

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Xero Limited

ABN

160 661 183 (ARBN)

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |   |  |
|---|---|--|
| 1 | *Class of *securities issued or to be issued  | <p>(a), (b) Ordinary Shares</p> <p>(c) Conditional Agreement to issue Ordinary Shares (<b>Restricted Stock Units</b> or <b>RSUs</b>)</p> |
| 2 | Number of *securities issued or to be issued (if known) or maximum number which may be issued | <p>(a), (b) 82,240 Ordinary Shares</p> <p>(c) 10,500 RSUs relating to the future issue of up to 10,500 Ordinary Shares</p>               |

<p>3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<p>(a) Issue of Ordinary Shares upon exercise of vested options that were granted under the US Scheme</p> <p>(b) 19,679 Ordinary Shares were issued upon vesting of 33,103 RSUs granted under the Xero Limited (USA) Equity Incentive Scheme (<b>US Scheme</b>) as part of the remuneration package of US based employees. The RSUs vested subject to the terms of the US Scheme, which require continued employment of the relevant employee with the Xero Limited Group and (where applicable) the satisfaction of certain performance hurdles. 15,750 Ordinary Shares were issued upon vesting of 15,750 RSUs granted under the Xero Limited Restricted Stock Unit Plan (AU) (<b>AU Plan</b>) as part of the remuneration package of a key employee based in Australia. The RSUs vested subject to the terms of the AU Plan, which require continued employment of the relevant employee with the Xero Limited Group and (where applicable) the satisfaction of certain performance hurdles. 12,000 Ordinary Shares were issued upon vesting of 12,000 RSUs granted under the Xero Limited Restricted Stock Unit Plan (NZ) (<b>NZ Plan</b>) as part of the remuneration package of a key employee based in New Zealand. The RSUs vested subject to the terms of the NZ Plan, which require continued employment of the relevant employee with the Xero Limited Group and (where applicable) the satisfaction of certain performance hurdles</p> <p>(c) Grant of 10,500 RSUs pursuant to the AU Plan, as part of the remuneration package of a key employee based in Australia. No cash consideration is required to be paid for the RSUs to vest. The RSUs will vest in three equal parts on each of 31 March 2016, 31 March 2017, and 31 March 2018, subject to the terms of the AU Plan, including continued employment of the relevant employee with the Xero Limited Group on each vesting date</p>
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+ See chapter 19 for defined terms.

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>(a), (b) Yes</p> <p>(c) N/A (not quoted)</p>
<p>5 Issue price or consideration</p>	<p>(a) 34,811 Ordinary Shares were issued upon exercise of options; the exercise price for the exercise of the options was as follows:</p> <p>33,333 options at NZ\$4.97 per option 1,478 options at NZ\$17.40 per option</p> <p>(b) 19,679 Ordinary Shares were issued upon vesting of 33,103 RSUs granted under the US Scheme as part of the remuneration package of US based employees. 13,424 RSUs granted under the US Scheme were cancelled in connection with income tax withholding for US based employees upon vesting of those RSUs. 15,750 Ordinary Shares were issued upon vesting of 15,750 RSUs granted under the AU Plan as part of the remuneration package of a key employee based in Australia. 12,000 Ordinary Shares were issued upon vesting of 12,000 RSUs granted under the NZ Plan as part of the remuneration package of a key employee based in New Zealand. No cash consideration was required to be paid for the RSUs to vest</p> <p>(c) 10,500 RSUs were granted at a value of NZ\$24.44 each, being the 20-day volume weighted average market price of Xero Limited's Ordinary Shares on the NZX Main Board through to 31 March 2015. No cash consideration is required to be paid for these RSUs to vest</p>

6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>(a) 34,811 Ordinary Shares were issued upon exercise of vested options that were granted under the US Scheme</p> <p>(b) 19,679 Ordinary Shares were issued upon vesting of 33,103 RSUs granted under the US Scheme as part of the remuneration package of US based employees. 15,750 Ordinary Shares were issued upon vesting of 15,750 RSUs granted under the AU Plan as part of the remuneration package of a key employee based in Australia. 12,000 Ordinary Shares were issued upon vesting of 12,000 RSUs granted under the NZ Plan as part of the remuneration package of a key employee based in New Zealand.</p> <p>(c) Grant of 10,500 RSUs pursuant to the AU Plan, as part of the remuneration package of a key employee based in Australia</p>
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?  If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i> , and comply with section 6i	N/A
6b	The date the security holder resolution under rule 7.1A was passed	N/A
6c	Number of +securities issued without security holder approval under rule 7.1	N/A
6d	Number of +securities issued with security holder approval under rule 7.1A	N/A
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A
6f	Number of +securities issued under an exception in rule 7.2	N/A

+ See chapter 19 for defined terms.

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|----|---|---|--|
| 6g | If <sup>+</sup> securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the <sup>+</sup> issue date and both values. Include the source of the VWAP calculation.  | N/A   |  |
| 6h | If <sup>+</sup> securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements  | N/A   |  |
| 6i | Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements  | N/A   |  |
| 7  | <sup>+</sup> Issue dates<br><br>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.<br><br>Cross reference: item 33 of Appendix 3B. | (a) 31 March 2015   | (b) The date of issue of Ordinary Shares issued upon vesting of RSUs was as follows:                                     |
|    |   | (i) 31 March 2015 (with respect to 11,616 Ordinary Shares issued upon vesting of 19,823 RSUs granted under the US Scheme, 15,750 Ordinary Shares issued upon vesting of RSUs granted under the AU Plan, and 12,000 Ordinary Shares issued upon vesting of RSUs granted under the NZ Plan) | (ii) 1 April 2015 (with respect to 8,063 Ordinary Shares issued upon vesting of 13,280 RSUs granted under the US Scheme) |
|    |   | (c) 1 April 2015 (grant date)   |  |
| 8  | Number and <sup>+</sup> class of all <sup>+</sup> securities quoted on ASX (including the <sup>+</sup> securities in section 2 if applicable)   | Number  | <sup>+</sup> Class   |
|    |   | 136,016,804   | Ordinary   |
|    |   | Number  | <sup>+</sup> Class   |

9	Number and *class of all *securities not quoted on ASX (including the *securities in section 2 if applicable)	517,609 RSUs	RSUs (a conditional contractual right to be issued up to 517,609 Ordinary Shares) – taking into account forfeited RSUs to date, and the RSUs that have vested as set out in this Appendix 3B
		900,999 Options	Unlisted options (convertible into Ordinary Shares on a 1:1 basis)
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	(a), (b) As for all Ordinary Shares	

## Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the *securities will be offered	N/A
14	*Class of *securities to which the offer relates	N/A
15	*Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	N/A

+ See chapter 19 for defined terms.

19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose	N/A

of their entitlements (except by sale through a broker)?

33    \*Issue date

N/A

## Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34    Type of \*securities  
(tick one)

(a)    ☒ \*Securities described in (a) and (b) of Part 1 only (no quotation required for RSUs granted as described in (c) of Part 1 above)

(b)    ☐ All other \*securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

### Entities that have ticked box 34(a)

#### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

35    ☐ If the \*securities are \*equity securities, the names of the 20 largest holders of the additional \*securities, and the number and percentage of additional \*securities held by those holders

36    ☐ If the \*securities are \*equity securities, a distribution schedule of the additional \*securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37    ☐ A copy of any trust deed for the additional \*securities

### Entities that have ticked box 34(b)

38    Number of \*securities for which  
\*quotation is sought

39    \*Class of \*securities for which  
quotation is sought

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+ See chapter 19 for defined terms.



40 Do the \*securities rank equally in all respects from the \*issue date with an existing \*class of quoted \*securities?

If the additional \*securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another \*security, clearly identify that other \*security)

42 Number and \*class of all \*securities quoted on ASX (including the \*securities in clause 38)

Number	*Class

### Quotation agreement

1       \*Quotation of our additional \*securities is in ASX's absolute discretion. ASX may quote the \*securities on any conditions it decides.

2       We warrant the following to ASX.

- The issue of the \*securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those \*securities should not be granted \*quotation.
- An offer of the \*securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any \*securities to be quoted and that no-one has any right to return any \*securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the \*securities be quoted.
- If we are a trust, we warrant that no person has the right to return the \*securities to be quoted under section 1019B of the Corporations Act at the time that we request that the \*securities be quoted.

3       We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4       We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before \*quotation of the \*securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:

  
(Director/Company secretary)

Date: 1 April 2015 (PDT)

Print name:

Matt Vaughan

# Appendix 3B – Annexure 1

## Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

### Part 1

Rule 7.1 – Issues exceeding 15% of capital	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>Insert</b> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	
<b>Add</b> the following: <ul style="list-style-type: none"> <li>• Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2</li> <li>• Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval</li> <li>• Number of partly paid +ordinary securities that became fully paid in that 12 month period</li> </ul> <b>Note:</b> <ul style="list-style-type: none"> <li>• <i>Include only ordinary securities here – other classes of equity securities cannot be added</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	
<b>Subtract</b> the number of fully paid +ordinary securities cancelled during that 12 month period	
<b>“A”</b>	

+ See chapter 19 for defined terms.

<b>Step 2: Calculate 15% of “A”</b>	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
<b>Multiply</b> “A” by 0.15	
<b>Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used</b>	
<p><b>Insert</b> number of *equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> <li>• Under an exception in rule 7.2</li> <li>• Under rule 7.1A</li> <li>• With security holder approval under rule 7.1 or rule 7.4</li> </ul> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	
“C”	
<b>Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1</b>	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	
<p><b>Subtract</b> “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	
<b>Total</b> [“A” x 0.15] – “C”	<i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

## Part 2

<b>Rule 7.1A – Additional placement capacity for eligible entities</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>“A”</b>  <i>Note: number must be same as shown in Step 1 of Part 1</i>	
<b>Step 2: Calculate 10% of “A”</b>	
<b>“D”</b>	0.10  <i>Note: this value cannot be changed</i>
<b>Multiply “A” by 0.10</b>	
<b>Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used</b>	
<i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A  <b>Notes:</b> <ul style="list-style-type: none"> <li>• <i>This applies to equity securities – not just ordinary securities</i></li> <li>• <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	
<b>“E”</b>	

+ See chapter 19 for defined terms.

<b>Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A</b>	
“A” x 0.10  <i>Note: number must be same as shown in Step 2</i>	
<b>Subtract “E”</b>  <i>Note: number must be same as shown in Step 3</i>	
<b>Total</b> [“A” x 0.10] – “E”	<i>Note: this is the remaining placement capacity under rule 7.1A</i>