



**Babylon Pump & Power Limited
ACN 009 436 908**

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Babylon Pump & Power Limited will be held at the Swan View Room, Tompkins on Swan, Corner Dunkley Ave & Canning Highway, Alfred Cove WA 6154 on Tuesday, 15th December 2020 at 8:30 am (WST).

If you are unable to attend the meeting, you may complete the Proxy Form (enclosed) and return it to the Company as soon as possible and in any event so it is received by the Company Secretary at the place specified in the Proxy Form no later than 2 business days prior to the time of commencement of the meeting.

The Company is taking precautions to facilitate an in-person meeting in accordance with COVID-19 restrictions. If the situation in relation to COVID-19 changes in a way affecting the ability to facilitate an in-person meeting, the Company will provide an update ahead of the meeting by way of an ASX announcement.

THIS DOCUMENT IS IMPORTANT

This Notice should be read in its entirety. If you do not understand it or are in any doubt about how to act, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 9454 6309.

The **2020 Annual Report** can be viewed on the Company's website at www.babylonpumpandpower.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Babylon Pump & Power Limited (**Company**) will be held at the Swan View Room, Tompkins on Swan, Corner Dunkley Ave & Canning Highway, Alfred Cove WA 6154 on Tuesday, 15th December 2020 at 8:30 am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

The Directors have 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 13 December 2020 at 4:00 pm (WST). Accordingly, transactions registered after that time will be disregarded in determining Shareholders' entitlements to vote.

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2020, which includes the Financial Report, the Directors' Report and the Auditor's Report.

Note: There is no requirement for Shareholders to approve these statements.

1. Resolution 1 – Adoption of Remuneration Report

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

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions set out in the Explanatory Memorandum."

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

Voting Exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely

Related Party of such member, regardless of the capacity in which the vote is cast; or

- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

2. Resolution 2 – Re-election of Director – Mr Michael Kenyon

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

"That, pursuant to and in accordance with, article 6.1(f) of the Constitution and for all other purposes, Mr Michael Kenyon, a Director, retires and being eligible, is re-elected as a Director on the terms and conditions set out in the Explanatory Memorandum."

3. Resolution 3 – Approval of 10% Placement Facility

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

"That for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the Company having the additional capacity to issue Equity Securities provided for under Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum.."

4. Resolution 4 – Approval of Incentive Awards Plan

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 7.2 (Exception 13(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Babylon Pump and Power Incentive Awards Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is eligible to participate in the employee incentive scheme or any Associate of that person or those persons. However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

5. Resolution 5 – Issue of Performance Rights to Michael Shelby

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

“That, for the purposes of sections 200B, 200E and 208 of the Corporations Act, ASX Listing Rules 10.14 and 10.19 and for all other purposes, approval is given for the Company to issue and allot 22,995,000 Performance Rights to Director Michael Shelby or his nominee under the Incentive Awards Plan on the terms and conditions set out in the Explanatory Memorandum”.

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Director of the Company, his nominee, an Associate of a Director, or a person whose relationship with the Company or a Director or Associate of a Director of the Company is such that, in ASX’s opinion, the acquisition should be approved by Shareholders, who is eligible to participate in the Incentive Awards Plan or any of their associates (**Resolution 5 Excluded Party**). However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution in accordance with directions given to the proxy or attorney on the resolution in that way;
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. Resolution 6 – Issue of Performance Rights to Patrick Maingard

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

“That, for the purposes of sections 200B, 200E and 208 of the Corporations Act, ASX Listing Rules 10.14 and 10.19 and for all other purposes, approval is given for the Company to issue and allot 13,383,332 Performance Rights to Director Patrick Maingard or his nominee under the Incentive Awards Plan on the terms and conditions set out in the Explanatory Memorandum”.

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Director of the Company, his nominee, an Associate of a Director, or a person whose relationship with the Company or a Director or Associate of a Director of the Company is such that, in ASX’s opinion, the acquisition should be approved by Shareholders, who is eligible to participate in the Incentive Awards Plan or any of their associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution in accordance with directions given to the proxy or attorney on the resolution in that way;
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. Resolution 7 – Issue of Performance Rights to Michael Kenyon

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

“That, for the purposes of sections 200B, 200E and 208 of the Corporations Act, ASX Listing Rules 10.14 and 10.19 and for all other purposes, approval is given for the Company to issue and allot 3,345,813 Performance Rights to Director Michael Kenyon or his nominee under the Incentive Awards Plan on the terms and conditions set out in the Explanatory Memorandum”.

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Director of the Company, his nominee, an Associate of a Director, or a person whose relationship with the Company or a Director or Associate of a Director of the Company is such that, in ASX’s opinion, the acquisition should be approved by Shareholders, who is eligible to participate in the Incentive Awards Plan or any of their associates (**Resolution 7 Excluded Party**). However, the Company need not disregard a vote if it is cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution in accordance with directions given to the proxy or attorney on the resolution in that way;
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 7 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

BY ORDER OF THE BOARD

Michael Kenyon
Company Secretary
Dated: 9 November 2020

BABYLON PUMP & POWER LIMITED

ACN 009 436 908

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Swan View Room, Tompkins on Swan, Corner Dunkley Ave & Canning Highway, Alfred Cove WA 6154 on Tuesday, 15th December 2020 at 8.30 am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders when deciding whether or not to pass the Resolutions.

A Proxy Form is located at the end of this Explanatory Memorandum.

1. Action to be taken by Shareholders and proxies

1.1 Action to be taken by Shareholders

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

1.2 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, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 8.30 am (WST) on 13 December 2020, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2. Annual Report

In accordance with section 317(1) of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2020.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available by contacting the registered office on +61 8 9454 6309 or emailing admin@babylonpumpandpower.com;
- (b) ask questions or make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five (5) Business Days before the Meeting to the Company Secretary at the Company's registered office.

3. Resolution 1 - Adoption of Remuneration Report

Background

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified management and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who

were in office at the date of approval of the applicable Directors' Report will cease to hold office and may stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2019 annual general meeting. Please note, if the Remuneration Report receives a Strike at this Meeting and a second Strike is received at the 2021 annual general meeting, this may result in the re-election of the Board.

The Chairperson will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

Recommendation

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

The Board recommends that Shareholders vote in favour of Resolution 1.

4. Resolution 2 - Re-election of Director – Mr Michael Kenyon

Background

Clause 6.1(f) of the Constitution requires that one third of Directors (excluding the Managing Director and rounded down to the nearest whole number) must retire at each annual general meeting of the Company and will be eligible for re-election. The Company currently has 3 Directors including the Managing Director and, therefore, one Director must retire under Clause 6.1(f).

Mr Kenyon was last appointed as a Director at the Company's 2018 annual general meeting and therefore will retire pursuant to Clause 6.1(f) and, being eligible, seeks re-election as a Director.

A brief CV of Mr Kenyon is included in the Directors' Report.

Recommendation

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

The Board (excluding Mr Kenyon) recommends that Shareholders vote in favour of Resolution 2.

5. **RESOLUTION 3 – Approval of 10% Placement Facility**

General

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 provides that a company may, without shareholder approval, issue or agree to issue that number of Equity Securities that total up to 15% of the number of fully paid, ordinary securities on issue 12 months before the issue or agreement to issue.

ASX Listing Rule 7.1A provides that, in addition to the 15% placement capacity permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue, during the period the approval is valid, a number of quoted Equity Securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period as adjusted in accordance with the formula in ASX Listing Rule 7.1 (**10% Placement Facility**).

An eligible entity is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on a deferred settlement basis). The Company is an eligible entity.

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 has one class of quoted equity securities on issue, being ordinary shares (ASX Code: BPP).

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue quoted Equity Securities under the 10% Placement Facility available under ASX Listing Rule 7.1A. The maximum number of quoted Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

If Resolution 3 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in ASX Listing Rules 7.1 and 7.1A without further Shareholder approval.

If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue quoted Equity Securities without Shareholder approval available under ASX Listing Rule 7.1A, and will remain subject to the 15% limit on issuing (or agreeing to issue) Equity Securities without Shareholder approval set out in 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).

Description of Listing Rule 7.1A and information required by Listing Rule 7.3A

(a) 10% Placement Period

If Shareholders approve Resolution 3, the Company's ability to issue quoted Equity Securities under the 10% Placement Facility will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of the Meeting;
- (ii) the time and date of the Company's next annual general meeting;
- (iii) the time and date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.1 or 11.2,

(the **10% Placement Period**).

(b) Minimum Issue Price

The issue price of quoted Equity Securities issued under Listing Rule 7.1A must be a cash consideration per Equity Security of not less than 75% of the volume weighted average market price (**VWAP**) of Equity Securities in the same class calculated over the 15 Trading Days on which trades in the class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(c) Purpose of Funds Raised

Funds raised from the issue of quoted Equity Securities under the 10% Placement Facility are intended to be used towards working capital, purchases of specialised equipment required for rental purposes, the acquisition of new assets and investments and corporate and administration costs.

(d) Economic and Voting Dilution Risk

If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are exercised). There is a risk that:

- (i) 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
- (ii) 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, which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (iii) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100% and the voting dilution impact of such an increase. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Share Capital (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.012 (50% decrease in Share price)	\$0.023	\$0.046 (100% increase in Share price)
851,519,776 (Current Shares)	Number of Shares	85,151,978	85,151,978	85,151,978
	Funds raised	\$979,248	\$1,958,495	\$3,916,991
1,277,279,664 (50% increase in Shares)	Number of Shares	127,727,966	127,727,966	127,727,966
	Funds raised	\$1,468,872	\$2,937,743	\$5,875,486
1,703,039,552 (100% increase in Shares)	Number of Shares	170,303,955	170,303,955	170,303,955
	Funds raised	\$1,958,495	\$3,916,991	\$7,833,982

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 Options or Performance Rights (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (iii) 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%.
- (iv) 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 Meeting. All Shareholders should consider the dilution caused by their own shareholding depending on the specific circumstances.
- (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vii) The current issue price is \$0.023 being the closing price of the Shares on the ASX on 22 October 2020.
- (viii) The Company will only issue the Equity Securities during the 10% Placement Period.

(e) Allocation Policy

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 recipients of Equity Securities will be determined on a case-by-case basis having regard to the factors set out in the Company's allocation policy, including but not limited to the following:

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

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

(f) Use of 10% Placement Facility in prior 12 months

The Company obtained Shareholders approval for its 10% Placement Facility at its previous annual general meeting held on 25 November 2019.

During the 12 month period preceding the date of this Meeting, being on and from 1 December 2019, the Company has not issued or agreed to issue any Equity Securities under ASX Listing Rule 7.1A.2.

(g) Voting Exclusion

A voting exclusion statement is not 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.

6. Resolution 4 - Adoption of Incentive Awards Plan

Resolution 4 seeks Shareholder approval for the adoption of an employee incentive scheme titled "Incentive Awards Plan" (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 13(b)).

The Plan was adopted by the Board on 22nd October 2020.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.2 (Exception 13(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue Options and Performance Rights (together, **Awards**) under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

If Resolution 4 is not passed, the Company's 15% placement capacity under Listing Rule 7.1 will be reduced each time it issues securities under the Plan to eligible participants (unless issued under another exception under Listing Rule 7.2 eg with Shareholder approval under Listing Rule 10.11 where issued to a related party).

A summary of the key terms and conditions of the Plan is set out in **Schedule 2**. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

As at the date of this Notice, no Awards have been issued under the Plan.

The maximum number of Equity Securities proposed to be issued under the Plan following Shareholder approval is 85,151,978 (inclusive of the 39,724,145 Awards proposed to be granted under Resolutions 5-7. This maximum is 10% of the Shares currently on issue.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Awards under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future grant issue of Awards under the Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

For this reason, the Company is also seeking approval under Resolutions 5 to 7 for the issue of Performance Rights to Directors pursuant to the Plan.

7. Resolutions 5 - 7 - Issue of Director Performance Rights

General Comments

Under the Company's Incentive Awards Plan, the Company may issue Incentive Options or Performance Rights.

It is proposed that, subject to Shareholder approval, a total of 39,724,145 Performance Rights (**Performance Rights**) will be issued to the Directors of the Company, being Messrs Shelby, Maingard and Kenyon (or their respective nominees) (each a "**Related Party**" and together the "**Related Parties**").

These Performance Rights, and any Shares issued as a result of the conversion of the Performance Rights, will only vest to the specified Director on the attainment of predefined vesting conditions.

Resolutions 5-7 seek Shareholder approval for the grant of the Performance Rights to the Related Parties.

Related Party Transaction

Under the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights to the Related Parties, under the Plan, requires the Company to obtain Shareholder approval because this constitutes giving a financial benefit and, as the Related Parties are Directors, they are each a related party of the Company.

It is the view of Directors that the exceptions set out in sections 210 to 216 of the Corporations Act may not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Performance Rights to the Related Parties in accordance with section 208 of the Corporations Act.

ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that a company must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition:

- (a) a director of the company;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a person referred to in (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

If Resolutions 5-7 are passed, Performance Rights will be issued to directors of the Company (or their respective nominees) who fall within Listing Rule 10.14.1 (if a director) or Listing Rule 10.14.2 (if a nominee of a director). Therefore, the Company requires Shareholder approval in accordance with ASX Listing Rule 10.14 to issue the Performance Rights to the Related Parties (or their respective nominees).

If a Resolution is not passed, the Company will not be able to grant the Performance Rights the subject of that Resolution and will need to assess whether alternative incentives are to be offered to the relevant Related Party.

Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.14)

Pursuant to and in accordance with the requirements of Section 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Performance Rights:

- (a) Messrs Shelby, Maingard and Kenyon are related parties by virtue of being Directors of the Company and so fall under Listing Rule 10.14.1. If the Performance Rights are granted to a nominee of Messrs Shelby, Maingard and Kenyon, the nominee will be an Associate of the Director and fall under Listing Rule 10.14.2;
- (b) the number of Performance Rights (being the nature of the financial benefit being provided) to be granted to the Related Parties (or their nominees) is:

	Number of Performance Rights			
Related Party	Class A	Class B	Class C	Total
Michael Shelby	11,497,500	5,748,750	5,748,750	22,995,000
Patrick Maingard	6,691,666	3,345,833	3,345,833	13,383,332
Michael Kenyon	1,672,907	836,453	836,453	3,345,813
Total	19,862,073	9,931,036	9,931,036	39,724,145

- (c) the current total remuneration package of the Related Parties (inclusive of superannuation and equity-based remuneration) for the current financial year, and for the previous two financial years, is as follows. This is in addition to the Performance Rights proposed to be granted under Resolutions 5-7:

Related Party	Current financial year to 30 June 2021 (estimate)	Financial year Ended 30 June 2020	Financial year Ended 30 June 2019
Michael Shelby	\$295,650 ¹	\$287,648	\$398,554
Patrick Maingard	\$219,000 ²	\$174,189	\$218,660
Michael Kenyon	\$54,750 ³	\$43,800	\$43,800

Notes:

1. If Resolution 5 is passed, Mr Shelby's total remuneration package for FY21 will increase by \$528,885 (being the value ascribed to the Performance Rights proposed to be issued under that Resolution as set out in subclause (h) below) to a total of \$824,535.
2. If Resolution 6 is passed, Mr Maingard's total remuneration package for FY21 will increase by \$307,817 (being the value ascribed to the Performance Rights proposed to be issued under that Resolution as set out in subclause (h) below) to a total of \$526,817.
3. If Resolution 7 is passed, Mr Kenyon's total remuneration package for FY21 will increase by \$76,954 (being the value ascribed to the Performance Rights proposed to be issued under that Resolution as set out in subclause (h) below) to a total of \$131,704.

- (d) the Related Parties (and their associates) have not previously been issued any Awards under the Plan;
- (e) the following are the key terms of the Performance Rights to be granted to the Related Parties:
- (i) subject to any adjustment permitted under the Plan, one Performance Right will convert into one Share of the Company (which will be issued on the same terms and conditions as the Company's existing Shares) upon the vesting conditions being achieved;
 - (ii) the Performance Rights will be issued in three (3) classes subject to the following vesting conditions:

Class A Performance Rights

The percentage of Class A Performance Rights held by a Participant that vest (rounded to the nearest whole percentage) will be determined by the Board on or about 30 September 2023 based on the performance of the Company (on a consolidated basis using audited accounts) against the following targets, in each case averaged over the three financial years:

	FY21	FY22	FY23
Revenue (\$)	\$24 million	\$30 million	\$40 million
Return on Capital Employed (ROCE)	11%	12%	14%
EBITDA	8%	10%	12%

For clarity, in the worked example below, 93% of the Class A Performance Rights held by a Participant will vest.

	FY21	FY22	FY23	Average %
Revenue (\$) - target	\$24 million	\$30 million	\$40 million	
Revenue (\$) - actual	\$20 million	\$30 million	\$45 million	
Achievement %	83%	100%	113%	93%
ROCE - target	11%	12%	14%	

ROCE - actual	10%	12%	15%	
Achievement %	91%	100%	107%	99%
EBIDTA - target	8%	10%	12%	
EBITDA - actual	5%	8%	13%	
Achievement %	63%	80%	100%	81%
% of Class A Performance Rights that vest				93%

Class B Performance Rights

The percentage of Class B Performance Rights held by a Participant that vest (rounded to the nearest whole percentage) will be determined by the Board on or about 30 September 2023 based on the performance of the Company (on a consolidated basis) against the following targets over the three years, with one third of the Class B Performance Rights vesting where the targets for a category below are met over the three years. For example, if there are no Medical Treatment Injuries or Significant Environmental Incidents in any of the three financial years, but the Board accepts a customer warranty claim in FY22, two thirds of the Class B Performance Rights held by a Participant will vest and the remaining one third will not. There is no pro rata vesting for partial performance:

	FY21	FY22	FY23
Medical Treatment Injury	0	0	0
Significant Environment Incident (>\$50,000 cost as assessed by Board)	0	0	0
Customer warranty claim accepted by Board	0	0	0

Class C Performance Rights

The percentage of Class C Performance Rights that vest (rounded to the nearest whole percentage) will be determined by the Board on or about 30 September 2023 based on the performance of the Eligible Participant who was invited to apply for the Class C Performance Rights against personal KPIs agreed by the Board in the categories below, with the percentage (as specified below) of the Class C Performance Rights held by a Participant vesting if there is at least 75% achievement in FY21, FY22 and FY23 against all the personal KPIs for a relevant category below. For example, if a Participant achieves at least 75% against all KPIs under Culture and Process for FY21, FY22 and FY23, but does not achieve at least 75% for one or more KPIs under Resources for FY22, 75% of the Participant's Class C Performance Rights will vest.

KPI Category	% that vest
Culture	50%
Process	25%
Resources	25%

- (iii) the Performance Rights will expire 5 years after grant unless they lapse earlier in accordance with their terms;
- (iv) any Performance Rights that do not vest on or about 30 September 2023 in accordance with the above vesting conditions will lapse if for \$nil consideration, unless the Board resolves otherwise;

- (v) the Performance Rights will automatically vest on a Change of Control on a pro rata basis reflecting performance against the vesting conditions to the date of the Change of Control, as determined by the Board (comprising the Directors immediately prior to the Change of Control) acting reasonably;
- (f) a summary of the Incentive Awards Plan, which applies to the Performance Rights, is set out in **Schedule 2**;
- (g) the Company wishes to grant Performance Rights as they are a cost effective mechanism to incentivise the Related Parties, they minimize dilution to Shareholders compared with the grant of Options and are simpler to administer than the grant of Shares that would need to be cancelled if the vesting conditions are not satisfied or waived;
- (h) the total of the fair value of each Performance Right proposed to be granted, was determined internally as being equal to the Share price. Based on the closing Share price on 22 October 2020 of \$0.023, the value of the Performance Rights proposed to be granted to the Related Parties is as follows:

	Value of Performance Rights			
Related Party	Class A	Class B	Class C	Total
Michael Shelby	\$264,443	\$132,221	\$132,221	\$528,885
Patrick Maingard	\$153,908	\$76,954	\$76,954	\$307,817
Michael Kenyon	\$38,477	\$19,238	\$19,238	\$76,954
Total	\$456,828	\$228,414	\$228,414	\$913,655

- (i) the Performance Rights will be granted to the Related Parties (or their nominees) no later than 12 months after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Performance Rights will be issued on one date;
- (j) the Performance Rights will be granted for nil cash consideration, accordingly no funds will be raised;
- (k) no loan has or will be provided to the Related Parties in relation to the issue or subsequent exercise of the Performance Rights;
- (l) details of any securities issued under the Plan will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
- (m) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after Resolutions 5-7 are approved and who were not named in this Notice of Meeting will not participate until approval is obtained under that rule;
- (n) as at the date of this Notice of Meeting, the Related Parties have the following relevant interest in the following Company securities:

Related Party	Shares	Performance Rights	Options
Michael Shelby	14,296,827	Nil	Nil
Patrick Maingard	6,289,446	Nil	Nil
Michael Kenyon	1,329,816	Nil	Nil

- (o) if all of the Performance Rights are granted under Resolutions 5-7 to the Related Parties and are exercised, a total of 39,724,145 Shares would be allotted and issued. This will increase the number of Shares on issue from 851,519,776 to 891,243,921 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted by 4.5%;
- (p) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	\$0.036	24/8/2020
Lowest	\$0.013	30/03/2020
Last	\$0.023	22/10/2020

- (q) the Board acknowledges the issue of Performance Rights to Related Parties who are non-executive Directors is contrary to the guidelines to Recommendation 8.2 of The Corporate Governance Principles and Recommendations (4th Edition) as published by The ASX Corporate Governance Council. However, the Board considers the issue of Performance Rights to non-executive Director Michael Kenyon reasonable in the circumstances having regard to the size and level of operations of the Company, its cash reserves and importance to the Company of attracting and retaining him as a non-executive Director in a manner which does not unduly impact on the Company's cash resources;
- (r) the primary purpose of the grant of Performance Rights to the Related Parties is to provide a performance linked incentive component in the overall remuneration package for each Related Party to motivate and reward the performance of the Related Party in their respective roles as Directors and to assist the Company in retaining their services and expertise in a manner which does not unduly impact on the cash reserves of the Company; and
- (s) the Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights upon the terms proposed. The vesting performance criteria attached to the Performance Rights aims to ensure that significant value is created prior to the Performance Rights vesting to the Related Parties.

Sections 200B and 200E of the Corporations Act

Section 200B of the Corporations Act generally provides that, subject to specific exceptions, Shareholder approval is required under Section 200E of the Corporations Act for the giving of benefits to a person occupying a managerial or executive office with the Company in connection with their retirement from a managerial or executive office. The term 'benefits' is widely defined.

The Incentive Plan, and the terms and conditions of grant of Performance Rights under the Incentive Plan to the Related Parties (or their nominees), contain a number

of provisions which may operate to entitle the Related Parties (or their nominees), to an early vesting of Performance Rights and/or in different circumstances than might otherwise be the case in connection with their ceasing to hold a managerial or executive office with the Company. Some of the relevant provisions in the Incentive Plan (or terms and conditions) are subject to the Board exercising their discretion to allow such exercise (whether by waiving vesting conditions or extending the period for vesting or resolving that unvested Performance Rights do not lapse when otherwise they would).

These may constitute a “benefit” for the purposes of section 200B of the Corporations Act.

The value of any such benefits which may be given to the Related Parties (or their nominees) cannot presently be ascertained but matters, events and circumstances that may, or will, affect the calculation of that value include:

- (a) the number of Performance Rights held by the participant;
- (b) the number of Performance Rights that vest early or do not lapse when otherwise they would;
- (c) the price of Shares on the ASX on the date of ceasing to hold a managerial or executive office with the Company;
- (d) the status of any vesting conditions or other conditions for the Performance Rights and the Board’s assessment of the performance of the participant up to the date of ceasing;
- (e) the participant’s length of service and the extent to which they have served any applicable notice period; and
- (f) the reasons for ceasing to hold a managerial or executive office with the Company.

The Company has internally valued the Performance Rights prior to the issue of this Notice of Meeting as set out above.

Shareholder approval is sought under section 200E of the Corporations Act to the giving of any benefit to the Related Parties (or their nominees) in connection with their future cessation of office or position with the Company under the terms of the Incentive Plan (or terms and conditions of grant) in relation to the Performance Rights, including as a result of any future exercise of a discretion by the Board under the terms of the Incentive Plan or the terms and conditions of the Performance Rights.

If Shareholder approval is given, the value of the benefit may be disregarded when applying Section 200F(2)(b) or Section 200G(1)(c) of the Corporations Act (i.e. the benefits will not count towards the statutory caps that apply to benefits that may be given without shareholder approval).

The Related Parties have advised that they have no current intention to resign from their positions with the Company.

Listing Rule 10.19

Listing Rule 10.19 provides that, without the approval of shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to the ASX under the Listing Rules.

As noted above, the Incentive Plan, and the terms and conditions of grant of Awards under the Incentive Plan to the Related Parties (or their nominees), contain a number of provisions which may constitute benefits for the purposes of section 200B of the Corporations Act. These provisions may also constitute termination benefits for the purposes of ASX Listing Rule 10.19. As such, the Company is also seeking Shareholder approval for these benefits to be given.

Also as noted above, the value of any such benefits which may be given to the Related Parties cannot presently be ascertained but will depend on various matters. However, at most, if all of vesting conditions attached to the Performance Rights were to be waived by the Board, the total value of the benefit resulting from the accelerated vesting would equal the number of Performance Rights multiplied by the market value of Shares. Using this method and the closing price of Shares on 22 October 2020 (being \$0.023) the value of the benefits on that date would be as set out above.

As at 30 June 2020, the Company's had equity interest of \$7,837,991. If the benefits are attributed a total value of \$913,655, this equates to 11.7% of those equity interests.

If Shareholders approve Resolutions 5 - 7, the value of the benefits will not be counted towards the 5% cap set out in Listing Rule 10.19. If Shareholders do not approve Resolutions 5-7, the Performance Rights will not be issued and so there will be no potential termination benefits.

In the event a Related Party's employment or office is terminated, the Company will comply with ASX Listing Rule 10.19 in respect of any termination benefits.

Directors' recommendations

Each of Messrs Shelby, Maingard and Kenyon declines to make a recommendation to Shareholders in relation to the Resolution relating to the issue of Performance Rights to himself (or his nominee) due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Performance Rights in the Company should the Resolution be passed. However, in respect of the Resolutions dealing with the issue of the Performance Rights to each of the other Directors, each of Messrs Shelby, Maingard and Kenyon recommends that Shareholders vote in favour of Resolutions 5-7 for the following reasons:

- (a) the issue of Performance Rights is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- (b) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights upon the terms proposed.

In forming their various recommendations, each Director considered the qualifications and experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Performance Rights to be issued as well as the expiry date, vesting conditions and other material terms of those Performance Rights.

Except as specified above, no other Director has a personal interest or other interest in the outcome of Resolutions 5-7.

The Board is not aware of any information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5-7.

Approval pursuant to ASX Listing Rule 7.1 is not required to issue the Performance Rights to the Related Parties or their nominees as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to the Related Parties or their nominees will not be included in the 15% calculation of the Company's twelve month capacity to issue Shares or other securities without shareholder approval pursuant to ASX Listing Rule 7.1.

Voting Prohibition – Section 224 of the Corporations Act

Sections 224(1) and (2) of the Corporations Act provide that a vote may not be cast (in any capacity) by or on behalf of the related party to whom the resolution would permit a financial benefit to be given (or an associate of that person) other than a vote cast a proxy by a person in writing that specifies how the proxy is to vote on the proposed resolution and which is not cast on behalf of the relevant related party (or an associate of that person).

SCHEDULE 1 - DEFINITIONS

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 5 of the Explanatory Memorandum.

10% Placement Period has the meaning given in Section 5 of the Explanatory Memorandum.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2020.

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

ASIC means *Australian Securities and Investments Commission*.

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

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that the ASX declares is not a business day.

Chairperson means the person appointed to chair the Meeting, or any part of the Meeting, convened by the Notice.

Closely Related Party of a member of the Key Management Personnel means:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- a company the member controls; or
- a person prescribed by the Corporations Regulations 2001 (Cth)..

Company or **Babylon** means Babylon Pump & Power Limited ACN 009 436 908.

Constitution means the constitution of the Company as at the date of the Meeting.

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

Director means a director of the Company as at the date of this Notice.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice.

Financial Report means the financial report prepared under chapter 2M of the Corporations Act of the Company and its controlled entities.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company or, if the Company is part of a consolidated entity, of an entity within the consolidated group.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Officer has the same meaning, as the context requires, given in paragraphs (a) and (b) of the definition of 'officer' of a corporation, or in paragraphs (a) and (b) of the definition of 'officer' of an entity that is neither an individual nor a corporation, in each case in section 9 of the Corporations Act.

Option means an option to be issued a Share.

Performance Right has the meaning given in the Plan.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company in the Directors' Report.

Resolution means a resolution contained in the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

Share means an ordinary share in the issued capital of the Company.

Shareholder means a shareholder of the Company.

Substantial Holder has the meaning given in the Listing Rules.

Strike means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

WST means Western Standard Time, being the time in Perth, Western Australia.

SCHEDULE 2 – SUMMARY OF INCENTIVE AWARDS PLAN

(a) Eligibility

The Board may invite full or part time employees and directors of, and consultants to, the Company or an Associated Body Corporate of the Company to participate in the Plan (**Eligible Participant**).

Eligible Participants do not possess any right to participate in the Plan, as participation is solely determined by the Board.

(b) Offer of Awards

The Plan will be administered by the Board which may, in its absolute discretion, invite an Eligible Participant to apply for Incentive Options or Performance Rights (each an **Award**) from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Participant's length of service with the Group;
- (ii) the contribution made by the Eligible Participant to the Group;
- (iii) the potential contribution of the Eligible Participant to the Group; or
- (iv) any other matter the Board considers relevant.

(c) Number of Awards

The number of Awards to be offered to an Eligible Participant will be determined by the Board in its discretion and in accordance with the rules of the Plan and applicable law.

(d) Conversion

Subject to any adjustment permitted under the Plan, each Award is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) Consideration

Awards issued under the Plan will be issued for no consideration.

(f) Exercise price

The exercise price for Awards offered under the Plan (if any) will be determined by the Board.

(g) Vesting conditions

The Board may impose vesting conditions, including performance-related conditions, on the right of a participant to exercise Awards granted under the Plan.

The Board may in its absolute discretion, by written notice to a holder, resolve to waive any of the vesting conditions applying to an Award.

(h) Dealings in Awards

An Award is non-transferable other than in Special Circumstances (as defined in the Plan) with the consent of the Board (which may be withheld in its discretion).

(i) **Exercise of Awards**

A participant in the Plan will be entitled to exercise their Awards in respect of which the vesting conditions have been met provided the Awards have not lapsed and the exercise of the Awards will not result in the Company contravening ASIC Class Order 14/1000. A holder may exercise Awards by delivering an exercise notice to the Company secretary along with the Awards certificate, and paying the applicable exercise price of the Awards (if any) multiplied by the number of Awards proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules and the Plan, issue to the participant the relevant number of Shares.

(j) **Lapse of Awards**

Awards held by a participant in the Plan will lapse if:

- (i) the vesting conditions attaching to the Performance Rights are not satisfied or become incapable of satisfaction (and are not waived by the Board);
- (ii) in respect of an unvested Award, the holder ceases to be an Eligible Participant and the Board does not exercise its discretion to vest the Award or allow it to remain unvested;
- (iii) in respect of a vested Award, a holder ceases to be an Eligible Participant and the Board, in its discretion, resolves that the Award must be exercised within one (1) month (or such later date as the Board determines), and the Award is not exercised within that period and the Board resolves, at its discretion, that the Award lapses as a result;
- (iv) the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant under the rules of the Plan;
- (v) the Board, in its discretion, resolving an Award lapses as a result of an unauthorised disposal of, or hedging of, the Award;
- (vi) in respect of an unvested Award, a winding up resolution or order is made, and the Award does not vest in accordance with rules of the Plan; and
- (vii) the Expiry Date of the Award.

(k) **Restrictions on Shares**

The Board may, in its discretion, determine at any time up until exercise of an Award, that a restriction period will apply to some or all of the Shares issued or transferred to a Participant on exercise of the Award, up to a maximum of fifteen (15) years from the Acquisition Date of the Award.

Shares are deemed to be subject to a Restriction Period to the extent necessary to comply with any escrow restrictions imposed by the ASX Listing Rules.

(l) **Limitation on offers**

Where the Company needs to rely on ASIC Class Order 14/1000 (**Class Order**) in respect of an offer, the Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during

the previous 3 year period under an employee incentive scheme covered by the Class Order or under an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer. If the Company makes an offer under the Plan where:

- (i) the total number of Shares to be received on exercise of Awards the subject of that offer exceeds the limit set out in the Class Order; or
- (ii) the Offer is required to, but does not, comply with the terms and conditions set out in the Class Order,

the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(m) **Additional Terms and Conditions**

- (i) A Performance Rights does not entitle a participant to vote on any resolutions proposed at a general meeting of Shareholders.
- (ii) A Performance Right does not confer any right to a return of capital, whether in a winding up, or upon a return of capital or otherwise, or a right to participate in surplus profit or assets of the Company upon a winding up.
- (iii) A participant is not entitled to participate in or receive any dividend or other Shareholder benefits until its Awards have vested and been exercised and Shares have been allocated to the participant as a result of the exercise of those Awards.
- (iv) There are no participating rights or entitlements inherent in the Awards and participants will not be entitled to participate in new issues of securities offered to Shareholders of the Company during the currency of Awards without exercising the Options or Performance Rights, except to the extent an Offer otherwise provides where permitted by the ASX Listing Rules.
- (v) There is no right to a change in the exercise price or in number of underlying Shares over which an Award can be exercised, except to the extent an Offer otherwise provides where permitted by the ASX Listing Rules.
- (vi) In the event of a reorganisation of the capital of the Company, the Company may alter the rights of the holder of an Award to the extent necessary to comply with the ASX Listing Rules applying to reorganisations at the time of the reorganisation.
- (vii) Subdivision 83A-C of Chapter 2 of the *Income Tax Assessment Act 1997* (Cth) applies to the Awards except to the extent an Offer provides otherwise.
- (viii) No issue or allocation of Awards and/or Shares will be made to the extent that it would contravene the Constitution, Listing Rules, the Corporations Act or any other applicable law.

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **8.30am (WST) on Sunday, 13 December 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

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

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at

<https://investor.automic.com.au/#/loginsah>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

APPOINT A PROXY:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

[illegible]

Unless indicated otherwise by ticking the “for,” “against” or “abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made immediately disclosing the reasons for the change.

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 4 – 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 – 7 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair

Resolutions		For	Against	Abstain
1.	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Re-election of Director – Mr Michael Kenyon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Approval of Incentive Awards Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Issue of Performance Rights to Michael Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Issue of Performance Rights to Patrick Maingard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Issue of Performance Rights to Michael Kenyon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 – Signatures and contact details

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary
Contact Name:		
Email Address:		
Contact Daytime Telephone	Date (DD/MM/YY)	

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).