
VYSARN LIMITED
ACN 124 212 175

NOTICE OF ANNUAL GENERAL MEETING

Date of Meeting

Thursday, 25 November 2021

Time of Meeting

4:00pm (WST)

Place of Meeting

Wardroom
South of Perth Yacht Club
Canning Beach Road
Applecross, Western Australia, 6005

The Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 6144 9777

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Vysarn Limited (**Company**) will be held at Wardroom, South of Perth Yacht Club, Canning Beach Road, Applecross, Western Australia, 6005 on Thursday, 25 November 2021 at 4:00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form, form part of the 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 Shareholders on Tuesday, 23 November 2021 at 4:00pm (WST).

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

MEASURES TO DEAL WITH COVID-19

Circumstances relating to COVID-19 are changing rapidly and the Board is monitoring closely how matters develop over the coming months. The health of the Shareholders, as well as its employees and other stakeholders is of paramount importance.

The Board encourages Shareholders to monitor the Company's website for any updates in relation to the Meeting that may need to be provided. In the meantime, the Board encourages Shareholders to submit their proxies as early as possible, even if they intend to attend the Meeting in person, as the situation may change (e.g. Shareholders may be restricted from travelling or there may be restrictions on how the meeting itself may be held or conducted).

AGENDA

1. Annual Report

To receive and consider the Annual Report of the Company for the financial year ended 30 June 2021, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 – Remuneration Report

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

"That the Remuneration Report be adopted by Shareholders on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

In accordance with sections 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

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

3. Resolution 2 – Re-Election of Director – Mr Peter Hutchinson

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

"That Mr Peter Hutchinson, who retires by rotation in accordance with Article 6.14 of the Constitution and for all other purposes, and, being eligible and offering himself for re-election, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."

4. 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, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions 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 expected to participate in the proposed issue or who will obtain a material benefit as a result of the proposed issue (except a benefit solely in the capacity of a holder of ordinary securities in the entity) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this 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 this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Note As at the date of this Notice, it is not known who may participate in any Equity Securities issued under Resolution 3 and the Company has not approached any Shareholder or identified a class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Capacity. Accordingly, no Shareholders are excluded from voting on Resolution 3.

5. Resolution 4 – Removal of Cumulative EPS Condition for Tranche 1 of the Director Performance Rights

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 Chapter 2E of the Corporations Act, Listing Rule 6.23.4, and for all other purposes, Shareholders approve the removal of the cumulative EPS condition attached to Tranche 1 of the Director Performance Rights on the terms and conditions in the Explanatory Memorandum".

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution 4 by or on behalf of Mr James Clement and Mr Sheldon Burt (and/or their nominees) or any of their associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this 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 this 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.

Corporations Act:

Section 224 of the Corporations Act provides that, at a general meeting, a vote on this Resolution must not be cast by or on behalf of:

- (a) a related party of the Company to whom this Resolution would permit a financial benefit to be given; or
- (b) an associate of such a related party.

In accordance with sections 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel details or a Closely Related Party of such member.

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

6. Resolution 5 – Section 195 Approval

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 subsection 195(4) of the Corporations Act and for all other purposes, Shareholders approve the transaction contemplated in Resolution 4."

BY ORDER OF THE BOARD



Matthew Power
Company Secretary
Vysarn Limited
Dated: 12 October 2021

EXPLANATORY MEMORANDUM

1. Introduction

The 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 **Wardroom, South of Perth Yacht Club, Canning Beach Road, Applecross, Western Australia, 6005** on **Thursday, 25 November 2021 at 4:00pm (WST)** (Meeting).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

| | |
|------------|---|
| Section 2 | Action to be taken by Shareholders |
| Section 3 | Annual Report |
| Section 4 | Resolution 1 – Remuneration Report |
| Section 5 | Resolution 2 – Re-Election of Director - Mr Peter Hutchinson |
| Section 6 | Resolution 3 – Approval of 10% Placement Facility |
| Section 7 | Resolution 4 – Removal of Cumulative EPS Condition for Tranche 1 of the Director Performance Rights |
| Section 8 | Resolution 5 – Section 195 Approval |
| Schedule 1 | Definitions |

A Proxy Form is enclosed with the Notice of Meeting and the Explanatory Memorandum.

2. Action to be taken by Shareholders

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

2.1 Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

2.2 Voting by corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply

with the requirements of section 250D of the Corporations Act. Written proof of the representative's appointment (including any authority under which it is signed) must be lodged with, or presented to the Company before the Meeting.

2.3 Proxies

(a) Voting by proxy

A Proxy Form is enclosed with 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:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) 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.

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

(b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- (iii) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(c) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

2.4 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1 by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair'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.

3. Annual Report

In accordance with section 317 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 2021.

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 online at www.vysarn.com.au;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair 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 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Remuneration Report

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 executives 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.

If the Company's Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board, except the managing director (if any).

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, if any) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2020 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2022 annual general meeting, this may result in the re-election of the Board.

The Chair 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.

5. Resolution 2 - Re-Election of Director - Mr Peter Hutchinson

5.1 General

Article 6.14 of the Constitution requires that one third of the Directors (excluding the Managing Director) must retire at each Annual General Meeting (or if that is not a whole number, the whole number nearest to one third, rounded down). Article 6.16 of the Constitution requires that the Directors to retire are those who have held their office as Director for the longest period since their last election or appointment to that office. In the event two or more Directors have held office for equal periods of time, the retiring Directors are to be determined by lot, unless otherwise agreed by those Directors.

Article 6.17 of the Constitution provides that a Director who retires under Article 6.13 to 6.15 (inclusive) or Article 6.23 is eligible for re-election.

Mr Hutchinson retires by rotation in accordance with Articles 6.14 and 6.16 of the Constitution and seeks re-election in accordance with Article 6.17.

If elected, the Board does not consider Mr Hutchinson to be an independent director due to his substantial security holding.

Resolution 2 is an ordinary resolution.

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

5.2 Mr Peter Hutchinson

Mr Hutchinson holds a Bachelor of Commerce (UWA) and is a Fellow of both the Australian Institute of Company Directors and Certified Practising Accountants.

Mr Hutchinson was a Non-Executive Director of Zeta Resources (formerly Kumarina Resources Ltd). Mr Hutchinson was the founding director of ASX listed Forge Group Ltd, floated in 2007 with a market capitalisation of \$12m and reaching over \$450m at the time of Mr Hutchinson's resignation as CEO and final sell down in July 2012. Mr Hutchinson has chaired ASX listed company Resource Equipment Ltd and was the founding shareholder and Chair of Mareterram Ltd, both the subject of successful takeover bids at significant premiums to market prices. He also currently chairs Western Plant Hire Holdings Ltd.

Mr Hutchinson has substantial experience in mergers and acquisitions, prospectus preparation, ASX listing, compliance and corporate governance, company secretarial requirements and exit strategies, and has been a Member of Audit, Remuneration and Nomination Committees, often as Chair.

6. Resolution 3 – Approval of 10% Placement Facility

6.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% annual placement capacity under Listing Rule 7.1, so a combined limit of 25%, without any further Shareholder approval.

Resolution 3 seeks Shareholder approval by way of a special resolution to provide the Company the ability to issue Equity Securities under the 10% Placement Facility during the 10% Placement Period (refer to Section 6.2(f) below). The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

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).

If Resolution 3 is passed, the Company will be able to issue Equity Securities under Listing Rule 7.1A up to 10% of its issued capital over a 12 month period after the

annual general meeting, in addition to the Company's placement capacity under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing securities without Shareholder approval set out in Listing Rule 7.1.

Resolution 3 is a special resolution.

The Board recommends that Shareholders vote in favour of Resolution 3.

6.2 Listing Rule 7.1A

(a) Is the Company an eligible entity?

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible entity as it is not included in the S&P/ASX 300 index and has a market capitalisation of approximately \$29.8 million, based on the closing price of Shares \$0.077 on 23 September 2021.

(b) What Equity Securities can be issued?

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.

As at the date of the Notice, the Company has on issue one quoted class of Equity Securities, being Shares.

(c) How many Equity Securities can be issued?

Listing Rule 7.1A.2 provides that under the approved 10% Placement Facility, the Company may issue or agree to issue a number of Equity Securities calculated in accordance with the following formula:

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

Where:

A is the number of Shares on issue at the commencement of the Relevant Period:

(a) plus the number of fully paid Shares issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9, 16 or 7;

(b) plus the number of fully paid shares issued in the relevant period on the conversion of convertible securities within rule 7.2 exception 9 where:

- the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or

- the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (c) plus the number of Shares issued in the Relevant Period under an agreement to issue securities within Listing Rule 7.2 Exception 16 where:
- the agreement was entered into before the commencement of the Relevant Period; or
 - the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or 7.4;
- (d) plus the number of partly paid Shares that became fully paid in the relevant period; and
- (e) less the number of fully paid Shares cancelled in the relevant period.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the relevant period where the issue or agreement has not been subsequently approved by the Shareholders under Listing Rule 7.4.

(d) **What is the interaction with Listing Rule 7.1?**

The Company's ability to issue Equity Securities under Listing Rule 7.1A will be in addition to its 15% annual placement capacity under Listing Rule 7.1.

(e) **At what price can the Equity Securities be issued?**

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph 6.2(e)(i) above, the date on which the Equity Securities are issued,

(Minimum Issue Price).

(f) **When can Equity Securities be issued?**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A will be valid from the date of Meeting and will expire on the earlier to occur of:

- (i) the date that is 12 months after the date of the Meeting at which the approval was obtained;
- (ii) the time and date of the entity's next Annual General Meeting; and
- (iii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(10% Placement Period).

(g) **What is the effect of Resolution 3**

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without further Shareholder approval or using the Company's 15% annual placement capacity under Listing Rule 7.1.

6.3 Specific information required by Listing Rule 7.3A

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

(a) **Minimum issue price**

If the Company issues Equity Securities for cash consideration under the 10% Placement Facility, then the issue price will be not less than the Minimum Issue Price.

(b) **Risk of economic and voting dilution**

If this Resolution is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' economic and voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are converted into Shares).

The below table shows:

- (i) the dilution of existing Shareholders based on the current market price of Shares and the current number of Shares for "A" calculated in accordance with the formula in Listing Rule 7.1A.2 (see Section 6.2(c)) as at the date of the Notice (**Variable A**);
- (ii) two examples where Variable A has increased, by 50% and 100%; and
- (iii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

| Share on issue Variable A in Listing Rule 7.1A.2 | Dilution | | | |
|--|-----------------------------|---|------------------------|---|
| | Issue price per Share | \$0.0385 50% decrease in Issue Price | \$0.077 Issue Price | \$0.154 100% increase in Issue Price |
| 386,955,864 Shares Current Variable A | 10% Voting Dilution | 38,695,586 Shares | 38,695,586 Shares | 38,695,586 Shares |
| | Funds raised | \$1,489,780 | \$2,979,560 | \$5,959,120 |
| 580,433,796 Shares 50% increase in current Variable A | 10% Voting Dilution | 58,043,380 Shares | 58,043,380 Shares | 58,043,380 Shares |
| | Funds raised | \$2,234,670 | \$4,469,340 | \$8,938,680 |
| 773,911,728 Shares 100% increase in current Variable A | 10% Voting Dilution | 77,391,173 Shares | 77,391,173 Shares | 77,391,173 Shares |
| | Funds raised | \$2,979,560 | \$5,959,120 | \$11,918,241 |

Notes:

1. The table has been prepared on the following assumptions:
 - (a) the issue price is \$0.077 being the closing price of the Shares on ASX on 23 September 2021, being the latest practicable date before the date of this Notice;
 - (b) variable A is 386,955,864, comprising 386,955,864 Shares as at the date of this Meeting, assuming the Company has not issued any Shares in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with Shareholder approval under Listing Rule 7.1 and 7.4;
 - (c) the Company issues the maximum number of Equity Securities available under the 10% Placement Facility;
 - (d) no convertible securities (including any issued under the 10% Placement Facility) are exercised or converted into Shares before the date of the issue of the Equity Securities; and
 - (e) 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.

2. The number of Shares on issue (i.e. Variable A) may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue, scrip issued under a takeover offer or upon exercise of convertible securities) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting.
3. 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%.
4. 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.
5. 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.

Shareholders should note that 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 or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

(c) **Timing of potential issues**

Approval of the Additional 10% Placement Facility will be valid during the 10% Placement Period.

(d) **Purposes of issues under 10% Placement Facility**

The Company intends to use funds raised under the 10% Placement Facility for further utilisation of its waterwell drilling assets, the acquisition of new assets or investments (including expenses associated with such an acquisition), and/or for general working capital.

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

(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 allottees of Equity Securities is not yet known and will be determined on a case-by-case basis having regard to the factors 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 its professional advisors, including corporate, financial and broking advisers (if applicable).

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

(f) **Issues in the past 12 months**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its annual general meeting held on 19 November 2020.

In the 12 months preceding the date of the Meeting and as at the date of this Notice, the Company has not issued any Equity Securities under Listing Rule 7.1A.

(g) **Voting exclusion statement**

A voting exclusion statement has not been included in the Notice because as at the date of this Notice, the Company has not approached any particular investor to participate in an issue of Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

7. Resolution 4 - Removal of Cumulative EPS Condition for Tranche 1 of the Director Performance Rights

7.1 General

Resolution 4 seeks Shareholder approval to amend the vesting conditions attaching to Tranche 1 of the Performance Rights on issue to Messrs James Clement and Sheldon Burt (and/or their nominees) (**Director Performance Rights**) by removing the cumulative EPS condition.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the proposed removal of Tranche 1 of the Director Performance Rights' cumulative EPS condition.

Resolution 4 is an ordinary resolution.

The Chair (excluding Messrs Clement and Burt) recommends that Shareholders vote in favour of Resolution 4.

7.2 Background to Director Performance Rights

At 30 June 2021, the Company has the following Director Performance Rights on issue:

| Director | Tranche | Number Under Performance Rights | Value at Grant Date (\$) | Condition Test Date | Date of Vesting | Management Probability Assessment 30-Jun-21 | Fair Value (\$) | Vesting Condition |
|------------------|---------|---------------------------------|--------------------------|---------------------|-----------------|---|-----------------|--------------------------|
| Mr James Clement | 1 | 1,666,666 | 90,000 | 30-June-22 | 30-Jun-22 | 75% | 67,500 | Employment condition |
| | 2 | 1,666,666 | 90,000 | 30-June-23 | 30-Jun-23 | 0% | Nil | |
| | 3 | 1,666,668 | 90,000 | 30-June-24 | 30-Jun-24 | 0% | Nil | |
| Mr Sheldon Burt | 1 | 1,666,666 | 101,667 | 30-June-22 | 30-Jun-22 | 75% | 76,250 | Cumulative EPS condition |
| | 2 | 1,666,666 | 101,667 | 30-June-23 | 30-Jun-23 | 0% | Nil | |
| | 3 | 1,666,668 | 101,667 | 30-June-24 | 30-Jun-24 | 0% | Nil | |
| Total | | 10,000,000 | 575,000 | | - | - | 143,750 | |

Each Director Performance Right will convert on a 1:1 basis into Shares upon achievement of their relevant vesting conditions:

- (a) Employment condition – means the holder of the Director Performance Rights remains employed by the Company at the Condition Test Date; and
- (b) Cumulative EPS condition – means the earnings per share (**EPS**) based on the achievement of compound annual growth in the Company’s EPS of 15% per annum from the financial year 30 June 2020, subject to a minimum EPS of \$0.01 for the financial year ending 30 June 2020. The EPS calculation is based on the Company’s cumulative net profit after tax up until the relevant condition test date divided by the weighted average number of shares on issue over the relevant period, taking into account any new shares issued (or cancelled by the Company in the relevant period).

The Director Performance Rights therefore have a:

- (a) service condition; and
- (b) cumulative EPS condition,

both of which are non-market based performance conditions under AASB 2 and must be met for the Director Performance Rights to vest.

7.3 Nature of the Company's Business

The cumulative EPS condition is based on the financial results for the twelve (12) months to 30 June 2020 (FY2020). As released to the ASX on 28 August 2020, the financial results for FY2020 included a one-off gain on bargain purchase totalling \$7.18 million. This resulted from the difference between the price paid for the drilling assets and inventory from Perenti Limited (previously Ausdrill Limited) and their assessed Market Value. The gain on bargain purchase had a direct impact on the net profit after tax of the Company, as there were minimal expenses incurred associated with this amount.

The capital-intensive nature of the Company’s business means that it incurs a significant annual depreciation expense (non-cash) and material interest expense associated with the debt funding in relation to the acquisition of ancillary

equipment to support its drilling assets. These items have, and will continue to have a material effect on the Company's net profit after tax and subsequently, EPS.

Further, the Company's results for the 12 months ended 30 June 2021 include a material non-cash income tax expense which is primarily a result of utilising the ATO's instant asset write-off. The Company is expected to be again be eligible and utilise the ATO's instant asset write-off for the 30 June 2022 financial year.

The current nature of the Company's business is therefore expected to be further impacted by the above for the 30 June 2022 year. Such costs are incurred in order to continue to grow the Company's operations and achieve its strategic objectives, however are not conducive of growth in EPS. The likelihood of performance conditions associated with Tranche 1 of the Director Performance Rights being achieved is therefore uncertain.

7.4 Purpose of Resolution

The Company's Nomination and Remuneration Committee supports the removal of the cumulative EPS condition from the Tranche 1 Director Performance Rights due to the operational outperformance of the Key Management Personnel to date and its wish to reduce some of the uncertainty around the vesting of the Tranche 1 Director Performance Rights in recognition of their efforts.

Since the reinstatement to the ASX in September 2019, the Company has quickly moved through the start-up phase and has now positioned itself a premier service provider to the mining industry. The first two financial years of operations have included the following key milestone achievements from Key Management Personnel:

- (a) the purchase of drilling assets and inventory from Perenti Limited (previously Ausdrill);
- (b) the establishment of Vysarn's wholly owned subsidiary Pentium Hydro Pty Ltd;
- (c) the hiring of a 100+ strong team across operations and management;
- (d) accounting, inventory and business systems put in place;
- (e) the rebuild of two Foremost Dual Rotary rigs purchased from New Zealand in 2020 and upgrade a Schramm T130XD from a casing advance/conventional drill rig to Dual Tube Flooded Reverse;
- (f) subsequently creating one of the largest pure hydrogeological drilling companies in Australia and to the Company's knowledge, the only domestic hydrogeological drilling company that can provide three drilling services across Dual Rotary, Dual Tube Flooded Reverse and Conventional drilling;
- (g) the award of major contracts to provide water well construction services to enable the opportunity for 100% drill rig deployment;
- (h) formally achieving ISO accreditation in occupational health and safety management systems (ISO 45001:2018), quality management systems (ISO 9001:2015) and environmental management systems (ISO 14001:2015); and

- (i) achieving revenue from operations of \$25.82 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5 million in the first full financial year of operations.

Given what the Company, under the guidance of Key Management Personnel, has achieved since September 2019, the Company is seeking to remove the cumulative EPS condition for Tranche 1 of the 3 Tranches of Director Performance Rights. The only other condition associated with the Tranche 1 Director Performance Rights will be the employment condition prescribing that they continue to remain with the Company period of service through to 30 June 2022.

7.5 AASB 2 – Share-based Payment

Removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights will not result in any additional expense or remeasurement event. The Company has not changed the number or price of the instruments on issue. The conditions affecting their likelihood they will vest has changed given the removal of the cumulative EPS condition. Further information on the fair value of the Director Performance Rights is disclosed within the Company's Annual Report for the year ended 30 June 2020 and 30 June 2021.

7.6 ASX Listing Rule 6.23

ASX Listing Rule 6.23.4 provides that a company must obtain shareholder approval to make a change to the terms of options on issue which is not prohibited under ASX Listing Rule 6.23.3. ASX regards the Director Performance Rights as equivalent to options. The Company has obtained a waiver from ASX Listing Rule 6.23.3 to permit the removal of the EPS vesting condition for the Tranche 1 Director Performance Rights, subject to obtaining Shareholder approval pursuant to Resolution 4 and the Notice including explanatory information for the rationale for the proposed amendment to the Tranche 1 Director Performance Rights (which is provided in sections 7.1 to 7.4 of the Notice).

7.7 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that 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.

A "related party" includes a director of the company and "giving a financial benefit" is interpreted broadly. The removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights may constitute the giving of a financial benefit to a related party as:

- (a) the removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights makes the vesting conditions of the Tranche 1 Director Performance Rights less onerous, which may constitute the giving of a financial benefit; and

- (b) the holders of the Director Performance Rights, Messrs Clement and Burt (and/or their nominees) are related parties of the Company by reason of being Directors.

The Company has determined to seek Shareholder approval of the purposes of Chapter 2E for the removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights.

7.8 Specific Information required by section 219 of the Corporations Act

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval for the purposes of section 219 of the Corporations Act for the financial benefits associated with the removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights:

- (a) the financial benefits relating to the removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights are being provided to Messrs Clement and Burt (and/or their nominees), Directors, pursuant to Resolution 4;
- (b) the financial benefit is the removal of the cumulative EPS condition of Tranche 1 of the Director Performance Rights. Refer to Section 7.4 for further information;
- (c) The Board (excluding Messrs Clement and Burt) recommends that Shareholders vote in favour of Resolution 4. Messrs Clement and Burt have a material personal interest in the outcome of Resolution 4 and therefore believe it inappropriate to make a recommendation;
- (d) provided the vesting conditions are satisfied, the Tranche 1 Director Performance Rights have the value of a Share, as the Tranche 1 Director Performance Rights have a nil exercise price and do not have market conditions attached to them. As at 23 September 2021, the price of a Share is \$0.077 per Share. As a result, the total value attributed to the Tranche 1 Director Performance Rights to be issued to Mr Clement (and/or his nominees) would be approximately \$128,333 and Mr Burt (and/or his nominees) would be approximately \$128,333. The value may go up or down as it will depend on the future price of a Share;
- (e) the current remuneration package of Messrs Clement and Burt is the following:
 - (i) Mr Clement's remuneration package with the Company is a base salary of \$350,000 per annum, including mandatory superannuation contributions. Mr Clement may be eligible for a short-term incentive of up to \$150,000 per annum, subject to the achievement of certain short-term incentive key performance indicators. Mr Clement has a long-term incentive being the issue of 5,000,000 Performance Rights and 10,000,000 Options; and
 - (ii) Mr Burt's remuneration package with the Company is a base salary of \$300,000 per annum, including mandatory superannuation contributions. Mr Clement may be eligible for a short-term incentive of up to \$150,000 per annum, subject to the achievement of certain short-term incentive key performance indicators. Mr

Clement has a long-term incentive being the issue of 5,000,000 Performance Rights;

- (f) the current security holdings of Messrs Clement and Burt (and/or their nominees) is the following:
 - (i) Mr Clement (and/or his nominees) has 13,366,315 Shares, 10,000,000 Options, and 5,000,000 Performance Rights; and
 - (ii) Mr Burt (and/or his nominees) has 6,117,315 Shares and 5,000,000 Performance Rights;
- (g) if all the Performance Rights subject to Resolution 4 are converted into Shares, a total of 3,333,332 Shares would be issued. This will increase the number of Shares on issue from 386,955,864 (being the total number of Shares on issue as at the date of this Notice) to 390,289,196 (assuming no further issues of Shares and no convertible securities vest or are exercised) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.86%;
- (h) a voting exclusion statement is included in the Notice for the purposes of Resolution 4; and
- (i) other than the information above and otherwise set out in the Notice, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 4.

8. Resolution 5 – Section 195 Approval

In accordance with section 195 of the Corporations Act, a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

Messrs James Clement and Sheldon Burt, Directors, may have a personal interest in the outcome of Resolution 4.

In the absence of this Resolution 4, the Directors may not be able to form a quorum at the directors meetings necessary to carry out the terms of Resolution 4.

The Directors accordingly exercise their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve.

Resolution 5 is an ordinary resolution.

Schedule 1 - Definitions

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

10% Placement Facility has the meaning given in Section 6.

10% Placement Period has the meaning given in Section 6.2(f).

\$ or A\$ means Australian Dollars.

AASB means the Australian Accounting Standards Board.

Annual Report means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2021.

Article means an article of the Constitution.

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

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

Board means the board of Directors.

Chair means the person appointed to chair the Meeting of the Company convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Vysarn Limited (ACN 124 212 175).

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.

Director Performance Right has the meaning given in Section 7.1.

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

EPS means earnings per share.

Equity Security has the same meaning as in the Listing Rules.

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

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

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority

and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, 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.

Listing Rules means the listing rules of ASX.

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

Minimum Issue Price has the meaning given in Section 6.2(e).

Notice means this notice of annual general meeting.

Option means an option to acquire a Share.

Performance Right means a performance right in the Company.

Proxy Form means the proxy form enclosed with the Notice.

Relevant Period has the same meaning as in Listing Rule 7.1.

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

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

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

Shareholder means the holder of a Share.

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

Trading Day has the meaning given in the Listing Rules.

Tranche means a tranche of a Directors Performance Right.

VWAP means volume weighted average market price.

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

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 **4:00pm (WST) on Tuesday 23 November 2021**, 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 VOTE ONLINE

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

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

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote i



SUBMIT YOUR PROXY VOTE BY PAPER

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>.



