

## Chairman's Letter to Shareholders

4<sup>th</sup> October 2018

My fellow Shareholders,

I have taken this opportunity to write a Chairman's letter this year so that those who are unable to attend the Annual General Meeting are still able to gain an understanding of where the gas market currently sits and where we are up to with our strategy and pursuit of the value outcomes we have set forth for your company.

### Macro environment

The significant structural changes to the East Australian gas market continue to play out. Most commentators continue to view the East Coast domestic market as "tight" in terms of gas supply in the short and medium term. It appears that the Government intends to manage domestic gas supply by implementing export LNG controls. There is however divergence of opinion between government estimates (e.g. AEMO) and industry commentators on supply risk in the medium to long term. Supply of domestic gas continues to fall on producers with dual domestic and export LNG obligations. There is no dispute however that domestic gas prices will be driven by international LNG and oil pricing netted back to the Wallumbilla hub (for example). The ACCC has commenced publishing a fortnightly LNG netback price forecast (as of October 2018) for the east Australian gas market (Wallumbilla) and in their first forecast have predicted A\$15/gj for December 2018. It will become very clear to domestic gas consumers that movement in global oil prices will directly affect domestic gas price, which will put further pressure on gas exposed domestic manufacturers and electricity pricing, given the growing component of renewable energy sources in the grid.

Deliverable 1P and 2P molecules in the medium and long term will be sourced by conversion of the current contingent resource base volumes into proved producing molecules. This needs significant drilling, completion and connection field activity and CAPEX. The Contingent Resource base has however been in decline recently (despite a contrary position posited by AEMO), thus making it a more immediate issue for delivering the medium term (3-5 years) producing molecules for both export and domestic contracts). Meanwhile global demand for LNG is rising, in large part due to the requirement by China to improve its air quality (and fuel switch away from coal to gas) and is putting pressure on spot LNG prices. Major LNG producers are prioritising global capacity to meet the expected demand.

Domestic gas companies with existing gas reserves and resources are clearly well placed to leverage the shortage in supply to both the domestic and export markets, and Blue's consistent strategy has been to market the reserves and resources contained in its Bowen Basin permits. In addition, de-risking of the Galilee Basin play is continuing and talk of infrastructure development continues to be encouraging. With the lifting of the Shale Gas Moratorium in the Northern Territory, Blue is well positioned in this major new and breaking hydrocarbon play province.

## **Progress on Gas sales Agreement**

The Board is acutely aware of the need to monetise the Company's gas reserves and resources and indeed fulfil the commitment made to shareholders in this regard. The company continues to be confident of completing a gas sale agreement for the gas reserves and resources in the Company's Bowen Basin permits (ATP814 and ATP 854). It is a frustratingly slow process, which has been exacerbated on the gas buyers' side by uncertainty created in the supply-side for the East Coast Gas market, due to;

- the clear medium (and longer) term shortage of gas supply that is developing,
- confusing and erratic supply forecasts by regulators
- LNG feed gas supply shortage for Gladstone;
- Growing global LNG demand – affecting LNG pricing – affecting LNG netback pricing and domestic gas price
- threats of Government intervention through LNG export restrictions;
- gas user price sensitivity (i.e. legacy expectations of low gas price);
- Potential domestic gas supply from LNG import terminals in eastern Australia.

## **Business of the AGM**

The fact that AGM's all too often appear to focus on Director's and CEO's Remuneration is unfortunate, and often detracts from the real and hard work that goes on in companies for the other 364 days of the year. It is also a fact, and rightly so, that shareholders have a voice and get to decide on what fair remuneration is and how it is paid.

Fair remuneration is always subjective. Your Managing Director's base salary for example is some \$100,000 below the average of an eight-peer company comparator group. Some would argue that this is reasonable given the total shareholder return has not been forthcoming over the years to warrant reward, and that is a valid argument. However, it fails to acknowledge the multiple roles that a CEO/MD must assume in a small organisation. When the Oil Industry had its GFC equivalent (oil price collapse from 2014 to 2017/18), this was compounded by necessary cost cutting to preserve capital. Staff reductions at Blue effectively collapsed the organisation chart into only 3 to 4 people and increased the MD's job description to include Acting CFO, Commercial Manager, Health Safety and Environment Manager, Geologist, Government Affairs Manager, Tenure Manager, Landholder Liaison Manager, New Ventures Manager, Computing Manager, Investor Relations Manager and Native Title Coordinator. These roles were filled by others in Blue Energy before the downturn.

So, whilst the responsibilities of the MD increased, there was no commensurate increase in salary, given macroeconomic factors and capital preservation strategies (you may also recall that the MD took a voluntary 20% pay reduction in 2016 to assist the Company's cash flow position). Indeed, the lack of salary increase coupled with no CPI component has led to a decline in real terms (of 19%) over the term of his tenure. One way to counter this decline whilst preserving the cash and capital of your Company is through the use of Performance Rights (Rights to Shares). This remuneration component is termed "at risk" given that Rights may not vest (i.e. the Rights are not cash in hand). At Risk remuneration is also a useful mechanism to preserve cash in lieu of paying certain fees for Independent Directors as well.

You will see from the Notice of Meeting that there are a number of Resolutions seeking shareholder approval for the issue of Rights to Directors. The number of resolutions is a result the incorporation of

two years of Rights for 2017 and 2018, which have been issued in accordance with the Blue Energy Employee Investment Rights Plan (EIRP), which was approved by shareholders at the 2016 AGM. For transparency and in compliance with the Listing Rules each tranche is to be identified and voted on by Shareholders separately. The grant of Rights (a Long Term Incentive component of remuneration) warrants further explanation.

All share-based payments to Directors must be approved by Shareholders, under ASX Listing Rules

To maintain a competitive remuneration package for Key Management Personnel (KMP), the Board is of the view that is entirely appropriate for a small exploration company to have a salary package structure which has a significant component of the remuneration “at risk”, but which aligns performance with shareholder returns.

Accordingly, the Company has an Incentive Rights Plan for KMP and Directors. The EIRP was formulated by Godfrey Remuneration in 2012 and again approved by Shareholders in 2016. The EIRP utilises issuance of Rights to shares as the primary tool, rather than Share Options.

Simply put, the existing EIRP provides for:

- a Long-Term incentive component to KMP remuneration packages;
- alignment of KMP performance with shareholders via Total Shareholder Value metrics (TSR) over a rolling 3-year period;
- A portion of KMP remuneration to be placed “at risk” to spread the package between Cash, Short-Term and Long-Term remuneration components, which is industry standard;
- An ability for flexible remuneration for Directors in lieu of some Director Fee cash components to assist with Company cash flow management.

Rights are granted to Executives and Directors each year under the EIRP, but this subject to the discretion of the Board. A rigid formula in the EIRP Rules is used to calculate the number of Rights to be granted each year. The number is calculated largely on a percentage of the respective KMP’s Cash salary and the share price at 30 June each year in question.

The Rights granted to Executives and Directors are valid for 3 years and are assessed for vesting at the end of those three years. That is to say, any Rights granted do not automatically translate to shares issued at the grant date. Rights will only convert to shares after three years and IF the vesting hurdles are met (i.e. the share price has increased by a prescribed amount as set out in the EIRP Rules during that 3-year period). The Rights granted are therefore “at risk”, and subject to macroeconomic and market fluctuations (driven by oil price, regulation etc) as well as company performance and results over a 3-year period.

By way of example, the following Graph shows Granted Rights, Share price, Hurdle Share price for vesting of Rights and actual Rights that Vested for the Managing Director. Up until 2016, only one other tranche of Rights has been granted to the MD. (2012), however the vesting share price was not achieved and these Rights lapsed. In each other year (2013, 2014 and 2015), the Board, in its discretion, elected to not grant any Rights to the Managing Director. It can also be seen from the graph that only one tranche (those granted in 2016) in 6 years has converted to shares, a result of the share price moving from 2.4 cents in 2016 to the 8.4 cent per share vesting hurdle in 2018. In other words, as shareholder value increased off the low base (2.4 cents in 2016), the Rights vested at the 3-year measurement point.

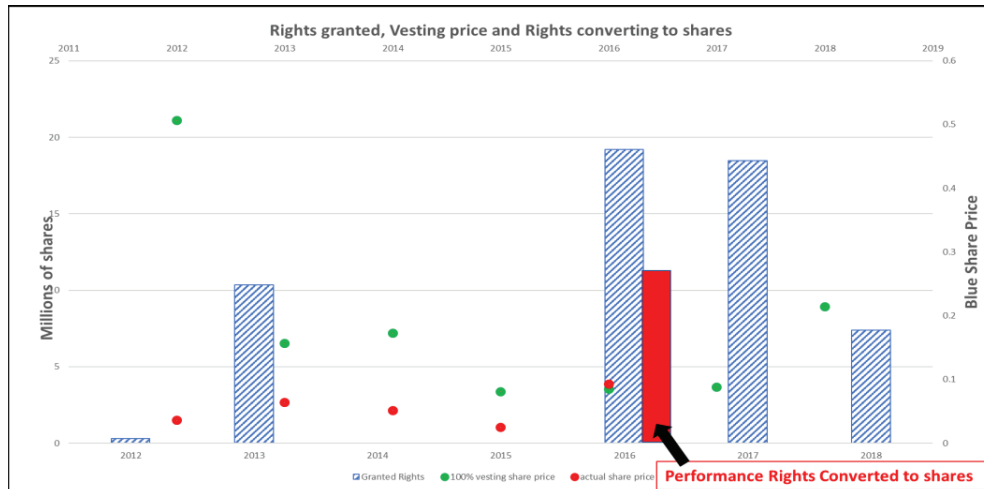


Figure 1. No Rights were granted in years 2014 or 2015, and those granted in 2013 did not meet the vesting share price criteria and lapsed.

In summary then, the two years of Rights Grants included for shareholder approval at the AGM, has resulted in an unwieldy Notice of Meeting for the AGM, but to ensure transparency, compliance with Listing Rules, consistency with the Annual Accounts and the requirement for shareholder approval of all outstanding KMP/Director Rights means repetitive resolutions are required.

In closing, one thing is certain; the East Coast Australia Gas Market is short of gas and Blue Energy has certified reserves and resources and is well positioned to meet this demand.

I take this opportunity to thank you for your continued and valued support.

Yours sincerely,

John Ellice-Flint  
 Executive Chairman  
 Blue Energy Ltd



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**BLUE ENERGY LIMITED**  
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**2018 NOTICE OF ANNUAL GENERAL MEETING**

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The Annual General Meeting of Blue Energy Limited ACN 054 800 378 (“Company”) will be held at the offices of McCullough Robertson, Central Plaza II, Level 11, 66 Eagle Street, Brisbane on Tuesday, 13 November 2018 at 11.00am (Brisbane time).

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A copy of the Company’s Annual Report (including the Remuneration Report) and details of the Company’s operations are available at the Company’s website at [www.blueenergy.com.au](http://www.blueenergy.com.au)

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*This Notice of 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.*

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## **NOTICE OF 2018 ANNUAL GENERAL MEETING**

Notice is given that the annual general meeting of Shareholders of Blue Energy Limited ("**Company**") will be held at McCullough Robertson, Central Plaza II, Level 11, 66 Eagle Street, Brisbane, Queensland on Tuesday, 13 November 2018 at 11.00am (Brisbane time) ("**Meeting**").

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form, form part of this Notice of Meeting. Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

## **BUSINESS**

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### **1 Financial Reports**

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the financial year ended 30 June 2018.

Note: There is no requirement for Shareholders to approve these reports. Accordingly, there is no vote on this item.

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### **2 Remuneration Report**

To consider and, if thought fit, pass the following Resolution as a non-binding Resolution under section 250R(2) Corporations Act:

*That the Remuneration Report for the financial year ended 30 June 2018 be adopted.*

Note: This Resolution is advisory only and does not bind the Company or the Directors. 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 policies.

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### **3 Re-election of Directors**

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That Mr John Ellice-Flint, who retires in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.*
- (b) *That Mr Rodney Cameron, who retires in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.*

Note: Each Resolution will be voted on separately. The non-candidate Directors unanimously support the re-election of Mr Ellice-Flint and Mr Cameron.

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### **4 Grant of Performance Right to Mr John Phillips**

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the grant of 18,462,000 Performance Rights to Mr John Phillips (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the grant of 7,385,000 Performance Rights to Mr John Phillips (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 5 Grant of Performance Rights to Ms Karen Johnson

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 385,000 Performance Rights to Ms Karen Johnson (or her nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 154,000 Performance Rights to Ms Karen Johnson (or her nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 6 Grant of Performance Rights to Mr Rodney Cameron

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 385,000 Performance Rights to Mr Rodney Cameron (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 154,000 Performance Rights to Mr Rodney Cameron (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 7 Grant of Performance Rights to Mr John Ellice-Flint

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 6,154,000 Performance Rights to Mr John Ellice-Flint (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 3,692,000 Performance Rights to Mr John Ellice-Flint (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 8 Renewal of Proportional Takeover Provisions

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

*"That the proportional takeover provisions contained in Schedule 5 of the Constitution be re-instated? for a period of three years within effect from the close of the Meeting."*

Dated 12 October 2018

**By Order of the Board**

Stephen Rodgers  
**Company Secretary**  
Blue Energy Limited

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## IMPORTANT INFORMATION

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### VOTING EXCLUSIONS

#### Item 2 – Remuneration Report

The Company will disregard any votes cast on item 2:

- (a) by or on behalf of a member of the Key Management Personnel named in the Remuneration Report for the financial year ended 30 June 2018 or their Closely Related Parties, regardless of the capacity in which the vote is cast;
- (b) as a proxy by a member of the Key Management Personnel at the date of the Meeting, or that Key Management Personnel's Closely Related Party, unless the vote is cast as a proxy for a person who is entitled to vote on the Resolution:
  - (i) in accordance with their directions on how to vote as set out in the Proxy Form; or
  - (ii) by the Chairman pursuant to an express authorisation on the Proxy Form.

#### Items 4 to 7 – Grant of Performance Rights to Directors under the Employee Incentive Rights Plan

The Company will disregard any votes cast:

- (a) in favour of any of the Resolutions set out in items 4 to 7 by or on behalf of a Director of the Company or an associate of a Director (as each Director is eligible to participate in the Employee Incentive Rights Plan); and
- (b) as a proxy by a member of the Key Management Personnel at the date of the Meeting, or that Key Management Personnel's Closely Related Party.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote and the appointment specifies the way the proxy is to vote on the relevant Resolution, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation in the Proxy Form to exercise the proxy even though each Resolution is connected with the remuneration of a member of the Key Management Personnel.

### DETERMINATION OF ENTITLEMENT TO VOTE

The Company has 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 on Friday 9 November 2018 at 7.00pm (AEDT).

### PROXIES

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, to sign and return the Proxy Form to the Company in accordance with the instructions provided below.

- (a) delivered by post to the Share Registry of the Company, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001; or
- (b) sent by fax to the Share Registry of the Company, Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia); or
- (c) online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and logging in using the control number found on the front of your accompanying proxy form. You may also scan the QR code on the front of the accompany proxy form with your mobile device and insert your postcode. Intermediary Online subscribers (Institutions/Custodians) may lodge their proxy instruction online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

To be effective, proxy forms must be received by the Company at its registered office or deposited at or faxed to the share registry no later than 48 hours prior to the Meeting.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

#### Voting intentions of the Chairman

The Chairman intends to vote undirected proxies on, and in favour of, all the proposed Resolutions.



## **EXPLANATORY MEMORANDUM**

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### **Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company to explain the Resolutions to be put to the Shareholders at the Meeting to be held at the offices of McCullough Robertson, Central Plaza Two, Level 11, 66 Eagle Street, Brisbane, Queensland on Tuesday, 13 November 2018 at 11.00am (Brisbane time).

Terms and abbreviations used in this Explanatory Memorandum have the meaning given in Schedule 1.

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### **ITEM 1 - FINANCIAL STATEMENT AND REPORTS**

The Corporations Act requires that the Director's Report, Financial Report and the Auditor's Report be laid before Shareholders at the Meeting.

The Company's Annual Report (which includes the reports to be laid before the Meeting) was released to ASX on 19 September 2018 and is available on the Company's website at [www.blueenergy.com.au](http://www.blueenergy.com.au).

Apart from the matters involving remuneration of the Company's Key Management Personnel which is the subject of item 2, a vote of Shareholders on these reports is not required at the Meeting. However, Shareholders will be given a reasonable opportunity to raise questions and make comments on these reports at the Meeting.

Shareholders may also submit written questions to the Company's auditor, Ernst and Young Brisbane if the question is relevant to the content of the Audit Report, or the conduct of its audit of the Company's Annual Report for the year ended 30 June 2018. Relevant written questions for the auditor must be delivered by 5.00pm (Brisbane Time) on Wednesday, 7 November 2018. Please send any written questions for the auditor to Tom du Preez, Partner, Ernst and Young, 111 Eagle Street, Brisbane or [tom.du.preez@au.ey.com](mailto:tom.du.preez@au.ey.com).

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### **ITEM 2 - REMUNERATION REPORT**

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to the vote of Shareholders for adoption. The Financial Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for specified executives and non-executive Directors.

A reasonable opportunity will be provided for Shareholders to ask questions about or make comments on the Remuneration Report at the Meeting.

This Resolution is advisory only and not binding on the Company or the Directors. The Board will take the discussion at the Meeting into consideration when determining the Company's remuneration policy and appropriately respond to any concerns Shareholders may raise in relation to remuneration issues.

If you appoint a Director or member of the key management personnel as your proxy for this resolution, you MUST direct your proxy how to vote; otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

The Chairman intends to vote all available proxies in favour of this Resolution.

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### **ITEM 3 - RE-ELECTION OF DIRECTORS**

Rule 6.3 of the Constitution requires that one third of the Directors must retire at each annual general meeting. Rule 6.3 also provides that any Director who so retires is eligible for re-election at the Meeting.

Mr John Ellice-Flint and Mr Cameron will retire by rotation and offer themselves for re-election.

The Board believes that Mr Ellice-Flint and Mr Cameron have each performed the duties and responsibilities of a Director diligently and professionally and in the best interests of all Shareholders.

The biographical details, skills and experience of Mr Ellice-Flint and Mr Cameron are set out below.

### **Resolution 3(a) - Mr John Ellice-Flint** BSc (Hons) Harvard, AMP

Mr Ellice-Flint has served as Executive Chairman of the Company since October 2012 and as an Executive Director since April 2012.

“Mr Ellice-Flint is an Australian-born business man whose foresight and wide-ranging oil and gas industry credentials are recognised internationally. He has a global track record of being associated with the discovery of significant hydrocarbon fields. John has over 40 years of exploration, production, operations and commercial experience in the oil and gas industry and has held many senior positions with a multinational exploration, production and refining company. John’s achievements in the oil and gas industry are well-known and highly respected. Following a 26-year international career at an American company, Unocal Corporation, serving in a variety of senior executive roles with responsibility for global exploration, production, R&D and strategic planning functions, John became Managing Director and CEO of Santos Limited, Australia’s largest domestic gas producer, from 2000 – 2008. John guided Santos Limited through a major growth period which culminated in the recognition of the potential of coal seam gas in Eastern Australia as a feedstock for the multi million cubic meter LNG and domestic gas industries. John is a current director of Infrastructure Australia and The Australian Ballet and a past Chairman of the South Australian Museum. “

#### **Recommendation**

The Board (with Mr Ellice-Flint abstaining) unanimously supports the re-election of Mr Ellice-Flint as a Non-Executive Director of the Company.

### **Resolution 3(b) - Mr Rodney Cameron** BAdmin (Hons), MBA, MFM, FAICD, CPA

Mr Cameron was appointed as a Director of the Company in November 2011.

Mr Cameron has over 30 year’s industry experience, particularly in the energy and resources industries. He is a seasoned financial executive having been CFO for an ASX listed multi-national renewable energy company, as well as an executive director and CFO for a US multi-national independent power generation company. Mr Cameron has also worked in various management capacities for National Australia Bank, Rio Tinto, Telstra, and Atlantic Richfield Inc.

#### **Recommendation**

The Board (with Mr Cameron abstaining) unanimously support the re-election of Mr Cameron as a Non-Executive Director of the Company.

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## **ITEM 4 - GRANT OF PERFORMANCE RIGHTS TO MR JOHN PHILLIPS**

### **4.1 Background**

The Company is seeking Shareholder approval for Mr John Phillip, Managing Director, to participate in the Company’s Employee Incentive Rights Plan (**EIRP**) via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Mr Phillips, as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company.

Mr Phillips’ contract was renewed in August 2016 on the same terms as his previous contract. Mr Phillips’ total current annual base remuneration is \$400,000 and has remained unchanged since 2010.

### **4.2 Shareholder approval**

Listing Rule 10.14 also requires the approval of Shareholders before securities (which include rights to acquire Shares) can be issued to a Director under the EIRP.

Once approval is obtained under Listing Rule 10.14, the Company is entitled to rely on Listing Rule 10.12, Exception 4 as an exception to any requirement that may otherwise apply requiring Shareholder approval under Listing Rule 10.11. Similarly, approval will not be required under Listing Rule 7.1.

#### 4.3 Overview of the EIRP

The EIRP forms part of the Company's remuneration strategy and is designed to align the interests of eligible employees and Shareholders. Eligible persons participating in the EIRP may be granted incentive rights on terms and conditions determined by the Board from time to time. Incentive rights under the EIRP may comprise Retention Rights, which vest based on completion of a period of service and Performance Rights, which vest based on achievement of Board-determined performance objectives. The portion of Performance Rights that vest is determined by Blue Energy's total shareholder return (TSR) as determined by an independent advisor over the three-year period from the Effective Issue Date.

The EIRP Rules were first adopted in 2010 and The EIRP Rules were most recently amended in June 2018. A summary of the amended EIRP Rules, which apply to Performance Rights granted to Mr Phillips and other Directors in respect of the 2018 financial year (being an Effective Issue Date of 1 July 2017), is set out in Schedule 2 to this Explanatory Memorandum.

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals.

At present, the Board has determined that the issue of Performance Rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Company. Since the EIRP was last approved in 2016, the following securities have been issued to Directors under the EIRP:

| Director             | Shares            | Performance Rights <sup>(1)</sup> | Retention Rights |
|----------------------|-------------------|-----------------------------------|------------------|
| Mr John Phillips     | 12,789,796        | 25,847,000                        | 6,400,000        |
| Mr John Ellice-Flint | 6,389,796         | 9,846,000                         | Nil              |
| Mr Rodney Cameron    | 869,796           | 539,000                           | Nil              |
| Ms Karen Johnson     | 869,796           | 539,000                           | Nil              |
| <b>Total</b>         | <b>20,919,184</b> | <b>36,771,000</b>                 | <b>6,400,000</b> |

<sup>(1)</sup> Subject to the approval of Shareholder being obtained at the Meeting

#### 4.4 Overview of Performance Rights to be granted to Mr John Phillips

Resolution 4(a) seeks approval for the grant of 18,462,000 Performance Rights to Mr Phillips in respect of the 2017 financial year. Resolution 4(b) deals with a separate proposed grant of 7,385,000 Performance Rights to Mr Phillips in respect of the 2018 financial year.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 4(a) and 4(b) unless otherwise indicated.

##### Measurement periods

The Performance Rights have a performance period of three years:

| Tranche                                | Effective Issue Date<br>(Start of Measurement Period) | Test Date<br>(End of Measurement Period) | Retest period <sup>(1)</sup>   |
|--|---|--|--------------------------------|
| <b>FY2017 Grant</b><br>Resolution 4(a) | 1 July 2016   | 30 June 2019                             | 1 July 2019 to<br>30 June 2020 |
| <b>FY2018 Grant</b><br>Resolution 4(b) | 1 July 2017   | 30 June 2020                             | 1 July 2020 to<br>30 June 2021 |

<sup>(1)</sup>Retest only applies if no Performance Rights vest at the first test date

##### Number of Performance Rights

If Resolutions 4(a) and 4(b) are both approved, a maximum of 25,847,000 Performance Rights will be granted to Mr Phillip under the EIRP, including 18,462,000 Performance Rights under Resolution 4(a) and 7,385,000 Performance Rights under Resolution 4(b).

The number of Performance Rights proposed to be granted to Mr Phillips has been calculated on the basis of the formulas set out in sections 9 and 10 of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

If the Performance Rights vest, Mr Phillips will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Mr Phillips. Mr Phillips will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Performance Rights until the Company notifies him otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of the Managing Director and the performance and value of the Company are closely related. As such, the Performance Rights granted will generally only be of benefit to Mr Phillips if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

### ***Resolution 4(a)***

Other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Phillips must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 4(a) to vest. If Mr Phillips ceases to be an employee prior to 30 June 2019 (other than in certain circumstances, including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 4(b)***

Performance Rights granted under Resolution 4(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

| <b>Percentage to vest</b> | <b>Number of Performance Rights</b> | <b>20-day VWAP</b> |
|---------------------------|-------------------------------------|--------------------|
| 25%                       | 1,846,250                           | \$0.0989           |
| 50%                       | 3,692,500                           | \$0.1270           |
| 100%                      | 7,385,000                           | \$0.2194           |

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Phillips must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 4(b) to vest. If Mr Phillips ceases to be an employee prior to 30 June 2020 (other than in certain circumstances, including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Mr Phillips on the grant of the Performance Rights (or any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Mr Phillips under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Phillips as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of the persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusion***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement with regard to this item of business is set out on the final page of the Notice of Meeting.

## 4.5 Recommendation

No Director, other than Mr Phillips, has an interest in the outcome of Resolutions 4(a) and 4(b). The Board (with Mr Phillip abstaining) recommend that Resolutions 4(a) and 4(b) be approved because they consider that the grant of the Performance Rights to Mr Phillips will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Managing Director and the Shareholders.

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## ITEM 5 - GRANT OF PERFORMANCE RIGHTS TO MS KAREN JOHNSON

### 5.1 Background

The Company is seeking Shareholder approval for Ms Karen Johnson, Non-Executive Director, to participate in the Company's EIRP via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Ms Johnson as a key component of the incentive portion of her remuneration in order to retain her services and to provide an incentive linked to the performance of the Company.

During each of the 2016-2017 and 2017-2018 financial years, in order to assist the Company's financial position and assist it in its budgetary constraints, Ms Johnson agreed to voluntarily forego her annual Director's fees of \$5,000 for performing the role of Chair of the Board's Risk and Audit Committee and Ms Johnson is no longer separately remunerated for performing the role of Chair of the Board's Risk and Audit Committee. In recognition of this the Board approved, subject to Shareholder approval, the grant of 385,000 Performance Rights in respect of 2017 financial year (Resolution 5(a)) and 154,000 Performance Rights in respect of 2018 financial year (Resolution 5(b)).

Ms Johnson's total current annual remuneration is \$60,000 (inclusive of superannuation) and has not been increased since her appointment to the Board in September 2011.

### 5.2 Shareholder approval

Shareholder approval for this item of business is being sought under Listing Rule 10.14, the effect of which is outlined in paragraph 4.2 of this Explanatory Memorandum.

### 5.3 Overview of Performance Rights to be granted to Ms Karen Johnson

Resolution 5(a) seeks approval for the grant of 385,000 Performance Rights to Ms Johnson in respect of the 2017 financial year. Resolution 5(b) deals with a separate proposed grant of 154,000 Performance Rights to Ms Johnson in respect of the 2018 financial year.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 5(a) and 5(b) unless otherwise indicated.

#### **Measurement periods**

The Performance Rights have a performance period of three years:

| <b>Tranche</b>                         | <b>Effective Issue Date</b><br>(Start of Measurement Period) | <b>Test Date</b><br>(End of first test period) | <b>Retest period<sup>(1)</sup></b> |
|--|--|--|------------------------------------|
| <b>FY2017 Grant</b><br>Resolution 5(a) | 1 July 2016  | 30 June 2019                                   | 1 July 2019 to<br>30 June 2020     |
| <b>FY2018 Grant</b><br>Resolution 5(b) | 1 July 2017  | 30 June 2020                                   | 1 July 2020 to<br>30 June 2021     |

<sup>(1)</sup> Retest only applies if no Performance Rights vest at the first test date

#### **Number of Performance Rights**

If Resolutions 5(a) and 5(b) are approved, a maximum number of 539,000 Performance Rights will be granted to Ms Johnson, including 385,000 Performance Rights under Resolution 5(a) and 154,000 Performance Rights under Resolution 5(b).

The number of Performance Rights proposed to be granted has been calculated on the basis of the formula in sections 9 and 10 of the EIRP. The Board has utilised its discretion under the EIRP Rules and determined that in

the current market conditions the use of Retention Rights is not appropriate at this point in time. The Board believes that this provides additional alignment between Ms Johnson and Shareholders.

If the Performance Rights vest, Ms Johnson will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Ms Johnson. Ms Johnson will not be able to sell or otherwise dispose of the Shares issued or allocated to her on vesting of the Performance Rights until the Company notifies her otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of the executive Chairman and the performance and value of the Company are closely related. As such, the Rights granted will generally only be of benefit to Ms Johnson if she performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of Schedule 2.

### ***Resolution 5(a)***

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Ms Johnson must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 5(a) to vest. If Ms Johnson ceases to be an employee prior to 30 June 2019 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 5(b)***

Performance Rights granted under Resolution 5(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

| <b>Percentage to Vest</b> | <b>Number</b> | <b>20-day VWAP</b> |
|---------------------------|---------------|--------------------|
| 25%                       | 38,500        | \$0.0989           |
| 50%                       | 77,000        | \$0.1270           |
| 100%                      | 154,000       | \$0.2194           |

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Ms Johnson must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 5(b) to vest. If Ms Johnson ceases to be an employee prior to 30 June 2020 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Ms Johnson on the grant of the Performance Rights (or any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Ms Johnson under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Johnson as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of all persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusions***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement regarding this item of business is set out on the final page of the Notice of Meeting.

## 5.4 Recommendation

No Director, other than Ms Johnson, has an interest in the outcome of Resolutions 5(a) and 5(b). The Board (with Ms Johnson abstaining) recommend that Resolutions 5(a) and 5(b) be approved because they consider that the grant of the Performance Rights to Ms Johnson will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Board and the Shareholders.

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## ITEM 6 - GRANT OF PERFORMANCE RIGHTS TO MR RODNEY CAMERON

### 6.1 Background

The Company is seeking Shareholder approval for Mr Rodney Cameron, Non-Executive Director, to participate in the Company's EIRP via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Mr Cameron as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company.

During each of the 2016-2017 and 2017-2018 financial years, in order to assist the Company's financial position and assist it in its budgetary constraints, Mr Cameron agreed to voluntarily forego his annual Director's fees of \$5,000 for performing the role of a member of the Board's Risk and Audit Committee and Mr Cameron is no longer separately remunerated for performing the role of a member of the Board's Risk and Audit Committee. In recognition of this the Board approved, subject to Shareholder approval, the grant of 385,000 Performance Rights in respect of the 2017 financial year (Resolution 5(a)) and 154,000 Performance Rights in respect of the 2018 financial year (Resolution 5(b)).

Mr Cameron's total current annual remuneration is \$60,000 (inclusive of superannuation) and has not been increased since his appointment to the Board in November 2011.

### 6.2 Shareholder approval

Shareholder approval for this item of business is being sought under Listing Rule 10.14, the effect of which is outlined in paragraph 4.2 of this Explanatory Memorandum.

### 6.3 Overview of Performance Rights to be granted to Mr Rodney Cameron

Resolution 6(a) seeks approval for the grant of 385,000 Performance Rights to Mr Cameron in respect of the 2017 financial year. Resolution 6(b) deals with a separate proposed grant of 154,000 Performance Rights to Mr Cameron in respect of the 2018 financial.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 6(a) and 6(b) unless otherwise indicated.

#### **Measurement periods**

The Performance Rights have a performance period of three years:

| <b>Tranche</b>                         | <b>Effective Issue Date</b><br>(Start of Measurement Period) | <b>Test Date</b><br>(End of first test period) | <b>Retest period<sup>(1)</sup></b> |
|--|--|--|------------------------------------|
| <b>FY2017 Grant</b><br>Resolution 6(a) | 1 July 2016  | 30 June 2019                                   | 1 July 2019 to<br>30 June 2020     |
| <b>FY2018 Grant</b><br>Resolution 6(b) | 1 July 2017  | 30 June 2020                                   | 1 July 2020 to<br>30 June 2021     |

<sup>(1)</sup>Retest only applies if no Performance Rights vest at the first test date

#### **Number of Performance Rights**

If Resolutions 6(a) and 6(b) are approved, a maximum number of 539,000 Performance Rights will be granted to Mr Cameron, including 385,000 Performance Rights under Resolution 6(a) and 154,000 Performance Rights under Resolution 6(b).

The number of Performance Rights proposed to be granted to Mr Cameron has been calculated on the basis of the formulas set out in sections 9 and 10 of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

If the Performance Rights vest, Mr Cameron will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Mr Cameron. Mr Cameron will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Performance Rights until the Company notifies him otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of a Director and the performance and value of the Company are closely related. As such, the Performance Rights granted will generally only be of benefit to Mr Cameron if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of Schedule 2.

### ***Resolution 6(a)***

Other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Cameron must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 6(a) to vest. If Mr Cameron ceases to be an employee prior to 30 June 2019 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 6(b)***

Performance Rights granted under Resolution 6(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

| <b>Percentage to vest</b> | <b>Number of Performance Rights</b> | <b>20-day VWAP</b> |
|---------------------------|-------------------------------------|--------------------|
| 25%                       | 38,500                              | \$0.0989           |
| 50%                       | 77,000                              | \$0.1270           |
| 100%                      | 154,000                             | \$0.2194           |

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Cameron must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 6(b) to vest. If Mr Cameron ceases to be an employee prior to 30 June 2020 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Mr Cameron on the grant of the Performance Rights (nor any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Mr Cameron under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Cameron as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of all persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusions***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement with regard to this item of business is set out on the final page of the Notice of Meeting.



## 6.4 Recommendation

No Director, other than Mr Cameron, has an interest in the outcome of Resolutions 6(a) and 6(b). The Board (with Mr Cameron abstaining) recommend that each Resolution 6(a) and 6(b) be approved because they consider that the issue of the Rights to Mr Cameron will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Board and the Shareholders.

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## ITEM 7 - GRANT OF PERFORMANCE RIGHTS TO MR JOHN ELLICE-FLINT

### 7.1 Background

The Company is seeking Shareholder approval for Mr John Ellice-Flint, Executive Chairman, to participate in the Company's EIRP via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Mr Ellice-Flint as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company. As such, the Board believes that the number of Performance Rights to be granted to Mr Ellice-Flint is commensurate with his value to the Company.

The total current annual base remuneration of Mr Ellice-Flint is \$200,000 (plus superannuation) and has not been increased since his appointment to the Board in April 2012.

### 7.2 Shareholder approval

Shareholder approval for this item of business is being sought under Listing Rule 10.14, the effect of which is outlined in paragraph 4.2 of this Explanatory Memorandum.

### 7.3 Overview of Performance Rights to be granted to Mr John Ellice-Flint

Resolution 7(a) seeks approval for the grant of 6,154,000 Performance Rights to Mr Ellice-Flint in respect of the 2017 financial year. Resolution 7(b) deals with a separate proposed grant of 3,692,000 Performance Rights to Mr Ellice-Flint in respect of the 2018 financial year.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 7(a) and 7(b) unless otherwise indicated.

#### **Measurement periods**

The Performance Rights have a performance period of three years:

| <b>Tranche</b>                         | <b>Effective Issue Date</b><br>(Start of Measurement Period) | <b>Test Date</b><br>(End of first test period) | <b>Retest period<sup>(1)</sup></b> |
|--|--|--|------------------------------------|
| <b>FY2017 Grant</b><br>Resolution 7(a) | 1 July 2016  | 30 June 2019                                   | 1 July 2019 to<br>30 June 2020     |
| <b>FY2018 Grant</b><br>Resolution 7(b) | 1 July 2017  | 30 June 2020                                   | 1 July 2020 to<br>30 June 2021     |

<sup>(1)</sup>Retest only applies if no Performance Rights vest at the first test date

#### **Number of Performance Rights**

If Resolutions 7(a) and 7(b) are approved, a maximum number of 10,385,000 Performance Rights will be granted to Mr Ellice-Flint, including 6,154,000 Performance Rights under Resolution 7(a) and 3,692,000 Performance Rights under Resolution 7(b).

The number of Performance Rights proposed to be granted to Mr Ellice-Flint has been calculated on the basis of the formulas set out in sections 9 and 10 of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

Each Performance Right entitles Mr Ellice-Flint to receive, upon vesting, one Share (or at the Board's discretion, Mr Ellice-Flint may instead receive a cash-equivalent payment). Performance Rights have no entitlement to dividends or voting.

If the Performance Rights vest, Mr Ellice Flint will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Mr Ellice-Flint. Mr Ellice-Flint will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Performance Rights until the Company notifies him otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of a Director and the performance and value of the Company are closely related. As such, the Rights granted will generally only be of benefit to Mr Ellice-Flint if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of the EIRP (particular of which is set out in Schedule 2 of this Explanatory Memorandum).

### ***Resolution 7(a)***

Other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Ellice-Flint must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 7(a) to vest. If Mr Ellice-Flint ceases to be an employee prior to 30 June 2019 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 7(b)***

Performance Rights granted under Resolution 7(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

| <b>Percentage to vest</b> | <b>Number of Performance Rights</b> | <b>20-day VWAP</b> |
|---------------------------|-------------------------------------|--------------------|
| 25%                       | 923,000                             | \$0.0989           |
| 50%                       | 1,846,000                           | \$0.1270           |
| 100%                      | 3,692,000                           | \$0.2194           |

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Ellice-Flint must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 7(b) to vest. If Ellice-Flint ceases to be an employee prior to 30 June 2020 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Mr Ellice-Flint on the grant of the Performance Rights (nor any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Mr Ellice-Flint under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Ellice-Flint as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of all persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusions***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement with regard to this item of business is set out on the final page of the Notice of Meeting.

## **7.4 Recommendation**

No Director, other than Mr Ellice-Flint, has an interest in the outcome of Resolutions 7(a) and 7(b). The Board (with Mr Ellice-Flint abstaining) recommend that Resolutions 7(a) and 7(b) be approved because they consider that the grant of the Performance Rights to Mr Ellice-Flint will provide appropriate incentive to maximise the return to

Shareholders over the long term to assist in developing a unity of purpose for both the Board and the Shareholders.

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## **ITEM 8 - ADOPTION OF PROPORTIONAL TAKEOVER PROVISIONS**

The proposed Schedule 5 of the constitution of the Company is attached in the Annexure of this Explanatory Memorandum. It is in identical form to the provisions of similar coverage which were previously contained in the Constitution. The provisions had a duration period of three years which has expired. The provisions contained in the Schedule 5 of the Constitution therefore do not apply, unless renewed. If renewed under Resolution 8, they will apply until 13 November 2021.

The proposed proportional takeover approval provisions enable the Company to refuse to register securities acquired under a proportional takeover bid unless a resolution is passed by Shareholders in general meeting approving the offer. Under the Corporations Act, proportional takeover provisions expire after three years from adoption or renewal and may then be renewed.

The Company is seeking Shareholder approval to renew these provisions under the Corporations Act. The proposed proportional takeover provisions are identical to those previously contained in the Constitution. The Corporations Act requires the Company to provide Shareholders with an explanation of the proportional takeover approval provisions as set out below.

### **8.1 What is a proportional takeover bid**

A proportional takeover bid is a takeover offer sent to all Shareholders but only for a specified portion of each Shareholder's securities. Accordingly, if a Shareholder accepts in full the offer under a proportional takeover bid, it will dispose of the specified portion of its securities in the Company and retain the balance of the securities.

### **8.2 Effect of renewal**

If renewed, under Schedule 5 of the Constitution if a proportional takeover offer is made to Shareholders of the Company, the board of the Company is required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover. That meeting must be held at least 15 days before the offer under the proportional takeover bid closes.

The resolution is taken to have been passed if a majority of securities voted at the meeting, excluding the securities of the bidder and its associates, vote in favour of the resolution. If no resolution is voted on at least 15 days before the close of the offer, the resolution is deemed to have been passed. Where the resolution approving the offer is passed or deemed to have been passed, transfers of securities resulting from accepting the offer are registered provided they otherwise comply with the Corporations Act, the ASX Listing Rules, the ASX Operating Rules and the Company's Constitution. If the resolution is rejected, then under the Corporations Act the offer is deemed to be withdrawn.

### **8.3 Reasons for proposing the Resolution**

The Directors consider that Shareholders should have the opportunity to renew Schedule 5 of the Constitution. Without Schedule 5 applying, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all of their securities to the bidder. Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their securities whilst leaving themselves as part of a minority interest in the Company.

Without Schedule 5, if there was a proportional takeover bid and shareholders considered that control of the Company was likely to pass, Shareholders would be placed under pressure to accept the offer even if they did not want control of the Company to pass to the bidder. Renewing Schedule 5 of the Constitution will make this situation less likely by permitting Shareholders to decide whether a proportional takeover bid should be permitted to proceed.

### **8.4 No knowledge of present acquisition proposals**

As at the date of this Notice of Meeting, no Director is aware of a proposal by any person to acquire or increase the extent of a substantial interest in the Company.

### **8.5 Potential advantages and disadvantages**

The renewal of Schedule 5 of the Constitution will enable the Directors to formally ascertain the views of Shareholders about a proportional takeover bid. Without these provisions, the Directors are dependent upon their

perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that renewal of Schedule 5 has no potential advantages or potential disadvantages for them, as they remain free to make a recommendation on whether a proportional takeover offer should be accepted.

The Directors consider that renewing Schedule 5 benefits all Shareholders in that they will have an opportunity to consider a proportional takeover bid and then attend or be represented by proxy at a meeting of Shareholders called specifically to vote on the proposal. Accordingly, Shareholders are able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the proportional takeover bid. Furthermore, knowing the view of Shareholders assists each individual Shareholder to assess the likely outcome of the proportional takeover bid and whether to accept or reject that bid.

As to the possible disadvantages to Shareholders renewing Schedule 5, potentially, the proposal makes a proportional takeover bid more difficult and proportional takeover bids will therefore be discouraged. This may reduce the opportunities which Shareholders may have to sell all or some of their securities at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Company's share price. Schedule 5 may also be considered an additional restriction on the ability of individual Shareholders to deal freely on their securities.

The Directors consider that there are no other advantages or disadvantages for Directors or Shareholders which arose during the period during which the proportional takeover approval provisions were in effect, other than those discussed in this section.

On balance, the directors consider that the possible advantages outweigh the possible disadvantages so that the renewal of Schedule 5 is in the interest of Shareholders.

## **8.6 Recommendation**

The Chairman will cast all available proxies in favour of this Resolution.

The Board unanimously supports the renewal of Schedule 5 of the Constitution.

## Schedule 1 - Definitions

In this Explanatory Memorandum and Notice terms defined in the Corporations Act have the same meaning when used in this document and:

**"Annual Report"** means the Company's annual report for the period ending 30 June 2018.

**"ASX"** means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

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

**"Company" or "Blue Energy"** means Blue Energy Limited ACN 054 800 378.

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

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

**"EIRP Rules"** means the rules of the EIRP set out in Schedule 2 of this Notice.

**"Employee Incentive Rights Plan" or "EIRP"** means the plan set out in Schedule 2 of this Notice.

**"Explanatory Memorandum"** means the explanatory memorandum to this Notice.

**"Financial Report"** means the financial report of the Company ended 30 June 2018.

**"Key Management Personnel"** has the meaning set out in the Corporations Act.

**"Listing Rules"** means the Listing Rules of ASX.

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

**"Notice"** means this notice of Meeting.

**"Performance Right"** means a right which converts into one Share and which vests based on achievement of specified performance objectives.

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

**"Remuneration Report"** means the section of the Directors' report for the 2018 financial year that is included under section 300A(1) of the Corporations Act.

**"Resolution"** means a resolution for the consideration of Shareholders at the Meeting.

**"Retention Right"** means a right which converts into one Share and which vests based on completion of a period of service.

**"Rights"** means Incentive Rights (being either Retention Rights or Performance Rights) under the Employee Incentive Rights Plan.

**"Schedule"** means a schedule to this Notice.

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


**"Shareholder"** means a registered holder of a Share.


**"VWAP"** means volume weighted average price.

Words importing the singular include the plural and conversely.



## Lodge your vote:

 **Online:**  
[www.investorvote.com.au](http://www.investorvote.com.au)

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 763 291  
(outside Australia) +61 3 9415 4000

BUL

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

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### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



### Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11.00am (Brisbane Time) Sunday, 11 November 2018.**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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IND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Blue Energy Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Blue Energy Limited to be held at **McCullough Robertson, Central Plaza II, Level 11, 66 Eagle Street, Brisbane on Tuesday, 13 November 2018 at 11.00am (Brisbane time)** and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 2, 4, 5, 6 & 7** (except where I/we have indicated a different voting intention below) even though **Items 2, 4, 5, 6 & 7** connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 2, 4, 5, 6 & 7** by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

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

|   | For                      | Against                  | Abstain                  |   | For                      | Against                  | Abstain                  |
|---|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|
| 2 Remuneration Report   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6a The granting of 385,000 Performance Rights to Mr Rodney Cameron      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3a Re-election of Directors - Mr John Ellice-Flint                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6b The granting of 154,000 Performance Rights to Mr Rodney Cameron      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3b Re-election of Directors - Mr Rodney Cameron                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7a The granting of 6,154,000 Performance Rights to Mr John Ellice-Flint | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4a The grant of 18,462,000 Performance Rights to Mr John Phillips | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7b The granting of 3,692,000 Performance Rights to Mr John Ellice-Flint | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4b The grant of 7,385,000 Performance Rights to Mr John Phillips  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 8 Renewal of Proportional Takeover Provisions                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5a The granting of 385,000 Performance Rights to Ms Karen Johnson | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                          |                          |                          |
| 5b The granting of 154,000 Performance Rights to Ms Karen Johnson | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                          |                          |                          |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_

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