



15 October 2019

Company Announcements
ASX Limited

CLARIFYING ANNOUNCEMENT - ISSUE OF SHARE APPRECIATION RIGHTS

Kingwest Resources Limited ("**Kingwest**" or the "**Company**") (**ASX: KWR**) wishes to provide the following clarification to the ASX Announcement dated 10 October 2019 advising of the Issue of 1,970,000 Share Appreciation Rights ("**SARs**").

The amount payable upon exercise of each SAR is the 10-day VWAP prior to 4 October 2019, being \$0.28 ("Strike Price") to convert the SARs into fully paid ordinary shares. Alternatively the Board may in its absolute discretion elect to provide a cash payment to the recipient that is equal to the difference between the 10-day VWAP of Shares prior to the date of exercise and the Strike Price.

The SARs were issued as incentive to key employees and consultants in addition to their remuneration as a means to retain staff and align their gains with those of the Company's shareholders. Included as part of this issue were 750,000 SARs issued to the Company's CEO Ed Turner.

The full terms of the SARs are enclosed with this announcement.

David McEntaggart
Company Secretary

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TERMS OF SHARE APPRECIATION RIGHTS

- (a) **(Issue Price):** The Share Appreciation Rights will be issued for nil cash consideration.
- (b) **(Vesting):** The Share Appreciation Rights vest as follows, provided the holder remains employed or engaged by the Company on the vesting date:
 - (i) 50% of Share Appreciation Rights issued to a holder vest 12 months from 7 October 2019; and
 - (ii) 50% of Share Appreciation Rights issued to a holder vest 24 months from 7 October 2019.
- (c) **(Notification to holder):** The Company shall notify the holder in writing within 10 Business Days of becoming aware that any vesting condition attached to a Share Appreciation Right has been satisfied.
- (d) **(Strike Price):** The amount payable upon exercise of each Share Appreciation Right is the 10-day VWAP prior to 7 October 2019, being \$0.28. Alternatively, the Board may in its sole discretion elect to provide a cash payment to the recipient that is equal to the difference between the 10-day VWAP of Shares prior to the date of election and the Strike Price.
- (e) **(Expiry Date):** Each unexercised or unvested Share Appreciation Right shall expire on 7 October 2024.
- (f) **(Exercise on Vesting):** Subject to the holder remaining employed or engaged by the Company on the vesting date, to exercise a vested Share Appreciation Right, the holder may at any time after the Board notifies that the Share Appreciation Right has vested and before it lapses by:
 - (i) providing the Company with the certificate for the Share Appreciation Rights in accordance with the terms of the Performance Rights Plan; and
 - (ii) providing the Company with a notice in the form of Schedule 3 of the Performance Rights Plan addressed to the Company and signed by the holder stating that the holder exercises the Share Appreciation Rights and specifying the number of Share Appreciation Rights which are exercised, and

the Company, at the Board's absolute discretion and in accordance with paragraph (g), will either

- (iii) require the holder to pay the Strike Price per Share Appreciation Right being exercised in Australian currency in cleared funds into a bank account nominated in advance by the Company (or other means of payment acceptable to the Company), and will settle the exercise of those exercised Share Appreciation Rights by issuing Shares; or

- (iv) notify the holder that the Company will settle exercise of the Share Appreciation Rights by way of a cash payment, pursuant to which the Company will settle the exercise of those exercised Share Appreciation Rights by making a cash payment equal to the value of the difference between the Strike Price of the Share Appreciation Rights and the current market value of Shares based on the 10-day VWAP of Shares prior to the day the holder is notified (Premium).
- (g) **(Exercise election):** Subject to paragraph (s), upon exercise of a vested Share Appreciation Right, the holder or their nominee will be entitled to receive, at the absolute discretion of the Board, either:
 - (i) issue Shares, on the basis of 1 Share for each Share Appreciation Right; or
 - (ii) make a cash payment equal to the Premium,
 in accordance with the terms of the Performance Rights Plan.
- (h) **(Eligibility):** A holder of Share Appreciation Rights must remain eligible under the Plan at the time Share Appreciation Rights are granted, exercised and converted into Shares.
- (i) **(Share ranking):** All Shares issued upon the vesting and exercise of Share Appreciation Rights will upon issue rank pari passu in all respects with other Shares.
- (j) **(Nominee):** Upon receipt of an offer in accordance with the terms of the Performance Rights Plan, a holder may, by notice in writing to the Board, nominate a Nominee (as that term is defined in the Performance Rights Plan) in whose favour the holder wishes to renounce the Offer.
- (k) **(Company's obligations):** The Company will:
 - (i) issue the Shares or any cash payment to which the holder is entitled as soon as practicable after the exercise of a Share Appreciation Right; and
 - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- (l) **(Application to ASX)** The Share Appreciation Rights will not be quoted on ASX. The Company will apply to ASX for official quotation of a Share issued on exercise of a Share Appreciation Right on ASX, subject to the Company being admitted to the Official List of the ASX at the time of issue of the Share on exercise of a Share Appreciation Right, within 10 Business Days of the later of the date the Shares are issued or the date that any restriction period that applies to the Shares ends.
- (m) **(Transfer of Share Appreciation Rights):** The Performance Rights are only transferable under special circumstances as set out in the Performance Rights Plan.

- (n) **(Participation in new issues)** A Share Appreciation Right does not entitle a holder (in their capacity as a holder of a Share Appreciation Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (o) **(Reorganisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of a holder will be changed in a manner consistent with the applicable ASX Listing Rules and the Corporations Act at the time of reorganisation.
- (p) **(Adjustment for bonus issue)** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares or other securities which must be issued on the conversion of a Share Appreciation Right will be increased by the number of Shares or other securities which the holder would have received if the holder had converted the Performance Right before the record date for the bonus issue.
- (q) **(Dividend and Voting Rights):** The Share Appreciation Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.
- (r) **(Change of Control):** In the event of a Change of Control, the Share Appreciation Rights will vest and the Company will, following exercise by the holder, either issue Shares or a cash payment at its election pursuant to paragraph (g).
 - (i) For the purpose of this paragraph (r), **Change of Control** means:
 - (A) a bona fide Takeover Bid (as that term is defined in the Corporations Act) is declared unconditional and the bidder has acquired a Relevant Interest Bid (as that term is defined in the Corporations Act) in at least 50.1% of the Company's issued Shares;
 - (B) a court approves, under section 411 (4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
 - (C) in any other case, a person obtains Voting Power (as that term is defined in section 9 of the Corporations Act) in the Company which the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.
- (s) **(Deferral of conversion if resulting in a prohibited acquisition of Shares):** If the conversion of a Share Appreciation Right would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Share Appreciation Right shall be deferred until such later time or times that the conversion would not result in a contravention

of the General Prohibition. In assessing whether a conversion of a Share Appreciation Right would result in a contravention of the General Prohibition:

- (i) holders may give written notification to the Company if they consider that the conversion of a Share Appreciation Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Share Appreciation Right will not result in any person being in contravention of the General Prohibition;
 - (ii) the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice within seven days if the Company considers that the conversion of a Share Appreciation Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Share Appreciation Right will not result in any person being in contravention of the General Prohibition.
- (t) **(No rights to return of capital)** A Share Appreciation Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
 - (u) **(Rights on winding up)** A Share Appreciation Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.
 - (v) **(No other rights)** A Share Appreciation Right gives the holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
 - (w) **(Subdivision 83AC-C):** Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to the Share Appreciation Right.