



TLOU ENERGY LIMITED

A.B.N 79 136 739 967

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

Thursday 10 November 2016

Time of Meeting

10.00am (Brisbane Time)

Place of Meeting

BDO

Level 10, 12 Creek Street

Brisbane Qld 4000

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

TLOU ENERGY LIMITED

A.B.N 79 136 739 967

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Tlou Energy Limited A.B.N 79 136 739 967 ("the Company") will be held at the BDO, Level 10, 12 Creek Street, Brisbane Qld 4000 on Thursday 10th November 2016 at 10.00am (Brisbane time) for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

AGENDA

ITEMS OF BUSINESS

Financial Statements and Reports

To receive and consider the financial statements of the Company for the year ended 30 June 2016 together with the Directors' Report and the Auditor's Report as set out in the Annual Report.

1. Resolution 1 – Non Binding Resolution to Adopt Remuneration Report

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

"That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2016 be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

For the purposes of Resolution 1:

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by or on behalf of:

- a member of the Key Management Personnel (KMP) of the Company; or
- a Closely Related Party of a KMP, whether the votes are cast as a shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote if it is cast as a proxy by a KMP, details of whose remuneration are included in the remuneration report for the year ended 30 June 2016, or a Closely Related Party of such a KMP:

- for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- if it is cast by a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with an express authority on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP; and
- the vote is not cast on behalf of a KMP details of whose remuneration are included in the remuneration report for the year ended 30 June 2016, or a Closely Related Party of a KMP.

Further, the Company will not disregard a vote if it is cast by a KMP, details of whose remuneration are not included in the remuneration report for the year ended 30 June 2016, or a Closely Related Party of such a KMP:

- as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- if it is cast by a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with an express authority on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP.

IMPORTANT NOTE:

- **You may be liable for breach of the voting restrictions in the Corporations Act if you cast a vote that the Company disregards.**
- **Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company), subject to compliance with the Corporations Act.**

2. Resolution 2 – Election of Mr Colm James Cloonan as a Director

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

"That Mr Colm James Cloonan, who was appointed as a Director of the Company by the Board on 11 February 2016, and who retires in accordance with the Company's Constitution and ASX Listing Rule 14.4, and being eligible offers himself for re-election as a Director of the Company, be elected a Director in accordance with Article 46 of the Company's Constitution with effect from the close of this Meeting."

3. Resolution 3 – Approval of 10% Placement Capacity

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

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval be given for the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue or the agreement to issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

For the Purposes of Resolution 3:

Voting Exclusion Statement: The Company will disregard any votes cast on this special resolution by any person who may participate in the issue of Equity Securities the subject of this Resolution 3 and a person who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed (**Participating Party**), and any associate of the Participating Party.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

IMPORATANT NOTE: At the date of this Notice, it is not known who will participate in the proposed issue of Equity Securities the subject of this special resolution and the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the equity securities. Therefore, no existing Shareholder votes will be excluded under the voting exclusion in this Notice. You may be liable for breach of the voting restrictions in the Corporations Act if you cast a vote that the Company disregards.

4. Resolution 4 – Ratification of the Issue of Shares

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue of 30,842,893 ordinary fully paid shares at A\$0.095 on 7 September 2016 to institutional and sophisticated investors on the terms and conditions set out in Explanatory Memorandum is ratified."

For the purposes of Resolution 4:

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who participated in the issue of ordinary shares the subject of this Resolution 4 and any of its associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

You may be liable for breach of the voting restrictions in the Corporations Act if you cast a vote that the Company disregards.

5. Resolution 5 – Employee Performance Rights Plan

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

"That for the purposes of Listing Rule 7.2, Exception 9, an exception to Listing Rule 7.1, and for all other purposes the Shareholders approve:

- (a) *the terms of the Performance Rights Plan for employees, (including Directors) of the Company known as the "Tlou Energy Limited Employee Performance Rights Plan" (a summary of which is set out in the Explanatory Memorandum accompanying this Notice); and*
- (b) *the grant of Performance Rights and the issue of ordinary shares under such Plan as an exception to Listing Rule 7.1."*

For the purposes of Resolution 5:

The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme of the Company) and an associate of a Director.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a vote must not be cast on this Resolution 4 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 4. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chair of the Meeting and the appointment expressly authorises the Chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

IMPORTANT NOTE: Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company), subject to compliance with the Corporations Act.

6. Resolution 6 – Issue of Performance Rights to Mr Anthony Gilby

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.14, section 200B of the Corporations Act and for all other purposes, approval is given for the issue of 500,000 Performance Rights to Mr Anthony Gilby (or his nominee), a Director of the Company, pursuant to the Company’s Performance Rights Plan and otherwise on the terms set out in the Explanatory Memorandum.”

For the purposes of Resolution 6:

Voting exclusion statement: A vote on Resolution 6 must not be cast, and the Company will disregard any votes cast contrary to this restriction, by or on behalf of Mr Anthony Gilby or his nominee, any other Director and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Further, a vote must not be cast on this Resolution 6 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 5. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chairman of the Meeting and the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

IMPORTANT NOTE: Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management

Personnel for the Company), subject to compliance with the Corporations Act.

7. Resolution 7 – Issue of Performance Rights to Mr Martin McIver

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14, section 200B of the Corporations Act and for all other purposes, approval is given for the issue of 500,000 Performance Rights to Mr Martin McIver (or his nominee), a Director of the Company, pursuant to the Company’s Performance Rights Plan and otherwise on the terms set out in the Explanatory Memorandum.”

For the purposes of Resolution 7:

Voting exclusion statement: A vote on Resolution 7 must not be cast, and the Company will disregard any votes cast contrary to this restriction, by or on behalf of Mr Martin McIver or his nominee, any other Director and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Further, a vote must not be cast on this Resolution 7 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 6. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chairman of the Meeting and the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

IMPORTANT NOTE: Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company), subject to compliance with the Corporations Act.

8. Resolution 8 – Issue of Performance Rights to Mr Gabaake Gabaake

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14, section 200B of the Corporations Act and for all other purposes, approval is given for the issue of 500,000 Performance Rights to Mr Gabaake (or his nominee), a Director of the Company, pursuant to the Company’s Performance Rights Plan and otherwise on the terms set out in the Explanatory Memorandum.”

For the purposes of Resolution 8:

Voting exclusion statement: A vote on Resolution 8 must not be cast, and the Company will disregard any votes cast contrary to this restriction, by or on behalf of Mr Gabaake or his nominee, any other Director and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Further, a vote must not be cast on this Resolution 8 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 7. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chairman of the Meeting and the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

IMPORTANT NOTE: Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company), subject to compliance with the Corporations Act.

9. Resolution 9 – Issue of Performance Rights to Mr Colm Cloonan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14, section 200B of the Corporations Act and for all other

purposes, approval is given for the issue of 500,000 Performance Rights to Mr Cloonan (or his nominee), a Director of the Company, pursuant to the Company’s Performance Rights Plan and otherwise on the terms set out in the Explanatory Memorandum.”

For the purposes of Resolution 9:

Voting exclusion statement: A vote on Resolution 9 must not be cast, and the Company will disregard any votes cast contrary to this restriction, by or on behalf of Mr Cloonan or his nominee, any other Director and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Further, a vote must not be cast on this Resolution 9 (and will be taken not to have been cast if cast contrary to this restriction) by a member of the Key Management Personnel and any Closely Related Party of such a member acting as a proxy, if their appointment does not specify the way the proxy is to vote on this Resolution 5. However, a member of the Key Management Personnel or any Closely Related Party of such a member may vote when acting as proxy if that person is the Chairman of the Meeting and the appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

IMPORTANT NOTE: Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the resolutions the subject of this Meeting (even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company), subject to compliance with the Corporations Act.

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The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered. Shareholders should read the Explanatory Memorandum in full.

The proxy form must be signed by the Shareholder or the Shareholder’s attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer’s attorney, a certified copy of the Power of Attorney, or the Power itself, must be received by the Company at the above address, or by facsimile and by 10.00am (Brisbane time) on Tuesday 8 November 2016. If facsimile transmission is used, the Power of Attorney must be certified.

How undirected proxies held by the Chairman of the meeting will be voted

If you appoint the Chairman of the Meeting as your proxy and you do not specify in the Proxy Form the manner in which you wish the Chairman to vote on the Resolutions to be considered at the Meeting, the Chairman intends to vote in favour of all Resolutions. If you do not direct the Chairman how to vote on Resolutions 1, 4 or 5, you expressly authorise the Chairman to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of Key Management Personnel, which includes the Chairman.

If you appoint the Chairman of the Meeting as your proxy and wish to direct the Chairman how to vote on some or all of the Resolutions to be considered at the Meeting, you must complete the directed proxy part of the Proxy Form (Step 2 on the Proxy Form). The Chairman encourages all Shareholders who submit proxies to direct their proxy how to vote on each resolution.

IMPORTANT VOTING RESTRICTIONS

If you are entitled to vote, and you wish to appoint a proxy, you should be aware that if your proxy is a person who is not entitled to vote in their own right, the person may (subject to the Corporations Act) still vote as your proxy but your proxy's vote on your behalf will only be valid if, subject to the comments above in respect of undirected proxies held by the Chairman, you direct your proxy on the Proxy Form how to vote and the proxy does vote as directed.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

DEFINITIONS

For the purposes of this Notice (including each of the Resolutions), the following definitions apply:-

"AIM" means AIM, the market of that name operated by the London Stock Exchange plc;

"Annual Report" means the annual report of the Company for the year ended 30 June 2016;

"Associate" has the meaning given in the Listing Rules;

"ASX" means the ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"AUD" means Australian dollars;

"Board" means the Board of Directors of Tlou Energy Limited;

"Chair" or "Chairman" means the person appointed to chair the Meeting of the Company convened by this Notice.

"Closely Related Party", in relation to a member of the KMP, means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence or be influenced by the member in the member's dealings with the Company (or its controlled entities), any company the member controls and any person prescribed by the *Corporations Regulations 2001 (Cth)*;

"Company" or "Tlou Energy" means Tlou Energy Limited A.B.N. 79 136 739 967;

"Constitution" means the Company's Constitution, as amended from time to time;

"Corporations Act" means *Corporations Act 2001 (Cth)*;

"Directors" means the Directors of the Company;

"Eligible Participant" means an eligible participant under the Performance Rights Plan, being full time employees and permanent part-time employees (including Directors) of the Company and its subsidiaries who are declared by the Board to be eligible to receive grants of Performance Rights under the Plan;

"Equity Securities" has the meaning given to that term in the Listing Rules;

"Explanatory Memorandum" means the explanatory memorandum accompanying this Notice;

"Key Management Personnel" or "KMP" has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company or its controlled entities, whether directly or indirectly. Members of the KMP include directors (both executive and non-executive) and certain senior executives;

"Listing Rules" means the Listing Rules of the ASX;

"Meeting" means the meeting convened by the Notice;

"Notice" means this Notice of Annual General Meeting;

"Performance Condition" means, in respect of a Performance Right, any condition set out in the Offer (unless waived by the Board in its absolute discretion) before that Performance Right can vest or any other restriction on vesting of that Performance Right specified in the Offer or in the Plan.

“Performance Rights” means a right to acquire a Share, subject to satisfaction of any Performance Conditions, and the corresponding obligation of the Company to provide the Share, under a binding contract made by the Company and any Eligible Participant under the Plan, in the manner set out in the Plan;

“Offer” means an offer made to an Eligible Participant by the Company to participate in the Plan, made in accordance with the Plan;

“Performance Rights Plan” or “Plan” means the Tlou Energy Limited Performance Rights Plan;

“Resolution” means a resolution contained in this Notice;

“Share” means a fully paid ordinary share in the capital of the Company;

“Shareholder” means a holder of Shares in the Company; and

“Termination Benefit” means the type of benefit to which section 200B of the Corporations Act applies.

By order of the Board



SOLOMON ROWLAND

Company Secretary

Dated: 10 October 2016

How to vote

Shareholders can vote by either:-

- attending the meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice or by submitting their proxy appointment and voting instructions by facsimile.

Voting in person (or by attorney)

- Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's Share Register and attendance recorded. Attorneys should bring with them an original or certified copy of the Power of Attorney under which they have been authorised to attend and vote at the meeting.

Voting by a Corporation

- A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of Section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed unless previously given to the Company's Share Registry.

Voting by Proxy

- A Shareholder entitled to attend and vote is permitted to appoint not more than two (2) proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit.

- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible (and subject to the Corporations Act) to support each of the resolutions proposed in this Notice (even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key management Personnel).
- To be effective, proxies must be lodged by 10.00am (Brisbane time) on Tuesday 8 November 2016. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:-

1. by returning a completed proxy form in person or by post using the pre-addressed envelope provided with this Notice to:-

The Share Registry
Tlou Energy Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

or

2. by faxing a completed proxy form to:-

Tlou Energy Limited, on
02 9287 0309 (within Australia); or
+ 61 2 9287 0309 (outside Australia)

or

3. by visiting:-

www.linkmarketservices.com.au and
logging in using the control number found

on the front of your accompanying proxy form.

- The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the Power of Attorney, or the Power itself, must be received by the Company at the above address, or by facsimile and by 10.00am (Brisbane Time), Tuesday 8 November 2016. If facsimile transmission is used, the Power of Attorney must be certified.

Shareholders who are entitled to vote

- In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 7.00pm (Sydney time) on Tuesday 8 November 2016.

TLOU ENERGY LIMITED

A.B.N 79 136 739 967

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of Tlou Energy Limited ("Tlou Energy" or the "Company").

THIS EXPLANATORY MEMORANDUM SHOULD BE READ IN ITS ENTIRETY. IF SHAREHOLDERS ARE IN DOUBT AS TO HOW THEY SHOULD VOTE, THEY SHOULD SEEK ADVICE FROM THEIR ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER PRIOR TO VOTING.

Terms used in this Explanatory Memorandum are defined in the Notice.

FINANCIAL STATEMENTS AND REPORTS

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated annual financial statements of the Company for the financial year ended 30 June 2016 together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Independent Audit Report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the Auditor in relation to the conduct of the audit.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

In accordance with Section 250R(2) of the Corporations Act the Company is required to present to its Shareholders the Remuneration Report as

disclosed in the Company's 2016 Annual Report. The Remuneration Report is contained in the Annual Report and is also available on the Company's website: www.tlouenergy.com

This Resolution is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast on the resolution at the Annual General Meeting are against adoption of the report, then:

- if comments are made on the report at the Annual General Meeting, the Company's remuneration report for the financial year ending 30 June 2017 will be required to include an explanation of the board's proposed action in response or, if no action is proposed, the board's reasons for this; and
- if, at the Company's 2017 Annual General Meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to shareholders at the next Annual General Meeting a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of directors of the Company (**Spill Resolution**). For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

Recommendation

The Remuneration Report forms part of the Directors' Report, made in accordance with a unanimous resolution of the Directors. Each of the Directors recommends the report to Shareholders for adoption.

RESOLUTION 2 – ELECTION OF MR COLM JAMES CLOONAN A DIRECTOR

In accordance with Article 46 of the constitution, Mr Colm James Cloonan, who was appointed as a director by the Board on 11 February 2016, and who retires in accordance with the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for election as an Executive Director.

Mr Colm Cloonan is a Fellow of the Association of Chartered Certified Accountants (FCCA) with over 17 years' experience in various finance roles.

Colm has worked in Australia and Ireland in various industries including power generation, audit and retail as well as providing financial and management accounting services to clients.

Colm joined Tlou in 2009 at the very early stages of the Company's activities and has been with the Company through all phases of its operations and

development to date. This includes being a key member of the team involved in the company's successful 2013 ASX listing and the 2015 AIM listing.

Recommendation

The Directors (with Mr Cloonan abstaining) unanimously recommend that Shareholders vote in favour of the Resolution. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a Special Resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, which is detailed below.

Description of ASX Listing Rule 7.1A

a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an Annual General Meeting.

b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue only one type of Equity Securities quoted on ASX being ordinary shares.

Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an Annual General Meeting may issue or agree to issue, during the 12 month period after the date of the Annual General Meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of the issue or agreement:

- i. plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- ii. plus the number of partly paid shares that became fully paid in the 12 months;
- iii. plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4;
- iv. less the number of fully paid shares cancelled in the 12 months.

Note: A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

ASX Listing Rules 7.1 and 7.1A

The ability of an entity to issue Equity Securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

At the date of this Notice, the Company has on issue 237,198,239 ordinary shares and at the date of this Notice has a capacity to issue:

- 1) nil Equity Securities under ASX Listing Rule 7.1; and
- 2) subject to Shareholders approving Resolution 3, 20,561,929 Equity Securities under ASX Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, which is detailed above.

Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the Volume Weighted Average Price of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- 1) the date on which the price at which the Equity Securities are to be issued is agreed; or

- 2) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the Equity Securities are issued.

10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- 1) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- 2) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), ("10% Placement Period").

ASX Listing Rule 7.1A

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities in any existing quoted class, under ASX Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 3 is a Special Resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are cast in favour of the resolution.

Specific information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility:

- a) The Equity Securities will be issued at an issue price of not less than 75% of the Volume Weighted Average Price for the Company's Equity Securities over the 15 Trading Days immediately before:
 - 1) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - 2) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the Equity Securities are issued.
- b) If Resolution 3 is passed by Shareholders as a Special Resolution and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of unlisted options, only if the unlisted options are exercised). There is a risk that:
 - 1) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - 2) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

ASX Listing Rule 7.3A.2 – Dilution Table

Variable "A" in ASX Listing Rule 7.1A.2		\$0.0975 Issue Price (50% decrease in Deemed Price)	\$0.195 Issue Price (Deemed Price)**	\$0.39 Issue Price (100% increase in Deemed Price)
237,198,239 Shares being the current number of Shares on issue at the date of this Notice	10% Voting Dilution	23,719,239 Shares	23,719,239 Shares	23,719,239 Shares
	Funds Raised	\$2,312,626	\$4,625,252	\$9,250,503
355,797,359 Shares being a 50% increase in the number of Shares on issue at the date of this Notice	10% Voting Dilution	35,579,736 Shares	35,579,736 Shares	35,579,736 Shares
	Funds Raised	\$3,469,024	\$6,938,049	\$13,876,098
474,396,478 Shares being a 100% increase in the number of Shares on issue at the date of this Notice	10% Voting Dilution	47,439,648 Shares	47,439,648 Shares	47,439,648 Shares
	Funds Raised	\$4,625,366	\$9,250,731	\$18,501,463

*The Deemed Price was the closing price of the Shares on the ASX on 22 September 2016.

**All Voting Dilution and Funds Raised numbers in the table have been rounded to nearest whole number.

The above table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable “A” calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the Deemed Price.

The table has been prepared on the following assumptions:

- i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- ii) No unlisted options are exercised into Shares before the date of the issue of the Equity Securities under ASX Listing Rule 7.1A. The Company has 2,000,000 unlisted options on issue at the date of this Notice. The Company has no Performance Rights on issue under the Performance Rights Plan as at the date of this Notice.
- i) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- ii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder’s holding at the date of the Annual General Meeting.
- iii) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and does not consider issues under the 15% placement capacity under ASX Listing Rule 7.1.
- iv) The issue of Equity Securities under the 10% Placement Facility consists only of ordinary shares in the Company. The table does not demonstrate the effect of listed or unlisted options being issued under ASX Listing Rule 7.1A.
- v) The issue price for ordinary shares in the Company is deemed for the purposes of the table to be \$0.195 (**Deemed Price**), being the closing price of these shares on ASX on 22 September 2016. This price is indicative only and does not consider the 25% discount to market that these shares may be issued at.

vi) ‘A’ is the current number of fully paid ordinary shares on issue, and assumes full placement capacity available.

c) The Company will only issue and allot the Equity Securities pursuant to the 10% Placement Capacity within 12 months of the date of this Annual General Meeting. Further the approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

d) The Company may seek to issue the Equity Securities for the following purposes:

- 1) non-cash consideration for the acquisition of new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or
- 2) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company’s current assets and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

e) The Company’s allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- 1) the methods of raising funds that are available to the Company, including but not limited to, placement, rights issue or other issue in which existing security holders can participate;
- 2) the effect of the issue of the Equity Securities on the control of the Company;
- 3) the financial situation and solvency of the Company; and
- 4) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company were to pursue an acquisition and were it to be successful in acquiring new resource assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new resource assets or investments.

- f) **Previous approval under ASX Listing Rule 7.1A:** The Company obtained approval under Listing Rule 7.1A at its 2015 Annual General Meeting (AGM). In the period between the date of the 2015 AGM and the date of this Notice of Meeting the Company has issued a total of 50,041,920 ordinary fully paid Shares.

On 30 November 2015, the Company issued 18,462,973 fully paid ordinary Shares at \$0.14 per share to selected institutional and sophisticated investors raising a total of approximately \$2,677,131 before costs (**November 2015 Placement**). The issue price of the new shares represented a 0% discount to the closing market price on the date of issue, being \$0.14 on 27 November 2015.

The proceeds of the November 2015 Placement were used to fund the Company's production testing at Selema, achieving reserves certification and various approvals as well as working capital.

On 7 September 2016, the Company issued 31,578,947 fully paid ordinary Shares at \$0.095 per share to selected institutional and sophisticated investors raising a total of approximately \$3,000,000 before costs (**September 2016 Placement**). The issue price of the new shares represented a 36% discount to the closing market price on the date of issue, being \$0.15 on 7 September 2016.

The proceeds of the September 2016 Placement will be used to fund the Company's production testing at Selema, achieving reserves certification and various approvals as well as working capital.

The Shares that were issued as part of the November 2015 and September 2016 Placements represented an increase in the total issued share capital of the Company at the commencement of the 12 months preceding the date of this Meeting of 27%.

- g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of

existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

Recommendation

The Directors consider that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under ASX Listing Rule 7.1A in the next 12 months (without further Shareholder approval), should such an issue be required. Accordingly, each of the Directors recommends that Shareholders vote in favour of Resolution 3. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES

In a placement that was completed on 7 September 2016 the Company raised a total of \$3,000,000 through the issue of 31,578,947 ordinary shares at \$0.095 per share, of which 30,842,893 ordinary shares were issued without shareholder approval under ASX Listing Rule 7.1.

Subject to certain exceptions, ASX Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of the company's ordinary securities on issue at the commencement of that period without shareholder approval.

ASX Listing Rule 7.4 permits the ratification by shareholders of previous issues of securities made without shareholder approval, provided the issue did not breach the 15% threshold in ASX Listing Rule 7.1.

In accordance with ASX Listing Rules 7.4 and 7.5, the Company advises that:

- (a) Resolution 4 has been included so that shareholders may approve and ratify pursuant to ASX Listing Rule 7.4 the issue of a total of 30,842,893 ordinary shares to those parties detailed below;
- (b) The shares were issued and allotted to various sophisticated and professional investors unrelated to the Company;
- (c) The proceeds raised through the issue of the shares will be used primarily to fund production testing at the Selema pilot, reserves certification, various project approvals and provide for additional working capital for the Lesedi CBM Project;
- (d) The shares issued rank pari passu with, and on the same terms, as the existing fully paid ordinary shares on issue in the Company;
- (e) None of the allottees are related parties of the Company; and

(f) The shares were issued at \$0.095 per share.

Accordingly, as the issue of Shares did not breach ASX Listing Rule 7.1, the Company wishes to refresh its capacity to issue without specific approval by seeking approval under ASX Listing Rule 7.4 for the issue of those shares. The effect of obtaining Shareholder approval will be that the shares issued will be treated as having been made in accordance with ASX Listing Rule 7.1 and, as a result, the Company's ability to issue the number of shares permitted under ASX Listing Rule 7.1, without Shareholder approval will not be effected.

Recommendation

The Directors consider it prudent that the Company retain the flexibility of that ability in case the need to issue further securities arise and recommend that Shareholders vote in favour of the proposed resolution.

RESOLUTION 5 – EMPLOYEE PERFORMANCE RIGHTS PLAN

The Board has subject to approval of the Shareholders as required by the Listing Rules, adopted a Performance Rights Plan for employees (including Directors) of the Company and is to be known as the "Tlou Energy Limited Employee Performance Rights Plan" (referred to herein as either the "Performance Rights Plan" or "the Plan").

The Performance Rights Plan is designed to increase the motivation of staff and create a stronger link between increasing Shareholder value and employee reward.

Additionally, the Company wishes to exempt issues of securities under the Performance Rights Plan from contributing towards the rolling annual limit of 15% of issued ordinary shares prescribed by Listing Rule 7.1 (i.e. the 15% placement capacity). This limit otherwise applies to all new issues of equity securities made without Shareholder approval.

Shareholder approval of the Performance Rights Plan is therefore sought under Listing Rule 7.2, Exception 9, whereby Shareholders may approve in advance the issue of securities made under the Performance Rights Plan as an exception to the limit under Listing Rule 7.1.

No securities have been issued to date under the Performance Rights Plan and the Plan has not been previously approved by Shareholders.

Further information about the Performance Rights Plan is set out below. A copy of the full terms and conditions of the Performance Rights Plan can be obtained by contacting the Company.

Reasons for the new Plan

In order to ensure that the Company maintains its objective to attract and retain its key staff, the Company must establish schemes or programmes that enable it to reward employees for their performance and loyalty to the Company.

The Board believes that this is a fundamental corporate objective. Moreover, grants made to eligible employees under the Plan will provide a powerful tool to underpin the Company's employment strategy. As well, the implementation of the Performance Rights Plan will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- align the financial interest of employees with those of Shareholders; and
- provide incentives to employees to strive to achieve performance markers that in turn creates Shareholder value.

Outline of the Performance Rights Plan

Below is a brief overview of the Performance Rights Plan and how the same will operate.

Background

Equity Incentive plans are considered to be effective and are widely used in the international corporate community. They provide long term incentives to staff by giving them the opportunity to obtain equity in the Company or more simply, a financial stake in the success of the Company. The Board believes that the opportunity to participate in the creation of equity in the Company is a valuable personal asset for both the staff and the Company.

The Plan provides for the issue of Performance Rights which, upon determination by the Board, that the Performance Conditions attached to the Performance Rights have been met are convertible into ordinary shares in the Company.

The Board intends to implement the Performance Rights Plan by way of initial participation under the rules of the proposed Plan.

Participation

The eligible participants under the Performance Rights Plan are full time employees and permanent part-time employees (including Directors) of the Company and its subsidiaries.

As part of the Company's strategy, the Board wishes to be in a position to issue Performance Rights under the Performance Rights Plan to employees (including Directors), to achieve the objectives outlined above.

In accordance with the requirements of the Listing Rules, prior Shareholder approval will be required before any of the Directors or a related party of the Company can participate in the Performance Rights Plan.

Performance Criteria

Well aware of general concerns that Shareholders may have, the Board has sought to ensure that the equity based reward for employees is intrinsically linked with the success of Performance Conditions. Performance Rights granted under the Plan will be subject to Performance Conditions as determined by the Board from time to time and for each particular participant.

The particulars of such Performance Conditions cannot at the outset be definitively set, but rather will be determined on a case by case basis. These criteria are likely to be matters such as length of employment, successful operational results and/or direct increase in Shareholder value linked to the share price of the Company or reserve targets.

Terms of the Plan

Entitlement Limits

The Plan has a fixed maximum number of Shares that may be issued. The maximum number of Shares that are issuable under the Plan when aggregated with:

- (i) the number of Shares which would be issued if each outstanding offer made by the Company with respect to the Shares under an employee incentive scheme were accepted or exercised (as the case may be) and;
- (ii) the number of Shares issued during the previous five years pursuant to this Plan or any other employee incentive scheme,

will not exceed 5% of the total number of issued Shares as at the time of the Offer. In performing this calculation, no regard will be made to any offer made, or option acquired or Share issued as a result of:

- (i) an offer to a person situated at the time of receipt of the offer outside Australia;
- (ii) an offer that did not need disclosure under Part 6D.2 or Part 7.9 of the Corporations Act; or
- (iii) an offer made using a Corporations Act compliance disclosure document or PDS.

Consideration

No amount is payable in connection with the grant of a Performance Right. The vesting of a Performance Right is conditional on the satisfaction of the

Performance Conditions attaching to the Performance Right. Notwithstanding, and subject of Listing Rules, the Board may, at its discretion reduce or waive the Performance Conditions in whole or in part.

Number of Performance Rights

The Plan does not set a maximum number of ordinary shares that may be made available to any one participant, the Board may determine the persons who are eligible to participate in the Plan and simply qualifying as an Eligible Participant does not qualify an employee for Performance Rights. The Board may stipulate the terms and conditions on which offers of Performance Rights are made, including but not limited to the maximum number of Performance Rights for which an Eligible Participant may apply, Performance Conditions, expiry date, the amount payable (if any) for the grant of a Performance Right circumstances in which the Performance Rights will lapse and any other terms and conditions applicable which the Board determines. Performance Rights held by a participant are personal to the participant and may not be exercised by any other person. A participant may not dispose of or grant security over, or enter into any arrangement for the purpose of hedging or otherwise effecting their economic exposure to their Performance Rights.

An Offer under the Plan is personal to the Eligible Participant subject to the rules of the Plan, each Performance Right confers on its holder the entitlement to a Share (by way of either, in the Company's absolute discretion, issue or transfer) subject to the Performance Conditions and terms of the Plan and the Offer.

Term

The Performance Rights have a term of seven (7) years, or such have a term of up to a maximum of seven (7) years, or such other term as the Board may determine in its absolute discretion and specify.

Lapse of Performance Rights

A Performance Right will lapse on the earlier of:-

- 1. expiry date as stated in the Offer;
- 2. the date that is 30 days after the participant ceases to be an employee and the Company making a determination that the performance has lapsed; or
- 3. the participant or the participants' estate becomes bankrupt or commits an act of bankruptcy.

In special circumstances a Performance Right can vest where a participant ceases to be an Eligible Participant. Early vesting of the Performance Right will occur in the event that:-

- 1. the participant dies;

2. there is a change of control of the Company;
3. the Company passes a resolution for winding up;
4. an order is made for the compulsory winding up of the Company;
5. a person becomes bound and are entitled to acquire the shares in the Company under a scheme of arrangement being approved;
6. a Chapter 6A of the Corporations Act event; or
7. the Performance Right has otherwise vested under the Plan.

Disqualifying Conduct

Where, in the opinion of the Board, a participant acts fraudulently or dishonestly or in breach of the participant's obligations to the Company then the Board may in its absolute discretion deem any unvested Performance Rights of the participant to have lapsed.

Re-organisation of Share Capital

Other than as provided for by the Plan, participants will not be entitled to participate in any new issue of Shares.

In the event that the Company makes a bonus issue of Shares, then the number of underlying Shares over which the Performance Rights are exercisable, will be increased by the number of shares which the participant would have received if the Performance Rights had vested immediately prior to such record date.

If there is a re-organisation of capital of the Company then the rights of the participant will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.

Quotation of Shares

The Company will not seek official quotation of any Performance Rights. The Company will apply to the ASX for quotation of shares issued on exercise of Performance Rights if other shares of the Company are officially quoted by ASX at that time.

Administration and Amendment of the Plan

The Plan will be administered by the Board which will have power to determine appropriate procedures and make regulations for the administration of the Plan which are consistent with it subject to the Listing Rules, the Board may, in its absolute discretion, at any time amend any of the rules, or waive or modify the application of any of the rules in relation to any participant provided no amendment to the Plan materially reduces the right of any participant in respect of any Performance Right granted to that participant, other than an amendment introduced to either correct any manifest error or mistake, and the

purposes of complying with present or future State or Commonwealth legislation

Termination and suspension of the Plan

The Board may suspend or terminate the Plan at any time, provided that such termination or suspension does not adversely affect the then existing rights of the participants.

In accordance with the requirements of Listing Rules 7.2 Exception 9(b) the following information is provided:-

- a. the terms of the Performance Rights Plan has been summarised within this Explanatory Memorandum;
- b. this is the first approval sought under Listing Rule 7.2 Exception 9(b) with respect to the Performance Rights Plan; and
- c. a voting Exclusion Statement has been included for the purposes of Resolution 4.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the Resolution. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

RESOLUTIONS 6 through to 9 – ISSUE OF PERFORMANCE RIGHTS TO MR ANTHONY GILBY, MR MARTIN MCIVER, MR GABAAKE GABAAKE and MR COLM CLOONAN

Resolutions 6 through to 9 seek Shareholder approval for the issue of Performance Rights to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaaake Gabaaake and Mr Colm Cloonan, respectively, in accordance with the Company's Performance Rights Plan.

As approval is required for Resolutions 6 through to 9 for the same reasons, the explanations for these four Resolutions have been combined into this single summary.

Background

The Performance Rights Plan has been established to provide eligible employees with an opportunity to share in the growth in the value of the Company's Shares and to encourage them to improve the Company's performance and its returns to Shareholders, through the acquisition of securities in the Company that are subject to certain performance criteria.

Listing Rule 10.14, however, provides that a Director may not acquire securities under an employee incentive scheme without the prior approval of Shareholders. In addition, section 200B of the

Corporations Act restricts the Company from giving certain “benefits” to persons (who hold managerial or executive offices (as defined in the Corporations Act) on ceasing their employment with the Company, in the absence of Shareholder approval.

Accordingly, Resolutions 6 through to 9 seek Shareholder approval for the Company to issue Performance Rights to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, respectively, pursuant to the Company’s Performance Rights Plan, for the purpose of Listing Rule 10.14, section 200B of the Corporations Act and for all other purposes.

Description of ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that an entity must only allow a Director or their associates to acquire securities under an employee incentive scheme with approval of Shareholders and provided the Notice of Meeting complies with ASX Listing Rules 10.15 or 10.15A. The information required to be disclosed under Listing Rule 10.15 is set out in the Annexure below. If Shareholder approval is obtained under Listing Rule 10.14 then separate Shareholder approval is not required under Listing Rule 10.11.

Further, ASX Listing Rule 7.2 (Exception 14) states that approval pursuant to ASX Listing Rule 7.1 is not required if Shareholder approval is obtained under ASX Listing Rule 10.14. Accordingly, the proposed issue of Performance Rights pursuant to Resolutions 5 to 8 will not reduce the capacity of the Company to issue Equity Securities in the next 12 months under ASX Listing Rule 7.1 (i.e. the Company’s 15% placement capacity), as those securities (once issued) will be excluded from calculations under ASX Listing Rule 7.1.

Chapter 200B of the Corporations Act

In addition to the above, unless an exception applies, section 200B of the Corporations Act restricts the Company from giving certain “benefits” to persons (who hold managerial or executive offices (as defined in the Corporations Act) on ceasing their employment with the Company (**Termination Benefits**), in the absence of Shareholder approval.

The term “benefit” is defined broadly in the Corporations Act and includes benefits arising from the Board exercising its discretion under the rules of the Performance Rights Plan (**Rules**).

Specifically, the Rules include provisions that enable the Board to waive some or all of the Performance Conditions and/or forfeiture conditions that attach to the Performance Rights issued to a participant under

the Plan (**Participant**), where a Participant ceases to be employed by the Company, including as a result of redundancy, resignation, death, or termination of their employment.

Accordingly, Resolutions 6 through to 9 also seek Shareholder approval to enable the Board to provide Termination Benefits to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, respectively, in the event that the Board exercises these discretions.

A summary of the terms of the Performance Rights Plan is set out above. The specific terms that will apply to the issue of Performance Rights to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, are set out in the Annexure below.

If Shareholder approval is given under this Resolution, the Company will still be required to comply with Listings Rule 10.18 and 10.19, which is place restrictions on the circumstances in which termination benefits can be paid and a cap on the value of termination benefits that can be paid to officers of the Company.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The proposed issue of Performance Rights to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan will constitute the giving of a financial benefit to related parties under Chapter 2E of the Corporations Act, for which Shareholder approval is usually required (pursuant to section 208 of the Corporations Act).

There are various exceptions to the requirement for shareholder approval. This includes in accordance with section 211 of the Corporations Act, where the benefit is remuneration to a related party as an officer or employee of the Company, and to give the remuneration would be reasonable given:

- (a) the circumstances of the Company in giving the remuneration; and
 - (b) the related party’s circumstances (including the responsibilities involved in the office or employment),
- (the “**reasonable remuneration exception**”).

Section 210 of the Corporations Act also provides an exception to the requirement for Shareholder approval to give a financial benefit, where it is given on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length (the “**arm's length exception**”).

Accordingly, the Company is not seeking Shareholder approval under section 208 of the Corporations Act.

It is the view of the Board that the grant of the Performance Rights to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan constitutes part of their respective “reasonable remuneration” and that the exceptions under section 211 and section 210 of the Corporations Act will apply to the issue of the Performance Rights under Resolutions 6 to 9 (inclusive)

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by the proposed Resolutions 6 through to 9.

Recommendation for Resolution 6

Mr Gilby makes no recommendation on how to vote on Resolution 6, in light of his direct interest in the Resolution. Consistent with ASIC guidance in Regulatory Guide 76, all the remaining Directors abstain from making a recommendation in relation to this resolution (as it relates to another Director’s remuneration) in accordance with good corporate governance practice. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

Recommendation for Resolution 7

Mr McIver makes no recommendation on how to vote on Resolution 7, in light of his direct interest in the

Resolution. Consistent with ASIC guidance in Regulatory Guide 76, all the remaining Directors abstain from making a recommendation in relation to this resolution (as it relates to another Director’s remuneration) in accordance with good corporate governance practice. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

Recommendation for Resolution 8

Mr Gabaake makes no recommendation on how to vote on Resolution 8, in light of his direct interest in the Resolution. Consistent with ASIC guidance in Regulatory Guide 76, all the remaining Directors abstain from making a recommendation in relation to this resolution (as it relates to another Director’s remuneration) in accordance with good corporate governance practice. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

Recommendation for Resolution 9

Mr Cloonan makes no recommendation on how to vote on Resolution 9, in light of his direct interest in the Resolution. Consistent with ASIC guidance in Regulatory Guide 76, all the remaining Directors abstain from making a recommendation in relation to this resolution (as it relates to another Director’s remuneration) in accordance with good corporate governance practice. The Chair of the Meeting intends to vote available proxies in favour of this resolution. The Chair of the Meeting intends to vote available proxies in favour of this resolution.

ANNEXURE – Performance Rights to be issued under Resolutions 6 to 9 (inclusive)

	Resolution 6	Resolution 7	Resolution 8	Resolution 9
Proposed allottees	Mr Anthony Gilby (or his nominated entity)	Mr Martin McIver (or his nominated entity)	Mr Gabaake Gabaake (or his nominated entity)	Mr Colm Cloonan (or his nominated entity)
Maximum number of securities to be issued	500,00 Performance Rights, in two equal tranches of 250,000 Performance Rights	500,00 Performance Rights, in two equal tranches of 250,000 Performance Rights	500,00 Performance Rights, in two equal tranches of 250,000 Performance Rights	500,00 Performance Rights, in two equal tranches of 250,000 Performance Rights
Issue date	The Performance Rights will be issued as soon as practicable following the Meeting and, in any event, will be issued no later than 1 month after the Meeting.			
Expiry date	10 November 2023			
Issue and exercise price	<p>The Performance Rights are being issued as part of the remuneration of each of Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, and as an incentive for future performance. As such, they will be issued free of charge.</p> <p>While the exercise of Performance Rights will be subject to the Performance Rights having vested on the satisfaction of the Performance Conditions (subject to the Board’s discretion to waive those Performance Conditions in certain circumstances), Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, will not be required to pay any exercise price to receive Shares on the exercise of Performance Rights. As such, no loans have been or will be provided as part of the Performance Rights Plan.</p>			
Performance Conditions	<p>The Rules allow for the Board to require the satisfaction of one or more “Performance Conditions” in order for the Performance Rights issued under the Plan to vest and, therefore, become exercisable by a Participant.</p> <p>The Performance Rights proposed to be issued to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, respectively, pursuant to Resolutions 6 through to 9 will vest in the following two tranches, subject to satisfaction of the following Performance Conditions:</p>			
	Tranche	Performance Condition		
	Tranche 1	The closing price of Shares being 50% or more above the price at the date of approval for a period of 10 consecutive trading days		
	Tranche 2	The closing price of Shares being 100% or more above the price at the date of approval for a period of 10 consecutive trading days		
Details of Directors or their Associates who previously received Performance Rights	None of the existing Directors or any of their Associates have previously been issued Performance Rights in accordance with the Plan.			

<i>under the Plan</i>	
<i>Names of persons referred to in Listing Rule 10.14 that are entitled to participate in the Performance Rights Plan</i>	<p>Only ‘Eligible Employees’ are entitled to participate in the Performance Rights Plan.</p> <p>‘Eligible Employees’ are employees of the Company and its associated body corporates (Group), and certain other persons for whom the Company is deemed to be the employer for the purposes of the <i>Income Tax Assessment Act 1936</i> (“Tax Act”), who are determined by the Board (in its sole and absolute discretion) to be Eligible Employees for the purposes of the Plan.</p> <p>Accordingly, any future Director or Associate who is an employee of a member of the Group, and certain other persons for whom the Company is deemed to be the employer for the purposes of the Tax Act, will be entitled to participate in the Plan.</p> <p>However, no Performance Rights will be issued to any other Director that may be appointed in the future unless Shareholder approval is separately sought and obtained for the issue of such Performance Rights pursuant to Listing Rule 10.14.</p>
<i>Why are Performance Rights proposed to be issued?</i>	<p>In the Company’s circumstances, the Directors consider that the Performance Rights provide a cost-effective means of incentivising senior management as opposed to alternative forms of incentives (e.g. cash bonuses or increased cash remuneration), which appropriately align the interests of Participants in the Plan with those of the Company.</p>
<i>Why the number of Performance Rights was Chosen</i>	<p>The number of Performance Rights was chosen following commercial negotiations between the Company and each of Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan,</p> <p>The Board considered that offering Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, the Performance Rights, together with their existing remuneration packages, will assist the Company in retaining the services of Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan.</p>
<i>Directors’ interest in the outcome</i>	<p>Other than the interests that each of Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, have in receiving Performance Rights pursuant to Resolutions 5 through to 8 (respectively), no other Director has any interest in the outcome of Resolutions 5 through to 8.</p>
<i>Valuation of the Performance Rights</i>	<p>The Performance Rights are not currently (and will not in the future be) quoted on the ASX and as such have no market value.</p> <p>The Performance Rights provide the holder with a right to receive one Share upon the exercise of that Performance Right (subject to the relevant Performance Conditions being met). Accordingly, the Performance Rights may have a present value at the date of their grant and may acquire future value dependent upon the extent to which the Share price increases during the term of the Performance Rights.</p> <p>As a general proposition, Performance Rights are akin to options to acquire shares (having a zero or low exercise price) and have value. Various factors impact upon the value of Performance Right’s including things such as:</p> <ul style="list-style-type: none"> (a) the period outstanding before the expiry date of the Performance Rights; (b) the exercise price of the Performance Rights (if any) relative to the underlying price or value of the Shares into which they may be converted; (c) the proportion of the issued capital as expanded upon the exercise of the Performance Rights (i.e. whether or not the Shares that might be acquired upon exercise of the Performance Rights represent a controlling or other significant interest); (d) the value of the Shares into which the Performance Rights may be converted; and

	<p>(e) whether or not the Performance Rights are listed or able to be transferred (i.e. readily capable of being liquidated).</p> <p>The Company has attributed a total value of \$400,000 to the Performance Rights to be granted pursuant to Resolutions 6 through to 9 for the Performance Rights to be issued to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan.</p> <p>The Performance Right valuation noted above assumes a market price of the Shares on the date of grant of \$0.20 per Share, being the market value of the Shares as at the date that the valuation was prepared on as at the 26 September 2016. Shareholders should be aware that there is a possibility that the market price of the Shares on the date of grant of the Performance Rights will be different to the assumed price of \$0.20 per Share used for the valuation.</p>	
Disclosure of total remuneration package	<p>As noted above, the Performance Rights are proposed to be issued to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, as a means of providing a cost effective means of incentivising and remunerating Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, for their respective roles as Managing Director, Chairman and Executive Directors.</p> <p>The remuneration from the Company to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, is currently:</p>	
	Director	Remuneration*
	Mr Anthony Gilby	Excluding the Performance Rights proposed to be issued as per Resolution 6, Mr Anthony Gilby currently receives remuneration of \$19,710 per annum (inclusive of superannuation) from the Company for his services as Managing Director. Mr Gilby's contracted annual salary is approximately \$511,000 which he has currently waived.
	Mr Martin McIver	Excluding the Performance Rights proposed to be issued as per Resolution 7, Mr Martin McIver currently receives remuneration of \$19,710 per annum (inclusive of superannuation) from the Company for his services as Chairman.
	Mr Gabaake Gabaake	Excluding the Performance Rights proposed to be issued as per Resolution 8, Mr Gabaake Gabaake currently receives remuneration of \$125,000 per annum (inclusive of superannuation) from the Company for his services as Executive Director.
	Mr Colm Cloonan	Excluding the Performance Rights proposed to be issued as per Resolution 9, Mr Cloonan currently receives remuneration of \$225,000 per annum (inclusive of superannuation) from the Company for his services as Finance Director.
	*Paid pursuant to service contracts with the Company.	
Existing interest in the Company	The current Relevant Interests (i.e. before any of the Resolutions are approved) of each of Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, in the securities of the Company are set out below:	
	Director	Shares

	Mr Anthony Gilby	17,796,487
	Mr Martin McIver	296,088
	Mr Gabaake Gabaake	80,857
	Mr Colm Cloonan	269,525
Explanation of the termination benefits	<p>The Performance Rights Plan contains provisions setting out the treatment of unvested Performance Rights, including the Board's discretion to waive any Performance Conditions attaching to those Performance Rights in the event that a Participant cease to be employed by a member of the Group as a result of, among other things, redundancy, resignation, death, termination of employment for cause or permanent incapacity.</p> <p>As noted above, the exercise of these discretions by the Board will constitute a Termination Benefit for the purposes of the restrictions contained in the Corporations Act.</p>	
Value of the Termination Benefits	<p>Various matters will or are likely to affect the value of the Termination Benefits that the Board may give under the Performance Right Plan and, therefore the value of the Termination Benefits cannot be determined in advance.</p> <p>The value of a particular benefit resulting from the exercise of the Board's discretion under the Performance Rights Plan will depend on factors such as the Company's share price at the time of the exercise of this discretion and the number of Performance Rights in respect of which the Board decides to waive the Performance Conditions. Some of the factors that may affect the value of the Termination Benefits are as follows:</p> <ul style="list-style-type: none"> (a) the nature and extent of any Performance Conditions waived by the Board; (b) the number of Performance Conditions that have been satisfied at the time that the Board exercises this discretion; and (c) the number of unvested Performance Rights that the Participant holds at the time that this discretion is exercised. 	

Dilution effect of the issue of the Performance Rights

If all of the Performance Rights that are proposed to be issued to Mr Anthony Gilby, Mr Martin McIver, Mr Gabaake Gabaake and Mr Colm Cloonan, pursuant to Resolutions 6 through to 9, respectively, are granted and are subsequently exercised (and assuming that no other Performance Rights, options to acquire Shares or Shares are issued prior to the exercise of the Performance Rights), the following will be the dilution effect of Resolutions 6 through to 9 on the current issued capital of the Company:

Allottees/Other Shareholders	Current Share Holding (Direct and Indirect)	% of Total Share Capital (237,198,239 Shares on issue)	Number of Shares upon Exercise of all Performance Rights	% of Total Share Capital (239,198,239 Shares on Issue assuming exercise of Performance Rights)
Mr Anthony Gilby	17,796,487	7.50%	18,296,487	7.65%
Mr Martin McIver	296,088	0.12%	796,088	0.33%
Mr Gabaake Gabaake	80,857	0.03%	580,857	0.24%
Mr Colm Cloonan	269,525	0.11%	769,525	0.32%

Other shareholders	218,755,282	92.22%	218,755,282	91.45%
Total	237,198,239	100%	239,198,239	100%