditions attaching to the relevant Plan Options at the time the participant's employment or office ceases; and
- (b) the number of Plan Options that the participant holds at the time they cease employment or office.

### **8.3 Corporations Act**

Part 2D.2 of the Corporations Act restricts the benefits that can be given to persons who hold a "managerial or executive office" (as defined in the Corporations Act) on leaving their employment with the Company or any of its related bodies corporate, unless an exception applies.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies. Provided Shareholder approval is given, the value of the termination benefits may be disregarded when applying section 200F(2)(b) or section 200G(1)(c) of the Corporations Act (i.e. the approved benefit will not count towards the statutory cap under the legislation).

### **8.4 Additional information**

The Board recommends that Shareholders vote in favour of Resolution 5.

Resolution 5 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

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## **9. Resolution 6 - Issue of Incentive Options to Mr Andrew McBain**

### **9.1 General**

Resolution 6 seeks Shareholder approval pursuant to Listing Rule 10.14 for the issue of up to 2,000,000 Incentive Options under the Employee Share Option Plan to Mr Andrew McBain (or his nominee). The terms and conditions of the Incentive Options are set out in Schedule 3.

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of Mr Andrew McBain in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Incentive Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

The Board (excluding Mr Andrew McBain) recommends that Shareholders vote in favour of Resolution 6.

Resolution 6 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 6.

### **9.2 Listing Rule 10.14**

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Resolution 6 is being put to Shareholders to seek approval for the issue of the Incentive Options to Mr Andrew McBain (or his nominee) pursuant to Listing Rule 10.14.



### 9.3 Chapter 2E

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Incentive Options constitutes giving a financial benefit as Mr Andrew McBain is a related party of the Company by virtue of being a Director.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to section 208 of the Corporations Act.

### 9.4 Specific information required Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of Incentive Options:

- (a) Incentive Options will be issued under the Employee Share Option Plan to Mr Andrew McBain (or his nominee).
- (b) The maximum number of Incentive Options to be issued is 2,000,000.
- (c) The Incentive Options will be issued for nil cash consideration as they will be issued as part of the remuneration package for Mr Andrew McBain.
- (d) The names of all persons referred to in Listing Rule 10.14 who have received Equity Securities under the Employee Share Option Plan since its last approval by Shareholders, the number of Equity Securities received, and the acquisition price of each Equity Security is as set out below:

Recipient	Number of Equity Securities	Acquisition Price
Mr Andrew McBain	3,500,000 Options	Nil cash consideration (part of remuneration package)

- (e) All current Directors of the Company (comprising Messrs Andrew McBain, Trevor Stoney and Neil McBain) are eligible to participate in the Employee Share Option Plan. No other persons referred to in Listing Rule 10.14 are entitled to participate in the Plan.
- (f) No loan has been provided to the Director in relation to the issue of the Incentive Options.
- (g) The Incentive Options will be issued no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

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## 10. Resolution 7 - Issue of Options to Mr Trevor Stoney

### 10.1 General

Resolution 7 seeks Shareholder approval pursuant to Listing Rule 10.14 for the issue of up to 1,000,000 Incentive Options under the Employee Share Option Plan to Mr Trevor Stoney (or his nominee). The terms and conditions of the Incentive Options are set out in Schedule 3.

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of Mr Trevor Stoney in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Incentive Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

The Board (excluding Mr Trevor Stoney) recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 7.

## **10.2 Listing Rule 10.14**

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Resolution 7 is being put to Shareholders to seek approval for the issue of the Incentive Options to Mr Trevor Stoney (or his nominee) pursuant to Listing Rule 10.14.

## **10.3 Chapter 2E**

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Incentive Options constitutes giving a financial benefit as Mr Trevor Stoney is a related party of the Company by virtue of being a Director.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to Section 208 of the Corporations Act.

## **10.4 Specific information required Listing Rule 10.15**

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of Incentive Options:

- (a) Incentive Options will be issued under the Employee Share Option Plan to Mr Trevor Stoney (or his nominee).
- (b) The maximum number of Incentive Options to be issued is 1,000,000.
- (c) The Incentive Options will be issued for nil cash consideration as they will be issued as part of the remuneration package for Mr Trevor Stoney.
- (d) The names of all persons referred to in Listing Rule 10.14 who have received Equity Securities under the Employee Share Option Plan since its last approval by Shareholders, the number of Equity Securities received, and the acquisition price of each Equity Security is as set out below:

Recipient	Number of Equity Securities	Acquisition Price
Mr Andrew McBain	3,500,000 Options	Nil cash consideration (part of remuneration package)

- (e) All current Directors of the Company (comprising Messrs Andrew McBain, Trevor Stoney and Neil McBain) are eligible to participate in the Employee Share Option Plan. No other persons referred to in Listing Rule 10.14 are entitled to participate in the Plan.
- (f) No loan has been provided to the Director in relation to the issue of the Incentive Options.
- (g) The Incentive Options will be issued no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

## **11. Resolution 8 - Issue of Options to Mr Neil McBain**

### **11.1 General**

Resolution 8 seeks Shareholder approval pursuant to Listing Rule 10.14 for the issue of up to 1,000,000 Incentive Options under the Employee Share Option Plan to Mr Neil McBain (or his nominee). The terms and conditions of the Incentive Options are set out in Schedule 3.

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of Mr Neil McBain in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Incentive Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

The Board (excluding Mr Neil McBain) recommends that Shareholders vote in favour of Resolution 8.

Resolution 8 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 8.

### **11.2 Listing Rule 10.14**

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Resolution 8 is being put to Shareholders to seek approval for the issue of the Incentive Options to Mr Neil McBain pursuant to Listing Rule 10.14.

### **11.3 Chapter 2E**

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Incentive Options constitutes giving a financial benefit as Mr Neil McBain is a related party of the Company by virtue of being a Director.

The Board has considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is relevant in the circumstances and accordingly, the Company will not seek approval for the issue of the Incentive Options pursuant to Section 208 of the Corporations Act.

#### 11.4 Specific information required Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of Incentive Options:

- (a) Incentive Options will be issued under the Employee Share Option Plan to Mr Neil McBain (or his nominee).
- (b) The maximum number of Incentive Options to be issued is 1,000,000.
- (c) The Incentive Options will be issued for nil cash consideration as they will be issued as part of the remuneration package for Mr Neil McBain.
- (d) The names of all persons referred to in Listing Rule 10.14 who have received Equity Securities under the Employee Share Option Plan since its last approval by Shareholders, the number of Equity Securities received, and the acquisition price of each Equity Security is as set out below:

Recipient	Number of Equity Securities	Acquisition Price
Mr Andrew McBain	3,500,000 Options	Nil cash consideration (part of remuneration package)

- (e) All current Directors of the Company (comprising Messrs Andrew McBain, Trevor Stoney and Neil McBain) are eligible to participate in the Employee Share Option Plan. No other persons referred to in Listing Rule 10.14 are entitled to participate in the Plan.
- (f) No loan has been provided to the Director in relation to the issue of the Incentive Options.
- (g) The Incentive Options will be issued no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

## Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**10% Placement Facility** has the meaning given in Section 6.1.

**10% Placement Period** has the meaning given in Section 6.2(f).

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 September 2017.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Chair or Chairman** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Alterra Limited ACN 129 035 221.

**Constitution** means the constitution of the Company as at the date of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Employee Share Option Plan or Plan** means the employee incentive plan of the Company to be approved in accordance with Resolution 4 and on the terms and conditions summarised in Schedule 2.

**Equity Security** has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Incentive Options** means the Options the subject of Resolutions 6, 7 and 8 proposed to be issued to the Directors (or their respective nominees) under the Employee Share Option Plan on the terms and conditions in Schedule 3.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of annual general meeting.

**Option** means an option which entitles the holder to subscribe for one Share.

**Plan Options** has the meaning given in Section 8.1.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution referred to in the Notice.

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Memorandum.

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

**Shareholder** means a shareholder of the Company.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Trading Day** has the same meaning as in the Listing Rules.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 - Summary of Employee Share Option Plan

### 1. Eligible participants

Directors, officers, employees and contractors of the Company or an entity controlled by the Company are "Eligible Persons" under the Employee Share Option Plan.

The Directors may from time to time make offers in writing to Eligible Persons inviting them to take up Options under the Employee Share Option Plan.

Options may not be offered to a Director or his or her associates except where approval is given by the Shareholders in general meeting in accordance with the requirements of the Listing Rules.

### 2. Limit to number of Options Offered Under the Plan

The Directors will not offer or issue Options to any Eligible Person in accordance with the Employee Share Option Plan if the Directors have reasonable grounds to believe that the total number of Shares the subject of Options, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under the Employee Share Option Plan, any other employee incentive scheme or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, but disregarding any Shares issued or that may be issued as a result of:

- (a) an offer to a person situated at the time of receipt of the offer outside Australia;
- (b) an offer that did not need disclosure to investors because of section 708 of the Corporations Act. Section 708 exempts the requirement of a disclosure document for the issue of securities in certain circumstances to investors who are deemed to have sufficient investment knowledge to make informed decisions, including professional investors, sophisticated investors and senior managers of the Company; or
- (c) an offer made under a disclosure document,

would exceed five (5) per cent of the total number of issued Shares in the Company as at the time of making the offer (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act).

### 3. Administration of Plan

The Directors will administer the Employee Share Option Plan awarding Options to acquire Shares in the Company to Eligible Persons. The selection of persons to whom the Shares will be offered under the Employee Share Option Plan, the number of Shares which may be offered to those persons, and any performance criteria that may apply before the Options may be exercised will be determined wholly by the Directors in their absolute discretion and in compliance with the Listing Rules.

### 4. Expiration of Options

A vested Option will lapse on its expiry date. An unvested Option will lapse upon the earlier of its expiry date, voluntary resignation of the employee or voluntary termination of the consultancy contract, or the holder acting fraudulently or dishonestly in relation to the Company (unless the Board resolves otherwise within 30 days of any such event occurring).

### 5. Death or permanent disability of participant

An Option will lapse after one year of a participant's death, permanent disability, redundancy or other reason which the Board considers fair and reasonable to warrant the participant maintaining his or her right to the Options.

### 6. Transfer of Options

Options may only be transferred to a participant's spouse or a company controlled by the participant.

**7. Administration of the Plan**

The Employee Share Option Plan will be administered by the Directors who have the power to:

- (a) determine the procedures from time to time for the administration of the Employee Share Option Plan subject to the Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the interpretation or application of the Rules; and
- (c) delegate to any one or more persons for such period and on such conditions as or the Directors may determine the exercise of any of the Directors powers or discretions under the Employee Share Option Plan.

**8. Amendment of the Plan**

The Directors may amend the Employee Share Option Plan if the amendment is of a formal, minor or technical nature or is made to correct a manifest error. Other amendments require shareholder approval.

**9. Termination of the Employee Share Option Plan**

The Employee Share Option Plan may be terminated at any time by resolution of the Directors and notification thereof to the ASX.



## Schedule 3 - Terms and Conditions of Incentive Options

### 1. Entitlement

Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (Share) upon exercise of the Option.

### 2. Exercise Price, Vesting Date and Expiry Date

The Options have an exercise price and expiry date as follows:

Exercise Price	Vesting Date	Expiry Date
\$0.035	No vesting conditions	31 March 2021

### 3. Exercise Period

The vested Options are exercisable at any time and from time to time on or prior to the Expiry Date.

### 4. Effect of Cessation of Employment

- (a) Unless the Board determines otherwise, any unvested Options will automatically lapse and be forfeited within 30 days, if the holder:
- (i) voluntarily resigns from employment with the Company otherwise than to take up employment with a Related Body Corporate of the Company;
  - (ii) is dismissed from employment with the Company for any one or more of the following reasons:
    - (A) wilful misconduct bringing disrepute on the Company or a Related Body Corporate;
    - (B) repeated disobedience, after prior written warning;
    - (C) incompetence in the performance of any duties for which the holder was employed, after prior written warning; or
    - (D) fraud or any other dishonesty in respect of the property or affairs of the Company or a Related Body Corporate.
- (b) Unvested Options will not lapse and be forfeited where an Eligible Person ceases employment with the Company in the following circumstances:
- (i) death or total permanent disability;
  - (ii) retirement;
  - (iii) redundancy; and
  - (iv) any other reason, based on which the Directors believe is fair and reasonable to warrant the holder maintaining his right to exercise the Options.
- (c) Should the holder, in the opinion of the Directors, satisfy the requirements of clause 4(b), the holder will have a period of one (1) year to exercise the Options from the date the Company receives notice of the specified event and acknowledges in writing that such event satisfies the requirements of clause 4(b).

## 5. Effect of Change in Control

In the event of a Change in Control, any unvested Options will vest immediately. For the purposes of this clause, a "Change in Control" means any of the following events:

- (a) a court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the shareholders of the Company approve the proposed compromise or arrangement at such meeting;
- (b) a takeover bid (as defined in section 9 of the Corporations Act):
  - (i) is announced; and
  - (ii) has become unconditional; or
- (c) any person acquires a relevant interest in 50.1% or more of the Company's Shares by any other means.

## 6. Notice of Exercise

The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

## 7. Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

## 8. Quotation of Shares on Exercise

Application will be made by the Company to ASX, on the Business Day the Shares are issued, for quotation of the Shares issued upon the exercise of the Options.

## 9. Timing of Issue of Shares

- (a) Within 3 Business Days after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will issue the Shares pursuant to the exercise of the Options and will (subject to paragraph (b) below), at the same time, issue a cleansing notice under section 708A(5) of the Corporations Act.
- (b) If the Company is not then permitted to issue a cleansing notice under section 708A(5) of the Corporations Act, the Company must either:
  - (i) issue a prospectus on the date that the Shares are issued under paragraph (a) above (in which case the date for issuing those Shares may be extended to not more than 10 Business Days after the receipt of the Notice of Exercise, to allow the Company time to prepare that prospectus); or
  - (ii) issue a prospectus before the date that the Shares are issued under paragraph (i) above, provided that offers under that prospectus must still be open for acceptance on the date those Shares are issued, in accordance with the requirements of section 708A(11) of the Corporations Act.

## **10. Participation in New Issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 3 business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

## **11. Adjustment for Bonus Issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## **12. Adjustment for Rights Issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.

## **13. Adjustments for Reorganisation**

If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied in accordance with the Listing Rules.

## **14. Quotation of the Options**

The Options will be unquoted.

## **15. Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.