



# **CLEAN SEAS SEAFOOD LIMITED**

**ABN 61 094 380 435**

## **Notice of 2017 Annual General Meeting**

Monday 27 November 2017 at 2.00pm (Adelaide time)

at Panorama Rooms, Adelaide Convention Centre, North Terrace, Adelaide, South Australia

## **Explanatory Statement**

## **Proxy Form**

Loose leaf accompanying Notice of Annual General Meeting

<p><b>NOTE: REGISTRATIONS COMMENCE AT 1.30PM</b></p>
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**THIS IS AN IMPORTANT DOCUMENT. PLEASE READ IT  
CAREFULLY.**

**IF YOU ARE UNABLE TO ATTEND THE ANNUAL GENERAL  
MEETING, PLEASE COMPLETE THE APPOINTMENT OF PROXY  
FORM ENCLOSED AND RETURN IT IN ACCORDANCE WITH THE  
INSTRUCTIONS SET OUT ON THAT FORM.**

# **NOTICE OF 2017 ANNUAL GENERAL MEETING**

Notice is hereby given that the 2017 Annual General Meeting of Shareholders of Clean Seas Seafood Limited (**Company**) will be held as follows:

**Time:** 2.00pm (Adelaide time)

**Date:** Monday 27 November 2017

**Place:** Panorama Rooms, Adelaide Convention Centre, North Terrace, Adelaide, South Australia 5000

## **ITEMS OF BUSINESS**

### **1. Financial Statements and Reports**

To receive and consider the Financial Statements, Directors' Report and Independent Auditor's Report for the Company and its controlled entity for the year ended 30 June 2017.

### **2. Resolution 1: Adoption of Remuneration Report**

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

*"That the Remuneration Report for the financial year ended 30 June 2017 (as set out in the Directors' Report) be adopted."*

### **3. Resolution 2: Re-election of Terrence (Terry) O'Brien as a Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Terrence O'Brien who retires as a Director in accordance with the Constitution of the Company and Listing Rule 14.4 and, being eligible, offers himself for election, is re-elected as a Director of the Company."*

### **4. Resolution 3: Re-election of Marcus Stehr as a Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Marcus Stehr who retires as a Director by rotation in accordance with the Constitution of the Company and, being eligible, offers himself for election, is re-elected as a Director of the Company."*

### **5. Resolution 4: Approval of the Managing Director and Chief Executive Officer's FY18 Long-Term Incentive Grant**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the grant of share rights to the Managing Director and Chief Executive Officer of the Company, Mr David Head under the Equity Incentive Plan, as described in the Explanatory Statement which accompanies the Notice convening this meeting."*

6. **Resolution 5: Approval of 10% Placement Facility**

To consider and, if thought fit, pass the following resolution as a **special resolution**:

*“That, for the purposes of Listing Rule 7.1A and all other purposes, Shareholders authorise the Company to have additional capacity to issue Equity Securities comprising up to 10% of the issued capital of the Company under Listing Rule 7.1A calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement which accompanies the Notice convening this meeting.”*

**OTHER BUSINESS**

To transact any other business as may legally be brought before the Meeting.

**Dated** 27 October 2017

By Order of the Board



Wayne Materne  
Company Secretary

## **NOTES TO SHAREHOLDERS**

### **1. Explanatory Statement**

Additional information concerning the items of business is contained in the Explanatory Statement which accompanies this Notice of Annual General Meeting and which is incorporated in and comprises part of this Notice and should be read in conjunction with this Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice and the Explanatory Statement.

### **2. Eligibility to Attend and Vote at the Meeting**

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snapshot' of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting. The Directors have determined that all Shares of the Company that are quoted on ASX as at 2.00pm (Adelaide time) on 25 November 2017 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

### **3. Voting Exclusion Statements**

#### **(a) Resolution 1**

The Corporations Act restricts members of the Key Management Personnel (as that expression is defined in the Glossary) of the Company and their Closely Related Parties (as that expression is defined in the Glossary) from voting in relation to Resolution 1 (Adoption of Remuneration Report) in certain circumstances.

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
  - does not specify the way the proxy is to vote on the resolution; and
  - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

*What this means for Shareholders:* Key Management Personnel will not be able to vote your proxy on Resolution 1, unless in the Proxy Form you direct them how to vote, or, in the case of the Chairman, you expressly authorise him to do so.

If you appoint a member of the Key Management Personnel (other than the Chairman) as your proxy, please ensure that you direct them how to vote on Resolution 1 by following the instructions on the Proxy Form.

If you appoint the Chairman of the Meeting as your proxy, or the Chairman of the Meeting becomes your proxy by default, you can direct him how to vote by marking one of the relevant boxes for Resolution 1 in the Proxy Form (i.e. for, against or abstain). Alternatively, if you appoint the Chairman of the Meeting as your proxy, or the Chairman of the Meeting becomes your proxy by default, and you do not direct him how to vote in respect of Resolution 1, you are expressly authorising the Chairman of the Meeting to exercise your proxy in respect of this resolution even though Resolution 1 is connected with the remuneration of a member of the Company's Key Management. In this case the Chairman of the Meeting will vote in favour of Resolution 1.

**(b) Resolution 4**

The Company will disregard any votes cast on Resolution 4:

- (i) by or on behalf of Mr David Head, or any of his associates, regardless of the capacity in which the vote is cast; or
- (ii) as a proxy by a person who is a member of the Key Management Personnel (**KMP**) or their Closely Related Parties,

unless the vote is cast as proxy for a person entitled to vote on Resolution 4:

- (iii) in accordance with a direction on the proxy form; or
- (iv) by the Chairman of the Meeting pursuant to express authorisation to vote undirected proxies as the Chairman sees fit.

**(c) Resolution 5**

The Company will disregard any votes cast on Resolution 5 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if Resolution 5 is passed.

However, the Company will not disregard a vote if:

- (i) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting 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.

**4. Appointing a Proxy**

If you are entitled to attend and vote at the Annual General Meeting, you have a right to appoint a person to attend and vote for you at the Annual General Meeting as your proxy. To appoint a proxy please complete the enclosed Appointment of Proxy Form. A proxy need not be a Shareholder of the Company and may be an individual or a body corporate. A body corporate-appointed proxy may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.

A Shareholder entitled to cast two or more votes is entitled to appoint up to two proxies to attend the Meeting and vote and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be

disregarded. If you wish to appoint a second proxy, an additional Appointment of Proxy Form may be obtained by telephoning the Company's securities registry, Boardroom Pty Limited, on 1300 737 760 or you may photocopy the Appointment of Proxy Form which accompanies this Notice.

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolutions 1 and 4 even though they are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chairman. If you appoint the Chairman as your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box on the proxy form.

The Chairman intends to vote undirected proxies in favour of each item of business.

## 5. **Lodging Your Proxy Form**

Any duly executed Appointment of Proxy Form (and the power of attorney (if any) under which it is signed or a certified copy thereof) **must be received at an address given below no later than 2.00pm (Adelaide time) on 25 November 2017.**

**Any Appointment of Proxy Form received after that time will not be valid for the scheduled Annual General Meeting.**

**Proxies may be lodged as follows:**

**BY MAIL -** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

**BY FAX -** + 61 2 9290 9655

**IN PERSON -** Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000 Australia

**ONLINE -** [www.votingonline.com.au/cleanseasagm2017](http://www.votingonline.com.au/cleanseasagm2017)

## 6. **Attending the Meeting**

If you attend the Annual General Meeting, please bring your personalised Proxy Form with you to assist in registration. If you do not bring your Proxy Form with you, you will still be able to attend the Annual General Meeting but you will need to be able to verify your identity. You will be able to register from 1.30pm (Adelaide time) on the day of the Annual General Meeting.

## 7. **Corporate Shareholders**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting must provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or its securities registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## **EXPLANATORY STATEMENT TO NOTICE OF 2017 ANNUAL GENERAL MEETING OF CLEAN SEAS SEAFOOD LIMITED**

### **Introduction**

This Explanatory Statement sets out information in connection with the business to be considered at the 2017 Annual General Meeting of Shareholders of Clean Seas Seafood Limited to be held at Panorama Rooms, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Monday 27 November 2017 commencing at 2.00pm (Adelaide time).

#### **1. Financial Statements and Reports**

The Corporations Act requires:

- the reports of the Directors and auditor; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2017,

to be laid before the Annual General Meeting. The Corporations Act does not require Shareholders to approve the reports or statements. Accordingly, no resolution will be put to Shareholders on this item of business.

The Company's 2017 Annual Report will be presented to the meeting. Shareholders can access a copy of the Annual Report on the Company's website at <http://www.cleanseas.com.au/main/investor-information/annual-reports.html>.

As permitted by legislation, a printed copy of the Company's Annual Report has been sent only to those Shareholders who have elected to receive a printed copy.

Shareholders will be given a reasonable opportunity to raise questions or comments on the management of the Company.

Shareholders will also be given a reasonable opportunity to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

#### **2. Resolution 1: Adoption of Remuneration Report**

The Remuneration Report is in the Directors' Report section of the Company's Annual Report (pages 29 to 35). Listed companies are required by Section 250R(2) of the Corporations Act to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting.

The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company. However, the Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration practices and policies.

Section 250R(4) of the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Group details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, under section 250R(5) of the Corporations Act a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (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 of the meeting and the appointment of the Chairman as proxy:
  - (i) does not specify the way the proxy is to vote on the resolution; and
  - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Please note that if the Chairman of the Meeting is your proxy (or becomes your proxy by default), you expressly authorise the Chairman to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chairman. If you appoint the Chairman as your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the Proxy Form.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

Please also note that under sections 250U and 250V of the Corporations Act, if at two consecutive annual general meetings of a listed company at least 25% of the votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, Shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives 'two strikes'. The Remuneration Report did not receive a 'first strike' at the Company's 2016 Annual General Meeting.

### 3. **Resolution 2: Re-election of Terrence (Terry) O'Brien as a Director**

Terrence O'Brien was appointed as a director of the Company on 3 February 2017 (that is, after the date of the Company's 2016 AGM). In accordance with Rule 9 of the Company's Constitution and Listing Rule 14.4, Terrence O'Brien retires as a Director of the Company effective at the conclusion of this Meeting and, being eligible, offers himself for re-election as a Director.

Details of Terrence O'Brien's experience and qualifications are contained in the Directors' Report in the Company's 2017 Annual Report.

Resolution 2 is an ordinary resolution.

The Directors (other than Terrence O'Brien) unanimously recommend that Shareholders vote in favour of Resolution 2.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.



4. **Resolution 3 – Re-election of Marcus Stehr as a Director**

In accordance with Rule 6 of the Company's Constitution, Marcus Stehr retires by rotation as a Director of the Company effective at the conclusion of this Meeting and, being eligible, offers himself for re-election as a Director.

Details of Marcus Stehr's experience and qualifications are contained in the Directors' Report in the Company's 2017 Annual Report.

Resolution 3 is an ordinary resolution.

The Directors (other than Marcus Stehr) unanimously recommend that Shareholders vote in favour of Resolution 3.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

5. **Resolution 4 – Approval of the Managing Director and Chief Executive Officer's (MD & CEO) FY18 Long-term Incentive Grant**

5.1 **What is the MD & CEO's proposed FY18 remuneration?**

Under his service agreement with the Company, Mr Head's remuneration comprises:

- Fixed annual remuneration (**FAR**), comprising base salary and superannuation contribution, of \$408,000
- Motor vehicle allowance of \$48,000
- Short-term incentive (**STI**) opportunity up to 40% of FAR
- Long-term incentive (**LTI**) opportunity of 140% of FAR

It is proposed that 64% of the MD & CEO's remuneration (excluding motor vehicle) for FY18 comprises variable remuneration i.e., 'at-risk' components of STI and LTI. Vesting of the MD & CEO's FY18 LTI grant is subject to the Company meeting performance conditions that have been determined by the Board, and are designed to align the Company and the MD & CEO's interests with those of shareholders. Details of the performance conditions are contained in Section 5.3(b) below.

5.2 **Why is shareholder approval being sought?**

Listing Rule 10.14 requires shareholder approval for the acquisition of securities by a director under an employee incentive scheme.

The approval sought is to grant Mr Head share rights under the Company's Equity Incentive Plan (**LTI Plan**). Share rights are relevant securities for the purposes of Listing Rule 10.14.

Shareholder approval under Listing Rule 10.14 would not be required if the shares to be allocated on exercise of the share rights were purchased on market, as opposed to being issued. While it is currently intended that shares will be issued to satisfy any award under the LTI Plan, the LTI Plan Rules permit the Company to settle share rights with shares purchased on market.

If shareholder approval is not obtained, then, subject to the achievement of the performance and service conditions described in the Explanatory Notes, Mr Head would receive either shares purchased on-market or a cash payment at the end of the performance period, in each case equivalent in value to the LTI he would have received had shareholder approval been obtained.

### 5.3 What is the proposed FY18 LTI Grant for the MD & CEO?

The actual value, if any, that Mr Head will receive from this grant cannot be determined until the end of the three-year performance period and will depend on the extent to which the performance conditions are achieved and the share price at the time of vesting.

The proposed FY18 LTI grant to Mr Head is for 13,034,013 share rights. The grant represents the LTI component of the MD & CEO's FY18 remuneration package.

The maximum number of share rights have an initial face value of 140% of his total fixed remuneration (excluding motor vehicle allowance) as at 1 July 2017 based on the 20 day VWAP at that date of \$0.0438238. 45% of the share rights will be tested against the Company's financial performance for FY18, 30% of the share rights will be tested against the Company's financial performance for FY19 and 25% of the share rights will be tested against the Company's financial performance for FY20. Share rights will vest after the release of FY20 results subject to a range of service and performance conditions.

The maximum grant value was set by the Board having regard for Mr Head's overall remuneration package, the nature of the position, the purpose of the LTI component in the Company's strategy to achieve change and independent advice received regarding current market practice.

#### (a) Number of share rights

The formula used to calculate the total number of share rights to be granted to the MD & CEO is:

$$\text{Number of share rights} = \frac{140\% \times \$408,000}{\text{VWAP of Shares}}$$

#### (b) What are the key terms of the MD & CEO's proposed FY18 LTI grant?

The following is a summary of the key terms of the LTI Plan.

TERM	DETAIL
(i) <b>Entitlements</b>	<p>Share rights are rights to acquire ordinary shares in the Company, subject to the achievement of the performance conditions. Each share right that vests includes a right to one Share and an additional portion of Shares equal in value to the value of dividends paid on ordinary shares during the period between the effective grant date and the exercise date.</p> <p>Share rights are granted at no cost to the participant. The share rights do not carry any voting rights. Share rights are non-transferrable, except with the express approval of the Board or its delegate or by force of law on death or legal incapacity.</p>
(ii) <b>Grant date</b>	<p>If Shareholder approval is obtained, the share rights will be granted to Mr Head as soon as practicable after the 2017 AGM, but in any event, within 12 months of the 2017 AGM and will have an effective grant date of 1 July 2017.</p>

(iii)	<b>Performance measures</b>	<p>The share rights are subject to three performance measures that are independent and will be tested separately.</p> <ol style="list-style-type: none"><li><b>FY18 financial performance and continuing service until the end of FY20 (45%)</b></li><li><b>FY19 financial performance and continuing service until the end of FY20 (30%)</b></li><li><b>FY20 financial performance and continuing service until the end of FY20 (25%)</b></li></ol> <p>The Board requires the MD &amp; CEO and his executive team to significantly improve the company's performance from FY17 and be focused on growing the share value over the next three years.</p>																												
(iv)	<b>Performance targets and vesting schedule</b>	<p><b>Performance targets</b></p> <p>The targets are based on the Company's strategic plan.</p> <p>The actual targets cannot be disclosed, as they are commercially sensitive. The targets and performance outcomes against the targets will be published following the end of the performance period.</p> <p><b>Vesting schedule</b></p> <p>The vesting schedule for each performance measure is as shown with straight line vesting between each threshold:</p> <table><tr><th></th><th colspan="3">% OF SHARE RIGHTS TO VEST</th></tr><tr><th></th><th>FY18</th><th>FY19</th><th>FY20</th></tr><tr><th>FY18 LTI SHARE RIGHTS</th><th>Financial Performance</th><th>Financial Performance</th><th>Financial Performance</th></tr><tr><td>Below threshold</td><td>0%</td><td>0%</td><td>0%</td></tr><tr><td>At first threshold</td><td>13.5%</td><td>9%</td><td>7.5%</td></tr><tr><td>At second threshold</td><td>30.15%</td><td>20.1%</td><td>16.75%</td></tr><tr><td>At target</td><td>45%</td><td>30%</td><td>25%</td></tr></table>		% OF SHARE RIGHTS TO VEST				FY18	FY19	FY20	FY18 LTI SHARE RIGHTS	Financial Performance	Financial Performance	Financial Performance	Below threshold	0%	0%	0%	At first threshold	13.5%	9%	7.5%	At second threshold	30.15%	20.1%	16.75%	At target	45%	30%	25%
	% OF SHARE RIGHTS TO VEST																													
	FY18	FY19	FY20																											
FY18 LTI SHARE RIGHTS	Financial Performance	Financial Performance	Financial Performance																											
Below threshold	0%	0%	0%																											
At first threshold	13.5%	9%	7.5%																											
At second threshold	30.15%	20.1%	16.75%																											
At target	45%	30%	25%																											
(v)	<b>Performance period</b>	<p>The performance period is three years, commencing on 1 July 2017 and ending 1 July 2020.</p>																												
(vi)	<b>Exercise period</b>	<p>The employee may elect to exercise share rights to receive shares from the date of vesting to 15 years from the date of grant.</p>																												
(vii)	<b>Allocation of shares upon exercise</b>	<p>On exercise, the vested share rights will convert into ordinary shares as described in Section 5.3(b)(i) above ('Entitlements'). The allocation of shares on exercise may be satisfied by issuing new shares or by acquiring shares on market. However, the Board may, in its discretion, decide to satisfy share rights by making a cash payment to Mr Head of an amount</p>																												

		<p>equivalent in value to the number of shares to which he would otherwise be entitled on vesting of the share rights.</p> <p>If the performance measures are not achieved for some or all of the share rights granted, the Board may exercise its discretion for the share rights to vest if the overall targets are achieved between FY18 and FY20. Any share rights that do not then vest will lapse.</p>
(viii)	<b>Trading restrictions</b>	The Board may impose a restriction on the disposal of shares acquired on vesting of a share right.
(ix)	<b>Cessation of employment</b>	<p>If Mr Head ceases to be an employee of the Company before the end of the performance period, any unvested share rights will be dealt with as follows:</p> <ul style="list-style-type: none"> <li>• Resignation or termination by the Company (other than as below): All unvested share rights will lapse (unless the Board exercises discretion otherwise).</li> <li>• Redundancy, retirement, total and permanent disablement, as a 'good leaver' (as described in the LTI Plan Rules) or where otherwise permitted by the Board: All unvested share rights will vest.</li> </ul>
(x)	<b>Change of control</b>	If there is a change of control event (as described in the LTI Plan Rules), all unvested share rights will vest.
(xi)	<b>Lapse of share rights</b>	The Board may determine that any unvested share rights will lapse or be forfeited in certain circumstances such as in the case of fraud, wilful misconduct and dishonesty.
(xii)	<b>Hedging policy</b>	The MD & CEO cannot hedge equity instruments that are unvested or subject to restrictions.
(xiii)	<b>Further information disclosed in accordance with ASX Listing Rule 10.14 and 10.15</b>	<ul style="list-style-type: none"> <li>• No Director other than Mr Head is currently eligible to participate in the grant of share rights under the LTI Plan.</li> <li>• No Director other than Mr Head has previously received share rights under the LTI Plan.</li> <li>• No loan will be provided by the Company in relation to the grant or exercise of the share rights proposed to be provided to Mr Head.</li> <li>• If Shareholder approval is obtained, details of the share rights granted to Mr Head under the LTI Plan in FY18 will be detailed in future Remuneration Reports.</li> </ul>

#### 5.4 **Board Recommendation**

Resolution 4 is an ordinary resolution.

The Directors (with Mr Head abstaining) recommend that Shareholders vote in favour of Resolution 4. Mr Head does not make a recommendation in respect of the resolution in view of his personal interest in the resolution.

The Chairman of the AGM intends to vote all undirected proxies in favour of Resolution 4.

### 6. **Resolution 5 – Approval of 10% Placement Facility**

#### 6.1 **General**

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued ordinary 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 eligible entity'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. 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 exact number of Equity Securities which may 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)).

#### 6.2 **Description of 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 only the following quoted class of Equity Securities, namely ordinary shares quoted on ASX.

##### (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 10% Placement Period (refer to section 6.2(f)), a number of Equity Securities calculated in accordance with the following formula:

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

Where:

**A** is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement to issue:

- plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under Listing Rules 7.1 and 7.4;
- less the number of fully paid ordinary 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 the approval of shareholders 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 this Notice, the Company has on issue 1,373,043,448 ordinary shares and therefore has a capacity to issue:

- (i) 205,956,517 Equity Securities under Listing Rule 7.1; and
- (ii) subject to shareholder approval being obtained under Resolution 5, 137,304,344 Equity Securities under Listing Rule 7.1A.

However, 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) of this Explanatory Statement).

**(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 five Trading Days of the date referred to in section 6.2(e)(i), the date on which the Equity Securities are issued.

The Company may also issue Equity Securities under the 10% Placement Facility as consideration for the acquisition of a new asset, in which case the Company will release to the market a valuation of the asset that demonstrates that the issue price complies with this Listing Rule.

(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; and
- (ii) the date of the approval by shareholders of a transaction under Listing Rule 11.1.1 (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 5 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period in addition to using the Company's 15% placement capacity under Listing Rule 7.1 (to the extent that such 15% placement capacity has not been utilised).

Resolution 5 is a special resolution and therefore requires approval of at least 75% of the votes cast by shareholders entitled to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative) on the Resolution.

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

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- (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 in the same class 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 five Trading Days of the date in section 6.4(a)(i), the date on which the Equity Securities are issued.
- (b) There is a risk that:
  - (i) the market price for the Company's Equity Securities in the same class 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 in the same class on the issue date,

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

There is a risk that the Equity Securities are issued as part of consideration for the acquisition of a new asset, in which case no funds will be raised by the issue of the Equity Securities

The table below shows the risk of voting dilution of existing shareholders on the basis of the current market price of shares and the current number of ordinary shares for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this 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 shares the Company has on issue. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require shareholder approval (for example, a pro rata entitlements issue) 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 shares has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in formula in Listing Rule 7.1A.2		Issue Price		
		\$0.039 50% decrease in issue price	\$0.078 issue price	\$0.156 100% increase in issue price
<b>Current Variable 'A'</b> 1,373,043,448 shares	<b>10% voting dilution</b>	137,304,344 shares	137,304,344 shares	137,304,344 shares
	<b>Funds raised</b>	\$5,354,869	\$10,709,738	\$21,419,477
<b>50% increase in current Variable 'A'</b> 2,059,565,172 shares	<b>10% voting dilution</b>	205,956,517 shares	205,956,517 shares	205,956,517 shares
	<b>Funds raised</b>	\$8,032,304	\$16,064,608	\$32,129,216
<b>100% increase in current Variable 'A'</b> 2,746,086,896 shares	<b>10% voting dilution</b>	274,608,689 shares	274,608,689 shares	274,608,689 shares
	<b>Funds raised</b>	\$10,709,738	\$21,419,477	\$42,838,955

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- No current share rights are converted into shares before the date of the issue of the Equity Securities.
- 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%.
- The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements pursuant to the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.



- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and no other issues of Equity Securities.
  - The issue of Equity Securities under the 10% Placement Facility consists only of shares.
  - The issue price is \$0.078, being the closing price of the shares on ASX on 13 October 2017.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as referred to in the Note to Listing Rule 7.1A.3; or
  - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised for general working capital purposes.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.
- (f) 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 and the number of Equity Securities allotted to each will be determined on a case-by-case basis having regard to 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 the 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).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company acquires new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments or the nominee of such vendors.

- (g) The Company previously obtained shareholder approval under Listing Rule 7.1A at its 2016 Annual General Meeting.
- (i) The Company has issued 286,607,900 Equity Securities in the 12 months preceding the date of this Meeting, representing 25.93% of the

total number of Equity Securities on issue at the commencement of that 12 month period.

- (ii) Details of the Equity Securities referred to in section 6.4(g)(i) is as follows:

Date of issue:	25 November 2016
Number issued:	258,805,490
Class/Type of equity security:	Ordinary shares
Summary of terms:	Same as terms and conditions of already issued fully paid ordinary shares in the Company
Names of persons who received securities or basis on which those persons was determined:	Applicants under the Company's share purchase plan, and professional and/or sophisticated investor applicants as determined by the Board.
Price:	3.35 cents per share
Discount to market price (if any):	15%
Total cash consideration received:	\$8,669,983
Amount of cash consideration spent:	\$8,669,983
Use of cash consideration:	Establish an in-house processing facility, the upgrade of farm infrastructure, new sales and marketing initiatives, debt reduction and supplement working capital
Intended use for remaining amount of cash (if any):	N/A

Date of issue:	28 December 2016
Number issued:	8,955,222
Class/Type of equity security:	Ordinary shares
Summary of terms:	Same as terms and conditions of already issued fully paid ordinary shares in the Company
Names of persons who received securities or basis on which those persons was determined:	Dr Hagen Stehr AO and Mr David Head, as approved at 2016 AGM
Price:	3.35 cents per share
Discount to market price (if any):	15%
Total cash consideration received:	\$300,000
Amount of cash consideration spent:	\$300,000
Use of cash consideration:	Establish an in-house processing facility, the upgrade of farm infrastructure, new sales and marketing initiatives, debt reduction and supplement working capital

Intended use for remaining amount of cash (if any):	N/A
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Date of issue:	29 June 2017
Number issued:	18,847,188
Class/Type of equity security:	Share rights
Summary of terms:	Share rights granted as FY17 LTI. No amount is payable on vesting or exercise. Vesting is subject to performance hurdles, service period requirement and agreed terms and conditions.
Names of persons who received securities or basis on which those persons was determined:	Mr David Head, as approved at 2016 AGM, and Mr Wayne Materne
Price:	Nil
Discount to market price (if any):	N/A
Non-cash consideration paid:	Nil
Current value of that non-cash consideration:	N/A

- (h) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion statement in the Notice.

Resolution 5 is a **special resolution**.

The Directors recommend that Shareholders vote in favour of Resolution 5.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 5.

## 7. Glossary

In this Explanatory Statement, unless the context otherwise requires:

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

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

**ASX** means ASX Limited ACN 008 624 691;

**Board** means the Board of Directors of the Company;

**Closely Related Party** of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;

- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person described as such by the *Corporations Regulations 2001* (Cth);

**Company** means Clean Seas Seafood Limited ACN 094 380 435;

**Constitution** means the existing constitution of the Company;

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

**Directors** means the directors of the Company;

**Equity Securities** has the meaning given to that term in the Listing Rules;

**Key Management Personnel** has the same meaning as in the accounting standards as defined in section 9 of the Corporations Act (so the term broadly includes those 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 official listing rules of ASX;

**Meeting** means the Annual General Meeting of Shareholders convened by the Notice;

**Notice** means the Notice of Annual General Meeting to which this Explanatory Statement is attached;

**Related party** has the meaning given to that term in Section 228 of the Corporations Act;

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

**Shareholder** means a holder of a Share;

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

**VWAP** means the Volume Weighted Average Price of the Company's ASX-listed Shares trading under the code CSS.