



# Notice of annual general meeting and explanatory memorandum

**Gale Pacific Limited**

ACN 082 263 778

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**Date:** Friday 28 October 2016

**Time:** 11.00 am (Melbourne time)

**Place:** The Grand Hyatt Hotel  
Verandah Room  
123 Collins Street  
Melbourne Victoria 3000

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# NOTICE OF 2016 ANNUAL GENERAL MEETING

NOTICE is given that the 2016 Annual General Meeting of Gale Pacific Limited ACN 082 263 778 (the Company) will be held at the Grand Hyatt Hotel, Verandah Room 123 Collins Street, Melbourne Victoria on Friday 28 October 2016 at 11.00 am (Melbourne time)

## BUSINESS

Shareholders are invited to consider the following items of business at the Annual General Meeting:

### Ordinary Business

#### 1. FINANCIAL AND RELATED REPORTS

Agenda Item	Financial and Related Reports
Description	To receive and consider the Financial Report of the Company and its controlled entities and the related Directors' and Auditor's Reports in respect of the financial year ended 30 June 2016.

#### 2. ADOPTION OF REMUNERATION REPORT (NON-BINDING VOTE)

Resolution 1	Adoption of Remuneration Report (non-binding resolution)
Description	Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out in the 2016 Annual Report and is available from the Company's website ( <a href="http://www.galepacific.com">www.galepacific.com</a> ). In accordance with section 250R of the Corporations Act, the vote on this resolution will be advisory only and will not bind the directors or the Company.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an <b>ordinary resolution</b> :  <i>"THAT the Remuneration Report for the financial year ended 30 June 2016 included in the Directors' Report of the Annual Report as required under section 300A of the Corporations Act, be adopted by the Company."</i>
Voting Exclusion	The Company will disregard any votes cast on this resolution (in any capacity, whether as proxy or as shareholders) by any of the following persons:  (a) Key Management Personnel; and  (b) Closely Related Parties of Key Management Personnel.  However, the Company need not disregard a vote if it is:  (c) cast by a person as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on Resolution 1; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above; or  (d) cast by the chair of the Meeting as proxy appointed in accordance with the directions of the proxy form for a person who is entitled to vote, and such appointment on the proxy form expressly authorises the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is not cast on behalf of a person described in subparagraphs (a) and (b) above.

### 3. RE-ELECTION OF DIRECTOR

Resolution 2	Re-election of Mr John Murphy as Director
Description	Mr John Murphy retires as a director of the Company by rotation in accordance with rule 7.1(f) of the constitution of the Company and, being eligible under rule 7.1(h), offers himself for re-election.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an <b>ordinary resolution</b> :  <i><b>"THAT Mr John Murphy, having retired from his office as a Director in accordance with rule 7.1(f) of the Company's constitution and, being eligible under rule 7.1(h) of the Company's constitution, having offered himself for re-election, be re-elected as a Director of the Company."</b></i>

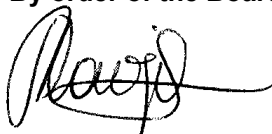
### 4. PERFORMANCE RIGHTS SHARE PLAN

Resolution 3	Approval of Performance Rights Share Plan
Description	The Company seeks shareholder approval for the Company's Performance Rights Share Plan for the purposes of the ASX Listing Rules and the Corporations Act.
Resolution (Ordinary)	To consider and, if thought fit, pass the following resolution as an <b>ordinary resolution</b> :  <i><b>"THAT the issue of performance rights and underlying performance shares in the Company under the Company's Performance Rights Share Plan, the terms and conditions of which are summarised in the Explanatory Memorandum accompanying this Notice, be approved as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2."</b></i>
Voting Exclusion	<p>The Company will disregard any votes cast on this resolution by:</p> <ul style="list-style-type: none"> <li>(a) any Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those Directors;</li> <li>(b) Key Management Personnel and their Closely Related Parties.</li> </ul> <p>However, the Company need not disregard a vote if it is cast by:</p> <ul style="list-style-type: none"> <li>(c) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or;</li> <li>(d) the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides, where the proxy appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.</li> </ul>

<b>Resolution 4</b>	<b>Approval for Mr Nick Pritchard to participate in Performance Rights Share Plan</b>
<b>Description</b>	The Company seeks shareholder approval for the issue of performance rights to Mr Nick Pritchard, the Company's Group Managing Director.
<b>Resolution (Ordinary)</b>	<p>To consider and, if thought fit, pass the following resolution as an <b>ordinary resolution</b>:</p> <p><i><b>"THAT, for the purposes of ASX Listing Rule 10.14 and for all other purposes, shareholder approval is given for the Company to grant up to 9,868,315 performance rights, each to acquire 1 ordinary fully paid share in the Company, to Mr Nick Pritchard (or his nominee(s)) over a three year period under the Company's Performance Rights Share Plan, and the issue of underlying shares in respect of those performance rights, pursuant to the Performance Rights Share Plan and on the terms set out in the Explanatory Memorandum accompanying this Notice."</b></i></p>
<b>Voting Exclusion</b>	<p>The Company will disregard any votes cast on this resolution by:</p> <ul style="list-style-type: none"> <li>(a) the Directors who are eligible to participate in the Performance Rights Share Plan and any associates of those Directors;</li> <li>(b) Key Management Personnel and their Closely Related Parties.</li> </ul> <p>However, the Company need not disregard a vote if it is cast by:</p> <ul style="list-style-type: none"> <li>(c) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or;</li> <li>(d) the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides, where the proxy appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.</li> </ul>

Dated 27 September 2016

**By order of the Board of Gale Pacific Limited**



**Sophie Karzis**  
Company Secretary

## QUESTIONS FROM SHAREHOLDERS

In order to provide an equal opportunity for all shareholders to ask questions of the Board, we ask you to submit in writing any questions to the Company or to the Company's auditor, Deloitte Touche Tohmatsu, in relation to the conduct of the external audit for the year ended 30 June 2016, or the content of its audit report. Please send your questions to:

The Company Secretary, **Gale Pacific Limited**  
Level 1, 61 Spring Street, Melbourne VIC 3000  
T. 03 9286 7500  
F. 03 9662 1472  
E. [sk@ccounsel.com.au](mailto:sk@ccounsel.com.au)

Written questions must be received by no later than 5.00 pm (Melbourne time) on Friday, 21 October 2016.

Your questions should relate to matters that are relevant to the business of the Annual General Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum.

In accordance with the *Corporations Act 2001* (Cth) and the Company's policy, a reasonable opportunity will also be provided to shareholders attending the Annual General Meeting to ask questions about, or make comments upon, matters in relation to the Company including Remuneration Report.

During the course of the Annual General Meeting, the Chairman will seek to address as many shareholder questions as reasonably practicable, and where appropriate, will give a representative of the Auditor the opportunity to answer written questions addressed to it. However there may not be sufficient time to answer all questions at the Annual General Meeting. Please note that individual responses may not be sent to shareholders.

## VOTING INFORMATION

### Voting by proxy

- (a) A shareholder entitled to attend and vote at the Annual General Meeting may appoint one proxy or, if the shareholder is entitled to cast two or more votes at the meeting, two proxies, to attend and vote instead of the shareholder.
- (b) Where two proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the shareholder's voting rights at the meeting.
- (c) A proxy need not be a shareholder of the Company.
- (d) A proxy may be an individual or a body corporate. If a body corporate is appointed, the proxy form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate for the meeting.
- (e) A proxy form accompanies this notice. If a shareholder wishes to appoint more than one proxy, they may make a copy of the proxy form attached to this notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the form is

signed, or a (notarially) certified copy of that power of authority **by 11.00 am (Melbourne time) on Wednesday 26 October 2016:**

- online by going to [investorvote.com.au](http://investorvote.com.au) or by scanning the QR code, found on the enclosed proxy form with your mobile device
- by post at GPO Box 242, Melbourne, Victoria 3001; or
- by personal delivery at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067; or
- by facsimile: Australia – 1800 783 447, overseas - +61 3 9473 2555; or
- Custodian voting - For Intermediary Online subscribers only (custodians) please visit **[www.intermediaryonline.com](http://www.intermediaryonline.com)** to submit your voting intentions.

### Voting and other entitlements at the Annual General Meeting

A determination has been made by the Board of the Company under regulation 7.11.37 of the *Corporations Regulations 2001* that shares in the Company which are on issue at **7.00pm (Melbourne time) on Wednesday 26 October 2016** will be taken to be held by the persons who held them at that time for the purposes of the Annual General Meeting (including determining voting entitlements at the meeting).

### Proxy voting by the Chair

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth), imposes prohibitions on Key Management Personnel and their Closely Related Parties from voting their shares (or voting undirected proxies) on, amongst other things, remuneration matters.

However, the chair of a meeting may vote an undirected proxy (i.e. a proxy that does not specify how it is to be voted), provided the shareholder who has lodged the proxy has given an express voting direction to the chair to exercise the undirected proxy, even if the resolution is connected with the remuneration of a member of Key Management Personnel. If you complete a proxy form that authorises the Chair of the Meeting to vote on your behalf as proxy, and you do not mark any of the boxes so as to give him directions about how your vote should be cast, then you will be taken to have expressly authorised the Chair to exercise your proxy on Resolutions 1, 3 and 4. In accordance with this express authority provided by you, the Chairman will vote in favour of Resolutions 1, 3 and 4. If you wish to appoint the Chair of the Meeting as your proxy, and you wish to direct him how to vote, please tick the appropriate boxes on the form.

The Company's Chairman, Mr David Allman, will chair the Meeting and intends to vote all available undirected proxies in favour of each item of business.

If you appoint as your proxy any Director of the Company, except the Chairman, or any other Key Management Personnel or any of their Closely Related Parties and you do not direct your proxy how to vote on Resolutions 1, 3 and 4, he or she will not vote your proxy on that item of business.

# EXPLANATORY MEMORANDUM TO NOTICE OF 2016 ANNUAL GENERAL MEETING

## 1. FINANCIAL AND RELATED REPORTS

Item	Financial and Related Reports
<b>Explanation</b>	<p>Section 317 of the Corporations Act requires the Company's financial report, directors' report and auditor's report for the financial year ended 30 June 2016 to be laid before the Company's 2016 Annual General Meeting. There is no requirement for a formal resolution on this item.</p> <p>The financial report contains the financial statements of the consolidated entity consisting of Gale Pacific and its controlled entities.</p> <p>As permitted by the Corporations Act, a printed copy of the Company's 2016 Annual Report has been sent only to those shareholders who have elected to receive a printed copy. A copy of the 2016 Annual Report is available from the Company's website (<a href="http://www.galepacific.com">www.galepacific.com</a>).</p> <p>The Chair of the meeting will allow a reasonable opportunity at the meeting for shareholders to ask questions. Shareholders will also be given a reasonable opportunity at the meeting to ask the Company's auditor Deloitte Touche Tohmatsu questions about its audit report, the conduct of its audit of the Company's financial report for the year ended 30 June 2016, the preparation and content of its audit report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of Deloitte Touche Tohmatsu in relation to the conduct of the audit.</p>

## 2. ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

Resolution 1	Adoption of Remuneration Report (non-binding resolution)
<b>Explanation</b>	<p>Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out in the Company's 2016 Annual Report and is available from the Company's website (<a href="http://www.galepacific.com">www.galepacific.com</a>).</p> <p>The Remuneration Report:</p> <ul style="list-style-type: none"> <li>describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of executives and the Company's performance;</li> <li>sets out the remuneration arrangements in place for each director and for certain members of the senior management team; and</li> <li>explains the differences between the basis for remunerating non-executive directors and senior executives, including the Chief Executive Officer (or equivalent).</li> </ul> <p>The vote on this resolution is advisory only and does not bind the Directors. However, the Board will take into account any discussion on this resolution and the outcome of the vote when considering the future remuneration policies and practices of the Company.</p>

<b>Voting Exclusion</b>	A voting exclusion statement applies to this resolution, as set out in the Notice.
<b>Board Recommendation</b>	The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.
<b>Chair's available proxies</b>	The Chair of the Meeting intends to vote all available proxies in favour of this Resolution 1.

### 3. RE-ELECTION OF DIRECTOR

<b>Resolution 2</b>	<b>Re-election of Mr John Murphy as Director</b>
<b>Explanation</b>	<p>Rule 7.1(f) of the Company's constitution requires one third of the Directors (or if their number is not three or a multiple of three, then the number nearest one third) to retire at each Annual General Meeting of the Company. The Directors to retire under rule 7.1(f) are those who have held office as Director the longest period of time since their last election to office, or in the event that two or more Directors have held office for the same period of time, those Directors determined by lot.</p> <p>Both Mr John Murphy and Mr Peter Landos have held office as Director for the longest period of time since their last re-election, and accordingly the Directors have determined by lot in accordance with rule 7.1(f) of the Company's constitution that Mr John Murphy will retire as a Director at the 2016 Annual General Meeting.</p> <p>Mr John Murphy, being eligible under rule 7.1(h) of the constitution, offers himself for re-election as Director.</p>
<b>About Mr John Murphy</b>	<p>Mr Murphy has served as a Director of the Company since 24 August 2007 and is considered to be an independent Director.</p> <p>Mr Murphy was the managing director of Investec Wentworth Private Equity Limited from 2002 until 30 September 2011. Also on that date he changed from being an executive to a non-executive director of Investec Bank (Australia) Limited. Mr Murphy is currently a director of Ariadne Australia Limited.</p> <p>In the three years prior to 30 June 2016 Mr Murphy was also a director of Clearview Wealth Limited, Ariadne Australia Limited, Kresta Holdings Limited, Redflex Holdings Limited and Vocus Communications Limited.</p> <p>Mr Murphy is the Chairman of the Company's Remuneration Committee and the Audit and Risk Committee, and is a member of the Nomination Committee.</p>
<b>Board Recommendation</b>	The Board, with Mr John Murphy abstaining, recommends that shareholders vote in favour of Mr John Murphy's re-election.
<b>Chairman's available proxies</b>	The Chairman of the Meeting intends to vote all available proxies in favour of this Resolution 2.

#### 4. PERFORMANCE RIGHTS SHARE PLAN

Resolution 3	Approval of Performance Rights Share Plan										
<p><b>Explanation</b></p>	<p>ASX Listing Rule 7.1 provides that a company may not issue Equity Securities, or agree to issue Equity Securities, without the approval of shareholders, if the number of Equity Securities to be issued in any 12 month period (including shares issued on the exercise of any options) exceeds 15% of the issued capital of the company preceding the issue.</p> <p>ASX Listing Rule 7.2 contains a number of exceptions to the prohibition contained in ASX Listing Rule 7.1. In particular, under Exception 9 in ASX Listing Rule 7.2, any Equity Securities issued under an employee incentive scheme within three years of the date on which shareholders approve the issue of those Equity Securities are not counted for the purposes of ASX Listing Rule 7.1. Resolution 3 is designed to satisfy the requirements of Exception 9 in ASX Listing Rule 7.2 in relation to the Performance Rights Share Plan (the <b>Plan</b>).</p> <p>The Plan is designed as a standard component of senior executive remuneration and is intended to comprise the long term incentive component of remuneration for senior executives, including executive directors. Accordingly, performance rights under the Plan will be granted at no cost.</p> <p>Other than the Plan, the Company has no other employee or executive share based plans.</p> <p>Grants made under the Plan are subject to a performance period (usually set at three years) and performance rights will only vest if the relevant performance conditions are satisfied at the end of the relevant assessment period. The Plan has generally been designed to link rewards to eligible senior executives with improvements in Company performance and the delivery of returns to shareholders, and for other executives, to reward their performance.</p> <p>Since the Plan was last approved by shareholders at the Company's Annual General Meeting on 26 October 2012, the Company has as at the date of this notice issued 9,615,965 performance rights to 24 senior executives in the Company of which:</p> <ul style="list-style-type: none"> <li>a) Nil have vested;</li> <li>b) 4,610,560 have lapsed due to performance conditions not being met, such conditions including continuation of employment; and</li> <li>c) 5,005,405 are currently on issue.</li> </ul> <p>A summary of the key terms of the Plan is set out below:</p> <table border="1"> <tr> <td><b>Eligibility</b></td><td>Executives of the Company as determined by the Board.</td></tr> <tr> <td><b>Form of grant</b></td><td>Performance rights, being a right to acquire fully paid ordinary shares in the Company subject to satisfaction of relevant performance conditions. Each performance right granted will entitle the executive to one fully paid ordinary share in the Company (<b>Performance Share</b>).</td></tr> <tr> <td><b>Participation</b></td><td>Eligible executives may be invited by the Board to participate in the Plan.</td></tr> <tr> <td><b>Maximum Number of Performance Rights</b></td><td>The aggregate number of performance rights to be issued under the Plan is limited to no more than 5% of the total number of shares on issue at that time.</td></tr> <tr> <td><b>Performance conditions</b></td><td>The Board has discretion under the Plan Rules to set performance conditions which will apply to a grant of performance rights. The relevant performance conditions may vary between grants.</td></tr> </table>	<b>Eligibility</b>	Executives of the Company as determined by the Board.	<b>Form of grant</b>	Performance rights, being a right to acquire fully paid ordinary shares in the Company subject to satisfaction of relevant performance conditions. Each performance right granted will entitle the executive to one fully paid ordinary share in the Company ( <b>Performance Share</b> ).	<b>Participation</b>	Eligible executives may be invited by the Board to participate in the Plan.	<b>Maximum Number of Performance Rights</b>	The aggregate number of performance rights to be issued under the Plan is limited to no more than 5% of the total number of shares on issue at that time.	<b>Performance conditions</b>	The Board has discretion under the Plan Rules to set performance conditions which will apply to a grant of performance rights. The relevant performance conditions may vary between grants.
<b>Eligibility</b>	Executives of the Company as determined by the Board.										
<b>Form of grant</b>	Performance rights, being a right to acquire fully paid ordinary shares in the Company subject to satisfaction of relevant performance conditions. Each performance right granted will entitle the executive to one fully paid ordinary share in the Company ( <b>Performance Share</b> ).										
<b>Participation</b>	Eligible executives may be invited by the Board to participate in the Plan.										
<b>Maximum Number of Performance Rights</b>	The aggregate number of performance rights to be issued under the Plan is limited to no more than 5% of the total number of shares on issue at that time.										
<b>Performance conditions</b>	The Board has discretion under the Plan Rules to set performance conditions which will apply to a grant of performance rights. The relevant performance conditions may vary between grants.										



	<b>Grant price</b>	Although the Board has the discretion under the Plan to set a grant price, it is intended that performance rights will be granted at no cost to the participating executive (on the basis that the grant comprises part of the executive's remuneration).
	<b>Vesting and exercise price</b>	There is no exercise price for performance rights, once relevant performance conditions are met, the performance rights vest and the executive may call for the underlying Performance Shares to be issued to them.
	<b>Restrictions attaching to performance rights</b>	Performance rights may only be transferred with the consent of the Board or by force of law (i.e. upon death or bankruptcy), and will lapse immediately where an executive purports to transfer them in breach of the Rules.
	<b>Restrictions attaching to performance shares</b>	The Board has discretion under the Plan to impose trading or other restrictions on Performance Shares issued to an executive upon vesting of a performance right.
	<b>Cessation of employment</b>	<p>If the executive ceases to be employed by a group company due to death, disability, bona fide redundancy or other reason with the approval of the Board:</p> <ul style="list-style-type: none"> <li>▪ the Board has the discretion to determine that some or all of the executive's unvested performance rights will vest; and</li> <li>▪ if the Board does not make a determination, or determines that only some of the executive's performance rights will vest, then all remaining unvested performance rights will lapse.</li> </ul> <p>If the executive ceases to be employed for any other reason the executive's unvested performance rights will lapse.</p> <p>If the executive acts fraudulently or dishonestly or is in breach of his or her obligations to any group company, the Board may deem any unvested performance rights of the executive to have lapsed, and deem all or any Performance Shares held by the executive to be forfeited.</p>
	<b>Takeover/scheme of arrangement</b>	In the event of a takeover bid or scheme of arrangement in respect of the Company, the Board has discretion to determine that some or all of an executive's performance rights vest, having regard to pro rata performance against the relevant performance conditions.
	<b>Bonus issues, rights issues and reconstruction</b>	If shares are issued pro rata to the Company's shareholders generally by way of bonus issue or rights issue or any reorganisation of the issued capital of the Company is effected, the number of performance rights to which an executive is entitled will be adjusted by the Board to ensure that no advantage or disadvantage accrues to the executive.

	<p><b>Amendment to the Plan</b></p> <p>Subject to the ASX Listing Rules and to specified restrictions in the Plan Rules, the Company may at any time by written instrument or by resolution of the Board, amend the Plan Rules or the terms of performance rights granted.</p>
<b>Board Recommendation</b>	As Resolution 3 is in connection with the remuneration of KMP, the Board does not make any recommendation to shareholders in relation to this Resolution 3.
<b>Chairman's available proxies</b>	The Chairman of the Meeting intends to vote all available proxies in favour of this Resolution 3.

<b>Resolution 4</b>	<b>Approval for Mr Nick Pritchard to participate in Performance Rights Share Plan</b>
<b>Description</b>	Resolution 4 seeks shareholder approval for the issue of performance rights to Mr Nick Pritchard, the Company's Group Managing Director under the Company's existing Performance Rights Share Plan.
<b>Listing Rules</b>	<p>Under ASX Listing Rule 10.14, the Company requires shareholder approval to issue Equity Securities to a Director of the Company. Accordingly, Resolution 4 seeks shareholder approval for the Company to issue securities under the Performance Rights Share Plan to the Group Managing Director of the Company, over the next three years (in accordance with ASX Listing Rule 10.15A.9).</p> <p>Exception 14 in ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply where shareholder approval for an issue of securities is obtained under ASX Listing Rule 10.14. This means that, if shareholder approval is obtained for Resolution 4, approval is not required for the purposes of ASX Listing Rule 7.1.</p>
<b>Corporations Act</b>	<p>Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties of a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies or shareholder approval is obtained.</p> <p>A "financial benefit" is defined in the Corporations Act in broad terms and expressly includes a public company issuing securities. The giving of a financial benefit to a related party of a public company is ordinarily prohibited by Chapter 2E of the Corporations Act. One exception to the general rule is where the benefit constitutes "reasonable remuneration" in respect of the duties and responsibilities of the related party in the management of the public company.</p> <p>The Directors consider that, though the grant of the performance rights to Mr Pritchard under the Plan constitutes the giving of a financial benefit to a related party of the Company, the granting of the performance rights does not require the approval of the shareholders in general meeting as it falls within the exception set out in section 211 of the Corporations Act, being that the benefit is remuneration to the Group Managing Director and is reasonable given both the Company's circumstances and the responsibilities involved in the office of the Group Managing Director.</p> <p>The following information is provided to shareholders to enable shareholders to consider the proposed allocation of performance rights to the Group Managing Director.</p> <p>The issuing of performance rights is a recognised practice in Australia as part of the remuneration of senior executives. If no performance rights were issued, the cash remuneration of the Group Managing Director may have to be increased. Issuing performance rights is accordingly considered a preferable alternative as the recipient benefits if the Company's earnings per share increase (in which case</p>

	<p>all shareholders benefit). If however the Company's earnings per share do not exceed predetermined growth targets during the assessment period, the performance rights are of no benefit and will lapse. This part of the Group Managing Director's remuneration is therefore directly related to the longer-term improved performance of the Company.</p> <p>Mr Pritchard's current remuneration comprises a base remuneration package of \$462,000 per annum, plus variable performance incentives as follows:</p> <ul style="list-style-type: none"> <li>a) maximum cash bonus of 50% of his base remuneration package providing the Company achieves or exceeds pre-determined financial targets; and</li> <li>b) participation in the current Performance Rights Share Plan as further detailed below.</li> </ul>
<p><b>Information to shareholders</b></p>	<p>For the purposes of the approval sought under ASX Listing Rule 10.14 and in accordance with the requirements of ASX Listing Rule 10.15A and for all other purposes, the following information is provided to shareholders in respect of the proposed grant of performance rights to the Group Managing Director under the Plan.</p> <p><b>Number of performance rights</b></p> <p>Approval is being sought for the grant of performance rights to Mr Pritchard during the three years following the date of the Meeting.</p> <p>The exact number of performance rights that will be granted to Mr Pritchard during the three years after the Meeting cannot be calculated as at the date of this Notice as it depends upon the future price of the Company's shares and Mr Pritchard's base remuneration level at future dates, as further described below.</p> <p>If this resolution is passed the Company will grant Mr Pritchard, on an annual basis in accordance with the Plan, such number of performance rights (rounded to the nearest thousand) as is equivalent to 50% of Mr Pritchard's annual base remuneration package, as follows:</p> <ol style="list-style-type: none"> <li>1. The number of Performance Rights to be granted in 2016 has been calculated to be 578,000. This number has been determined by dividing 50% of Mr Pritchard's annual base remuneration package as at the date of the offer (i.e. \$462,000, 50% of which is \$231,000) by the closing price of the Company's shares on 30 August 2016 (i.e. \$0.40 per share) and rounding to the nearest thousand.</li> <li>2. The number of performance rights to be granted in 2017, 2018 and 2019 will be calculated by applying the following formula on the date of issue: <div style="text-align: center; margin-top: 10px;"> <math display="block">\begin{array}{rcl} \text{Number of} &amp; &amp; 50\% \times \text{Mr Pritchard's annual base} \\ \text{performance} &amp; &amp; \text{remuneration package as at the date of issue} \\ \text{rights} &amp; = &amp; \frac{\text{VWAP of the Company's shares over 20}}{\text{trading days ending at close of trade on the}} \\ &amp; &amp; \text{day which is 2 days before the date of offer} \end{array}</math> </div> </li> </ol> <p>The number of performance rights to be granted to Mr Pritchard for the 2016 financial year will therefore be <b>578,000</b>. As each performance right represents an entitlement to one ordinary share in the Company, the maximum number of shares which may be acquired by Mr Pritchard is equal to the number of performance rights issued (subject to certain changes in the Company's capital during the performance period – as noted in the summary of the terms of the Plan above).</p>

Whilst it is not currently possible to determine the exact number of performance rights to be granted to Mr Pritchard in 2017, 2018 and 2019, **the aggregate maximum number** of performance rights that will be granted to Mr Pritchard across the three years from the date of the Meeting (including the 578,000 to be granted in 2016) will be **9,868,315**. This maximum number is provided to shareholders for the purposes of ASX Listing Rule 10.15A.2, and is calculated by reference to:

1. The fact that the aggregate number of performance rights to be issued under the Plan is limited to no more than 5% of the total number of shares on issue at that time. As the Company currently has 297,474,396 shares on issue, the current Plan limit is 14,873,720 performance rights.
2. The 5,005,405 performance rights already on issue would result in the remaining balance available under the 5% capacity of the Plan being **9,868,315** ( $14,873,720 - 5,005,405 = 9,868,315$ ).

#### **Terms of performance rights**

Performance rights will only vest if the relevant performance conditions are satisfied.

Each tranche of performance rights issued to Mr Pritchard pursuant to this resolution will relate to either the 2016, 2017, 2018 or 2019 financial year.

As stated above, it has been determined that **578,000** performance rights will be issued which pertain to 2016 financial year, in accordance with an offer of performance rights (conditional upon shareholder approval) which was made to Mr Pritchard on 15 September 2016 and which has been accepted by Mr Pritchard (**FY2016 Rights**).

The performance conditions for the FY2016 Rights are to be tested over the 2017, 2018 and 2019 financial years.

Separate tranches of performance rights are proposed to be issued to Mr Pritchard in the 2017, 2018 and 2019 financial years (**FY2017 Rights**, **FY2018 Rights**, and **FY2019 Rights** respectively). The performance conditions for the FY2017 Rights are to be tested over the 2018, 2019 and 2020 financial years; the performance conditions for the FY2018 Rights are to be tested over the 2019, 2020 and 2021 financial years; and the performance conditions for the FY2019 Rights are to be tested over the 2020, 2021 and 2022 financial years.

Each three year period over which a given tranche of performance rights will be tested shall be referred to in this Explanatory Memorandum as a **"Performance Period"**.

The performance conditions will be based on achievement by the Company of a target based on average annual earnings per share growth and the Group Managing Director remaining in continuous employment with the Company for a period of two months after the relevant Performance Period ends. The objective of the performance conditions is to encourage improvement in the Company's performance within the specified timeframe.

The performance rights will vest in accordance with the following terms:

1. If the Company:
  - a) achieves an increase in the earnings per Share (**EPS**)\* for each of the three years of the given Performance Period (e.g. for the FY2017 Rights, for each of the three years ending 30 June 2018, 30 June 2019 and 30 June 2020) (over the prior year in each case) such that the average of the 3 percentage increases (**Average EPS Growth Rate**) reaches a specified value (**Performance Hurdle**); and

	<p>b) The Group Managing Director remains in continuous employment with the Company until 31 August of the final year of the given Performance Period;</p> <p>a certain percentage of the number of performance rights issued will vest.</p> <p>2. The number of performance rights that will vest will be determined proportionately on a straight line basis from zero performance rights vesting at +3.0% Average EPS Growth Rate, to 100% of performance rights vesting at +10.0% (or higher) Average EPS Growth Rate.</p> <p><i>* Actual EPS will be normalised by the Board as considered necessary (at the Board's absolute discretion) so that it reflects underlying profit.</i></p> <p>3. Determination of the extent to which the performance conditions have been achieved will be made by the Board at the end of each year of the relevant Performance Period, based on the audited accounts of the Company.</p> <p>4. Each Right will entitle Mr Pritchard to subscribe for one ordinary share subject to the rules governing the Plan.</p> <p>5. The performance rights will be granted at nil issue price. Vested performance rights may be exercised at nil exercise price. No funds are expected to be raised by the issue or exercise of performance rights.</p> <p>6. Whether or not all of the performance rights will vest (and, therefore, become exercisable) and the proportion of performance rights that become vested will depend on the Company achieving an increase in average earnings per share annual growth rate to a specified value.</p> <p><b>Price of performance rights</b></p> <p>No consideration will be payable for the grant of the performance rights under the Plan to Mr Pritchard, or for the issue of underlying shares upon vesting of the performance rights.</p> <p><b>Details of prior grants</b></p> <p>The only persons referred to in ASX Listing Rule 10.14 who have received securities under the Plan since the date that shareholder approval of the Plan was last obtained (being 26 October 2012) are Mr Nick Pritchard (the Group Managing Director) and Mr Peter McDonald (previous Director and Chief Executive Officer). Mr Pritchard received 1,778,385 performance rights for nil consideration since 26 October 2012. Mr McDonald received 1,200,000 performance rights for nil consideration since 26 October 2012, all of which lapsed upon cessation of his employment with the Company.</p> <p>The only person referred to in ASX Listing Rule 10.14 currently entitled to participate in the Plan is Mr Nick Pritchard.</p> <p><b>Voting exclusion</b></p> <p>A voting exclusion statement applies to Resolution 4 and is included in the Notice.</p> <p><b>No Loans</b></p> <p>No loans are proposed to be provided in relation to the acquisition of the performance rights by Mr Pritchard.</p>
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	<p><b>Disclosures in annual report</b></p> <p>Details of any securities issued under the Plan will be published in each annual report of the Company relating to the period in which the securities were issued and, where applicable, it will be noted that approval for the issue of the securities was obtained under ASX Listing Rule 10.14.</p> <p><b>Other participants under ASX Listing Rule 10.14</b></p> <p>Any additional persons referred to in ASX Listing Rule 10.14 who become entitled to participate in the Plan after this Resolution 4 is approved and who are not named in this Notice or Explanatory Memorandum will not participate until approval is obtained under ASX Listing Rule 10.14.</p>
<b>Board Recommendation</b>	Mr Nick Pritchard abstains from making a voting recommendation on this resolution as it relates to an issue of performance rights to him. The other Directors do not wish to make a recommendation on this resolution as it relates to the remuneration of one of the Directors.
<b>Other Information</b>	The Directors are not aware of any other information that is reasonably required by shareholders to enable them to make a decision as to how to vote on Resolution 4.
<b>Chairman's available proxies</b>	The Chairman of the Meeting intends to vote all available proxies in favour of this Resolution 4.

## DEFINITIONS

<b>Company or Gale Pacific</b>	Means Gale Pacific Limited ACN 082 263 778
<b>Constitution</b>	Means the constitution of Gale Pacific Limited
<b>Director</b>	Means a director of the board of Gale Pacific Limited.
<b>Equity Security</b>	Means: a) a share; b) a right to a share or option; c) an option over an issued or unissued security; d) a convertible security; e) any security that ASX decides to classify as an equity security.
<b>Closely Related Party</b> (of a member of KMP of an entity)	Has the definition given to it by section 9 of the Corporations Act, and means: a) a spouse or child of the member; or b) a child of the member's spouse; or c) a dependant of the member or of the member's spouse; or d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or e) a company the member controls; or f) a person prescribed by the regulations for the purposes of this definition (nothing at this stage).
<b>Key Management Personnel or KMP</b>	Means 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.
<b>Plan</b>	Means the Company's Performance Rights Share Plan
<b>VWAP</b>	Means the volume weighted average price of shares over the specified number of days.

-ENDS-

**Lodge your vote:**



**Online:**

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



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

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

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

**For all enquiries call:**

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

GAP

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

**Proxy Form**

**XX**



**Vote and view the annual report online**

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

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

**Control Number: 999999**

**SRN/HIN: I999999999**

**PIN: 99999**

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



**For your vote to be effective it must be received by 11.00 am Wednesday 26 October 2016**

**How to Vote on Items of Business**

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

**Appointment of Proxy**

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

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

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

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

**Signing Instructions for Postal Forms**

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

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

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

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

**Attending the Meeting**

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

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

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



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

☐

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



I 9999999999

IND

# Proxy Form

Please mark ☒ to indicate your directions

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

XX

I/We being a member/s of Gale Pacific Limited hereby appoint

☐ the Chairman of the Meeting

OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Gale Pacific Limited to be held at the Grand Hyatt Hotel, Verandah Room, 123 Collins Street, Melbourne Victoria on Friday 28 October 2016 at 11.00 am (Melbourne time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 3 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 3 and 4 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

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

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report (non-binding resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr John Murphy as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Performance Rights Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval for Mr Nick Pritchard to participate in Performance Rights Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/

/