

Notice of Extraordinary General Meeting

Advance NanoTek Limited

To be held at:

1821 Ipswich Road
Rocklea, QLD 4106

On Tuesday, 29 May 2018 at 10:00 am (Brisbane time)

This is an important document. If you are in any doubt about how to deal with this document, please consult your legal, financial or other professional adviser.

Chairman's letter to Shareholders

30 April 2018

Dear Shareholder

Extraordinary General Meeting

The Advance NanoTek Limited Board invites all Shareholders to attend an Extraordinary General Meeting at 10:00am on Tuesday 29 May 2018, to be held at 1821 Ipswich Road, Rocklea QLD 4106.

I welcome your attendance at the Extraordinary General Meeting. If you are unable to attend the meeting please complete the attached proxy form and return it in accordance with the instructions provided. To be effective, we must receive your completed proxy form no later than 4:00pm (Brisbane time) on 25 May 2018. If you are using a proxy form, please be sure to fill in all details on that form.

Persons attending as representatives of corporate and institutional Shareholders will be required to produce appropriate evidence of authority to so act.

Yours sincerely



Lev Mizikovsky
Chairman

Notice of Extraordinary General Meeting

Advance NanoTek Limited

Notice is given that an Extraordinary General Meeting of Advance NanoTek Limited (**Company**) will be held at:

Location	1821 Ipswich Road, Rocklea QLD 4106
Date	Tuesday 29 May 2018
Time	10:00am (Brisbane Time)

The business to be considered at the meeting is set out below. The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

Agenda

Ordinary Business

Resolution 1 – Options to Geoff Acton

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

"That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 1,960,000 Director Options to Mr Geoff Acton (or his nominee) based on specific profit targets over the next 5 years on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by or on behalf of Mr Geoff Acton or any of his Closely Related Parties or Associates. However, the Company need not disregard a vote if 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 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. A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either Mr Geoff Acton, an Associate of Mr Geoff Acton or a Closely Related Party of Mr Geoff Acton, and the proxy appointment does not specify the way the proxy is to vote on this Resolution.

Resolution 2 – Options to Rade Dudurovic

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

"That, for the purposes of ASX Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 250,000 Director Options to Mr Rade Dudurovic (or his nominee) based on specific profit targets over the next 5 years on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by or on behalf of Mr Rade Dudurovic or any of his Closely Related Parties or Associates. However, the Company need not disregard a vote if 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 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. A person appointed as a proxy

must not vote, on the basis of that appointment, on this Resolution if the proxy is either Mr Rade Dudurovic, an Associate of Mr Rade Dudurovic or a Closely Related Party of Mr Rade Dudurovic, and the proxy appointment does not specify the way the proxy is to vote on this Resolution.

Dated 30 April 2018

By order of the Board

A handwritten signature in black ink, appearing to read 'Lev Mizikovsky', written in a cursive style.

Lev Mizikovsky
Chairman

Notes

- (a) A Shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a Shareholder of the Company. A Shareholder who is 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.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the **attached** proxy form.
- (d) If the proxy form specifies the way the proxy is to vote on a particular resolution the proxy need not vote on a show of hands but if the proxy does so, it must vote as specified in the proxy form.
- (e) If the proxy has two or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands.
- (f) If the proxy is the chair of the meeting, the proxy must vote on a poll or must vote the way specified in the proxy form.
- (g) If the proxy is not the chair of the meeting the proxy need not vote on the poll, but if the proxy does so, the proxy must vote as specified in the proxy form.
- (h) If the proxy form specifies the way the proxy is to vote on a particular resolution and the proxy is not the chair of the meeting and a poll is demanded and either:
 - (i) the proxy is not recorded as attending; or
 - (ii) the proxy does not vote,the chair of the meeting is deemed the proxy for that resolution.
- (i) A corporation may elect to appoint a representative, rather than appoint a proxy, under the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (j) If you have any queries on how to cast your votes then call Geoff Acton (07) 3726 2021 during business hours.

Glossary of terms

In the accompanying Notice of Meeting and Explanatory Statement the following words and expressions have the following meanings:

Term	Definition
Associate	means as it is defined in section 9 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it, as the context requires.
Board	means the board of directors of the Company.
Chairman	means the Chairman of the Company as approved from time to time and includes an acting Chairman.
Closely Related Party	takes its meaning from the definition of "related party" as that term is defined in section 9 of the Corporations Act.
Company	means Advance NanoTek Limited.
Directors	means the directors of the Company from time to time.
Director Options	means the options to be issued to the Related Parties, on the terms set out in Schedule 1.
Explanatory Statement	means the accompanying Explanatory Statement and which forms part of this Notice.
Law or Corporations Act	means <i>Corporations Act 2001</i> (Cth) and the Corporations Regulations (as defined in the <i>Corporations Act 2001</i> (Cth)).
Notice, Notice of Meeting	means the Notice of Extraordinary General Meeting included in this booklet.
Related Parties	means Geoff Acton and Rade Dudurovic.
Share	means an ordinary share in the capital of the Company, the terms of which are contained in the constitution of the Company.
Shareholders	means the holders of the Shares in the Company from time to time.

Explanatory Statement

Advance NanoTek Limited

Introduction

This is an important document that needs your immediate attention.

Please read the following Explanatory Statement and accompanying information carefully.

It is important that you either attend the meeting personally or complete and lodge the proxy form attached to the Notice of Meeting.

If you do not understand this Explanatory Statement or are in any doubt about the action to be taken, you should consult your solicitor, accountant, investment advisor or other professional advisor immediately.

This Explanatory Statement has been prepared to assist Shareholders with their consideration of the resolutions to be put to the Extraordinary General Meeting to be held on Tuesday, 29 May 2018 as set out in the accompanying Notice, and should be read with, and forms part of, the accompanying Notice.

This Explanatory Statement is required pursuant to various regulatory and ASX requirements.

Ordinary business

Resolutions 1 to 2 – Issue of Director Options

1. General

- 1.1** The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 2,210,000 Options ("**Director Options**") to Geoff Acton and Rade Dudurovic (or their respective nominees) ("**Related Parties**").

The offer of Director Options to the Related Parties form part of the Company's incentive objectives to encourage Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

The number of Director Options to be issued to each Director has been determined based on factors such as service of each Director to the Company, continuity of executive management, significant contribution to the Company's success and to provide ongoing equity incentives to advance the Company and its assets.

Furthermore, the grant of Director Options, are viewed as a cost effective and efficient reward and incentive of the Company as opposed to alternative forms of incentive, such as the payment of additional cash compensation to Directors.

1.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Both Mr Acton and Mr Dudurovic are Directors and therefore related parties of the Company.

As the participation of Mr Acton and Mr Dudurovic in the issue of Director Options involves the issue of Securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

1.3 Chapter 2E of the Corporations Act

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 Director Options constitute giving a financial benefit and Mr Acton and Mr Dudurovic are Directors and therefore related parties of the Company.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

2. Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

2.1 Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Geoff Acton and Rade Dudurovic and they are related parties by virtue of being Directors of the Company;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 1,960,000 Director Options to Geoff Acton; and
 - (ii) 250,000 Director Options to Rade Dudurovic;
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (d) the terms and conditions of the Director Options are set out in Schedule 1;
- (e) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (f) the relevant interests of the Related Parties in securities of the Company are set out below (assuming the Director Options are issued to the Related Parties):

Related Party	Shares	Options
Geoff Acton	185,000	1,960,000
Rade Dudurovic	250,000	250,000

- (g) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year Est	Previous Financial Year
Geoff Acton	\$165,000	\$120,226
Rade Dudurovic	\$85,000	\$117,557

- (h) if all the Director Options granted to the Related Parties are exercised, a total of 2,210,000 Shares would be issued. This will increase the number of Shares on issue from 55,998,460 to 58,208,460 (assuming that no other Options are exercised and no other Shares are issued including those contemplated by the Resolutions of this Notice) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 3.79%, comprising 3.36% by Geoff Acton and 0.43% by Rade Dudurovic.
- (i) the market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.
- (j) as at the date of this Notice the Shares are trading on ASX at a price lower than the exercise price of the Director Options. The Board resolved to issue the Director Options, subject to Shareholder approval, on the terms and conditions set out in this Notice at a time when the Shares were trading on ASX at a price lower than the exercise prices of the Director Options, being:

Exercise Price	Exercise Date	Expiry Date
\$0.60	1 August 2020	1 August 2024
\$0.75	1 August 2021	1 August 2024
\$0.90	1 August 2022	1 August 2024
\$1.00	1 August 2023	1 August 2024
\$1.20	1 August 2024	1 August 2024

- (k) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	58 cents	06/10/2017
Lowest	24 cents	13/06/2017
Last	47 cents	24/04/2018

- (l) the primary purpose of the grant of the Director Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors.
- (m) If the Directors Options are exercised, in part or in full, the proceeds raised from the exercise of such options will be used by the Company for the purpose of general working capital.

2.2 Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

3. Directors' Recommendation

3.1 Geoff Acton declines to make a recommendation to Shareholders in relation to Resolution 1 due to Geoff Acton's material personal interest in the outcome of the Resolution on the basis that Geoff Acton is to be granted Director Options in the Company should Resolution 1 be passed. However, in respect of Resolution 2 Geoff Acton recommends that Shareholders vote in favour of that Resolution for the following reasons:

- (a) the grant of Director Options to the Related Party will align the Related Party's interests with those of Shareholders;
- (b) the grant of the Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-monetary form of this benefit will allow the Company to spend a greater

proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Party; and

- (c) it is not considered that there are any significant opportunity costs to the Company or opportunity foregone by the Company in granting the Director Options upon the terms proposed;

- 3.2** Rade Dudurovic declines to make a recommendation to Shareholders in relation to Resolution 2 due to Rade Dudurovic's material personal interest in the outcome of the Resolution on the basis that Rade Dudurovic is to be granted Director Options in the Company should Resolution 2 be passed. However, in respect of Resolution 1 Rade Dudurovic recommends that Shareholders vote in favour of that Resolution for the reasons set out in paragraph 3.1 above.
- 3.3** With the exception of Geoff Acton and Rade Dudurovic, no other Director has a personal interest in the outcome of Resolutions 1 and 2.
- 3.4** Lev Mizikovsky recommends that Shareholders vote in favour of Resolutions 1 and 2 for the reasons set out in paragraph (n).
- 3.5** The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 1 and 2.

Proxy form

Section 1: Name and address of member

Full name _____

Address _____

Section 2: Appointment of proxy

I/We, being a member of the Company and entitled to attend and vote appoint

☐

the Chairman of the meeting
 (mark with an 'X' and
 complete section 3)

OR

Write here the full name of the person or body
 corporate you are appointing if this person is
someone other than the Chairman of the meeting.

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the meeting, as my proxy to attend, to vote in accordance with the following directions in Section 3 (**the Chairman will vote in favour of all undirected proxies#**), and to act generally on my/our behalf, at the extraordinary general meeting of the Company to be held at:

Location	1821 Ipswich Road, Rocklea QLD 4106
Date	Tuesday, 29 May 2018
Time	10:00am (Brisbane time)

and at any adjournment of that meeting.

#If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

Section 3: Voting instructions

Voting directions to proxy – please mark ☒ to indicate your directions.

Resolution 1. Issue of Director Options to Geoff Acton

Resolution 2. Issue of Director Options to Rade Dudurovic

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular item, you are directing your proxy **not** to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Section 4: Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.**Individual or Member 1****Sole Director and Sole Secretary****Member 2 (if joint holding)**

Director/Company Secretary
 (delete one)

Member 3 (if joint holding)**Director**

Please provide the information below in case we need to contact you.

Contact name _____

Contact day time telephone _____

Date _____ / _____ / _____

Instructions for completion of proxy form

Section 1: Name and address of member

- 1 Insert your name and address. If it is a joint holding, insert details of all holders.

Section 2: Appointment of proxy

- 2 If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If the person or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting, write the full name of that person or body corporate in the space provided. A proxy may be an individual or a body corporate. If you leave this section blank or your named proxy does not attend the Meeting, the Chairman of the meeting will be your proxy. A proxy need not be a member of the Company.
- 3 **The Chairman strongly urges you to nominate a proxy other than himself or another Director unless you direct your proxy how to vote on each resolution. If you do not specify a person to act as proxy, or you appoint the Chairman, you are strongly advised to direct the proxy how to vote as the Chairman will vote in favour of each resolution. Therefore, in order to ensure your vote is not wasted, you are strongly urged to direct your proxy how to vote and if possible appoint a person who is not a Director or secretary of the Company. If a proxy form is submitted with an undirected vote, then Mr Geoff Acton, Mr Rade Dudurovic, their Associates and Closely Related Parties are unable to vote on Resolutions 1 and 2 (as applicable) as proxy and any proxy appointing them to do so will be invalid.**
- 4 If you are entitled to cast two or more votes at the general meeting, you are entitled to appoint two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company. Alternatively you may copy this form.
- 5 To appoint a second proxy:
 - (a) on each of the first proxy form and second proxy form state the percentage of your voting rights or number of shares applicable to that form (if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise one half of your votes, and fractions of votes will be disregarded); and
 - (b) return both forms in the same envelope.

Section 3: Voting instructions

- 6 You may direct your proxy how to vote on an item of business by placing a mark in one of the three boxes opposite that item of business. All of your shares will be voted in accordance with your direction unless you indicate a proportion of voting rights on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may decide whether or how to vote on that item.
- 7 If you mark more than one box on an item, your vote on that item will be invalid.

Section 4: Signing by member

8 You must sign this form as follows in the spaces provided:

Individual	Where the holding is in one name, the member must sign.
Joint holding	Where the holding is in more than one name, all of the members must sign.
Power of Attorney	To sign under power of attorney, either the power of attorney must have already been lodged with the Company's share registry for notation or the original (or a certified copy) of the power of attorney must accompany this document.
Companies	<p>In the following cases, subject to the Company's constitution, the following person must sign:</p> <p>Australian proprietary company with a sole director who is also the sole company secretary - that person must sign;</p> <p>Australian proprietary company with a sole director and no company secretary - that person must sign;</p> <p>other Australian companies - two directors, or one director and one company secretary must sign; and</p> <p>foreign company - in accordance with the laws of the jurisdiction of incorporation and constituent documents.</p>

Section 5: Lodging of proxy

9 This proxy form (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not later than close of business on the date set out below, by mail, hand delivery, or facsimile.

Last time and date for lodgement*	4:00pm (Brisbane time) on 25 May 2018
By mail	PO Box 229, Sherwood, Qld 4075
By delivery	1821 Ipswich Road, Rocklea, Qld 4106
By facsimile	(07) 3272 7380

* Any proxy form received after that time will not be valid.

SCHEDULE 1

Part 1: Terms and Conditions of the Director Options

1. No Right to Transfer or Quotation

- 1.1 The Options are not transferable or assignable.
- 1.2 The Options will not be quoted on the Exchange.

2. Vesting Conditions

- 2.1 On the Exercise Date the Option Holder will be entitled to exercise their Options according to this Agreement, provided the Vesting Conditions in Annexure 1 have been satisfied.
- 2.2 The failure of a Tranche of Options to vest does not preclude the ability for subsequent Tranches of Options to vest provided all Vesting Conditions for that subsequent Tranche of Options has been satisfied.

2.3 Upon:

- (a) a takeover bid under Chapter 6 of the *Corporations Act 2001* (Cth) having been made in respect of the Company; and
 - (i) having received acceptances for not less than 50.1% of the Company's Shares on issue; and
 - (ii) being declared unconditional by the bidder; or
- (b) a Court granting orders approving compromise or arrangement for the purposes of or in conjunction with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies, then,

to the extent the Options have not vested due to non-satisfaction of the Vesting Conditions, all Options will vest immediately and will become exercisable by the Option Holder.

3. Exercise of Options

- 3.1 Each Option entitles the Option Holder on exercise and payment of the Exercise Price to 1 Share.
- 3.2 Each Option may only be exercised if the Vesting Conditions in Annexure 1 and Clause 2 have been satisfied.
- 3.3 The Options may be exercised at any time during the Option Period by delivering to the Company:
 - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (b) a cheque or electronic funds transfer for the Exercise Price in respect of each Option being exercised.

- 3.4** Within 10 Business Days of receipt of a notice of exercise of Options and full payment of the total Exercise Price in cleared funds, the Company shall cause to be allotted to the Option Holder the number of Shares having regard to the provisions of Clause 3.2.

4. Listing of Shares

Subject to the Listing Rules the Company must make an application to the Exchange for the quotation of any Shares allotted pursuant to Clause 3.3.

5. Options Lapsing

All unvested Options will lapse upon the Affiliate of the Option Holder:

- (a) ceasing to be employed with the Company;
- (b) ceasing to provide consulting services to the Company; or
- (c) ceasing to be a director of the Company.

6. Pari Passu with other Shares

All Shares allotted by the Company pursuant to Clause 3.3 shall rank pari passu in all respects with the then issued Shares of the Company.

7. Expiry of Options

The Options shall expire at 5:00pm (Brisbane time) on the Expiry Date.

8. Adjustment to Options

- (a) If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent with the *Corporations Act 2001* (Cth) and the ASX Listing Rules at the time of the reconstruction.
- (b) If there is a bonus issue to shareholders, the number of shares over which the Option is exercisable may be increased by the number of shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (c) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

8.2 No participation rights

There are no participating rights or entitlements inherent in the Options and the Option Holder 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 7 Business Days after the issue is announced. This will give the Option Holder the opportunity to exercise its Options prior to the date for determining entitlements to participate in any such issue.

9. Definitions

In these terms and conditions, unless the subject or context is inconsistent, each of the following expressions shall have the meaning assigned to it below:

Business Day	means a day that is not a Saturday, Sunday or public holiday in Queensland.
Company	means Advance NanoTek Limited ACN 079 845 855.
Exchange	means Australian Securities Exchange Limited.
Expiry Date	means 1 August 2024.
ASX Listing Rules	means the Listing Rules of the Exchange.
Net Profit	means net profit before tax of the Company in the financial year (FY) in each corresponding Tranche of Options.
Option Period	means the period commencing on the applicable Exercise Date for a Tranche of Shares and ending at 5:00pm on the Expiry Date.
Options	means the Options to subscribe for Shares in the Company as set out in the Option Certificate.
Shares	means fully paid ordinary shares in the capital of the Company, and " Share " will have a corresponding meaning.
Tranche of Options	means each Tranche of Options set out in Annexure 1.

Part 2: Annexure 1 to Terms and Conditions

Geoff Acton

Option Tranche	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
No. of Options	392,000	392,000	392,000	392,000	392,000
Exercise Date	1 August 2018	1 August 2019	1 August 2020	1 August 2021	1 August 2022
Vesting Condition *	Net Profit in FY17/18 \$2.2m	Net Profit in FY18/19 \$3.2m	Net Profit in FY19/20 \$4.35m	Net Profit in FY20/21 \$5.7m	Net Profit in FY21/22 \$7.1m
Exercise Price	\$0.60	\$0.75	\$0.75	\$1.00	\$1.20

Rade Dudurovic

Option Tranche	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
No. of Options	50,000	50,000	50,000	50,000	50,000
Exercise Date	1 August 2018	1 August 2019	1 August 2020	1 August 2021	1 August 2022
Vesting Condition *	Net Profit in FY17/18 \$2.2m	Net Profit in FY18/19 \$3.2m	Net Profit in FY19/20 \$4.35m	Net Profit in FY20/21 \$5.7m	Net Profit in FY21/22 \$7.1m
Exercise Price	\$0.60	\$0.75	\$0.75	\$1.00	\$1.20

* These net profit figures include deferred tax asset reinstatement of \$1m, \$1.5m, \$2.25m, \$3m and \$3.6m

SCHEDULE 2

Valuation of the Director Options and Pricing Methodology

The Director Options to be issued to the Related Parties pursuant to Resolutions 1 and 2 have been independently valued.

Using the Black & Scholes options model and based on the assumptions set out below, the Director Options were ascribed the following value:

Assumptions:					
Valuation date	2 March 2018				
Market price of Shares	\$0.47				
Exercise price	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
	\$0.60	\$0.75	\$0.75	\$1.00	\$1.20
Expiry date (length of time from issue)	1 August 2024				
Risk free interest rate	2.43%				
Volatility (discount)	53.061%				

	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E	
Indicative Value per Option	\$0.212	\$0.185	\$0.185	\$0.151	\$0.131	
Related Party	Value of Options (\$)					Total Value (\$)
Geoff Acton	\$83,104	\$72,520	\$72,520	\$59,192	\$51,352	\$338,688
Rade Dudurovic	\$10,600	\$9,250	\$9,250	\$7,550	\$6,550	\$43,200
Total (\$)	\$93,704	\$81,750	\$81,750	\$66,742	\$57,902	\$381,848

Note: The valuation noted above is not necessarily the market price that the Director Options could be traded at and is not automatically the market price for taxation purposes.