

# AWN HOLDINGS LIMITED

ACN 103 472 751

## Notice of Annual General Meeting & Explanatory Memorandum

### AWN Holdings Limited ACN 103 472 751

**To be held at:** Level 11, 153 Walker Street, North Sydney NSW 2060  
and simultaneously as a virtual meeting  
**To be held on:** 28 January 2021  
**Commencing:** 11am, AEDT

**Due to the COVID-19 outbreak, Shareholders are encouraged to participate in the Annual General Meeting (AGM) virtually or to vote by proxy rather than attending in person.**

More information regarding online participation at the AGM (including how to vote and ask questions online during the AGM) is set out in **Section C** of this Notice of Annual General Meeting.

#### **Important Information**

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

## Important dates and times

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Item	Event	Date
1.	Date of this Notice of Meeting	29 December 2020
2.	Last time and date by which the proxy form for the Annual General Meeting can be lodged	11:00am AEDT (10:00am AEST), 26 January 2021
3.	Time and date for determining eligibility to vote at the Annual General Meeting	7:00pm AEDT (6:00pm AEST), 26 January 2021
4.	Time and date of the Annual General Meeting	11:00am AEDT (10:00am AEST), 28 January 2021

\*Dates are indicative only and subject to change.

## Section A – Glossary

<b>Annual General Meeting or AGM</b>	The hybrid annual general meeting of Shareholders convened by the Notice of Meeting.
<b>ASIC</b>	The Australian Securities & Investments Commission.
<b>ASX</b>	The Australian Securities Exchange operation by ASX Limited.
<b>ASX Listing Rules</b>	The Listing Rules of the ASX.
<b>Board</b>	The board of Directors of the Company.
<b>Business Day</b>	Monday to Friday inclusive, except any day that the ASX declares is not a business day.
<b>Chairman</b>	The chair of the General Meeting.
<b>Closely Related Party</b>	A closely related party of a member of Key Management Personnel and includes (among others), a spouse, child or dependent of the Key Management Personnel and a company controlled by the Key Management Personnel.
<b>Company, AWN or AWN Holdings Limited</b>	AWN Holdings Limited ACN 103 472 751.
<b>Constitution</b>	The current constitution of the Company.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth) for the time being in force together with the <i>Corporations Regulations 2001</i> (Cth).
<b>Directors</b>	The directors of the Company.
<b>Explanatory Memorandum</b>	The information set out in <b>Section D</b> of this Notice of Meeting.
<b>FSSP</b>	The AWN Non-Executive Director Fee Sacrifice Share Plan.
<b>Glossary</b>	The glossary contained in this <b>Section A</b> to this Notice of Meeting.
<b>Key Management Personnel</b>	Those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. The Company's Remuneration Report identifies the Company's Key Management Personnel.
<b>LTVCP</b>	The AWN Long Term Value Creation Plan
<b>Notice of Annual General Meeting</b>	The notice of Annual General Meeting set out in <b>Section B</b> of this Notice of Meeting.
<b>Notice of Meeting</b>	This notice of meeting including the Notice of Annual General Meeting, Explanatory Memorandum and the Schedules, and the Proxy Form.
<b>Official List</b>	Official list of the ASX
<b>Proxy Form</b>	The proxy form accompanying the Notice of Meeting.
<b>Resolution</b>	The Resolutions set out in the Notice of Meeting.
<b>Section</b>	A section of this Notice of Meeting.
<b>Share or Shares</b>	The ordinary shares in the Company.
<b>Shareholder</b>	A holder of one or more Shares.

## Section B – Notice of Annual General Meeting

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### Time and place

Notice is hereby given that the Annual General Meeting (AGM) will be held as follows:

- Held at: Level 11, 153 Walker Street, North Sydney NSW 2060 and simultaneously as a virtual meeting
- Held on: Thursday 28 January 2021
- Commencing at: 11.00am, AEDT

Due to the COVID-19 outbreak, **Shareholders are encouraged to participate in the AGM virtually or to vote by proxy rather than attending in person.**

The AGM can be accessed virtually by sending an email to [agm@arowanaco.com](mailto:agm@arowanaco.com) by 11.00am on 27 January 2021 with your Holder's Name, Address and HIN or SRN and the Company will allocate you a link for the meeting. Shareholders will be able to vote and direct questions to the Chairman by choosing to participate in the AGM virtually.

More information regarding online participation at the AGM (including how to vote and ask questions online during the Meeting) is set out in **Section C** of this Notice of General Meeting.

### Explanatory Memorandum

The Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting describes the matters to be considered at the AGM.

### Defined terms

Terms used in this Notice of General Meeting have the meaning given to them in the Glossary in **Section A** of this Notice of Meeting.

## ITEMS OF BUSINESS

### Financial statements and reports

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To receive and consider the Company's annual financial report, including the Directors' Report and audit report for the year ended 30 June 2020.

### Resolution 1: Remuneration Report

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

*"That the Company adopt the Remuneration Report for the year ended 30 June 2020 in accordance with Section 250R(2) of the Corporations Act."*

#### Short explanation

This Resolution is required under section 250R(2) of the Corporations Act, such that the Company must put the adoption of its Remuneration Report to a vote at its AGM. This vote is advisory only and does not bind the Directors or the Company.

## **Resolution 2: Re-election of director – Mr Robert McKelvey**

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

*"That Mr Robert McKelvey, who retires in accordance with the Company's constitution and, being eligible for re-election, be re-elected as a Director."*

### **Short explanation**

This Resolution is required in connection with ASX Listing Rule 14.4 and clause 6.7(c) of the Constitution, such that a director must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer. Mr Robert McKelvey was most recently re-elected as a Director on 23 November 2017.

## **Resolution 3: Approval of issue of FSSP shares to Mr Robert McKelvey**

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

*"That the issue of FSSP Shares to Mr Robert McKelvey, Non-Executive Director under the Company's FSSP and on the terms and conditions set out in the Explanatory Notes accompanying this Notice of Annual General Meeting is approved under and for the purposes of ASX Listing Rule 10.14."*

### **Short explanation**

In order to generate improved alignment between Shareholders and Directors' interests, and to minimise the cash burden of board fees on the Company, the Non-Executive Directors have agreed to accept shares with a total notional issue price of \$50,000 to be issued under a newly established Non-Executive Director Fee Sacrifice Share Plan (**FSSP**) in consideration for a permanent 33% decrease in cash board fees in respect of the three year period ending on 30 June 2023.

The issue of shares under the Executive Share Plan to Mr McKelvey requires approval by Shareholders in accordance with the ASX Listing Rules.

A Voting Exclusion applies to this Resolution. See the Explanatory Memorandum for details.

## **Resolution 4: Approval of issue of FSSP shares to Mr Eduardo Fernandez**

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

*"That the issue of FSSP Shares to Mr Eduardo Fernandez, Non-Executive Director under the Company's FSSP and on the terms and conditions set out in the Explanatory Notes accompanying this Notice of Annual General Meeting is approved under and for the purposes of ASX Listing Rule 10.14."*

### **Short explanation**

The issue of shares under the Executive Share Plan to Mr Fernandez requires approval by Shareholders in accordance with the ASX Listing Rules.

A Voting Exclusion applies to this Resolution. See the Explanatory Memorandum for details.

## **Resolution 5: Amendments to the Constitution – change of Company name**

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

*"That, in accordance with section 136(2) of the Corporations Act, the Company's Constitution be modified such that all references to the Company's name be amended to reflect the Company's new name, AWN Holdings Limited, as approved by Shareholders at a General Meeting of the Company held on 12 June 2020."*

### **Short explanation**

At a General Meeting held on 12 June 2020, Shareholders approved a change of the Company's name from Arowana International Limited to AWN Holdings Limited. Amending the Constitution to reflect the name change requires approval by Shareholders via a special resolution in accordance with section 136(2) of the Corporations Act.

## **Resolution 6: Amendments to the Constitution – Purpose and Stakeholder clauses**

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

*"That, in accordance with section 136(2) of the Corporations Act, the Company's Constitution be modified to include Purpose and Stakeholder clauses as set out in the Explanatory Notes accompanying this Notice of Annual General Meeting."*

### **Short explanation**

In May 2018, AWN Holdings Limited successfully attained Certified B Corporation (B Corp) status. B Lab has recently announced a requirement for existing B Corps in Australia to meet a "Legal Requirement" component of B Corp Certification by introducing Purpose and Stakeholder clauses into their governing documents. Amending the Constitution to include these clauses requires approval by Shareholders via a special resolution in accordance with section 136(2) of the Corporations Act. Further detail on the B Corp certification and the nature of these clauses is set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

## **Resolution 7: Approval of the Long Term Value Creation Plan**

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

*"That renewal of the Long Term Value Creation Plan (LTVCP), the issue of LTVCP Shares and the possible issue of Shares upon vesting and conversion of LTVCP Shares on the terms and conditions set out in the Explanatory Memorandum is approved under and for the purposes of, among other things, ASX Listing Rules 7.2 Exception 13."*

### **Short explanation**

AWN established a Long Term Value Creation Plan for the benefit of its executives and other employees in 2014 with the approval of Shareholders. This approval permitted the issue of LTVCP Shares and conversion of LTVCP Shares without reducing AWN's 15% placement capacity under ASX Listing Rule 7.1. This approval expires after three years. All entitlements under LTVCP Shares currently on issue have lapsed. This resolution approves the issue of a further tranche of LTVCP Shares over the three years from passage of this Resolution.

A Voting Exclusion applies to this Resolution. See the Explanatory Memorandum for details.

### **Resolution 8: Approval of issue of LTVCP Shares to Kevin Chin**

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

*"That, subject to the passage of Resolution 7, the issue of a maximum of 3,883,742 LTVCP Shares to Mr Kevin Chin or an entity he controls, and the possible issue to Kevin Chin (or an entity he controls) of Shares upon vesting and conversion of LTVCP Shares on the terms set out in the attached Explanatory Memorandum is approved under and for the purposes of ASX Listing Rule 10.14."*

**Short explanation**

This Resolution approves the issue of LTVCP Shares to Mr Kevin Chin for the purposes of ASX Listing Rule 10.14.

A Voting Exclusion applies to this Resolution. See the Explanatory Memorandum for details.

## **Section C – How to vote and direct questions to the Chairman**

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If you are entitled to vote at the AGM, you may vote by attending virtually, in person or by attorney, proxy or, in the case of corporate shareholders, corporate representative.

Due to the COVID-19 outbreak, **Shareholders are encouraged to participate in the AGM virtually or to vote by proxy rather than attending in person.**

### **1. How to vote**

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Due to current social restrictions relating to COVID-19, the Company will convene a hybrid meeting under Rule 5.1(d) of the Company's constitution.

You may vote in one of three ways:

- voting virtually during the AGM. The AGM can be accessed virtually by sending an email to [agm@arowanaco.com](mailto:agm@arowanaco.com), by 11.00am on 27 January 2021, with your Holder's Name, Address and HIN or SRN and the Company will allocate you a link for the meeting;
- voting by proxy (see below on how to vote by proxy); or
- voting in person.

**Due to the COVID-19 outbreak, Shareholders are encouraged to participate in the AGM virtually or to vote by proxy rather than attending in person.**

**Please note that if you intend to attend the meeting and/or vote at the meeting virtually, you will need your shareholder number (which can be found on your proxy form) for verification purposes.**

### **2. Your vote is important**

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The business of the AGM affects your shareholding and your vote is important.

### **3. Corporations**

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To vote at the AGM, a Shareholder that is a corporation must appoint an individual to act as its representative. The appointment must comply with section 250D of the Act. The representative should bring to the AGM evidence of his or her appointment, including any authority under which it is signed. If attending virtually, the representative must send this evidence via email to [agm@arowanaco.com](mailto:agm@arowanaco.com) by 11.00am on 27 January 2021.

Alternatively, a corporation may appoint a proxy.

### **4. Voting virtually**

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To vote at the meeting virtually, login into the meeting using the link provided via email (refer **Section C 1** of this Notice for details on how to obtain the link). Instructions on how to vote on each of the resolutions will be provided during the meeting.

### **5. Voting in person**

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To vote in person, attend the AGM on the date and at the place set out above.

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## 6. Voting by proxy

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In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed. Further details on these changes are set out below.

Proxies must be:

- a) lodged at the Company's share registry, Boardroom Pty Limited, or
- b) lodged online at <https://www.votingonline.com.au/awnagm2020>, or
- c) faxed to the fax number specified below,

not later than **11.00am** (AEST) on **Tuesday**, 26 January 2021.

Address (postal deliveries): GPO Box 3993, Sydney, NSW, Australia, 2001

Link for online lodgement: <https://www.votingonline.com.au/awnagm2020>

Fax number for lodgement: +61 2 9290 9655

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

### **Proxy vote if appointment specifies way to vote**

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands (if applicable), but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the Resolutions, the proxy must not vote on a show of hands (if applicable);
- if the proxy is the chair of the meeting at which the Resolutions is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

### **Transfer of non-chair proxy to chair in certain circumstances**

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the Resolutions; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the Resolutions,

the chair of the meeting is taken, before voting on the Resolutions closes, to have been appointed as the proxy for the purposes of voting on the Resolutions at the meeting.

## **7. Eligibility to vote**

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The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the AGM are those that are registered Shareholders at 7:00pm (Sydney time) on 26 January 2021. If you are not the registered holder of a relevant Share at that time you will not be entitled to vote in respect of that Share.

## **8. Voting procedure**

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Every resolution arising at this AGM will be decided on a poll. On a poll, every person entitled to vote who is present in person, virtually or by proxy, representative or attorney will have one vote for each voting share held by that person.

## **9. Questions to the Chairman at the meeting**

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Shareholders will be able to ask questions of the Chairman via the virtual AGM. Shareholders are encouraged to email their questions to the Company Secretary ([agm@arowanaco.com](mailto:agm@arowanaco.com)) by 4.00pm on **27 January 2021** so that they may be adequately considered and addressed as part of the meeting.

## **10. Enquiries**

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For all enquiries, please contact the Company Secretary, Cameron Fellows on 02 8083 9832 (from within Australia) and +61 2 8083 9832 (from outside Australia).

## **Section D - Explanatory Memorandum**

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This Explanatory Memorandum forms part of the Notice of General Meeting convening the Annual General Meeting of Shareholders of the Company to be held at 11am on 28 January 2021 via a hybrid meeting platform.

This Explanatory Memorandum is to be read in conjunction with the Notice of General Meeting.

### **Purpose**

The purpose of this Explanatory Memorandum is to provide information which the Directors believe is material to Shareholders in deciding whether or not to pass the Resolutions to be put forward in the AGM.

The Directors recommend Shareholders read the Notice of General Meeting and this Explanatory Memorandum in full before making any decisions relating to the Resolutions contained in the Notice of General Meeting.

### **Defined terms**

Terms used in this Explanatory Memorandum have the meaning given to them in the Glossary in **Section A** of this Notice of Meeting in which this Explanatory Memorandum is contained.

### **Further information**

If you have any queries in respect to any of the matters set out in this Notice of Meeting, please contact the Company Secretary, Cameron Fellows on 02 8083 9832 (from within Australia) and +61 2 8083 9832 (from outside Australia).

## **Resolution 1 - Remuneration Report**

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Resolution 1 provides Shareholders the opportunity to vote on AWN's Remuneration Report. The Remuneration Report is contained in the Directors' Report. Under Section 250R(2) of the Corporations Act, AWN must put the adoption of its Remuneration Report to a vote at its annual general meeting.

This vote is advisory only and does not bind the Directors or AWN.

The Remuneration Report sets out the Company's remuneration arrangements for Key Management Personnel of the Company. The Remuneration Report is part of the Directors' Report contained in the annual financial report of the Company for the financial year ended 30 June 2020.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### **Voting consequences**

Under the Corporations Act, if at least 25% of the votes cast on a Remuneration Report resolution are voted against the adoption of the Remuneration Report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution

proposing the calling of an extraordinary general meeting to consider the appointment of Directors of the Company at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (spill meeting) within 90 days of the second annual general meeting. All of the Directors of the Company who were in office when the Directors Report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the Executive Directors of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as Directors of the Company is approved will be the Directors of the Company.

At the Company's previous annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

### **Proxy restrictions**

Members of the Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution put to Shareholders that the Remuneration Report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where:

- a) the chairperson or any other member of the Key Management Personnel is appointed in writing (by a shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with specific instructions on how to vote on a resolution to adopt the Remuneration Report of the Company; or
- b) the chairperson is appointed in writing (by a shareholder who is not Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a non-binding shareholder vote on remuneration, where the shareholder provides express authorisation for the chairperson to do so.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

### **Resolution 2 – Re-election of director – Mr Robert McKelvey**

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In accordance with ASX Listing Rule 14.4 and clause 6.7(c) of the Constitution, a director must not hold office (without re-election) past the third annual general meeting following the director's appointment or three years, whichever is longer. ASX Listing Rule 14.5 also requires that an entity must hold an election of directors each year.

Mr McKelvey, who was last re-elected on 23 November 2017, retires as a director of AWN in accordance with clause 6.7 of the Constitution and, being eligible, wishes to stand for re-election.

Mr McKelvey was appointed as a Non-Executive Director in February 2015 and was previously Managing Director of the US technology firm, Gartner Inc. for the Asia Pacific region. He has extensive knowledge and experience of technology trends and developments and is also a certified master coach and a strong advocate of building the right culture and coaching processes within organisations.

The Directors (not including Mr McKelvey) unanimously recommend that Shareholders vote in favour of Resolution 2.

## **Resolutions 3 and 4 – Approval of issue of Fee Sacrifice Share Plan shares to Directors**

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### **Background**

Up until 31 March 2020, non-executive Directors Mr Robert McKelvey and Mr Eduardo Fernandez were entitled to receive directors fee of \$50,000 per annum each. These fees are payable monthly in arrears. In the context of the COVID-19 pandemic, from 1 April 2020 Messrs McKelvey and Fernandez voluntarily agreed to a 33% temporary reduction in directors fees. From 1 July 2020, Messrs McKelvey and Fernandez agreed to receive one third of their annual fees in the form of Shares subject to receipt of approval by shareholders in general meeting. The issue of Shares not only minimises the cash burden of board fees on the Company, it also generate improved alignment between Shareholders and Directors' interests.

Rather than seeking approval for the issue of Shares to Messrs McKelvey and Fernandez each year, it is proposed that the Company establish the AWN Non-Executive Director Fee Sacrifice Share Plan (**FSSP**) which governs the issue of Shares to Messrs McKelvey and Fernandez. Further, Shares with an aggregate issue price of \$50,000 will be issued to each of Messrs McKelvey and Fernandez following approval at this Meeting representing the non-cash component of the directors' fees to which they would be entitled for the three year period ending 30 June 2023 with one third of these Shares vesting on each of the first, second and third anniversaries of issue.

### **Terms of the FSSP**

Under the FSSP, the Directors may invite a full-time or part-time employee or executive of the Company or any of its subsidiaries or any director of the Company or any of its subsidiaries to participate in the FSSP (each a **Participant**) and determine, among other things, the number of Shares for which a person may apply (**Plan Shares**), the price payable for each Plan Share (if any) and whether the Plan Shares are subject to any conditions. An Invitation is personal to, and not transferrable by, an eligible person.

The Directors may determine that Plan Shares to be granted to Participants are subject to vesting conditions and forfeiture conditions. These conditions may include conditions relating to any or all of:

- continuing employment or continued service with AWN as a Director (as appropriate);
- performance of the participant;

- performance of AWN; or
- the occurrence of specific events.

Unless determined otherwise by the Board, while Plan Shares are held by a Participant, they are subject to forfeiture if in the opinion of the Board, any of the vesting conditions have not been or cannot be satisfied for any reason, in which case all of the Participant's Plan Shares subject to such vesting conditions will be forfeited. The Board may waive any or all forfeiture conditions.

A Participant may retain vested Plan Shares and may deal with any vested Plan Shares (including those unvested Plan Shares which vest on by determination of the Board). If some or all of a Participant's Plan Shares are forfeited, the forfeited Plan Shares will be disposed of or bought-back and the participant forfeits any right, interest or entitlements in respect of those Plan Shares.

AWN may determine that Plan Shares held by a Participant may be Bought-back (in accordance with the requirements of the Constitution and the Corporations Act) if any of the following occur:

- Plan Shares are forfeited; or
- a Change of Control occurs.

If AWN becomes, or in the opinion of the Board is likely to become, subject to a Change of Control, the Board may at its absolute discretion make a determination that some or all of a Participant's unvested Plan Shares vest and the Participant may dispose of their vested Plan Shares by way of:

- sale on his or her own behalf; or
- requesting AWN buy-back the Plan Shares.

Plan Shares will be sold or bought-back at:

- an amount agreed with the Participant at any time; or
- an amount equal to market value (being the closing price of a Share traded on the ASX on the relevant date).

A Participant is entitled to any rights which accrue to Plan Shares held by the Participant and may deal with those rights in accordance with the terms of the FSSP rules and the invitation. Shares acquired under the Plan rank equally in all respects with all shareholder entitlements for the same class of shares (including voting rights, rights issues, dividends and other distributions to, or entitlements of, holders of existing Shares) which have a record date for determining entitlements on or after the grant date of the Plan Shares.

A Participant must not sell, transfer, encumber or otherwise deal with a Plan Share unless otherwise permitted under this Plan or determined by the Board. The Board may determine that the Plan Shares acquired under the Plan may be listed for quotation on the ASX. AWN may use a holding lock (or any other mechanism that it deems appropriate), to enforce the terms and conditions of the Plan Shares.

### **Listing Rule 10.14**

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

- 10.14.1 a director of the company;
- 10.14.2 an associate of a director of the company; or
- 10.14.3 a person whose relationship with the company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders,

unless it first obtains the approval of its shareholders.

The proposed issue of Shares to Messrs McKelvey and Fernando falls within Listing Rule 10.14.1 and therefore requires the approval of Shareholders under Listing Rule 10.14.

Resolutions 3 and 4 seek the required Shareholder approvals under and for the purposes of Listing Rule 10.14.

If Resolutions 3 or 4 are passed, AWN will be able to proceed with the issue of Shares the subject of that Resolution to Mr McKelvey or Mr Fernando (as appropriate).

If Resolution 3 or 4 is not passed, AWN will not issue the Shares the subject of that Resolution and will instead pay the balance of the directors' fees to the relevant Director in the ordinary course.

### **Listing Rule 10.15 disclosure**

AWN provides the following information as required by Listing Rule 10.15:

- **Applicant** – if Resolution 3 is passed, Shares will be issued to Mr McKelvey and if Resolution 4 is passed, Shares will be issued to Mr Fernando.
- **Category of applicant** – Messrs McKelvey and Fernando are Directors of AWN.
- **Number and class** – if the Resolutions are passed, Messrs McKelvey and Fernando will receive the number of Shares determined by dividing \$50,000 by the volume weighted average price at which Shares trade on ASX over the five days up to (but excluding) the date on which AWN shareholders approve the grant of Shares (VWAP). By way of example, if the VWAP is \$1.00, 50,000 Shares would be issued to each of Messrs McKelvey and Fernandez.
- **Current total remuneration** – each of Messrs McKelvey and Fernandez is entitled to receive annual director's fees of \$50,000 inclusive of mandatory superannuation contributions.
- **Previous issues** – no Shares or other AWN securities have been previously issued to either of Messrs McKelvey or Fernandez under the FSSP.
- **Date of issue** – any Shares the subject of Resolutions 3 or 4 will be issued as soon as practicable after passage of the relevant resolution and in any event within 1 month of passage of the Resolution.

- **Issue price** – the issue price for Shares will be the VWAP over the five days up to (but excluding) the date on which AWN shareholders approve the grant of Shares.
- **Summary of FSSP** – the substantive terms of the FSSP are summarised above. The Shares to be granted to Messrs McKelvey and Fernandez will vest progressively as follows:
  - one third will vest on the date one year after the date of grant;
  - one third will vest on the date two years after the date of grant; and
  - one third will vest on the date three years after the date of grant.

Vesting is subject to the holder remaining a Director on the vesting date for the relevant tranche of Shares (or such other date on which the Board makes a determination as to whether the vesting conditions have been met). There are no other conditions to vesting.

- **Reporting** – Details of any securities issued under the FSSP will be published in the AWN annual report relating to the period in which they were issued, along with a statement that approval of the issue was obtained under Listing Rule 10.14.
- **Other participants** – any additional persons covered by Listing Rule 10.14 who become entitled to participate in the FSSP after Resolutions 3 or 4 are approved and who were not named in this notice of meeting will not participate in the FSSP until approval is obtained under that Listing Rule.

### **Voting Exclusion Statement**

AWN will disregard any votes cast in favour of the Resolutions 3 and 4 by or on behalf of:

- Any Director and any other person referred to in Listing Rule 10.14 who is eligible to participate in the FSSP; and
- Any associate of any of the above.

However, this does not apply to a vote cast in favour of Resolutions 3 or 4 by:

- A person as proxy or attorney for a person entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- The chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the chair to vote on the Resolution as the chair decides; or
- A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary providing the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.



## **Recommendation**

Mr Kevin Chin, Chairman of AWN, recommends that Shareholders vote in favour of each of Resolutions 3 and 4. Messrs McKelvey and Fernandez do not consider it appropriate to make a recommendation on these Resolutions as each has a personal interest in the outcome of the Resolution relevant to him.

## **Resolution 5 - Amendments to the constitution - change of Company name**

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At a General Meeting held on 12 June 2020, Shareholders of AWN approved a change of the Company's name from 'Arowana International Limited' to 'AWN Holdings Limited'. Whilst the necessary statutory lodgements have been filed with the appropriate regulatory bodies to give effect to the name change, the Company's constitution still references a previous Company name. The Directors now seek to amend the constitution such that it reflects the Company's current name, AWN Holdings Limited.

In accordance with section 136(2) of the Corporations Act, any amendments to the Company's constitution require Shareholder approval via a special resolution, such that at least 75% of votes cast are in favour.

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

## **Resolution 6 - Amendments to the constitution - Purpose and Stakeholder clauses**

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In May 2018, AWN Holdings Limited announced that it had successfully attained Certified B Corporation ® (B Corp) status.

B Corps are for-profit companies certified by the non-profit Philadelphia headquartered B Lab body to meet rigorous standards of social and environmental performance, accountability, governance and transparency.

To attain B Corp certification, AWN and its operating companies underwent a rigorous and detailed due diligence review of several key business areas over a period of 15 months. These areas included:

- Governance: mission & engagement, corporate accountability, ethics and transparency;
- Workers: benefits, compensation, training & education, communication and flexibility;
- Community: job creation, diversity & inclusion, civic engagement and local involvement; and
- Environment: offices, inputs and outputs.

AWN has a stated long-term commitment to building strong, sustainable businesses that will have a positive impact on economies, industries and the people they employ. Importantly, we understand that the work we do benefits more than the bottom line and we always strive to consider the wider impact of our actions. We want to see businesses and economies grow in a sustainable way and in doing so create value for our stakeholders. This aligns with our purpose of growing people, growing companies and growing value.

The prestigious Real Leaders Impact Awards 2020, co-founded and created by Real Leaders Magazine and Big Path Capital, recently ranked Arowana 10<sup>th</sup> out of the top 100 companies in

the global impact economy, and 1<sup>st</sup> in the Asia Pacific region, placing alongside companies such as Natura & Co., Tesla, Unilever, Vestas and Grove Collaborative.

B Lab has recently announced a requirement for new and existing B Corps in Australia and New Zealand to meet a “Legal Requirement” component of B Corp Certification in order to further promote accountability and demonstrate a firm commitment to pursue profit and purpose. Compliance with the Legal Requirement demonstrates that companies hold themselves to a higher standard of accountability for their decisions through a commitment to consider the impact of their decisions on all stakeholders – employees, customers, suppliers, shareholders, community and the environment. The Legal Requirement assists companies protect mission through capital raises and leadership changes and aligns investors (and potential investors), directors, founders and management.

In Australia, a company can meet the B Corp legal requirement by amending its constitution to include the Legal Requirement language. In order to maintain its certification, AWN must formally implement these amendments by 31 March 2022. In the spirit of AWN’s commitment to accountability and to implementing a stakeholder governance model, the Directors believe the necessary amendments to the Company’s constitution should be made as soon as possible.

The proposed amendments to the Constitution are set out below:

#### **Purpose clause**

Inclusion of a ‘Purpose clause’ in the Constitution as new rule 1.2, stating that:

*“The purpose of the Company is to deliver returns to shareholders whilst having an overall positive impact on society and the environment.”*

#### **Stakeholder clause**

Inclusion of a ‘Stakeholder clause’ in the Constitution as new rule 1.3, stating that:

*“In discharging their duties under this constitution, the Corporations Act 2001 (Cth) and the general law, the directors and officers of the Company:*

- a) *Will include in their consideration the following factors:*
  - i. *The likely consequences of any decision or act of the company in the long term;*
  - ii. *The interests of the company’s employees;*
  - iii. *The need to foster the company’s business relationships with suppliers, customers and others;*
  - iv. *The impact of the company’s operations on the community and the environment;*
  - v. *The desirability of the company maintaining a reputation for high standards of business conduct;*
  - vi. *The interests of the members of the company; and*
  - vii. *The ability of the company to create an overall positive impact on society and the environment; and*
- b) *Need not give priority to a particular factor referred to in paragraph (a) over any other factor (included in paragraph (a) or otherwise).”*

In accordance with section 136(2) of the Corporations Act, any amendments to the Company's constitution require Shareholder approval via a special resolution, such that at least 75% of votes cast are in favour.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

## **Resolution 7 - Approval of the Long Term Value Creation Plan**

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### **Background**

Resolution 7 seeks Shareholder approval for the renewal of a share-based long term value creation plan (**LTVCP** or the **Plan**) and the issue of LTVCP Shares and in turn the Shares into which LTVCP Shares convert as an exception to ASX Listing Rule 7.1.

The LTVCP was introduced with shareholder approval in 2014. It involves the issue of fully paid series A contingent convertible redeemable preference shares in AWN (**LTVCP Shares**) which, subject to achieving a hurdle of an 8% per annum increase in the benchmark enterprise value of AWN over 5 years, convert to Shares.

769, 579 LTVCP Shares were issued in October 2015. The vesting conditions for these LTVCP Shares were not satisfied by the fifth anniversary of their issue and so LTVCP shareholders received no value for that issue. There are currently no unvested LTVCP Shares on issue.

When seeking Shareholder approval for the LTVCP in 2014, AWN indicated that successive issues of LTVCP Shares would be made every five years.

### **Requirement for Shareholder approval**

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the Shares it had on issue at the start of the 12 month period.

ASX Listing Rule 7.2 Exception 13 provides that an issue of securities under an employee incentive scheme does not reduce the company's 15% capacity under ASX Listing Rule 7.1 if, within 3 years before the issue date, the holders of ordinary shares have approved the issue of equity securities under the scheme as an exception to ASX Listing Rule 7.1. The Shareholder approval for the issue of LTVCP Shares and Shares into which the LTVCP Shares convert granted in 2014 has expired and so, absent Shareholder approval, any issue of LTVCP Shares will reduce AWN's 15% capacity.

Resolution 7 seeks Shareholder approval for the issue of LTVCP Shares and the conversion of those LTVCP Shares into Shares, under and for the purposes of ASX Listing Rule 7.2 Exception 13.

If Resolution 7 is passed, AWN will be able to proceed with the issue of LTVCP Shares without reducing the ASX Listing Rule 7.1 capacity. If Resolution 7 is not passed, AWN may still issue LTVCP Shares and the LTVCP Shares may convert to Shares provided AWN's ASX Listing Rule 7.1 capacity is not exceeded. An issue of LTVCP Shares will also reduce the capacity of AWN to issue Shares without Shareholder approval.

The Board may seek shareholder approval at the end of 3 years to issue further LTVCP shares under the Plan.

## Summary of the LTVCP

The LTVCP is an incentive plan whereby AWN Group's enterprise office executives or entities controlled by them (Participants) as a group will have the opportunity to acquire Shares equal in value to 20% of any outperformance by AWN above an average 8% p.a. (**Hurdle Rate**) of AWN's benchmark enterprise value (with relevant adjustments for any debt or equity raised or returned). Compliance with the hurdle and the number of Shares to be held by Participants will be calculated over a 5 year period from 18 November 2019 (**Base Date**), (being the day following the vesting date for the last set of LTVCP Shares issued by AWN) or earlier on the occurrence of a Trigger Event.

The Board proposes to issue LTVCP Shares with an aggregate value of \$5.1 million at an issue price equal to the volume weighted average price of Shares traded on the ASX over the 20 trading days immediately prior to issue. This issue will take place within 10 business days of the passage of Resolution 7. If issued as at 23 December 2020, this would have resulted in the issue of 6,472,903 LTVCP Shares.

AWN will provide a loan to each Participant for the purpose of subscription for LTVCP Shares (**Loan**). The Loan can be repaid at any time but must be paid promptly following conversion of the LTVCP Shares into Shares. The LTVCP Shares will only vest upon AWN outperforming the Hurdle Rate over the relevant time period. If the Hurdle Rate is not achieved, the LTVCP Shares will be redeemed for their issue price, which will be applied to repay the Loans and Participants will receive no benefit with respect to the LTVCP other than the redemption of the LTVCP Shares then on issue and the application of redemption monies to repay the Loan. AWN may then choose to issue new LTVCP Shares under the Plan with respect to the succeeding period of 5 years or otherwise implement a different incentive plan for Participants.

Irrespective of the number of LTVCP Shares issued, if the Hurdle Rate is achieved, all LTVCP Shares will convert to Shares with a market value equal to the aggregate of the amount advanced under all Loans and 20% of AWN's enterprise value outperformance of the Hurdle Rate. The market value of Shares will be determined using the 20 day VWAP immediately following the date of conversion (**Conversion Date**). After the Conversion Date, Participants must retain 20% of the Shares they receive (**Retained Shares**). From the Conversion Date, Participants are restricted from selling more than 20% per annum of their total Retained Shares at the Conversion Date.

Subject to certain specified Trigger Events, there will be no payments under the LTVCP until 18 November 2024 (being the date five years from the Base Date) All Trigger Events are restricted to situations where value has been created above the Hurdle Rate for Shareholders since the Base Date. These comprise a takeover or merger of AWN, or a sale, spin-off or other corporate transaction that results in value realisation of 51% or more of either of AWN's underlying EBIT or of its net assets.

Messrs McKelvey and Fernandez, AWN's independent Directors, believe that the LTVCP is essential to provide appropriate flexibility in remuneration to attract, retain and incentivise AWN's enterprise office executives. Further, the LTVCP Shares will only vest in the event that the Hurdle Rate is exceeded, aligning the interests of enterprise office executives with those of Shareholders, which is particularly important.

If Resolution 7 is not passed and AWN does not issue any LTVCP Shares, the Board may need to revise AWN's enterprise office remuneration structure so as to be able to attract and retain

the right candidates for enterprise office and executive positions. The revision would significantly increase the Company's fixed remuneration costs.

Kevin Chin is the only Director who will participate in the LTVCP.

### **AWN's remuneration model**

The remuneration model for AWN enterprise office executives has been designed to ensure substantial alignment of their interests with those of Shareholders. With this in mind, AWN has embraced and applied the "lean enterprise" and "lean management" principles within the enterprise office structure. The key implications of this approach are:

- **Organisational Structure:** a flexible and agile model that promotes multi-tasking and self-sufficiency by management and employees.
- **Compensation Structure:** compensation is heavily skewed towards performance-based outcomes.

To compensate AWN's enterprise office executives for substantially longer work hours and to further align their interests with those of Shareholders, AWN seeks Shareholder approval to implement the LTVCP, issue LTVCP Shares to Participants, including those to Kevin Chin, Executive Chairman and CEO, and approve the possible conversion of the LTVCP Shares into Shares upon vesting.

### **Calculation of LTVCP Share conversion rate**

The market value of the aggregate Shares to which LTVCP Shares will convert will be equal to 20% of the enterprise value created at AWN level in excess of the Hurdle Rate, measured over the relevant calculation period, plus the value of all Loans then outstanding.

The aggregate number of Shares into which LTVCP Shares convert will be that value, divided by the market value of a Share being the 20 day VWAP immediately following the Conversion Date. This may be shown as:

$$\text{Number of Shares received on conversion of LTVCP Shares} = [(A - B) \times 20.0\% + L] / MP$$

A = Enterprise value at the Conversion Date. The following adjustments will apply where relevant:

- Subtract the value of any equity and/or debt raised
- Add the value of all dividends and other returns to shareholders (e.g. buybacks)
- Add the value of any debt repaid

Enterprise value is calculated as the number of Shares on issue multiplied by the 20 day VWAP following the Conversion Date adjusted for any debt changes, equity changes or dividends paid to ensure no double counting. If AWN has net cash the adjusted market capitalisation will be used instead of the adjusted enterprise value.

B = Based on \$31.6 million (which represents the benchmark enterprise value of AWN on the Base Date) being increased by the 8.0% p.a. hurdle rate. For example, if no Trigger Event occurs then B would equal \$46.5 million in November 2024.

L = value of the Loan, which must be repaid by Participants.

MP = 20 day VWAP immediately following the Conversion Date.

### Worked example of LTVCP Share conversion

The example below is not intended to be a forecast. It is merely a hypothetical calculation of what the gross LTVCP Share Conversion may be, based on various assumptions (set out below) over a 5 year period. The Company may not be successful in meeting its objectives, and accordingly, returns are not guaranteed.

$$\text{Total Shares on conversion} = (A - B) \times 20.0\% + \text{Loan}/\text{MP}$$

<b>Calculation of A assuming 15% growth</b>	
Market capitalisation (\$m)	63.6
Net debt (\$m)	10.0
Unadjusted enterprise value (\$m)	73.6
Less: debt raised during 5 year period (\$m)	10.0
Add: debt repaid during 5 year period (\$m)	-
Less: equity raised during 5 year period (\$m)	-
Add: equity bought back during 5 year period (\$m)	-
Add: dividends paid during 5 year period (\$m)	2.0
<b>A: Adjusted enterprise value (\$m)</b>	<b>65.6</b>
<b>Calculation of B as at 18 November 2019</b>	
Number of shares (pre-share consolidation)	158,170,799
Share Price (\$)	\$0.20
Market capitalisation (\$m)	31.6
Enterprise value (\$m)	31.6
Hurdle rate	8.00%
Years of compounding	5.0
<b>B: Benchmark enterprise value in November 2019 (\$m)</b>	<b>46.5</b>
<b>Loan</b>	
<b>Value of Loans made under the Plan (\$m)</b>	<b>5.1</b>
<b>Aggregate LTVCP Conversion value (\$m): (A - B) x 20% + Loan</b>	<b>8.9</b>
<b>Market Price (\$)</b>	<b>1.61</b>
<b>Number of Shares (adjusted for impact of share consolidation)</b>	<b>5,545,936</b>

The following assumptions are in place for the above calculations for determining the value A:

- Average market capitalisation assumes a 15% per annum growth rate. The average market capitalisation will be calculated based on number of shares multiplied by the 20 day VWAP of the share price following 18 November 2024;
- Dividend payments are based on assumption of annual dividend of 1 cent per share throughout the five year LTVCP period;

- An arbitrary figure of \$10 million in debt raised for acquisition or working capital purposes;
- Net debt of \$10 million held by the Company (if net cash is held, then the enterprise value is assumed to equal market capitalisation); and
- AWN does not conduct any further equity raisings or buy-backs.

The value of Loans made under the LTVCP represents the Company's indicative valuation of the LTVCP consideration received by participants.

### Trigger Events

Payment of the LTVCP will only be made prior to 18 November 2024 if a Trigger Event occurs. A Trigger Event is:

- a takeover or merger of AWN;
- the sale, spin off or other corporate action (such as a distribution *in specie* of assets) with respect to the material assets of AWN and its controlled entities that results in value realisation of 51% or more of either AWN's underlying EBIT or of its net assets based on the most recently available audited financials or independent valuation (as applicable); or
- AWN achieves a cumulative return of capital & dividends to Shareholders and repayment of debt in aggregate greater than \$31.6 million (which represents the benchmark enterprise value of AWN on the Base Date), as increased by the 8.0% p.a. hurdle rate from that date.

Calculation of LTVCP value under a Trigger Event will be based on AWN's average enterprise value (or average market capitalisation should AWN be in a net cash position) for the 20 day VWAP immediately following the Trigger Event, adjusted for any debt or equity changes or dividends paid prior to the Trigger Event, to ensure no double counting.

If AWN's average enterprise value/market capitalisation cannot be calculated after the Trigger Event (such as if an asset is sold, or if the Company is not quoted on ASX during the relevant period for any reason), the LTVCP will be calculated using the enterprise value attributed to the Company as a result of the relevant Trigger Event, at the time of the Trigger Event.

The 8.0% p.a. Hurdle Rate applies up until the completion of the Trigger Event. For example, a Trigger Event that occurs in November 2021 would result in a cumulative hurdle rate of 16.64%.

### Worked example of Trigger Event LTVCP Share conversion

$$\text{Total Shares on conversion} = (A - B) \times 20.0\% + \text{Loan/MP}$$

#### Calculation of A assuming 20% growth and a Trigger Event in November 2021

Market capitalisation (\$m)	45.6
Net cash (\$m)	5.0
Unadjusted enterprise value (\$m)	45.6
Less: debt raised during LTVCP period	-
Add: debt repaid during LTVCP period	-
Less: equity raised during LTVCP period	-
Add: equity bought back during LTVCP period (\$m)	-
Add: dividends paid during LTVCP period (\$m)	0.8
<b>A: Adjusted market capitalisation (\$m)</b>	<b>46.4</b>

#### Calculation of B as at 18 November 2019

Number of shares (pre-share consolidation)	158,170,799
Share Price (\$)	\$0.20
Market capitalisation (\$m)	31.6
Enterprise value (\$m)	31.6
Hurdle rate	8.00%
Years of compounding	2.0
<b>B: Benchmark enterprise value in November 2019 (\$m)</b>	<b>36.9</b>

#### Loan

<b>Value of Loans made under the Plan</b>	<b>5.1</b>
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#### Aggregate LTVCP Conversion value (\$m): $(A - B) \times 20\% +$

<b>Loan</b>	<b>7.0</b>
<b>Market Price (\$)</b>	<b>1.15</b>
<b>Number of Shares (adjusted for impact of share consolidation)</b>	<b>6,066,280</b>

The following assumptions are in place for the above calculations for determining the value A:

- Trigger Event occurs in November 2021;
- Average market capitalisation assumes a 20% per annum growth rate. The average market capitalisation will be calculated based on number of shares multiplied by the 20 day VWAP of the share price following the Trigger Event;
- AWN has net cash of \$5.0 million which results in "A" equalling the adjusted market capitalisation", and not the adjusted enterprise value;
- 2 years of dividend payments are made based on assumption of annual dividend of 1 cent per share;
- AWN does not conduct any further equity raisings or buy-backs.



The following assumptions are in place for the above calculations for determining the value B:

- Trigger Event occurs in November 2021; and
- Benchmark enterprise value is based on the 8.0% p.a. Hurdle Rate being applied from November 2019 to November 2021, being a total growth rate hurdle for the period of 16.64%.

The value of Loans made under the LTVCP represents the Company's indicative valuation of the LTVCP consideration received by participants.

### **Implication of LTVCP Trigger Events on AWN's strategic objectives**

AWN's strategic objective of actively investing and operating businesses across a targeted range of industries that provide a high return on invested capital (**ROIC**) remains unchanged. A key focus of this strategy is realisation of value for shareholders at the appropriate time, including via an asset sale. As a result, the AWN team may be presented with opportunities to realise value for shareholders that may lead to the occurrence of a Trigger Event.

Any LTVCP Share conversion depends on AWN surpassing the Hurdle Rate. The independent Directors therefore believe that a Trigger Event does not affect the alignment of the interests of Participants with Shareholders. As a result, the independent Directors will not avoid a transaction that has potential value realisation for Shareholders solely because it will result in a Trigger Event.

### **Participants in LTVCP**

All Participants to whom an offer of LTVCP Shares may be made without disclosure under section 708 of the Corporations Act are eligible to participate in the LTVCP. This includes the executive team leadership.

Non-executive Directors are not eligible to participate in the LTVCP.

### **Loans to Participants**

Under the Plan, AWN will provide Loans to Participants. Loans are made for the sole purpose of subscribing for LTVCP Shares. If the Hurdle Rate is not met and LTVCP Shares do not vest, LTVCP Shares are redeemed for their issue price and those proceeds applied to repayment of the Loan amount outstanding.

Repayment of a Loan is limited in recourse to the proceeds of sale of Shares issued on conversion.

The interest payable on a Loan is equal to each dividend paid (excluding any franked amount or franking credits) and is payable by the Participant within three business days of payment by the Company of that dividend.

Repayment of Loans under the LTVCP can be made at any time, but must be on the earlier of:

- the date three months after the conversion of LTVCP Shares, (the Board retains absolute discretion to extend this date by up to 2 years);
- the date three months after the relevant Participant ceases to be engaged by AWN;
- the date five business days after a Share is sold;

- 18 November 2024; and
- the date specified by the Board as the repayment date.

### **LTVCP Share dividends**

Each LTVCP Shareholder is entitled to receive a dividend franked to the maximum extent possible for each LTVCP Share, calculated at a rate of 3.0% per annum on the issue price, payable for the six month periods ending on 31 December and 30 June each year. Payment of dividends is subject to the Board's discretion and the Corporations Act. Until the Conversion Date, LTVCP Shares rank in priority to Shares for the payment of dividends.

### **Conversion subject to the Corporations Act and Listing Rules**

If the number of Shares into which LTVCP Shares convert would cause a Participant to breach the Corporations Act or the Listing Rules, that Participant will receive Shares to the maximum possible so as not to cause a breach. AWN must redeem the remaining LTVCP Shares so that the Participant also receives cash equal to the value of the balance of the Shares that Participant would have held on conversion but for the limitation.

### **Future issues of LTVCP Shares**

AWN may issue further LTVCP Shares following the initial issue proposed to be undertaken within 10 business days of the passage of Resolution 7. Any LTVCP Shares so issued will have an issue price equal to the VWAP of Shares on ASX over the 20 day VWAP calculated prior to their issue.

The issue of additional LTVCP Shares will not result in any further dilution of shareholders, as the number of Shares into which all LTVCP Shares convert is based on the LTVCP value calculated based on outperformance of AWN's benchmark enterprise value as at the Base Date in excess of the Hurdle Rate, irrespective of the number of LTVCP Shares on issue. The number of Shares into which all LTVCP Shares convert is calculated by dividing the LTVCP value by the Market Price. AWN proposes to issue further LTVCP Shares over the next 3 years to eligible Participants as circumstances require.

### **Continuation of LTVCP**

At the end of the initial five year period from the Base Date (or earlier if a Trigger Event occurs) the intention is for the LTVCP to restart for a new five year period, with the benchmark enterprise value set to the prevailing enterprise value at that point in time. The LTVCP is not an "annual-rolling" incentive scheme; instead, it consists of sequential 5 year periods.

### **Other key terms and conditions of the LTVCP Shares**

- LTVCP Shares will be granted to eligible executives in single or multiple tranches with vesting conditions applying to each tranche, if any.
- No price is payable by a Participant on conversion of an LTVCP Share to a Share.
- LTVCP Shareholders have the same rights as Shareholders to receive accounts, reports and notices, and to attend and speak at meetings.
- LTVCP Shareholders can only vote in circumstances where a dividend in respect of the LTVCP Shares is unpaid, on transactions affecting reduction of capital or buy-backs, winding-up, or disposal of the whole of AWN's property, business and undertakings.

- LTVCP Shares will not be listed on ASX, although AWN will apply to ASX for quotation of Shares on conversion.
- LTVCP Shares may not be redeemed at the election of Participants.
- LTVCP Shares are forfeited if vesting conditions are not satisfied, employment or engagement of a Participant is terminated due to poor performance or under circumstances that justify immediate termination, if a Participant breaches the LTVCP rules, or in accordance with other forfeiture conditions set by the Board.
- The Board retains discretion to allow a Participant to retain his or her LTVCP Shares in the event that the Participant's engagement by the Company is terminated due to retirement, or on other grounds satisfactory to both AWN and the Participant.
- The Board retains discretion to allow a Participant (or his or her estate) to retain LTVCP Shares following death or permanent disability.
- If an LTVCP Share is forfeited, it must be redeemed and the redemption sum applied to pay any amount outstanding under the relevant Loan and any accrued interest.
- LTVCP Shares rank equally with all other LTVCP Shares from the date of issue.
- LTVCP Shares are subordinated to all creditors of the Company.
- Shares into which LTVCP Shares convert will rank equally with other Shares from the Conversion Date.
- Participants are not entitled to participate in any rights or bonus issue in relation to LTVCP Shares. Participants can participate in rights or bonus issues in relation to Shares into which LTVCP Shares have converted, even if those Shares are under retention and subject to any restrictions on dealing.

### **Impact on AWN**

#### *Accounting*

The LTVCP Shares will be accounted for as an equity-settled share-based payment in accordance with AASB 2, Share based payment (**AASB 2**). The fair value of the LTVCP Shares less any Loan amount will be measured at the grant date using a Monte Carlo valuation model. This will be recognised as an expense over the vesting period, which extends to the earlier of 18 November 2024 or a Trigger Event. The Loans are not recognised as receivables, as they are limited recourse only to the value of the Shares on conversion.

The amount of expense will be recognised unless the LTVCP Shares do not vest because of failure of the Participant to meet the service requirements. No adjustments to the expense are made as a result of changes to performance against the Hurdle Rate. The performance against the Hurdle Rate is considered a market condition in accordance with AASB 2 and the attainment was therefore factored into the grant date valuation.

#### *Taxation*

The Loans under the Plan entail an amount equal to the market value of the LTVCP Shares to be acquired by the Participant. As the Participant will use the Loan to acquire the LTVCP Shares at current market value, there is no "discount" otherwise subject to income tax, fringe benefits tax or payroll tax.

Under the so-called "otherwise deductible rule" in the fringe benefits tax provisions there will be no adverse fringe benefits tax consequences in respect of interest payable on the Loan, providing Shareholders have a reasonable expectation of dividends in the medium/long term. If the Hurdle Rate is not met and the LTVCP Shares do not vest, LTVCP Shares will be redeemed for their issue price and those proceeds applied to repayment of the Loan amount outstanding, that is, the Loan is limited in recourse. The Australian Taxation Office has accepted in a number of public rulings that this is not a "debt forgiveness" for fringe benefits tax purposes. As AWN is a public company, the "deemed dividend" rules in Division 7A of the Income Tax Assessment Act 1936 (Cth) would not apply to the Loan.

Interest received on the Loan will be taxable to AWN and may be deductible to the Participant (again due to the reasonable expectation of dividend income). Because interest will be charged at a rate equal to the "after tax" amount of any dividend, Participants will not be out of pocket.

If the LTVCP Shares do go down in value and are redeemed for their purchase price, that redemption may need to be conducted by way of an off-market buyback. There may be further tax implications associated with buybacks, which may need to be considered at that time.

### **Additional Information**

This Section includes additional information for Shareholders, as required under ASX Listing Rule 7.2 Exception 13:

- *Prior issues* – 769,579 LTVCP Shares have been issued under the scheme since its last approval. All entitlements under these LTVCP Shares have lapsed.
- *Maximum number of securities* - the initial number of LTVCP Shares to be issued following passage of Resolution 7 is the number determined by dividing \$5.1 million by the 20 day VWAP up to the date of issue. AWN may issue further LTVCP Shares over the three years from the passage of Resolution 7 and so there is no further maximum number of LTVCP Shares to be issued. However, the issue of additional LTVCP Shares will not result in any further dilution of shareholders. See the discussion above under the heading 'Further Issues of LTVCP Shares'.

### **Voting Exclusion Statement**

AWN will disregard any votes cast in favour of Resolution 7 by or on behalf of:

- Any person who is eligible to participate in the LTVCP; and
- Any associate of any of the above.

However, this does not apply to a vote cast in favour of Resolution 7 by:

- A person as proxy or attorney for a person entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- The chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the chair to vote on the Resolution as the chair decides; or
- A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary providing the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

### **Recommendation**

Messrs McKelvey and Fernandez recommend that Shareholders vote in favour of Resolution 7. Mr Chin does not consider it appropriate to make a recommendation on this Resolution as he has a personal interest in the outcome of the Resolution.

## **Resolution 8 – Approval of issue of LTVCP Shares to Kevin Chin**

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### **Background**

The Company is seeking Shareholder approval to award LTVCP Shares to Mr Chin under the Plan, and conversion of vested LTVCP Shares to Shares under the Plan.

ASX Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

10.14.1 a director of the company;

10.14.2 an associate of a director of the company; or

10.14.3 a person whose relationship with the company or a person referred to in ASX Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders,

unless it first obtains the approval of its shareholders.

The proposed issue of LTVCP Shares to Mr Chin falls within ASX Listing Rule 10.14.1 and therefore requires the approval of Shareholders under Listing Rule 10.14.

Resolution 8 seeks the required Shareholder approvals under and for the purposes of ASX Listing Rule 10.14.

If Resolution 8 is passed, AWN will be able to proceed with the issue of the LTVCP Shares the subject of that Resolution to Mr Chin.

If Resolution 8 is not passed, AWN will not issue the LTVCP Shares the subject of that Resolution and will instead adjust the remuneration payable to Mr Chin in cash to take account of the shortfall in remuneration as a result of the failure to issue LTVCP Shares.

### **ASX Listing Rule 10.15 disclosure**

AWN provides the following information as required by ASX Listing Rule 10.15:

- *Applicant* – if Resolution 8 is passed, LTVCP Shares will be issued to Kevin Chin.
- *Category of applicant* – Mr Chin is a Director of AWN.

- **Number and class** – if Resolution is passed, the maximum number of LTVCP Shares to be issued to Kevin Chin is 3,883,742. Kevin Chin’s participation in the LTVCP in any event must not exceed 60% of the maximum number of LTVCP Shares on issue at the Conversion Date.
- **Current total remuneration** – Mr Chin is entitled to receive \$30,000 in his capacity as Executive Chairman and CEO of AWN.
- **Previous issues** – Mr Chin was issued with 759,579 LTVCP Shares in October 2015. The vesting conditions for these LTVCP Shares were not satisfied by the fifth anniversary of their issue and so Mr Chin received no value for that issue. There are currently no unvested LTVCP Shares on issue.
- **LTVCP Shares** – the terms of issue for the LTVCP Shares and the rationale for using LTVCP Shares to provide incentive to executives and executive officers of AWN are set out in the disclosure relating to Resolution 7 above. The total subscription price for LTVCP Shares approved under Resolution 7 is \$5.1 million. Mr Chin’s participation in the LTVCP must not exceed 60% of the maximum number of LTVCP Shares on issue at the Conversion Date which represents \$3,060,000 as at the date of this Notice.
- **Date of issue** – the LTVCP Shares the subject of Resolution 8 will be issued as soon as practicable after passage of the relevant resolution and in any event within 3 years of passage of the Resolution.
- **Issue price** – The issue price of the LTVCP Shares will be the 20 day VWAP immediately prior to the date of issue.
- **Summary of LTVCP** – the substantive terms of the LTVCP are set out in the disclosure relating to Resolution 7 above.
- **Terms of loan** – the substantive terms of the loans to be provided to subscribe for LTVCP Shares are set out in the disclosure relating to Resolution 7 above.
- **Reporting** – Details of any securities issued under the LTVCP will be published in the AWN annual report relating to the period in which they were issued, along with a statement that approval of the issue was obtained under ASX Listing Rule 10.14.
- **Other participants** – any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in the LTVCP after Resolution 8 is approved and who were not named in this notice of meeting will not participate in the LTVCP until approval is obtained under that Listing Rule.

### **Voting Exclusion Statement**

AWN will disregard any votes cast in favour of the Resolution 8 by or on behalf of:

- Any Director and any other person referred to in ASX Listing Rule 10.14 who is eligible to participate in the LTVCP; and
- Any associate of any of the above.

However, this does not apply to a vote cast in favour of Resolution 8 by:

- A person as proxy or attorney for a person entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- The chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the chair to vote on the Resolution as the chair decides; or
- A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary providing the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

### **Recommendation**

Messrs McKelvey and Fernandez recommend that Shareholders vote in favour of Resolution 8. Mr Chin does not consider it appropriate to make a recommendation on this Resolution as he has a personal interest in the outcome of the Resolution.