

29 October 2018

## **Addendum to the Explanatory Memorandum to the Notice of Annual General Meeting**

**Blue Energy Limited ((ASX: "BUL") "Blue Energy")** advises that a copy of the Blue Energy Employee Incentive Rights Plan (**EIRP**) is available on the company's website and can be located at: <https://blueenergy.com.au/corporate-governance>

The EIRP should have been included as Schedule 2 of the explanatory memorandum to the notice of meeting (**NOM**) for the company's annual general meeting to be held on 13 November 2018 which has been dispatched to shareholders. A NOM with a completed Schedule 2 of the explanatory memorandum is attached.

Contact: + 61 7 3270 8800  
Stephen Rodgers  
Company Secretary  
Blue Energy Limited



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**BLUE ENERGY LIMITED**  
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**2018 NOTICE OF ANNUAL GENERAL MEETING**

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The Annual General Meeting of Blue Energy Limited ACN 054 800 378 ("Company") will be held at the offices of McCullough Robertson, Central Plaza II, Level 11, 66 Eagle Street, Brisbane on Tuesday, 13 November 2018 at 11.00am (Brisbane time).

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A copy of the Company's Annual Report (including the Remuneration Report) and details of the Company's operations are available at the Company's website at [www.blueenergy.com.au](http://www.blueenergy.com.au)

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*This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor, or other professional adviser prior to voting.*

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## **NOTICE OF 2018 ANNUAL GENERAL MEETING**

Notice is given that the annual general meeting of Shareholders of Blue Energy Limited ("**Company**") will be held at McCullough Robertson, Central Plaza II, Level 11, 66 Eagle Street, Brisbane, Queensland on Tuesday, 13 November 2018 at 11.00am (Brisbane time) ("**Meeting**").

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form, form part of this Notice of Meeting. Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

## **BUSINESS**

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### **1 Financial Reports**

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the financial year ended 30 June 2018.

Note: There is no requirement for Shareholders to approve these reports. Accordingly, there is no vote on this item.

### **2 Remuneration Report**

To consider and, if thought fit, pass the following Resolution as a non-binding Resolution under section 250R(2) Corporations Act:

*That the Remuneration Report for the financial year ended 30 June 2018 be adopted.*

Note: This Resolution is advisory only and does not bind the Company or the Directors. The Directors will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

### **3 Re-election of Directors**

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That Mr John Ellice-Flint, who retires in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.*
- (b) *That Mr Rodney Cameron, who retires in accordance with the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.*

Note: Each Resolution will be voted on separately. The non-candidate Directors unanimously support the re-election of Mr Ellice-Flint and Mr Cameron.

### **4 Grant of Performance Right to Mr John Phillips**

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the grant of 18,462,000 Performance Rights to Mr John Phillips (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the grant of 7,385,000 Performance Rights to Mr John Phillips (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 5 Grant of Performance Rights to Ms Karen Johnson

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 385,000 Performance Rights to Ms Karen Johnson (or her nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 154,000 Performance Rights to Ms Karen Johnson (or her nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 6 Grant of Performance Rights to Mr Rodney Cameron

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 385,000 Performance Rights to Mr Rodney Cameron (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 154,000 Performance Rights to Mr Rodney Cameron (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 7 Grant of Performance Rights to Mr John Ellice-Flint

To consider and, if thought fit, pass each of the following Resolutions as ordinary resolutions:

- (a) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 6,154,000 Performance Rights to Mr John Ellice-Flint (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2*
- (b) *That, for the purposes of Listing Rule 10.14 and all other purposes, Shareholders approve the granting of 3,692,000 Performance Rights to Mr John Ellice-Flint (or his nominee) pursuant to the Employee Incentive Rights Plan and on the terms and conditions set out in Schedule 2.*

Note: Each Resolution will be voted on separately. These Resolutions are subject to voting exclusions as set out at the end of this Notice of Meeting.

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## 8 Renewal of Proportional Takeover Provisions

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

*"That the proportional takeover provisions contained in Schedule 5 of the Constitution be re-instated? for a period of three years within effect from the close of the Meeting."*

Dated 12 October 2018

**By Order of the Board**

Stephen Rodgers  
**Company Secretary**  
Blue Energy Limited

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## IMPORTANT INFORMATION

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### VOTING EXCLUSIONS

#### Item 2 – Remuneration Report

The Company will disregard any votes cast on item 2:

- (a) by or on behalf of a member of the Key Management Personnel named in the Remuneration Report for the financial year ended 30 June 2018 or their Closely Related Parties, regardless of the capacity in which the vote is cast;
- (b) as a proxy by a member of the Key Management Personnel at the date of the Meeting, or that Key Management Personnel's Closely Related Party, unless the vote is cast as a proxy for a person who is entitled to vote on the Resolution:
  - (i) in accordance with their directions on how to vote as set out in the Proxy Form; or
  - (ii) by the Chairman pursuant to an express authorisation on the Proxy Form.

#### Items 4 to 7 – Grant of Performance Rights to Directors under the Employee Incentive Rights Plan

The Company will disregard any votes cast:

- (a) in favour of any of the Resolutions set out in items 4 to 7 by or on behalf of a Director of the Company or an associate of a Director (as each Director is eligible to participate in the Employee Incentive Rights Plan); and
- (b) as a proxy by a member of the Key Management Personnel at the date of the Meeting, or that Key Management Personnel's Closely Related Party.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote and the appointment specifies the way the proxy is to vote on the relevant Resolution, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with an express authorisation in the Proxy Form to exercise the proxy even though each Resolution is connected with the remuneration of a member of the Key Management Personnel.

### DETERMINATION OF ENTITLEMENT TO VOTE

The Company has determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Friday 9 November 2018 at 7.00pm (AEDT).

### PROXIES

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to sign and return the Proxy Form to the Company in accordance with the instructions provided below.

- (a) delivered by post to the Share Registry of the Company, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001; or
- (b) sent by fax to the Share Registry of the Company, Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia); or
- (c) online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and logging in using the control number found on the front of your accompanying proxy form. You may also scan the QR code on the front of the accompany proxy form with your mobile device and insert your postcode. Intermediary Online subscribers (Institutions/Custodians) may lodge their proxy instruction online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).

To be effective, proxy forms must be received by the Company at its registered office or deposited at or faxed to the share registry no later than 48 hours prior to the Meeting.

Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

#### Voting intentions of the Chairman

The Chairman intends to vote undirected proxies on, and in favour of, all the proposed Resolutions.

## **EXPLANATORY MEMORANDUM**

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### **Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company to explain the Resolutions to be put to the Shareholders at the Meeting to be held at the offices of McCullough Robertson, Central Plaza Two, Level 11, 66 Eagle Street, Brisbane, Queensland on Tuesday, 13 November 2018 at 11.00am (Brisbane time).

Terms and abbreviations used in this Explanatory Memorandum have the meaning given in Schedule 1.

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### **ITEM 1 - FINANCIAL STATEMENT AND REPORTS**

The Corporations Act requires that the Director's Report, Financial Report and the Auditor's Report be laid before Shareholders at the Meeting.

The Company's Annual Report (which includes the reports to be laid before the Meeting) was released to ASX on 19 September 2018 and is available on the Company's website at [www.blueenergy.com.au](http://www.blueenergy.com.au).

Apart from the matters involving remuneration of the Company's Key Management Personnel which is the subject of item 2, a vote of Shareholders on these reports is not required at the Meeting. However, Shareholders will be given a reasonable opportunity to raise questions and make comments on these reports at the Meeting.

Shareholders may also submit written questions to the Company's auditor, Ernst and Young Brisbane if the question is relevant to the content of the Audit Report, or the conduct of its audit of the Company's Annual Report for the year ended 30 June 2018. Relevant written questions for the auditor must be delivered by 5.00pm (Brisbane Time) on Wednesday, 7 November 2018. Please send any written questions for the auditor to Tom du Preez, Partner, Ernst and Young, 111 Eagle Street, Brisbane or [tom.du.preez@au.ey.com](mailto:tom.du.preez@au.ey.com).

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### **ITEM 2 - REMUNERATION REPORT**

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to the vote of Shareholders for adoption. The Financial Report contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for specified executives and non-executive Directors.

A reasonable opportunity will be provided for Shareholders to ask questions about or make comments on the Remuneration Report at the Meeting.

This Resolution is advisory only and not binding on the Company or the Directors. The Board will take the discussion at the Meeting into consideration when determining the Company's remuneration policy and appropriately respond to any concerns Shareholders may raise in relation to remuneration issues.

If you appoint a Director or member of the key management personnel as your proxy for this resolution, you MUST direct your proxy how to vote; otherwise your vote will not be counted. Follow the instructions on the proxy form to direct your proxy how to vote.

The Chairman intends to vote all available proxies in favour of this Resolution.

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### **ITEM 3 - RE-ELECTION OF DIRECTORS**

Rule 6.3 of the Constitution requires that one third of the Directors must retire at each annual general meeting. Rule 6.3 also provides that any Director who so retires is eligible for re-election at the Meeting.

Mr John Ellice-Flint and Mr Cameron will retire by rotation and offer themselves for re-election.

The Board believes that Mr Ellice-Flint and Mr Cameron have each performed the duties and responsibilities of a Director diligently and professionally and in the best interests of all Shareholders.

The biographical details, skills and experience of Mr Ellice-Flint and Mr Cameron are set out below.

### **Resolution 3(a) - Mr John Ellice-Flint** BSc (Hons) Harvard, AMP

Mr Ellice-Flint has served as Executive Chairman of the Company since October 2012 and as an Executive Director since April 2012.

“Mr Ellice-Flint is an Australian-born business man whose foresight and wide-ranging oil and gas industry credentials are recognised internationally. He has a global track record of being associated with the discovery of significant hydrocarbon fields. John has over 40 years of exploration, production, operations and commercial experience in the oil and gas industry and has held many senior positions with a multinational exploration, production and refining company. John’s achievements in the oil and gas industry are well-known and highly respected. Following a 26-year international career at an American company, Unocal Corporation, serving in a variety of senior executive roles with responsibility for global exploration, production, R&D and strategic planning functions, John became Managing Director and CEO of Santos Limited, Australia’s largest domestic gas producer, from 2000 – 2008. John guided Santos Limited through a major growth period which culminated in the recognition of the potential of coal seam gas in Eastern Australia as a feedstock for the multi million cubic meter LNG and domestic gas industries. John is a current director of Infrastructure Australia and The Australian Ballet and a past Chairman of the South Australian Museum. “

#### **Recommendation**

The Board (with Mr Ellice-Flint abstaining) unanimously supports the re-election of Mr Ellice-Flint as a Non-Executive Director of the Company.

### **Resolution 3(b) - Mr Rodney Cameron** BAdmin (Hons), MBA, MFM, FAICD, CPA

Mr Cameron was appointed as a Director of the Company in November 2011.

Mr Cameron has over 30 year’s industry experience, particularly in the energy and resources industries. He is a seasoned financial executive having been CFO for an ASX listed multi-national renewable energy company, as well as an executive director and CFO for a US multi-national independent power generation company. Mr Cameron has also worked in various management capacities for National Australia Bank, Rio Tinto, Telstra, and Atlantic Richfield Inc.

#### **Recommendation**

The Board (with Mr Cameron abstaining) unanimously support the re-election of Mr Cameron as a Non-Executive Director of the Company.

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## **ITEM 4 - GRANT OF PERFORMANCE RIGHTS TO MR JOHN PHILLIPS**

### **4.1 Background**

The Company is seeking Shareholder approval for Mr John Phillip, Managing Director, to participate in the Company’s Employee Incentive Rights Plan (**EIRP**) via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Mr Phillips, as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company.

Mr Phillips’ contract was renewed in August 2016 on the same terms as his previous contract. Mr Phillips’ total current annual base remuneration is \$400,000 and has remained unchanged since 2010.

### **4.2 Shareholder approval**

Listing Rule 10.14 also requires the approval of Shareholders before securities (which include rights to acquire Shares) can be issued to a Director under the EIRP.

Once approval is obtained under Listing Rule 10.14, the Company is entitled to rely on Listing Rule 10.12, Exception 4 as an exception to any requirement that may otherwise apply requiring Shareholder approval under Listing Rule 10.11. Similarly, approval will not be required under Listing Rule 7.1.

### 4.3 Overview of the EIRP

The EIRP forms part of the Company's remuneration strategy and is designed to align the interests of eligible employees and Shareholders. Eligible persons participating in the EIRP may be granted incentive rights on terms and conditions determined by the Board from time to time. Incentive rights under the EIRP may comprise Retention Rights, which vest based on completion of a period of service and Performance Rights, which vest based on achievement of Board-determined performance objectives. The portion of Performance Rights that vest is determined by Blue Energy's total shareholder return (**TSR**) as determined by an independent advisor over the three year period from the Effective Issue Date.

The EIRP Rules were first adopted in 2010 and The EIRP Rules were most recently amended in June 2018. A summary of the amended EIRP Rules, which apply to Performance Rights granted to Mr Phillips and other Directors in respect of the 2018 financial year (being an Effective Issue Date of 1 July 2017), is set out in Schedule 2 to this Explanatory Memorandum.

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals.

At present, the Board has determined that the issue of Performance Rights will be limited to those individuals (Key Management Personnel) who have a direct ability to influence the performance of the Company. Since the EIRP was last approved in 2016, the following securities have been issued to Directors under the EIRP:

Director	Shares	Performance Rights <sup>(1)</sup>	Retention Rights
Mr John Phillips	12,789,796	25,847,000	6,400,000
Mr John Ellice-Flint	6,389,796	9,846,000	Nil
Mr Rodney Cameron	869,796	539,000	Nil
Ms Karen Johnson	869,796	539,000	Nil
<b>Total</b>	<b>20,919,184</b>	<b>36,771,000</b>	<b>6,400,000</b>

<sup>(1)</sup> Subject to the approval of Shareholder being obtained at the Meeting

### 4.4 Overview of Performance Rights to be granted to Mr John Phillips

Resolution 4(a) seeks approval for the grant of 18,462,000 Performance Rights to Mr Phillips in respect of the 2017 financial year. Resolution 4(b) deals with a separate proposed grant of 7,385,000 Performance Rights to Mr Phillips in respect of the 2018 financial year.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 4(a) and 4(b) unless otherwise indicated.

#### **Measurement periods**

The Performance Rights have a performance period of three years:

Tranche	Effective Issue Date (Start of Measurement Period)	Test Date (End of Measurement Period)	Retest period <sup>(1)</sup>
<b>FY2017 Grant</b> Resolution 4(a)	1 July 2016	30 June 2019	1 July 2019 to 30 June 2020
<b>FY2018 Grant</b> Resolution 4(b)	1 July 2017	30 June 2020	1 July 2020 to 30 June 2021

<sup>(1)</sup>Retest only applies if no Performance Rights vest at the first test date

#### **Number of Performance Rights**

If Resolutions 4(a) and 4(b) are both approved, a maximum of 25,847,000 Performance Rights will be granted to Mr Phillip under the EIRP, including 18,462,000 Performance Rights under Resolution 4(a) and 7,385,000 Performance Rights under Resolution 4(b).



The number of Performance Rights proposed to be granted to Mr Phillips has been calculated on the basis of the formulas set out in sections 9 and 10 of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

If the Performance Rights vest, Mr Phillips will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Mr Phillips. Mr Phillips will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Performance Rights until the Company notifies him otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of the Managing Director and the performance and value of the Company are closely related. As such, the Performance Rights granted will generally only be of benefit to Mr Phillips if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

### ***Resolution 4(a)***

Other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Phillips must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 4(a) to vest. If Mr Phillips ceases to be an employee prior to 30 June 2019 (other than in certain circumstances, including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 4(b)***

Performance Rights granted under Resolution 4(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

<b>Percentage to vest</b>	<b>Number of Performance Rights</b>	<b>20 day VWAP</b>
25%	1,846,250	\$0.0989
50%	3,692,500	\$0.1270
100%	7,385,000	\$0.2194

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Phillips must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 4(b) to vest. If Mr Phillips ceases to be an employee prior to 30 June 2020 (other than in certain circumstances, including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Mr Phillips on the grant of the Performance Rights (or any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Mr Phillips under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Phillips as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of the persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusion***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement with regard to this item of business is set out on the final page of the Notice of Meeting.

## 4.5 Recommendation

No Director, other than Mr Phillips, has an interest in the outcome of Resolutions 4(a) and 4(b). The Board (with Mr Phillip abstaining) recommend that Resolutions 4(a) and 4(b) be approved because they consider that the grant of the Performance Rights to Mr Phillips will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Managing Director and the Shareholders.

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## ITEM 5 - GRANT OF PERFORMANCE RIGHTS TO MS KAREN JOHNSON

### 5.1 Background

The Company is seeking Shareholder approval for Ms Karen Johnson, Non-Executive Director, to participate in the Company's EIRP via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Ms Johnson as a key component of the incentive portion of her remuneration in order to retain her services and to provide an incentive linked to the performance of the Company.

During each of the 2016-2017 and 2017-2018 financial years, in order to assist the Company's financial position and assist it in its budgetary constraints, Ms Johnson agreed to voluntarily forego her annual Director's fees of \$5,000 for performing the role of Chair of the Board's Risk and Audit Committee and Ms Johnson is no longer separately remunerated for performing the role of Chair of the Board's Risk and Audit Committee. In recognition of this the Board approved, subject to Shareholder approval, the grant of 385,000 Performance Rights in respect of 2017 financial year (Resolution 5(a)) and 154,000 Performance Rights in respect of 2018 financial year (Resolution 5(b)).

Ms Johnson's total current annual remuneration is \$60,000 (inclusive of superannuation) and has not been increased since her appointment to the Board in September 2011.

### 5.2 Shareholder approval

Shareholder approval for this item of business is being sought under Listing Rule 10.14, the effect of which is outlined in paragraph 4.2 of this Explanatory Memorandum.

### 5.3 Overview of Performance Rights to be granted to Ms Karen Johnson

Resolution 5(a) seeks approval for the grant of 385,000 Performance Rights to Ms Johnson in respect of the 2017 financial year. Resolution 5(b) deals with a separate proposed grant of 154,000 Performance Rights to Ms Johnson in respect of the 2018 financial year.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 5(a) and 5(b) unless otherwise indicated.

#### ***Measurement periods***

The Performance Rights have a performance period of three years:

Tranche	Effective Issue Date (Start of Measurement Period)	Test Date (End of first test period)	Retest period <sup>(1)</sup>
<b>FY2017 Grant</b> Resolution 5(a)	1 July 2016	30 June 2019	1 July 2019 to 30 June 2020
<b>FY2018 Grant</b> Resolution 5(b)	1 July 2017	30 June 2020	1 July 2020 to 30 June 2021

<sup>(1)</sup> Retest only applies if no Performance Rights vest at the first test date

#### ***Number of Performance Rights***

If Resolutions 5(a) and 5(b) are approved, a maximum number of 539,000 Performance Rights will be granted to Ms Johnson, including 385,000 Performance Rights under Resolution 5(a) and 154,000 Performance Rights under Resolution 5(b).

The number of Performance Rights proposed to be granted has been calculated on the basis of the formula in sections 9 and 10 of the EIRP. The Board has utilised its discretion under the EIRP Rules and determined that in

the current market conditions the use of Retention Rights is not appropriate at this point in time. The Board believes that this provides additional alignment between Ms Johnson and Shareholders.

If the Performance Rights vest, Ms Johnson will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Ms Johnson. Ms Johnson will not be able to sell or otherwise dispose of the Shares issued or allocated to her on vesting of the Performance Rights until the Company notifies her otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of the executive Chairman and the performance and value of the Company are closely related. As such, the Rights granted will generally only be of benefit to Ms Johnson if she performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of Schedule 2.

### ***Resolution 5(a)***

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Ms Johnson must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 5(a) to vest. If Ms Johnson ceases to be an employee prior to 30 June 2019 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 5(b)***

Performance Rights granted under Resolution 5(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

<b>Percentage to Vest</b>	<b>Number</b>	<b>20 day VWAP</b>
25%	38,500	\$0.0989
50%	77,000	\$0.1270
100%	154,000	\$0.2194

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Ms Johnson must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 5(b) to vest. If Ms Johnson ceases to be an employee prior to 30 June 2020 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Ms Johnson on the grant of the Performance Rights (or any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Ms Johnson under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Johnson as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of all persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusions***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement regarding this item of business is set out on the final page of the Notice of Meeting.

## 5.4 Recommendation

No Director, other than Ms Johnson, has an interest in the outcome of Resolutions 5(a) and 5(b). The Board (with Ms Johnson abstaining) recommend that Resolutions 5(a) and 5(b) be approved because they consider that the grant of the Performance Rights to Ms Johnson will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Board and the Shareholders.

# ITEM 6 - GRANT OF PERFORMANCE RIGHTS TO MR RODNEY CAMERON

## 6.1 Background

The Company is seeking Shareholder approval for Mr Rodney Cameron, Non-Executive Director, to participate in the Company's EIRP via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Mr Cameron as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company.

During each of the 2016-2017 and 2017-2018 financial years, in order to assist the Company's financial position and assist it in its budgetary constraints, Mr Cameron agreed to voluntarily forego his annual Director's fees of \$5,000 for performing the role of a member of the Board's Risk and Audit Committee and Mr Cameron is no longer separately remunerated for performing the role of a member of the Board's Risk and Audit Committee. In recognition of this the Board approved, subject to Shareholder approval, the grant of 385,000 Performance Rights in respect of the 2017 financial year (Resolution 5(a)) and 154,000 Performance Rights in respect of the 2018 financial year (Resolution 5(b)).

Mr Cameron's total current annual remuneration is \$60,000 (inclusive of superannuation) and has not been increased since his appointment to the Board in November 2011.

## 6.2 Shareholder approval

Shareholder approval for this item of business is being sought under Listing Rule 10.14, the effect of which is outlined in paragraph 4.2 of this Explanatory Memorandum.

## 6.3 Overview of Performance Rights to be granted to Mr Rodney Cameron

Resolution 6(a) seeks approval for the grant of 385,000 Performance Rights to Mr Cameron in respect of the 2017 financial year. Resolution 6(b) deals with a separate proposed grant of 154,000 Performance Rights to Mr Cameron in respect of the 2018 financial.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 6(a) and 6(b) unless otherwise indicated.

### **Measurement periods**

The Performance Rights have a performance period of three years:

Tranche	Effective Issue Date (Start of Measurement Period)	Test Date (End of first test period)	Retest period <sup>(1)</sup>
<b>FY2017 Grant</b> Resolution 6(a)	1 July 2016	30 June 2019	1 July 2019 to 30 June 2020
<b>FY2018 Grant</b> Resolution 6(b)	1 July 2017	30 June 2020	1 July 2020 to 30 June 2021

<sup>(1)</sup>Retest only applies if no Performance Rights vest at the first test date

### **Number of Performance Rights**

If Resolutions 6(a) and 6(b) are approved, a maximum number of 539,000 Performance Rights will be granted to Mr Cameron, including 385,000 Performance Rights under Resolution 6(a) and 154,000 Performance Rights under Resolution 6(b).

The number of Performance Rights proposed to be granted to Mr Cameron has been calculated on the basis of the formulas set out in sections 9 and 10 of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

If the Performance Rights vest, Mr Cameron will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Mr Cameron. Mr Cameron will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Performance Rights until the Company notifies him otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of a Director and the performance and value of the Company are closely related. As such, the Performance Rights granted will generally only be of benefit to Mr Cameron if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of Schedule 2.

### ***Resolution 6(a)***

Other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Cameron must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 6(a) to vest. If Mr Cameron ceases to be an employee prior to 30 June 2019 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 6(b)***

Performance Rights granted under Resolution 6(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

<b>Percentage to vest</b>	<b>Number of Performance Rights</b>	<b>20 day VWAP</b>
25%	38,500	\$0.0989
50%	77,000	\$0.1270
100%	154,000	\$0.2194

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Cameron must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 6(b) to vest. If Mr Cameron ceases to be an employee prior to 30 June 2020 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Mr Cameron on the grant of the Performance Rights (nor any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Mr Cameron under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Cameron as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of all persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusions***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement with regard to this item of business is set out on the final page of the Notice of Meeting.

## 6.4 Recommendation

No Director, other than Mr Cameron, has an interest in the outcome of Resolutions 6(a) and 6(b). The Board (with Mr Cameron abstaining) recommend that each Resolution 6(a) and 6(b) be approved because they consider that the issue of the Rights to Mr Cameron will provide appropriate incentive to maximise the return to Shareholders over the long term to assist in developing a unity of purpose for both the Board and the Shareholders.

## ITEM 7 - GRANT OF PERFORMANCE RIGHTS TO MR JOHN ELLICE-FLINT

### 7.1 Background

The Company is seeking Shareholder approval for Mr John Ellice-Flint, Executive Chairman, to participate in the Company's EIRP via grants of Performance Rights in respect of each of the 2017 and 2018 financial years.

The Board has chosen to grant Performance Rights to Mr Ellice-Flint as a key component of the incentive portion of his remuneration in order to retain his services and to provide an incentive linked to the performance of the Company. As such, the Board believes that the number of Performance Rights to be granted to Mr Ellice-Flint is commensurate with his value to the Company.

The total current annual base remuneration of Mr Ellice-Flint is \$200,000 (plus superannuation) and has not been increased since his appointment to the Board in April 2012.

### 7.2 Shareholder approval

Shareholder approval for this item of business is being sought under Listing Rule 10.14, the effect of which is outlined in paragraph 4.2 of this Explanatory Memorandum.

### 7.3 Overview of Performance Rights to be granted to Mr John Ellice-Flint

Resolution 7(a) seeks approval for the grant of 6,154,000 Performance Rights to Mr Ellice-Flint in respect of the 2017 financial year. Resolution 7(b) deals with a separate proposed grant of 3,692,000 Performance Rights to Mr Ellice-Flint in respect of the 2018 financial year.

The Performance Rights are being granted under the EIRP, the terms and conditions of which are set out in Schedule 2 of this Explanatory Memorandum. The information below will to the Performance Rights proposed to be granted under both Resolutions 7(a) and 7(b) unless otherwise indicated.

#### **Measurement periods**

The Performance Rights have a performance period of three years:

Tranche	Effective Issue Date (Start of Measurement Period)	Test Date (End of first test period)	Retest period <sup>(1)</sup>
<b>FY2017 Grant</b> Resolution 7(a)	1 July 2016	30 June 2019	1 July 2019 to 30 June 2020
<b>FY2018 Grant</b> Resolution 7(b)	1 July 2017	30 June 2020	1 July 2020 to 30 June 2021

<sup>(1)</sup>Retest only applies if no Performance Rights vest at the first test date

#### **Number of Performance Rights**

If Resolutions 7(a) and 7(b) are approved, a maximum number of 10,385,000 Performance Rights will be granted to Mr Ellice-Flint, including 6,154,000 Performance Rights under Resolution 7(a) and 3,692,000 Performance Rights under Resolution 7(b).

The number of Performance Rights proposed to be granted to Mr Ellice-Flint has been calculated on the basis of the formulas set out in sections 9 and 10 of the EIRP (particulars of which are set out in Schedule 2 of this Explanatory Memorandum).

Each Performance Right entitles Mr Ellice-Flint to receive, upon vesting, one Share (or at the Board's discretion, Mr Ellice-Flint may instead receive a cash-equivalent payment). Performance Rights have no entitlement to dividends or voting.

If the Performance Rights vest, Mr Ellice Flint will either be issued Shares in the Company, or the trustee of the Blue Energy EIRP will acquire Shares for the purpose of allocating them to Mr Ellice-Flint. Mr Ellice-Flint will not be able to sell or otherwise dispose of the Shares issued or allocated to him on vesting of the Performance Rights until the Company notifies him otherwise in accordance with the EIRP.

### ***Performance hurdles and vesting***

Given the speculative nature of the Company's activities, it is considered the performance of a Director and the performance and value of the Company are closely related. As such, the Rights granted will generally only be of benefit to Mr Ellice-Flint if he performs to the level whereby the value of the Company increases sufficiently in accordance with the offer conditions in Schedule B of the EIRP (particular of which is set out in Schedule 2 of this Explanatory Memorandum).

### ***Resolution 7(a)***

Other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Ellice-Flint must remain an employee of the Company until 30 June 2019 for the Performance Rights in Resolution 7(a) to vest. If Mr Ellice-Flint ceases to be an employee prior to 30 June 2019 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Resolution 7(b)***

Performance Rights granted under Resolution 7(b) vest under the terms of the amended EIRP and vesting will therefore be linked directly to the vesting price of the Company's securities (with the vesting of these being conditional upon a 20-day VWAP being achieved at any stage up to expiration of the Performance Rights).

Percentage to vest	Number of Performance Rights	20 day VWAP
25%	923,000	\$0.0989
50%	1,846,000	\$0.1270
100%	3,692,000	\$0.2194

In addition, other than in certain circumstances described in paragraph 21 of Schedule 2, Mr Ellice-Flint must remain an employee of the Company until 30 June 2020 for the Performance Rights in Resolution 7(b) to vest. If Ellice-Flint ceases to be an employee prior to 30 June 2020 (other than in certain circumstances including a change in control of the Company) the Performance Rights will immediately lapse.

### ***Consideration paid for the Performance Rights***

There is no cost to Mr Ellice-Flint on the grant of the Performance Rights (nor any Shares issued or acquired when the Performance Rights vest). The Performance Rights will not have an exercise price and accordingly do not raise capital.

No loan will be made by the Company in connection with the acquisition of Performance Rights or Shares by Mr Ellice-Flint under the EIRP.

### ***Date of issue***

It is intended that the Performance Rights will be granted to Mr Ellice-Flint as soon as is practical, and in any event, no later than 12 months after the date of the Meeting.

### ***Eligible participants***

All of the Directors of the Company are eligible to participate in the EIRP, subject to any required Shareholder approvals. Details of all persons referred to in Listing Rule 10.14 who have received securities under the EIRP since the last approval in 2016 are set out in paragraph 4.3 of this Explanatory Memorandum.

### ***Voting exclusions***

The Listing Rules and the Corporations Act prohibit certain persons from voting on this item of business. A voting exclusion statement with regard to this item of business is set out on the final page of the Notice of Meeting.

## **7.4 Recommendation**

No Director, other than Mr Ellice-Flint, has an interest in the outcome of Resolutions 7(a) and 7(b). The Board (with Mr Ellice-Flint abstaining) recommend that Resolutions 7(a) and 7(b) be approved because they consider that the grant of the Performance Rights to Mr Ellice-Flint will provide appropriate incentive to maximise the return to

Shareholders over the long term to assist in developing a unity of purpose for both the Board and the Shareholders.

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## **ITEM 8 - ADOPTION OF PROPORTIONAL TAKEOVER PROVISIONS**

The proposed Schedule 5 of the constitution of the Company is attached in the Annexure of this Explanatory Memorandum. It is in identical form to the provisions of similar coverage which were previously contained in the Constitution. The provisions had a duration period of three years which has expired. The provisions contained in the Schedule 5 of the Constitution therefore do not apply, unless renewed. If renewed under Resolution 8, they will apply until 13 November 2021.

The proposed proportional takeover approval provisions enable the Company to refuse to register securities acquired under a proportional takeover bid unless a resolution is passed by Shareholders in general meeting approving the offer. Under the Corporations Act, proportional takeover provisions expire after three years from adoption or renewal and may then be renewed.

The Company is seeking Shareholder approval to renew these provisions under the Corporations Act. The proposed proportional takeover provisions are identical to those previously contained in the Constitution. The Corporations Act requires the Company to provide Shareholders with an explanation of the proportional takeover approval provisions as set out below.

### **8.1 What is a proportional takeover bid**

A proportional takeover bid is a takeover offer sent to all Shareholders but only for a specified portion of each Shareholder's securities. Accordingly, if a Shareholder accepts in full the offer under a proportional takeover bid, it will dispose of the specified portion of its securities in the Company and retain the balance of the securities.

### **8.2 Effect of renewal**

If renewed, under Schedule 5 of the Constitution if a proportional takeover offer is made to Shareholders of the Company, the board of the Company is required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover. That meeting must be held at least 15 days before the offer under the proportional takeover bid closes.

The resolution is taken to have been passed if a majority of securities voted at the meeting, excluding the securities of the bidder and its associates, vote in favour of the resolution. If no resolution is voted on at least 15 days before the close of the offer, the resolution is deemed to have been passed. Where the resolution approving the offer is passed or deemed to have been passed, transfers of securities resulting from accepting the offer are registered provided they otherwise comply with the Corporations Act, the ASX Listing Rules, the ASX Operating Rules and the Company's Constitution. If the resolution is rejected, then under the Corporations Act the offer is deemed to be withdrawn.

### **8.3 Reasons for proposing the Resolution**

The Directors consider that Shareholders should have the opportunity to renew Schedule 5 of the Constitution. Without Schedule 5 applying, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all of their securities to the bidder. Shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their securities whilst leaving themselves as part of a minority interest in the Company.

Without Schedule 5, if there was a proportional takeover bid and shareholders considered that control of the Company was likely to pass, Shareholders would be placed under pressure to accept the offer even if they did not want control of the Company to pass to the bidder. Renewing Schedule 5 of the Constitution will make this situation less likely by permitting Shareholders to decide whether a proportional takeover bid should be permitted to proceed.

### **8.4 No knowledge of present acquisition proposals**

As at the date of this Notice of Meeting, no Director is aware of a proposal by any person to acquire or increase the extent of a substantial interest in the Company.

### **8.5 Potential advantages and disadvantages**

The renewal of Schedule 5 of the Constitution will enable the Directors to formally ascertain the views of Shareholders about a proportional takeover bid. Without these provisions, the Directors are dependent upon their



perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that renewal of Schedule 5 has no potential advantages or potential disadvantages for them, as they remain free to make a recommendation on whether a proportional takeover offer should be accepted.

The Directors consider that renewing Schedule 5 benefits all Shareholders in that they will have an opportunity to consider a proportional takeover bid and then attend or be represented by proxy at a meeting of Shareholders called specifically to vote on the proposal. Accordingly, Shareholders are able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the proportional takeover bid. Furthermore, knowing the view of Shareholders assists each individual Shareholder to assess the likely outcome of the proportional takeover bid and whether to accept or reject that bid.

As to the possible disadvantages to Shareholders renewing Schedule 5, potentially, the proposal makes a proportional takeover bid more difficult and proportional takeover bids will therefore be discouraged. This may reduce the opportunities which Shareholders may have to sell all or some of their securities at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Company's share price. Schedule 5 may also be considered an additional restriction on the ability of individual Shareholders to deal freely on their securities.

The Directors consider that there are no other advantages or disadvantages for Directors or Shareholders which arose during the period during which the proportional takeover approval provisions were in effect, other than those discussed in this section.

On balance, the directors consider that the possible advantages outweigh the possible disadvantages so that the renewal of Schedule 5 is in the interest of Shareholders.

## **8.6 Recommendation**

The Chairman will cast all available proxies in favour of this Resolution.

The Board unanimously supports the renewal of Schedule 5 of the Constitution.

## Schedule 1 - Definitions

In this Explanatory Memorandum and Notice terms defined in the Corporations Act have the same meaning when used in this document and:

**"Annual Report"** means the Company's annual report for the period ending 30 June 2018.

**"ASX"** means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

**"Board"** means the board of Directors of the Company.

**"Company" or "Blue Energy"** means Blue Energy Limited ACN 054 800 378.

**"Corporations Act"** means the *Corporations Act 2001* (Cth).

**"Director"** means a director of the Company.

**"EIRP Rules"** means the rules of the EIRP set out in Schedule 2 of this Notice.

**"Employee Incentive Rights Plan" or "EIRP"** means the plan set out in Schedule 2 of this Notice.

**"Explanatory Memorandum"** means the explanatory memorandum to this Notice.

**"Financial Report"** means the financial report of the Company ended 30 June 2018.

**"Key Management Personnel"** has the meaning set out in the Corporations Act.

**"Listing Rules"** means the Listing Rules of ASX.

**"Meeting"** has the meaning given in the introductory paragraph of this Notice.

**"Notice"** means this notice of Meeting.

**"Performance Right"** means a right which converts into one Share and which vests based on achievement of specified performance objectives.

**"Proxy Form"** means the proxy form attached to the Notice.

**"Remuneration Report"** means the section of the Directors' report for the 2018 financial year that is included under section 300A(1) of the Corporations Act.

**"Resolution"** means a resolution for the consideration of Shareholders at the Meeting.

**"Retention Right"** means a right which converts into one Share and which vests based on completion of a period of service.

**"Rights"** means Incentive Rights (being either Retention Rights or Performance Rights) under the Employee Incentive Rights Plan.

**"Schedule"** means a schedule to this Notice.

**"Share"** means a fully paid ordinary share in the capital of the Company.

**"Shareholder"** means a registered holder of a Share.

**"VWAP"** means volume weighted average price.

Words importing the singular include the plural and conversely.

## **“Schedule 2”**



# **Rules of the Blue Energy Limited Incentive Rights Plan**

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## **1 Purpose**

This Blue Energy Limited Incentive Rights Plan (the Plan) is governed by the rules contained in this document (the Rules or Plan Rules).

The purposes of the Plan include to:

- ensure that employees have commonly shared goals related to producing relatively high returns for shareholders,
- assist employees to become shareholders in Blue Energy Limited (Blue Energy),
- provide a component of remuneration to enable Blue Energy to compete effectively for the calibre of talent required for it to be successful, and
- help retain employees, thereby minimising turnover and stabilising the workforce.

The Plan has been designed to deliver a combination of cash and Shares based on achievement of service and performance criteria.

## **2 Dictionary**

Explanations of terms and abbreviations used in these Rules are contained in Schedules A and B.

## **3 Administration**

This Plan will be administered by the Board of Blue Energy, but it may delegate responsibility to a committee of the Board in relation to all Participants or to the Managing Director in relation to Participants other than the Managing Director. The Board is authorised, subject to the provisions of these Rules, to establish such guidelines for the administration of the Plan as are deemed appropriate, and to make determinations under the Plan as may be deemed necessary or advisable from time to time. Such determinations shall be conclusive and binding on all Participants.

## **4 Eligibility**

All members of the Board, including executive and non-executive directors, and all full-time and permanent part-time employees of Blue Energy and its subsidiary companies are eligible to become Participants in the Plan.

Casual employees and independent contractors are not eligible to participate.

## 5 Offers

The Plan will operate through a series of Offers of Incentive Rights. The Board will in its absolute discretion determine in respect of each Offer those Eligible Employees to whom Offers will be made.

Each Offer may contain terms and conditions that vary between Offers. The terms and conditions that apply to an Offer are to be determined by the Board and once determined are deemed to form part of Schedule B to these Rules.

## 6 Participants

Eligible Employees who are offered and accept Incentive Rights will be referred to as Participants in the Plan. They will remain Participants until all Incentive Rights they have been granted have either lapsed or been paid out after vesting.

Being made an Offer or Offers under the Plan does not guarantee nor confer any entitlement to receive any other Offer under the Plan.

The form of the Offer of Incentive Rights to selected employees shall be determined by the Board in its discretion from time to time.

## 7 Incentive Rights

Two types of Incentive Rights may be offered to Participants being:

- Retention Rights which vest based on completion of a period of service, and
- Performance Rights which vest based on achievement of specified performance objectives.

## 8 Offer of Retention Rights

When Offers are made to selected Eligible Employees they will be advised of the number of Retention Rights, if any, that they are offered. The number of Retention Rights offered to a Participant will be calculated by applying the following formula unless otherwise determined by the Board:

$$\text{Number of Retention Rights} = \text{Participant's Base} \times \text{Target Retention LTI\%} \div \text{Right Value}$$

For example: for a Participant in a Executive Team member with a Target Retention LTI% of 10% and a Right Value of \$0.20 (see later example calculations) the number of Retention Rights would be calculated as follows and would be rounded to the nearest 1,000 unless otherwise determined by the Board:

$$\begin{aligned} \text{Number of Retention Rights} &= \text{Participant's Base} \times \text{Target Retention LTI\%} \div \text{Right Value} \\ &= \$300,000 \times 10\% \div \$0.20 \end{aligned}$$

$$= \$30,000 \div \$0.20$$

$$= 150,000$$

Target Retention LTI% for categories of Eligible Employees are specified in Schedule B in relation to each Offer.

## 9 Offers of Performance Rights

When Offers are made to selected Eligible Employees they will be advised of the number of Performance Rights, if any, that they are offered. The number of Performance Rights offered to a Participant will be calculated as follows and would be rounded to the nearest 1,000 unless otherwise determined by the Board:

$$\text{Number of Performance Rights} = \frac{\text{Participant's Base} \times \text{Target Performance LTI\%}}{\text{Adjusted Right Value}}$$

For example: for a Participant in a Direct Report role with a Base of \$300,000, a LTI% of 40% and an Adjusted Right Value of \$0.10 (see later example calculations) the number of Performance Rights would be calculated as follows:

$$\text{Number of Performance Rights} = \frac{\text{Participant's Base} \times \text{Target Performance LTI\%}}{\text{Adjusted Right Value}}$$

$$= \$300,000 \times 40\% \div \$0.10$$

$$= \$120,000 \div \$0.10$$

$$= 1,200,000$$

If the Target Performance LTI% is divided into multiple tranches of Performance Rights then the Target Performance LTI% will be adjusted for each tranche to reflect the portion of the Target Performance LTI% to be provided in that tranche.

Target Performance LTI% for categories of Eligible Employees are specified in Schedule B in relation to each Offer.

## 10 Right Value and Adjusted Right Value

For purposes of determining the number of Incentive Rights to be allocated under the Plan the Right Value and Adjusted Right Value will be calculated as indicated below.

The Right Value will be taken as the Offer Share Price reduced by the expected dividends over the minimum vesting period under the Offer. Unless otherwise determined by the Board, the minimum expected dividends will be calculated by multiplying the most recent annual amount of dividends by the minimum term, expressed in years, of the Measurement Period.

Thus, if the Offer Share Price was \$0.20, annual dividends were nil cents p.a. and the minimum vesting period were 3 years then the Right Value would be \$0.20 calculated as follows:

$$\begin{aligned}\text{Right Value} &= \text{Offer Share Price} - (\text{Annual Dividend} \times \text{Minimum Vesting Period}) \\ &= \$0.20 - (\$0.00 \times 3) \\ &= \$0.20 - \$0.00 \\ &= \$0.20\end{aligned}$$

The Adjusted Right Value will be determined by multiplying the Right Value by the probability of vesting as determined by the Board having regard to the vesting conditions attached to the Performance Rights. Unless otherwise determined by the Board the probability of vesting will be 50%. The Adjusted Right Value would be calculated as follows:

$$\begin{aligned}\text{Adjusted Right Value} &= \text{Right Value} \times \text{Probability of Vesting} \\ &= \$0.20 \times 50\% \\ &= \$0.10\end{aligned}$$

## 11 Withdrawal of Offers

The Board may at its absolute discretion withdraw an offer at any time including after it has been accepted by a Eligible Employee provided that the Company has not granted the Incentive Rights that were the subject of the Offer.

Situations in which such withdrawals may occur include when the Board becomes aware that the employment of an Eligible Employee will cease in the near term.

## 12 Acceptance of Offers of Incentive Rights

The form in which Offers may be accepted shall be determined by the Board in its discretion from time to time. In accepting an Offer the Participant will be agreeing to be bound by these Rules.



Offers may be accepted or rejected but may not be partially accepted.

### **13 Incentive Rights May Not Be Transferred or Encumbered**

An Incentive Right may not be transferred or otherwise dealt with (including for purposes of this Rule, be disposed of, encumbered, made subject to any interest in favour of any other person) and lapses immediately on purported transfer or dealing unless the Board, in its absolute discretion, approves the transfer or dealing or the transfer is effected by operation of law on death or legal incapacity to the Participant's legal personal representative.

### **14 Granting of Incentive Rights**

The Company will use reasonable endeavours to grant the Incentive Rights subject to an offer and acceptance, unless otherwise withdrawn in accordance with clause 11, within 1 month of the offer been accepted.

### **15 Measurement Periods**

The Measurement Period applicable to each tranche in each Offer will be specified in Schedule B. The Measurement Periods will relate to periods where service and performance conditions must be satisfied for Retention Rights and Performance Rights, respectively, to vest.

### **16 Performance Measures**

Performance Measures are service and/or performance conditions that need to be satisfied for Incentive Rights to vest. They are specified in Schedule B, along with the relationship between various potential levels of performance and levels of vesting that may occur. Performance conditions will be determined for each tranche of each Offer by the Board and may vary between Offers.

## 17 Vesting of Incentive Rights

Following the end of the Measurement Period, the Board will determine for each tranche of Incentive Rights to which the Measurement Period applies, the extent to which they vest. The steps involved are as follows:

Step	Process
1	Determine actual performance in relation to the Performance Measure.
2	Determine the vesting percentage from the Vesting Scale relevant to the tranche of Incentive Rights. For example: if Blue Energy's TSR were 20% per annum compound then the vesting percentage would be 37.5% (see Schedule B 31.1, Item 4 table 1).
3	If vesting occurs in relation to a tranche then a cash award of \$1,000 (pre PAYG tax) will be payable to the Participant in relation to that tranche. It will be paid via Payroll with PAYG tax deducted. For example, if vesting occurs in relation to 2 tranches then the Participant would receive a \$2,000 cash award.
4	Determine the number of Incentive Rights of each type that are held in relation to the Offer after taking into account Rules 17 and 19.
5	Determine the number of Incentive Rights of each type to vest by multiplying the vesting percentage by the number of Incentive Rights of each type held.
6	Calculate the Vested Rights Value for each tranche by multiplying the relevant number of vested rights in the tranche by the relevant Vesting Share Price.
7	If the Vested Rights Value for a tranche is more than \$1,000 then the Participant will be entitled to Restricted Shares. The number of Restricted Shares will be determined by dividing the excess of the Vested Rights Value for the tranche over \$1,000 by the relevant Vesting Share Price.

## 18 Lapsing of Incentive Rights

If Incentive Rights in a tranche have not vested and there is no opportunity for those Incentive Rights to vest at a later date then they lapse. Typically this will be following testing of Incentive Rights if they fail to vest.

## 19 Restricted Shares

The Company will either issue Restricted Shares to Participants or arrange for them to be acquired for the Participant's benefit by the trustee of the Blue Energy EST. When Shares are to be acquired by the Blue Energy EST, the Participant's employer or Blue Energy will contribute the then market value of the Shares to be acquired to the trustee of the Blue Energy EST and the trustee shall apply those funds to acquire Shares by on-market purchase or subscription to a new issue as directed by the Board of Blue Energy.

Restricted Shares means that they may not be sold or otherwise disposed of by Participants until first advised by the Company, which the Company shall do at the first opportunity to do so, when Shares may be sold without breaching the insider trading provisions of the Corporations Act or the Company's share trading policy.

## 20 Bonus Issues, Rights Issues and Capital Reorganisation

In cases of bonus share issues by the Company the number of Incentive Rights held by a participant shall be increased by the same number as the number of bonus shares that would have been received by the Participants had the Incentive Rights been fully paid ordinary shares in Blue Energy.

In the case of general rights issues (other than Incentive Rights) to Blue Energy shareholders there will be no adjustment to the Incentive Rights. However, the Board may consider issuing options:

- a) of a number up to the number of shares to which the Participant would have been entitled had the Incentive Rights been fully paid ordinary shares in Blue Energy, and
- b) the exercise price of such options will be equal to the amount payable by Blue Energy' shareholders to exercise a right to acquire a share.

In the case of an issue of rights to other than Blue Energy' shareholders there will be no adjustment to the Incentive Rights.

In the case of other capital reconstructions the Board may make such adjustments to the Incentive Rights as it considers appropriate with a view to ensuring that holders of Incentive Rights are neither advantaged nor disadvantaged.

## 21 Termination of Employment

The following table indicates the treatment of unvested Incentive Rights at the date of termination of employment.

Termination Circumstance	Unvested Retention Rights	Unvested Performance Rights
Dismissal (termination for cause)	All are forfeited.	All are forfeited.
Resignation (includes resignation of a director*)	All are forfeited unless and to the extent otherwise determined by the Board.	All are forfeited unless and to the extent otherwise determined by the Board.
Death	Retention Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year.  Retention Rights that do not lapse at the termination of employment will continue to be held by Participants with a view to testing for vesting at the end of the Measurement Period.  If the share price at the date of testing is less than the share price at the date of termination of employment then all unvested Retention Rights lapse.  If the share price at the date of testing is not less than the share price at the date of termination of employment then Retention Rights granted in	Performance Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year.
Total Permanent Disablement (termination for illness)		Performance Rights that were granted in a year prior to the year of termination of employment and were first test for vesting not later than the date of termination of employment, will be forfeited.
Retirement (includes retirement of a director*) with the approval of the Board		Performance Rights that do not lapse at the termination of employment will continue to be held by Participants with a view to testing for vesting at the end of the Measurement Period.
Company initiated termination without cause e.g. retrenchment and redundancy		If the share price at the date of testing is less than the share price at the date of termination of employment then all unvested Performance Rights lapse.  If the share price at the date of testing is not less than the share price at the date of termination of employment then Performance Rights granted in the financial year of termination and prior years that have not been forfeited will be tested once for vesting at the end of

Termination Circumstance	Unvested Retention Rights	Unvested Performance Rights
	<p>the financial year of termination and prior years that have not been forfeited will vest.</p> <p>Retention Rights vesting will be dealt with pursuant to Rules 16 and 18.</p>	<p>the Measurement Period. If they do not vest at that time then they will be forfeited.</p> <p>Performance Rights vesting will be dealt with pursuant to Rules 16 and 18.</p>
<p>*For clarity a Director will not for the purposes of this Plan be treated as either having Resigned or Retired simply as a consequence of the operation of article 6.3(b) of the Company's Constitution or the requirement of the ASX Listing Rules that Directors must by rotation put themselves up for re-election no less than every three years and provided that Director is re-elected.</p> <p>Where a Director is not re-elected as a part of that process they will be treated as having retired with the approval of the Board.</p>		

## 22 Cash Payout After Termination of Employment

In the event that a Participant forfeits Incentive Rights because the share price at the testing date was less than the share price at the date of termination of employment then the Board may, in its absolute discretion, determine to pay a cash bonus through payroll with PAYG tax deducted. The amount of any such bonus shall not exceed the amount determined by multiplying the number of Incentive Rights that would otherwise have vested by the share price at the testing date for the tranche.

## 23 Change-In-Control Including Takeover

In the event of a change-in-control including a takeover the vesting conditions attached to the tranche at the time of the Offer will cease to apply and the following approach will apply to determining the extent, if any, of vesting.

In the event of a change-in-control including a takeover, unvested Incentive Rights will vest in the proportion that the Company's share price has grown since the date of grant of the Incentive Rights or such greater proportion as determined in the discretion of the Board. Maximum vesting is 100%. The vesting share price will be determined by the highest twenty (20) Day VWAP trading period from the start of the measurement period to the date of the change-in-control.

In determining whether the Share Price has increased the current Blue Energy Share Price (offer price in the case of a takeover offer) is to be compared to the Offer Share Price for that tranche.

For example, if the Offer Share Price for a tranche were \$0.12 and the successful takeover offer were at \$0.18 then 50%  $[(\$0.18 - \$0.12) \div \$0.12]$  would be the percentage of the unvested Incentive Rights to vest. Any Incentive Rights that do not vest would lapse.

## **24 Fraud, Gross Misconduct etc**

In the event that the Board forms the opinion that a Participant has committed an act of fraud, defalcation or gross misconduct in relation to Blue Energy, the Participant will forfeit all unvested Incentive Rights.

## **25. Plan Limits**

In the case of an offer of new Shares for issue, the number of Shares, the subject of the offer when aggregated with:

- a) the number of Shares in the same class which would be issued were each outstanding offer with respect to the Shares, units of Shares and options to acquire unissued Shares under any employee incentive scheme to be accepted or exercised (as the case may be); and
- b) the number of Shares in the same class issued during the previous 5 years pursuant to the Plan or any other employee incentive scheme extended only to Employees or directors of a Group Company,

but disregarding any offer made, or option acquired or Share issued by way of or as a result of:

- c) an offer to a person situated at the time of the receipt of the offer outside Australia; or
- d) an offer that was an excluded offer or Invitation within the meaning of the Corporations Act as it stood prior to the commencement of Schedule 1 to the Corporate Law Economic Reform Program Act 1999; or
- e) an offer that did not need disclosure to investors because of Section 708 of the Corporations Act;
- f) or an offer that did not require the giving of a Product Disclosure Statement because of Section 1012D of the Corporations Act; or
- g) an offer made under a disclosure document or Product Disclosure Statement,

must not exceed 5% of the total number of issued Shares in that class of the Company at the time of the offer.

## **26 Board Determinations and Amendment of the Plan**

A determination by the Board or a Committee or a delegate of the Board may be evidenced by minutes of a meeting of the Board or Committee or a record of a determination by the delegate (as applicable). Any such minute or determination shall be prima facie evidence of the determination in the absence of manifest error.

The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules, including this rule.

No amendment to or repeal of the Rules is to reduce the existing rights of any Participant in respect of any Offers that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant or where the amendment is introduced primarily:

- for the purpose of complying with or conforming to a present or future State, Territory or Commonwealth legal requirement governing, regulating or effecting the maintenance or operation of the Plan or like plans;
- to correct any manifest error or mistake;
- to address possible adverse tax implications for Participants generally or Blue Energy arising from:
  - a ruling of any relevant taxation authority;
  - a change to tax legislation or the application or termination of the legislation or any other statute or law (including an official announcement by any relevant taxation or government authority);
  - a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
  - to enable Blue Energy to comply with the Corporations Act, Companies Act or the Listing Rules.

## **26 Not Exclusive Method of Incentive**

This Plan shall not be an exclusive method of providing incentive compensation for employees of Blue Energy, nor shall it preclude Blue Energy from authorising or approving other forms of incentive compensation.

## **27 No Right to Continued Employment**

Neither the establishment of the Plan nor receipt of an Offer nor the payment of an award nor the vesting of Rights or any other action under the Plan shall be held to confer upon any Participant the right to continue in the employment of Blue Energy or affect any rights Blue Energy may have to terminate the employment of the Participant.

## **28 Relationship to Other Plans**

Participation in the Plan shall not affect or be affected by participation in or payment under any other plan of Blue Energy, except as otherwise determined by the Board.

## **29 Governing law**

These Rules are governed by the laws of Queensland, Australia.

### 30 SCHEDULE A – DICTIONARY

The terms and abbreviations used in these Rules have the following meanings.

ASX	ASX Limited ACN 008 624 691 (aka Australian Securities Exchange).
Base or Base Package	In relation to an employee means the annualised value of salary, superannuation, other benefits and fringe benefits tax comprising the fixed remuneration, as determined by the Board.
Blue Energy	Blue Energy Limited ACN 054 800 378.
Blue Energy EST	Blue Energy employee share trust.
Board	The Board of Blue Energy.
Company	Blue Energy
Change in control	When 50% or more of the ordinary shares are held by a person or group of associated persons or 50% or more of the votes that may be cast at a general meeting are under the control of a person or group of associated persons.
Corporations Act	Corporations Act 2001 (Cth).
Current Share Price	Blue Energy' market share price at the relevant time, as determined by the Board.
Eligible Employees	Those employees of Blue Energy who are eligible to become Participants under Rule 4.
Incentive Rights	Includes both Retention Rights and Performance Rights.
Listing Rules	The Listing Rules of ASX.
Managing Director	The Managing Director for the time being of Blue Energy.
Measurement Period	In relation to Offers of Incentive Rights means the period or periods specified in Schedule B in relation to the Offer.
Offer	An offer of Incentive Rights under the Plan.



Offer Share Price	The volume weighted average share price at which Blue Energy's shares were traded on the ASX over the twenty (20) trading days prior to and including the 30 June preceding the Offer or such other date determined by the Board.
Participant	See rule 6.
PAYG	Pay As You Go tax instalment system.
Performance Measure	One or more types of performance measurement, as determined by the Board.
Performance Rights	These are Performance Rights where vesting is based on satisfaction of performance criteria.
Plan	Blue Energy Limited Incentive Rights Plan.
Rules or Plan Rules	These rules that govern the Plan.
Tranche	Refers to a portion of a grant of Incentive Rights that relates to a specific Performance Measure, as determined by the Board.
TSR	Total shareholder return being the percentage change over a period in shareholder value due to share price movement and dividends assuming that they are reinvested into Blue Energy shares as determined by the Board.
Shares	Means fully paid ordinary shares in Blue Energy.
Schedule	These are the schedules attached to and forming part of these Plan Rules.
Vesting Share Price	The volume weighted average share price at which Blue Energy's shares were traded on the ASX over the twenty (20) trading days prior to and including the last day of the measurement period.
\$	Australian Dollars.

## 31 SCHEDULE B – OFFER CONDITIONS

### 31.1 2017 Financial Year Offers

1.	Measurement Periods	<ul style="list-style-type: none"><li>Retention Rights: 1 July 2016 to 30 June 2019</li><li>Performance Rights:<ul style="list-style-type: none"><li>a. First test: 1 July 2016 to 30 June 2019,</li><li>b. Retest: 1 July 2019 to 30 June 20120</li></ul></li></ul> <p>NB: Retest only applies if nil vesting occurs at the first test.</p>															
2.	LTI% Tranches	<table><tr><th rowspan="2">Incentive Rights</th><th colspan="3">Target</th></tr><tr><th>Managing Director</th><th>Executive Team</th><th>Key Management</th></tr><tr><td>Retention LTI%</td><td>10%</td><td>10%</td><td>10%</td></tr><tr><td>Performance LTI%</td><td>60%</td><td>40%</td><td>20%</td></tr></table>	Incentive Rights	Target			Managing Director	Executive Team	Key Management	Retention LTI%	10%	10%	10%	Performance LTI%	60%	40%	20%
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3.	Vesting Scale for Retention Rights	<p>Service Vesting Scale is as follows:</p> <table><tr><th>Performance Level</th><th>Period of Service</th><th>Vesting%</th></tr><tr><td>&lt; Target</td><td>Employment ceases before 30 June 2019</td><td>0%</td></tr><tr><td>Target</td><td>Employment ceases on or after 30 June 2019</td><td>100%</td></tr></table> <p>If Retention Rights have not been forfeited on termination of employment under Rule 21 then for purposes of the above vesting scale, employment will be deemed to cease on 30 June 2019.</p>	Performance Level	Period of Service	Vesting%	< Target	Employment ceases before 30 June 2019	0%	Target	Employment ceases on or after 30 June 2019	100%						
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4	Absolute TSR Vesting Scale	<p>At the end of the first test Measurement Period the following vesting scale will be applied to Performance Rights based on the TSR achieved by the Company during the Measurement Period. The TSR is based on the Share price during the Measurement Period and is only required to be achieved once on a twenty (20) day VWAP trading period during the Measurement Period.</p> <table border="1"> <thead> <tr> <th>Performance Level</th><th>Compound Annual Rate of the Company's TSR Over the Measurement Period</th><th>Vesting%</th></tr> </thead> <tbody> <tr> <td>&lt;Threshold</td><td>&lt;15%</td><td>0%</td></tr> <tr> <td>Threshold</td><td>15%</td><td>25%</td></tr> <tr> <td>&gt;Threshold &amp; &lt;Target</td><td>&gt;15% &amp; &lt;25%</td><td>Pro rata</td></tr> <tr> <td>Target</td><td>25%</td><td>50%</td></tr> <tr> <td>&gt;Target &amp; &lt;Stretch</td><td>&gt;25% &amp; &lt;50%</td><td>Pro rata</td></tr> <tr> <td>Stretch</td><td>≥50%</td><td>100%</td></tr> </tbody> </table> <p>At the retest date the foregoing scale will also apply.</p>	Performance Level	Compound Annual Rate of the Company's TSR Over the Measurement Period	Vesting%	<Threshold	<15%	0%	Threshold	15%	25%	>Threshold & <Target	>15% & <25%	Pro rata	Target	25%	50%	>Target & <Stretch	>25% & <50%	Pro rata	Stretch	≥50%	100%
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### 2018 Financial Year Offers

1.	Measurement Periods	<ul style="list-style-type: none"><li>Retention Rights: 1 July 2017 to 30 June 2020</li><li>Performance Rights:<ul style="list-style-type: none"><li>a. First test: 1 July 2017 to 30 June 2020,</li><li>b. Retest: 1 July 2020 to 30 June 2021</li></ul></li></ul> <p>NB: Retest only applies if nil vesting occurs at the first test.</p>											
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### 2019 Financial Year Offers

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