



Alkane Resources Ltd

ACN 000 689 216

NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM

FOR THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT
SOFITEL SYDNEY WENTWORTH, 61-101 PHILLIP STREET, SYDNEY NSW 2000
ON WEDNESDAY, 18 NOVEMBER 2015 AT 10.30am (SYDNEY TIME)

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in doubt as to how you should vote, you should consult your stockbroker, solicitor, accountant or other professional adviser.

FOR THOSE SHAREHOLDERS WHO HAVE ELECTED TO RECEIVE A PRINTED COPY OF THE ANNUAL REPORT, THE 2015 ANNUAL REPORT ACCOMPANIES THIS NOTICE. THE REPORT IS ALSO AVAILABLE ON THE COMPANY'S WEBSITE:

www.alkane.com.au



Alkane Resources Ltd

ACN 000 689 216

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Alkane Resources Ltd (**Alkane** or the **Company**) will be held at Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000 on Wednesday, 18 November 2015 at 10.30am (Sydney time) (**Annual General Meeting** or **Meeting**).

ORDINARY BUSINESS

ACCOUNTS AND REPORTS

To receive and consider the financial report of the Company, the Directors' report (including the remuneration report) and the Auditor's report for the year ended 30 June 2015.

RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, pass the following ordinary resolution:

That the remuneration report, which forms part of the Directors' report for the financial year ended 30 June 2015, be adopted.

Note: In accordance with section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the vote on this Resolution will be advisory only and does not bind the Directors or the Company.

A Voting Exclusion Statement for this Resolution is set out below.

RESOLUTION 2: RE-ELECTION OF DIRECTOR – MR ANTHONY DEAN LETHLEAN

To consider and, if thought fit, pass the following ordinary resolution:

That Mr Anthony Dean Lethlean, who retires in accordance with rule 3.6(a) of the Company's constitution and, being eligible for re-election, be re-elected as a Director of the Company.

RESOLUTION 3: APPROVAL OF THE GRANT OF PERFORMANCE RIGHTS AND SHARE APPRECIATION RIGHTS TO THE MANAGING DIRECTOR

To consider and, if thought fit, pass the following ordinary resolution:

That, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the Company to grant 843,749 Performance Rights and 2,250,000 Share Appreciation Rights to Mr D Ian Chalmers (or his nominee) (including the issue of Shares on the vesting of those Performance Rights and Share Appreciation Rights) under the terms of the Alkane Resources Performance Rights Plan and Alkane Resources Share Appreciation Rights Plan on the terms and conditions set out in the Explanatory Statement.

A Voting Exclusion Statement for this Resolution is set out below.

Dated: 7 October 2015

By order of the Board of Directors

Karen E V Brown
Company Secretary

VOTING EXCLUSIONS AND PROHIBITIONS

Resolution 1: Pursuant to section 250R(4) of the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of:

- a member of the key management personnel of the Company's consolidated group (at the date of the meeting or whose remuneration is disclosed in the remuneration report) (**KMP**); and
 - their closely related parties (such as close family members and any controlled companies),
- (each a **Prohibited Person**).

However, the Company will not disregard a vote if the vote is cast:

- by a Prohibited Person as proxy appointed in writing, that specifies how the proxy is to vote on a proposed Resolution, and the vote is not cast on behalf of a Prohibited Person; or
- by the Chairman of the Meeting as proxy for a person entitled to vote and who does not specify a voting direction on the proxy form provided that the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

Resolution 3: The Company will disregard any votes cast on Resolution 3 by, or on behalf of:

- Mr D Ian Chalmers and any other Director of the Company (except one who is ineligible to participate in the Alkane Resources Performance Rights Plan and the Alkane Resources Share Appreciation Rights Plan) and their associates; and
- a member of KMP (and their closely related parties), acting as proxy,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to vote undirected proxies as the Chairman sees fit and exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the KMP.

For the purposes of these voting exclusions and prohibitions:

- the KMP (or key management personnel) for the Company's consolidated group are those persons having authority and responsibility for planning, directing and controlling the activities of the Company's consolidated group, directly or indirectly, including any director (whether executive or otherwise) of a member of the Company's consolidated group;
- a closely related party of a member of KMP means:
 - a spouse or child of the member;
 - a child of the member's spouse;
 - a dependant of the member or of 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 dealings with the entity; or
 - a company the member controls.

NOTES

Intention of Chairman

The Chairman of the Meeting (where appropriately authorised) intends to vote all available undirected proxies in favour of all Resolutions.

Eligibility to vote

The board of Directors of the Company (**Board**) has determined, pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that persons who are registered holders of shares of the Company (**Shares**) as at 7.00pm (Sydney time) on Monday, 16 November 2015 will be entitled to attend and vote at the Annual General Meeting.

If more than one joint holder of Shares is present at the Annual General Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of proxies

A Shareholder has the right to appoint a proxy, who need not be a Shareholder of the Company. Shareholders 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. If the appointment does not specify this proportion, each proxy may exercise half the votes.

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Generally, these sections mean that if proxy holders vote, they must cast all directed proxies as directed, and any directed proxies that are not voted will automatically default to the Chairman of the Meeting, who must vote the proxies as directed. If the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands.

Information about voting by proxy, including appointing a proxy and lodging a Proxy Form, is set out in instructions included in the Proxy Form that accompanies this Notice of Meeting.

Votes by proxy must be received no later than 10.30am (Sydney time) on Monday, 16 November 2015. **Proxy forms received later than this time will be invalid.**

Corporate representatives

A body corporate which is a Shareholder, or that has been appointed as a proxy, may appoint a person to act as its representative at the Annual General Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Annual General Meeting evidence of his or her appointment as the body corporate's representative, including any authority under which the appointment is signed, unless it has previously been given to the Company.



Alkane Resources Ltd

ACN 000 689 216

EXPLANATORY STATEMENT

This Explanatory Statement is prepared for the benefit of Shareholders of Alkane (**Shareholders**) to better understand the Resolutions to be put to the Annual General Meeting of the Company to be held at Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000 on Wednesday, 18 November 2015 at 10.30am (Sydney time).

This Explanatory Statement forms part of, and should be read together with, the notice of meeting (together, the **Notice** or **Notice of Meeting**).

ACCOUNTS AND REPORTS

The Company's financial report, the Directors' report (including the remuneration report) and the Auditor's report for the year ended 30 June 2015 will be laid before the Annual General Meeting. A copy of the Company's 2015 Annual Report, which includes these reports, is available on the Company's website at www.alkane.com.au and on ASX's website www.asx.com.au.

There is no requirement for Shareholders to approve these reports. Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions or make comments about these reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the Company's auditor questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

The Corporations Act requires the Company to put a resolution to Shareholders that the remuneration report be adopted. The vote on this Resolution is advisory only and does not bind the Directors or the Company. However, the outcome of the vote will be considered by the Company's Remuneration Committee and Nomination Committee when evaluating the remuneration arrangements of the Company in the future.

The remuneration report of the Company for the period ended 30 June 2015 is set out on pages 38 to 47 of the Company's 2015 Annual Report. This report includes information about the principles used to determine the nature and amount of remuneration, and sets out the remuneration arrangements for each Director and KMP.

As set out in the remuneration report, in determining executive remuneration, the Board aims to ensure that remuneration practices:

- (a) are competitive and reasonable, enabling the Company to attract and retain key talent while building a diverse, sustainable and high achieving workforce;
- (b) are aligned to the Company's strategic and business objectives and the creation of Shareholder value;
- (c) promote a high performance culture recognising that leadership at all levels is a critical element in this regard;
- (d) are transparent; and
- (e) are acceptable to Shareholders.

Further details regarding the Company's remuneration policy and structure as to executive and non-executive remuneration are set out on pages 39 to 42 of the 2015 Annual Report.

Shareholders will be given a reasonable opportunity to ask questions about, or comment on, the remuneration report at the Annual General Meeting.

Directors' recommendation: The Directors recommend that Shareholders vote in favour of adopting the remuneration report.

RESOLUTION 2: RE-ELECTION OF DIRECTOR – MR ANTHONY DEAN LETHLEAN

In accordance with the Company's constitution, Mr Anthony Dean Lethlean retires as a Director of the Company and, being eligible, offers himself for re-election.

Rule 3.6(a) of the Company's constitution provides that at each annual general meeting of the Company, one third of the Directors (other than the Managing Director) must retire from office. The Directors to retire at an annual general meeting are those who have held office the longest since their last election. If two or more Directors have held office for the same period, those Directors may agree between themselves which of them will retire otherwise they are to draw lots. Mr Lethlean has agreed to retire and is eligible for re-election.

Mr Lethlean (BAppSc (Geology)) is a geologist with over 10 years' mining experience, including 4 years underground on the Golden Mile in Kalgoorlie. In later years, he has worked as a resources analyst with various stockbrokers and investment banks including CIBC World Markets. He was a founding director of Helmsec Global Capital Limited which seeded, listed and funded a number of companies in a range of commodities. He retired from the group in 2014. Mr Lethlean is also a non-executive director of Alliance Resources Ltd.

Mr Lethlean was appointed as a non-executive Director of the Company on 30 May 2002 and was last re-elected by rotation in May 2013. He is chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. Mr Lethlean also holds the position of senior independent director which includes the responsibilities of assuming the role of Chair when the Chairman is unable to act and co-ordinating the activities of the independent directors.

Directors' recommendation: The Directors (other than Mr Lethlean because of his interest in this Resolution) unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3: APPROVAL OF THE GRANT OF PERFORMANCE RIGHTS AND SHARE APPRECIATION RIGHTS TO THE MANAGING DIRECTOR

Resolution 3 seeks approval to grant performance rights (pursuant to Alkane's Performance Rights Plan (**Performance Rights Plan**), last approved by Shareholders at the Company's 2013 annual general meeting) (**Performance Rights**) and share appreciation rights (pursuant to Alkane's Share Appreciation Rights Plan (**Share Appreciation Rights Plan**), last approved by Shareholders at the Company's 2014 annual general meeting) and the issue of Shares (upon the vesting of those Performance Rights and Share Appreciation Rights) to Mr David (Ian) Chalmers, the Managing Director, under the reward vehicles for the Company's short term incentives (**STI**) and long term incentives (**LTI**).

In line with market practice, performance based incentive programs form a key component of Mr Chalmers' total annual remuneration. A significant portion of his total annual remuneration has been placed at-risk to better align his interests with those of Shareholders, to encourage long term sustainable growth and to assist with retention.

For the purposes of future grants, Resolution 3 seeks Shareholder approval for the grant of:

- (a) an STI allocation of 281,249 Performance Rights; and
- (b) an LTI allocation of 562,500 Performance Rights and 2,250,000 Share Appreciation Rights,

and the issue of Shares (upon the vesting of those Performance Rights and Share Appreciation Rights).

Details regarding these STIs and LTIs are set out below.

STI for the financial year ending 30 June 2016

Quantum

The STI quantum to be issued to Mr Chalmers for the financial year ending 30 June 2016 (**FY2016**) has been determined with reference to current market practice. For FY2016, the dollar value of the STI grant will be determined as 25% of Mr Chalmers FY2016 base salary (ie an STI grant of \$90,000 in value). The STI will be granted as Performance Rights.

Allocation methodology and number of instruments

In determining the number of Performance Rights to be granted, the STI quantum is divided by the fair value of one Performance Right as follows:

$$\begin{aligned} \text{Number of Performance Rights} &= \frac{\text{STI quantum}}{\text{Fair value of one Performance Right}} \\ &= \frac{\text{A\$90,000}}{\text{A\$0.32}} \\ &= 281,249 \text{ Performance Rights} \end{aligned}$$

The fair value of the Performance Rights for the STI has been assessed to be the volume weighted average price (**VWAP**) over the month of June 2015 (ie the month immediately preceding the start of the performance period).

One Performance Right represents the opportunity to receive one ordinary share provided the vesting conditions and performance hurdles are met.

Performance period

The FY2016 STI grant will be performance tested from 1 July 2015 to 30 June 2016.

Vesting conditions and performance hurdles

The FY2016 STI grant to be made to Mr Chalmers under the Performance Rights Plan will vest subject to satisfaction of certain performance hurdles which are summarised in the table below. The performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting will still occur for that portion of the grant, but not for the other portions if the other hurdles are not met.

Performance category	Metrics	Weighting
Financial and operational	Production and operating cost performance for the Tomingley Gold Operation.	40%
Growth	Milestones relating to advancing the development of the Dubbo Zirconia Project and execution of the board approved exploration plan to develop existing resources and discover new resources.	44%
Sustainability	Specific targets relating to the development of and compliance with safety and environmental management systems, and engagement with the local community.	16%

There will be no retesting of performance. Any Performance Rights that fail to become exercisable due to a failure to satisfy the vesting conditions and performance hurdles will lapse and be forfeited.

LTI for the three year period ending 30 June 2018

Quantum

The LTI quantum to be issued to Ian Chalmers for the three year period from 1 July 2015 to 30 June 2018 (the **FY2016 LTI**) has been determined with reference to current market practice. For FY2016 the dollar value of the LTI grant will be determined as 100% of Mr Chalmers FY2016 base salary (ie an LTI grant of A\$360,000 in value). Half of the LTI will be granted as Performance Rights with the other half granted as Share Appreciation Rights (ie A\$180,000 worth of Performance Rights and A\$180,000 worth of Share Appreciation Rights).

Allocation methodology and number of instruments

In determining the number of Performance Rights and Share Appreciation Rights to be granted, the LTI quantum is divided by the fair value of one Performance Right/Share Appreciation Right as follows:

$$\text{Number of Performance Rights/Share Appreciation Rights} = \frac{\text{LTI quantum}}{\text{Fair value of one Performance Right/ Share Appreciation Right}}$$

Performance Rights allocation	Share Appreciation Rights allocation
<p>The Performance Rights allocation is 50% of the total LTI grant: $(A\\$360,000 \times 50\%)/\\$0.32 =$ 562,500 Performance Rights</p>	<p>The Share Appreciation Rights allocation is 50% of the total LTI grant: $(A\\$360,000 \times 50\%)/\\$0.08 =$ 2,250,000 Share Appreciation Rights</p>
<p>The fair value of the Performance Rights for the LTI has been assessed to be the VWAP over the month of June 2015 (ie the month immediately preceding the start of the performance period).</p> <p>One Performance Right represents the opportunity to receive one ordinary share provided the vesting conditions and performance hurdles are met.</p>	<p>The fair value of the Share Appreciation Rights for the LTI has been estimated by an independent valuer at \$0.08. An estimated fair value of the Share Appreciation Rights is calculated using a Monte Carlo simulation based model, in accordance with market practice, to test the likelihood of attaining the absolute TSR hurdle at the end of the three year performance period. It represents an estimation of the value to the right holder at, or around, the time of grant. The fair value of a Share Appreciation Right does not represent an estimation of the fair value of an ordinary share in Alkane.</p> <p>Share Appreciation Rights are different to Performance Rights (ie one Share Appreciation Right does not equal the right to one Share). Share Appreciation Rights can be settled by equity (ie by the issue of Shares) or by cash settlement, in accordance with the formulae set out in the Share Appreciation Rights Plan.</p> <p>Further details on the Share Appreciation Rights is provided in the vesting conditions and performance hurdles section.</p>

Performance period

The FY2016 LTI grant will be performance tested from 1 July 2015 to 30 June 2018.

Vesting conditions and performance hurdles

The FY2016 LTI grant to be made to Mr Chalmers will vest subject to satisfaction of certain performance hurdles which are summarised in the table below. The performance hurdles are mutually exclusive so that if only one of the hurdles is satisfied, vesting will still occur for that portion of the grant, but not for the other portions if the other hurdles are not met.

LTI reward vehicle	Performance metrics	Weighting
Performance Rights	Progress of Dubbo Zirconia Project development towards production.	40%
	Increase Tomingley Gold Operation project valuation on a net present value basis from 30 June 2015 taking into account realised cashflows over the vesting period and the project net present value at 30 June 2018.	10%
Share Appreciation Rights	Absolute total shareholder return (TSR).	50%

Under the Share Appreciation Rights Plan, participants are granted rights to acquire fully paid ordinary Shares. Share Appreciation Rights will only vest if the pre-defined TSR performance condition is met. If a participant ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

An absolute TSR target, as opposed to a TSR target relative to an index or a peer group, has been used to reflect:

- (a) the developmental stage of the Company and the impact that the successful development of the Dubbo Zirconia Project is expected to have on the market value of the Company; and
- (b) the absence of a sufficient number of comparable companies to benchmark against.

Targets are reviewed annually and set for a forward three year period. Targets reflect factors such as the expectations of the Company's business plans, the stage of development of the Company's projects and the industry business cycle. The most appropriate target benchmark (i.e. the use of an absolute or a relative TSR target) will be reviewed each year prior to the granting of rights.

Vesting of the rights is subject to the Company's TSR, including share price growth, dividends and capital returns, exceeding certain growth hurdles over a three-year period as set out in the table below.

TSR compound annual growth rate (CAGR)	% Share Appreciation Rights vesting
Less than 15% CAGR	Nil
15% CAGR	50% Vesting
Above 15% CAGR up to 25% CAGR	Pro rata vesting from 50% - 100%
Above 25% CAGR	100%

In the event that all vesting conditions were met over the three year period, including the achievement of TSR CAGR of exactly 25% resulting in vesting of 100% of the FY2016 Share Appreciation Rights, the closing Alkane share price would be A\$0.56 per share and the 2,250,000 Share Appreciation Rights could be settled by the issue of 964,285 Shares.

ASX Listing Rule approval

ASX Listing Rule 10.14 requires a listed company to obtain shareholder approval prior to the issue of securities under an employee incentive scheme to a Director of a company or his or her associates. As Mr Chalmers is the Managing Director of the Company, approval is being sought for the purposes of ASX Listing Rule 10.14 and for all other purposes, to grant the Performance Rights and Share Appreciation Rights to Mr Chalmers (and the issue or transfer of any Shares on vesting and exercise of the relevant Performance Rights and Share Appreciation Rights) in accordance with the terms and conditions of the Performance Rights Plan and Share Appreciation Rights Plan, as the case may be.

Further, if Resolution 3 is approved for the purposes of ASX Listing Rule 10.14, pursuant to ASX Listing Rule 7.2 (Exception 4) a grant of Performance Rights or Share Appreciation Rights or an issue of Shares (upon the vesting of those Performance Rights or Share Appreciation Rights) will not reduce the Company's 15% placement capacity under ASX Listing Rule 7.1 and separate approval of this Resolution 3 is not required under ASX Listing Rule 7.1.

Information required by ASX Listing Rule 10.15A

In accordance with ASX Listing Rule 10.15A, the Company provides the following information:

- (a) Mr D Ian Chalmers is the Managing Director of the Company.
- (b) The maximum number of securities proposed to be issued in connection the Resolution 3 is 843,749 Performance Rights and 2,250,000 Share Appreciation Rights. Upon vesting, this entitles Mr Chalmers to the following:
 - (i) 843,749 Performance Rights entitles Mr Chalmers to 843,749 Shares (as these are settled on a one for one basis); and
 - (ii) 2,250,000 Share Appreciation Rights entitles Mr Chalmers to that number of Shares calculated as per the performance hurdles set out above. For example, in the event that all vesting conditions were met over the three year period, including the achievement of TSR CAGR of exactly 25%, the closing Alkane share price would be A\$0.56 per share and the 2,250,000 Share Appreciation Rights could be settled by the issue of 964,285 Shares.
- (c) The relevant Performance Rights and Share Appreciation Rights (including the Shares issued on the vesting of those Performance Rights and Share Appreciation Rights) will be granted (and issued, in

the case of the Shares) for nil cash consideration, as they are granted as part of the remuneration for Mr Chalmers' services to the Company as Managing Director.

(d) Persons referred to in ASX Listing Rule 10.14 who have received securities under the Performance Rights Plan since its approval by Shareholders at the Company's 2013 annual general meeting and under the Share Appreciation Rights Plan since its approval by Shareholders at the Company's 2014 annual general meeting are as follows:

(i) *Performance Rights Plan:*

- 333,333 performance rights granted to Mr D Ian Chalmers in relation to the FY2015 STI (approved at the 2014 annual general meeting). These rights lapsed unvested on 20 August 2015.
- 666,667 performance rights granted to Mr D Ian Chalmers in relation to the FY2015 LTI (approved at the 2014 annual general meeting).

(ii) *Share Appreciation Rights Plan:*

- 1,800,000 share appreciation rights granted to Mr D Ian Chalmers in relation to the FY2015 LTI (approved at the 2014 annual general meeting).

(e) Persons referred to in ASX Listing Rule 10.14, and who are entitled to participate in the employee incentive schemes are:

(i) *Performance Rights Plan:* Mr D Ian Chalmers; and

(ii) *Share Appreciation Rights Plan:* Mr D Ian Chalmers.

Any future grants of Performance Rights or Share Appreciation Rights under the Performance Rights Plan or Share Appreciation Rights Plan (as the case may be) to other persons referred to in ASX Listing Rule 10.14 will remain subject to approval by Shareholders under ASX Listing Rule 10.14.

(f) A voting exclusion statement for Resolution 3 is included in this Notice.

(g) No loan will be provided by the Company in relation to the grant of the relevant Performance Rights and Share Appreciation Rights (including the Shares issued on the vesting of those Performance Rights and Share Appreciation Rights) to Mr Chalmers.

(h) Details of any securities (being, Performance Rights, Share Appreciation Rights and Shares (upon the vesting of Performance Rights and Share Appreciation Rights)) issued under the Performance Rights Plan or Share Appreciation Rights Plan (as the case may be) will be published in each annual report relating to a period in which the securities have been issued, with a statement that approval for the issue of those securities was obtained, if required, under ASX Listing Rule 10.14.

(i) If this Resolution 3 is approved, the Company proposes to issue the Performance Rights and Share Appreciation Rights to Mr Ian D Chalmers as soon as practicable and, in any event, within three years from the date of this Annual General Meeting.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act also regulates the provision of "financial benefits" to "related parties" by a public company. For the purposes of Chapter 2E, Mr Chalmers, being the Managing Director, is a "related party" of the Company and the grant of the Performance Rights and Share Appreciation Rights (including the Shares issued on the vesting of those Performance Rights and Share Appreciation Rights) pursuant to the Performance Rights Plan and Share Appreciation Rights Plan (as the case may be) will constitute the giving of "financial benefits".

The Board (other than Mr Chalmers, because of his interest in this Resolution 3) considers that the grant of the Performance Rights and Share Appreciation Rights (including the Shares issued on the vesting of those Performance Rights and Share Appreciation Rights) to Mr Chalmers is an appropriate and reasonable component of his remuneration, and that the financial benefit represented by the grant of the Performance Rights and Share Appreciation Rights (including the Shares issued on the vesting of those Performance Rights and Share Appreciation Rights) falls within the "reasonable remuneration" exception in section 211 of the Corporations Act. For this reason, it is unnecessary to seek specific member approval of Resolution 3 for the purposes of Chapter 2E of the Corporations Act (as mentioned above, approval is being sought under ASX Listing Rule 10.14).

Sections 200B and 200E of the Corporations Act

The Corporations Act provides that the Company may only give a person a benefit in connection with their ceasing to hold a "managerial or executive office" in the Company, or its related bodies corporate, if it is approved by Shareholders or an exemption applies (for example, where the benefit together with other benefits does not exceed the payment limits set out in the Corporations Act, including where the aggregate benefits do not exceed one year's average base salary).

The term "benefit" is open to a wide interpretation and may include the early or accelerated vesting of Performance Rights and Share Appreciation Rights under the Performance Rights Plan and Share Appreciation Rights Plan, as the case may be. As outlined in the summary of the Share Appreciation Plan in the Company's 2014 notice of annual general meeting and the summary of the Performance Rights Plan in the Company's 2013 notice of annual general meeting, early or accelerated vesting may occur, subject to the Directors' absolute discretion, in various circumstances including the end of employment with the Group, or on a change of control.

If the Board were to exercise its discretion to vest some or all of the Performance Rights and Share Appreciation Rights early in the circumstances referred to above, this may amount to the giving of a termination benefit requiring Shareholder approval in accordance with the Corporations Act. Shareholder approval of Resolution 3 is also being sought so that early or accelerated vesting of the Performance Rights and Share Appreciation Rights and the issue of Shares (upon the vesting of the Performance Rights and Share Appreciation Rights) do not count towards such maximum termination amounts for the purposes of the Corporations Act.

Details of Mr Chalmers' remuneration, including other termination benefits, are set out in the Company's 2015 remuneration report.

The value of any Benefits cannot be ascertained at the present time. The benefits will be the market value of Shares issued or transferred to the Participant on vesting of such Benefits. Apart from the future share price being unknown, the following are matters which will or are likely to affect the value of the benefits:

- (a) the performance criteria determined to apply to the Performance Rights and Share Appreciation Rights;
- (b) the reasons for cessation of employment;
- (c) the number of Performance Rights and Share Appreciation Rights granted to the Participant;
- (d) employee and Company performance factors used to determine vesting of Performance Rights and Share Appreciation Rights;
- (e) the amount of other remuneration payable to the Participant; and
- (f) the exercise of the Directors' discretion at the relevant time.

Directors' recommendation: The Directors (other than Mr D Ian Chalmers) unanimously recommend that Shareholders vote in favour of Resolution 3. As Mr D Ian Chalmers has an interest in the outcome of Resolution 3, he makes no recommendation to Shareholders as to how to vote on this Resolution.

If you are entitled to vote at the Annual General Meeting you have a right to appoint a proxy and should use this Proxy Form to do so. The proxy need not be a member of the Company and can be an individual or a body corporate.

If you wish to appoint someone other than the Chairman of the Annual General Meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you leave the box blank, the Chairman of the Annual General Meeting will be appointed your proxy and vote on your behalf.

Your proxy's authority to speak and vote for you at the Annual General Meeting is suspended if you are present at the Annual General Meeting.

Voting directions to your proxy

You may direct your proxy how to vote by marking **X** in 1 of the 3 boxes opposite each item of business. If you specify the way your proxy is to vote on a particular Resolution:

- your proxy need not vote on a show of hands, but if your proxy does so, your proxy must vote that way (ie as directed); and
- if your proxy has two or more appointments that specify different ways to vote on the Resolution – your proxy must not vote on a show of hands; and
- if your proxy is the chair of the Meeting – your proxy must vote on a poll, and must vote that way (ie as directed); and
- if your proxy is not the chair of the Meeting – your proxy need not vote on the poll, but if your proxy does so, your proxy must vote that way (ie as directed).

If:

- your appointment of a proxy specifies the way your proxy is to vote on a particular Resolution; and
- your appointed proxy is not the chair of the Meeting; and
- at the Annual General Meeting, a poll is duly demanded on the Resolution; and
- either of the following applies:
 - your proxy is not recorded as attending the Annual General Meeting; or
 - your 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 your proxy for the purposes of voting on the Resolution.

Appointing a second proxy

If you are entitled to cast 2 or more votes you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. The sum of the votes cast must not exceed your voting entitlement or 100%. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form. Both Proxy Forms should be lodged together.

If you appoint 2 proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, each proxy may exercise half of the votes (ignoring fractions).

If you appoint 2 proxies, neither proxy will have a right to vote on a show of hands.

If you appoint another member as your proxy, that person will have only 1 vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

Signing instructions

This Proxy Form must be signed and dated by the member or the member's attorney. Where the holding is in more than one name, any joint member may sign.

If this form is signed by an attorney and you have not previously lodged the power of attorney with Advanced Share Registry Limited or the Company for notation, please attach a certified copy of the power of attorney to this Proxy Form when you return it.

If the member is a company that has a sole director (and no company secretary) or a sole director who is also the sole company secretary, this form must be signed by that person. Otherwise, this form must be signed by 2 directors or 1 director and a company secretary. Please indicate the office held by signing in the appropriate place.

Lodgement of Proxy Form

Proxy Forms and proxy appointment authorities, for example, the original or a certified copy of the power of attorney (if the Proxy Form is signed by an attorney) must be received by one of the methods nominated below:

By delivery	By post	By email	By facsimile
110 Stirling Highway Nedlands WA 6009	PO Box 1156 Nedlands WA 6909 Australia	admin@advancedshare.com.au	+61 8 9262 3723

by 10.30am (Sydney time) on Monday, 16 November 2015.

Documents received after that time will not be valid for the Annual General Meeting.

Privacy

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you (including your name, address and details of the shares you hold) to be included in the Company's public register of members. This information must continue to be included in the public register if you cease to hold shares. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000* (Cth). Information is collected to administer your shareholding which may not be possible if some or all of the information is not collected. Your information is collected by Advanced Share Registry Limited on behalf of the Company.