

GALE PACIFIC LIMITED

(ASX: GAP)

ASX Release

23 November 2020

CEO Employment Agreement

Gale Pacific Limited (**Company**) advises that it has now finalised the terms of its employment agreement for Chief Executive Officer and Managing Director, John Paul Marcantonio.

A summary of the key terms of the employment agreement for Mr Marcantonio is attached.

-Ends-

Authorised by the Board of Directors

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Summary of the Key terms of the Executive Service Agreement between Gale Pacific Limited and Mr John Paul Marcantonio

1. Commencement Date

Gale Pacific has employed Mr John Paul Marcantonio in the position of CEO. Mr Marcantonio's employment commenced on 30 November 2019 (**Commencement Date**).

2. Term

Mr Marcantonio will be appointed for an ongoing term subject to termination by either party (see section 5 below).

3. Remuneration

Mr Marcantonio will receive a base salary of US\$458,400 per annum effective from 1 December 2020. His current base salary is US\$428,400 per annum.

a. Short-term incentive

Mr Marcantonio will be entitled to an annual Short-Term Incentive (STI) equal to 50% of his base salary which will be payable upon achieving defined targets, as determined by the Board in its sole discretion. Performance criteria will include a combination of group, and personal targets, and these will be defined by the Board. STI awards will be paid in cash.

b. Long-term incentive

Subject to any necessary approvals, Mr Marcantonio will be entitled to participate in the Company's Long-term Incentive Plan. The current Long-Term Incentive Plan is a Performance Rights Program. Under this Program, Mr Marcantonio will be invited to acquire a certain number of rights in the Company at no cost. The number of rights that the Board may invite Mr Marcantonio to acquire will be determined by calculating 88% of his base salary as of the date of the rights offer (such calculation to be capped at US\$370,000) (converted from US to AUD based on the daily exchange rate published by the Reserve Bank of Australia for the business day prior to the date of the offer) and then dividing that number by the volume weighted average price of the Company's shares for the five trading days prior to (and not including) the date of the offer, rounded to the nearest thousand. A right is a right to acquire one ordinary share of Company under the Performance Rights Program. The rights have time and performance-based conditions and the Program's terms and conditions will govern all offers or acquisitions of shares. The performance period will be three (3) years.

c. FY20 to FY23 Incentive:

For the period between the Commencement Date and 30 June 2023, instead of having both an STI and LTI in place, the Company is offering Mr Marcantonio an initial single 3-year incentive arrangement (**TYI**). The TYI is the only incentive program that Mr Marcantonio will be eligible to participate in during the period from the Commencement Date until 30 June 2023.

Under the TYI, Mr Marcantonio will be granted (subject to shareholder approval) fourteen (14) million Performance Rights. The Performance Rights will be issued for nil consideration and no price will be payable in respect of the vesting of the Performance Rights. Each Performance Right constitutes a right to acquire one ordinary fully paid share in the Company. Vesting of the Performance Rights is subject to the Company achieving a total shareholder return (**TSR**) of at least 25% over the 3-year period ending 30 June 2023 (**Performance Period**), with any vesting of Performance Rights generally occurring after the end of the Performance Period.

TSR will be calculated as the amount (expressed as a percentage) by which the Company's share price as at the relevant performance date (generally determined on the basis of the

volume weighted average of the Company's shares over the preceding 6 months) plus the amount of dividends per share declared between 1 January 2020 and that performance date has increased as against the Company's starting share price of \$0.20.

The percentage of the Performance Rights that will vest will be determined in accordance with the table below.

TSR	Percentage of Performance Rights that vest
Below Threshold: TSR of below 25%	Nil
At Threshold: TSR of 25%	25% (i.e. 3.5 million Performance Rights)
Above Threshold	Each additional whole 1% TSR above 25% will add 0.32% to proportion of Performance Rights vesting to a maximum of 100% of Performance Rights vesting at 260% TSR or above.

Any early achievement of the TSR thresholds will be taken into account at the end of the Performance Period. In particular, if the required TSR increase of 25% or above is achieved in any financial half year prior to 1 January 2023 (**Early Achievement**), the TSR performance condition will be deemed to be satisfied as at the end of the Performance Period to the same extent as if the increase in the TSR had occurred over the full Performance Period (even if there is a subsequent decline in the TSR).

For the purpose of testing the TSR performance condition at the end of the Performance Period, the highest TSR increase over the Performance Period or any single financial half year prior to 1 January 2023 will be used (i.e. TSR increases in respect of different periods, and any vesting of Performance Rights referable to such increases, will not be cumulative). If there is a change of control, the TSR performance condition will be immediately tested and calculated on the basis of an end price determined with reference to the Change of Control event (the Change of Control Price) and Performance Rights may vest accordingly. If any Performance Rights vest, the underlying shares will be issued to Mr Marcantonio immediately prior to completion of the Change of Control transaction.

Vesting of Performance Rights is generally also conditional upon Mr Marcantonio remaining employed by the Company as at the date on which the TSR performance condition is tested. However, where Mr Marcantonio ceases employment less than 3 months before the end of a financial half year within the Performance Period, Performance Rights will still vest to the extent that Early Achievement occurs in relation to the relevant financial half year (unless Mr Marcantonio's employment has been terminated by the Company for cause). Where Mr Marcantonio ceases to be employed by the Company, any vesting of Performance Rights will generally occur at or about the date of cessation of employment or the end of the next financial half year, rather than at the end of the Performance Period.

No Performance Rights will vest if Mr Marcantonio's employment has been terminated by the Company as a result of misconduct prior to the end of the Performance Period (and the Company may clawback any benefit received as a result of the vesting of Performance Rights

if Marcantonio's employment has been terminated by the Company as a result of misconduct after Performance Rights have already vested).

If shareholder approval for the TYI is not obtained, the Performance Rights will not be issued, and the Board will consider alternative arrangements to appropriately remunerate and incentivise Mr Marcantonio.

4. Clawback policy

Gale Pacific retains discretion to clawback some or all of any short or long term incentive awarded to Mr Marcantonio if the Board of Gale Pacific acting reasonably, determines there has been Misconduct. Misconduct is defined as an act of fraud or dishonesty or serious misconduct in the performance of Mr Marcantonio's duties or a material misstatement in the Company's financial statements.

5. Termination

Gale Pacific may terminate Mr Marcantonio's employment at any time; depending on the reason for termination, the termination benefits set out below in section 6 will be payable by the Company to Marcantonio.

Mr Marcantonio may resign by providing 90 days' notice to the Company.

6. Termination Benefits

The termination benefits that may be provided to Mr Marcantonio vary depending upon the circumstances of his departure.

a. Discharge for cause or resignation

Mr Marcantonio will be entitled to receive any unpaid base salary owed as well as all business expense reimbursements and accrued and unused vacation days (**Base Termination Benefits**).

In addition, Mr Marcantonio will also receive any other unpaid vested amounts or benefits under Company compensation, incentive, and benefit plans (other than in the case of misconduct) and the TYI Performance Rights will vest in connection with any Early Achievement (other than in the case of resignation or misconduct).

b. Disability

If Mr Marcantonio ceases employment due to disability, in addition to the Base Termination Benefits, he will also be entitled to receive:

- the benefit of any unvested short-term incentive award (**STI**), if and to the extent it would have vested by virtue of applicable performance criteria being achieved, if those performance criteria were assessed as at the date of cessation of employment;
- the benefit of any unvested long-term incentive award (**LTI**) (excluding the TYI Performance Rights) – if and to the extent it would have vested by virtue of the performance criteria being achieved at the end of the relevant performance period,
- and the TYI Performance Rights will vest (to the extent the TSR performance criteria have been achieved) in connection with any Early Achievement or achievement of the TSR performance condition in respect of the first financial half year ending after the date of cessation of employment (if such financial half year ends less than 3 months after the date of cessation of employment).

c. Death or termination by the Company other than for cause or disability

In addition to the Base Termination Benefits, Mr Marcantonio will be entitled to receive the following benefits.

(i) where Mr Marcantonio ceases employment on or before 30 June 2023

The TYI Performance Rights will vest to the extent the relevant performance criteria have been achieved in connection with any Early Achievement or achievement of the TSR performance condition in respect of the first financial half year ending after the date of cessation of employment (if such financial half year ends less than 3 months after the date of cessation of employment).

Mr Marcantonio will also be entitled to a lump sum payment equal to:

- 12 months' base salary – if his employment with the Company ceases on or before 30 November 2020;
- 18 months' base salary – if his employment with the Company ceases after 30 November 2020 but on or before 30 November 2021;
- 24 months' base salary – if his employment with the Company ceases after 30 November 2021 but on or before 30 June 2023,

in each case, less the value of the Shares received as a result of vesting of the TYI Performance Rights or less the value of any Shares received previously as a result of a Change of Control transaction.

(ii) where Mr Marcantonio ceases employment after 30 June 2023

Mr Marcantonio will be entitled to:

- a lump sum payment equal to 12 months' base salary;
- the benefit of any unvested STI, if and to the extent it would have vested by virtue of applicable performance criteria being achieved, if those performance criteria were assessed as at the date of cessation of employment;
- a pro rata proportion of the benefit of any unvested LTI (relative to the proportion of the relevant performance period served) – if and to the extent it would have vested by virtue of the performance criteria being achieved at the end of the relevant performance period.

7. Restrictive Covenant

Mr Marcantonio will be restrained for up to twelve months after termination of his employment with Gale Pacific from being engaged in competition with Gale Pacific, and for up to 12 months after termination of his employment with ASX from soliciting Gale Pacific employees or persuading people who do business with Gale Pacific to cease or reduce their business with Gale Pacific.