

**Seeing Machines Limited**

ABN 34 093 877 331

**Notice of Annual General Meeting**

Notice is given that the Annual General Meeting of the shareholders of Seeing Machines Limited (**the Company**) will be held at the offices of the Company at Level 1, 11 Lonsdale Street, Braddon, ACT 2612, Australia, on **Friday 17 November 2017** at **11.00 am** Australian Eastern Daylight Time (AEDT) for the purposes set out below in this Notice of Meeting.

**Agenda****Item 1. Financial Reports**

To receive and consider the accounts, annual financial report, Directors' report and auditor's report for the Company for the year ended 30 June 2017.

*Note – there is no resolution required for this item.*

**Item 2. Election of Mr Tim Crane as a Director**

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

*"That Mr Tim Crane, having been appointed to be a Director in accordance with Rule 6.2(c) of the Company's Constitution, be elected as a Director of the Company."*

**Item 3. Re-election of Dr Rudy Burger as a Director**

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

*"That Dr Rudy Burger be re-elected as a Director of the Company."*

**Item 4. Re-election of Mr Jim Walker as a Director**

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

*"That Mr Jim Walker be re-elected as a Director of the Company."*

**Item 5. Approve Prior Offer of Equity to Mike McAuliffe**

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

*"That, for the purposes of Rule 2.1(g) of the Constitution and for all other purposes, the offer of performance rights and options, and issue of up to 37,161,379 Ordinary Shares, to Mike McAuliffe on or about 26 June 2017 on the terms set out in the Explanatory Statement, be approved."*

**Voting Exclusion Statement**

*The Company will disregard any votes cast on this resolution by Mr McAuliffe or his associate/s. However, the Chairman can vote undirected proxies provided that the proxy expressly authorises the Chairman to do so.*

**Item 6. Approve new Employee Benefits Plan**

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

*"That, for the purposes of Rule 2.1(c)(x) of the Company's Constitution and for all other purposes, the shareholders approve the issue of securities under the terms of the Employee Benefits Plan (including the Appendix dealing with offers to US-based staff) as described in the Explanatory Notes accompanying this Notice of meeting; including a*

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*maximum aggregate number of 70 million shares that may be issued under the Plan to US-based staff pursuant to the exercise of Incentive Stock Options (as defined in the Plan)."*

### Voting Exclusion Statement

*The Company will disregard any votes cast on this resolution by: any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and any associate of that person (or those persons). However, the Chairman can vote undirected proxies provided that the proxy expressly authorises the Chairman to do so.*

By Order of the Directors



Andrew Neilson  
Company Secretary  
23 October 2017

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## Voting Information

This section explains how shareholders can vote at the Meeting. Part A is for shareholders who have share certificates (i.e., they do not hold depository interests on the AIM market). Part B is for investors who hold depository interests on the AIM market. If you are not sure which Part relates to your shareholding, please contact our share registry, Computershare:

Australia	United Kingdom
Computershare Investor Services Pty Limited GPO Box 2975 Melbourne, Victoria, 3001 AUSTRALIA Phone 1800 850 505 or +61 (0)3 9415 4000 Email <a href="mailto:web.queries@computershare.com.au">web.queries@computershare.com.au</a> Web <a href="http://www.computershare.com">www.computershare.com</a>	Computershare Investor Services PLC The Pavilions, Bridgwater Rd Bristol BS99 6ZY United Kingdom Phone +44 (0)370 702 0000 Email <a href="mailto:web.queries@computershare.co.uk">web.queries@computershare.co.uk</a> Web <a href="http://www.computershare.com">www.computershare.com</a>

### Part A Shareholders who have share certificates

#### Persons Entitled to Vote

The Directors have determined that the shareholding of each shareholder for the purpose of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register of the Company at 7:00pm AEDT on 15 November 2017. Accordingly, transfers registered after that time will be disregarded in determining shareholders entitled to attend and vote at the meeting.

#### Proxies

A shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company.

You may appoint a proxy online at [www.investorvote.com.au](http://www.investorvote.com.au).

Otherwise, to appoint a proxy, shareholders should complete the Proxy Form accompanying this Notice of Meeting. The Proxy Form must be signed by the shareholder or an attorney duly authorised in writing. For the appointment of a proxy to be effective, the Proxy Form, and, if applicable, the power of attorney or other authority (or a certified copy of the relevant document) under which the Proxy Form is signed, must be deposited at the share registry of the Company, Computershare Investor Services Pty. Limited located at Yarra Falls, 452 Johnston Street Abbotsford Victoria 3067 or posted to Computershare Investor Services Pty. Limited GPO Box 242, Melbourne, Victoria 3001, or by facsimile to Computershare on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) by 11.00 am AEDT on **15 November 2017**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

In appointing a proxy, shareholders, should consider how they wish to direct the proxy to vote. A shareholder can direct a proxy to vote "for" or "against", or abstain from voting, on the proposed resolution, or can leave the decision to the appointed proxy after discussion at the meeting.

If a shareholder is entitled to two or more votes, he/she may appoint two proxies and may specify on the Proxy Form the proportion or number of votes each proxy is appointed to exercise. If no proportion is specified, each proxy may exercise half of the shareholder's votes.

If the Chairman of the meeting is appointed, or appointed by default, as the proxy of a shareholder, and that shareholder has not directed the proxy how to vote on his/her proxy Form, that Shareholder acknowledges that the Chairman of the meeting may exercise that proxy, even if he has an interest in the outcome of a particular item of business, and that the votes cast by him other than as proxy would be disregarded because of that interest.

The Chairman of the meeting intends to vote all undirected proxies in favour of each resolution.

If a person has been appointed by a proxy under 2 or more instruments that specify different ways to vote on the resolution, the person may not vote as a proxy on a show of hands. In the case of joint holders, the vote of the holder whose name appears first in the register, whether tendered by proxy, representative or attorney may be accepted to the exclusion of the votes of the other joint holders.

## **Part B            AIM Depository Interest holders**

### **Persons Entitled to Vote**

The Form of Instruction accompanying this Notice of Meeting must be signed by the depository interest holder or an attorney duly authorised in writing and deposited at the office of the Depository, Computershare Investor Services PLC, located at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 4.00 pm BST on **13 November 2017**. Any Form of Instruction received after that time will not be valid for the scheduled meeting.

### **CREST Voting**

Holders of Depository Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf.

In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a "**CREST Voting Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)).

To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company's agent (3RA50) no later than 4.00 p.m. (BST) on **13 November 2017**.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company's agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depository Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depository Interest holder concerned to take (or, if the Depository Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depository Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

## Explanatory Notes

These Explanatory Notes have been prepared to provide material information to enable shareholders to make an informed decision in relation to the business to be conducted at the Annual General Meeting of the Company. These Explanatory Notes form part of the Notice of Meeting.

### Item 1. Financial Reports

The financial report, Directors' report and auditor's report of the Company for the year ended 30 June 2017 are contained in the 2016 Annual Report. These reports were made available on the Company's website and were lodged with the Australian Securities and Investments Commission on 11 September 2017.

The *Corporations Act* requires the financial report, Directors' report and auditor's report to be laid before the Annual General Meeting. There is no requirement either in the *Corporations Act* or the Company's Constitution for shareholders to vote on, approve or adopt these reports. Shareholders will have a reasonable opportunity at the meeting to ask questions about or make comments on these reports and on the management of the Company.

The auditor of the Company is required to attend the Annual General Meeting and will be available to take shareholders' 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.

Prior to the meeting, shareholders may also forward written questions to the auditor about the conduct of the audit and the content of the auditor's report. These should be emailed to [investors@seeingmachines.com](mailto:investors@seeingmachines.com) or mailed to the Company Secretary at Level 1, 11 Lonsdale Street, Braddon ACT 2612 Australia, to be received no later than 5 business days before the Annual General Meeting. The Company is required by law to forward all questions to the auditor and the auditor is required to prepare a list of questions that the auditor considers are relevant to the conduct of the audit and the content of the auditor's report. The auditor may omit questions that are the same in substance to other questions and questions that are not received by the auditor in a timely manner. At the meeting, the Chairman will give the auditor a reasonable opportunity to answer the questions on the list of questions. The list of questions prepared by the auditor will be made available on request to the Company Secretary. In addition, copies of the list of questions will be available at the meeting.

In accordance with the *Corporations Act*, the Company will not be providing shareholders with a hard copy of the Company's Annual Report unless specifically requested to do so. Shareholders may view the Company's Annual Report on its website at [www.seeingmachines.com/investors](http://www.seeingmachines.com/investors).

There is no resolution required for this item of business.

### Item 2. Election of Mr Tim Crane as a Director

Mr Tim Crane was appointed as a Director by the Directors of the Company in February 2017. Rule 6.2(c) of the Constitution provides that he holds office only until the end of the next general meeting of the Company following his appointment (being this meeting). Mr Crane is eligible and has offered himself for re-election at this meeting.

Mr Crane, aged 43, is General Manager - Cat Services, Surface Mining and Technology Services Division with Caterpillar Inc. Mr Crane joined the Board to further strengthen the relationship between Seeing Machines and Caterpillar and to help drive safety related revenues for both companies under the existing global agreement for product development, licensing and distribution. Mr Crane, based in Peoria, USA, joined Caterpillar in 2011 when his safety culture consulting company was acquired. Mr Crane has a Bachelor of Business Administration and Marketing from Baylor University.

Mr Crane is a member of the Company's People, Culture & Remuneration Committee.

The Directors (other than Mr Crane) recommend that shareholders vote in favour of this resolution.

**Item 3. Re-election of Dr Rudy Burger as a Director**

Rule 6.4 of the Company's Constitution requires that one third, or the number closest to one third of the Directors of the Company, being the longest serving Directors, retire from office at every Annual General Meeting but are eligible for re-election at the meeting. Dr Burger, a Director since 2014, is offering himself for re-election.

Rudy Burger is a leading corporate development expert within the digital imaging and computer vision market and is Managing Partner of Woodside Capital Partners, a corporate advisory firm based in Palo Alto, California. Over the past 25 years, he has founded five digital imaging companies in the US, run a European public company, and served as a senior executive for two Global 500 Companies. Dr Burger is aged 59 and has a BSc and MSc from Yale University and a PhD from Cambridge University.

Dr Burger is Chairman of the Company's Risk, Audit & Finance Committee.

The Directors (other than Dr Burger) recommend that shareholders vote in favour of this resolution.

**Item 4. Re-election of Mr Jim Walker as a Director**

Rule 6.4 of the Company's Constitution requires that one third, or the number closest to one third of the Directors of the Company, being the longest serving Directors, retire from office at every Annual General Meeting but are eligible for re-election at the meeting. Mr Walker, a Director since 2014, is offering himself for re-election. Mr Walker is aged 64 and is based in Perth, Australia.

Jim Walker has worked with equipment dealers supplying construction, agriculture, mining, government and marine industries for more than 40 years. In 2000 Jim was appointed Managing Director of WesTrac, the Caterpillar dealer for Western Australia, New South Wales, Australian Capital Territory and North East China. Jim retired from WesTrac in late 2013. Mr Walker is a member of the Australian Institute of Company Directors (AICD) and Australian Institute of Management (AIM WA). Mr Walker is Chairman of Macmahon Holdings Limited (ASX:MAH), Austin Engineering Limited (ASX:ANG) and State Training Board (WA) and Non-executive Director of RACWA Holdings Pty Ltd.

Mr Walker is Chairman of the Company's People, Culture & Remuneration Committee.

The Directors (other than Mr Walker) recommend that shareholders vote in favour of this resolution.

**Item 5. Approve Prior Offer of Equity to Mike McAuliffe**

***Details of the prior share issue***

On 9 May 2017 Mr Mike McAuliffe was appointed as the Company's CEO. As part of his long term incentive and remuneration package, the Board agreed to offer him equity rights. The details of the offer were announced to the AIM market on 26 June 2017 (**Grant Date**) and are set out below:

Number of securities issued, or which may be issued:	Up to 37,161,379
Terms of the securities:	<p>Two thirds of the rights (representing 24,786,640 Ordinary Shares) have been granted as options over Ordinary Shares (<b>Options</b>) and one third (12,374,739 Ordinary Shares) have been granted as performance rights (the <b>Performance Rights</b>).</p> <p>Both the Options and Performance Rights will vest monthly over 48 months, with the first vesting date being 29 August 2016, the date Mr McAuliffe began employment with the Seeing Machines Group.</p> <p>The Performance Rights entitle Mr McAuliffe to be automatically issued 257,807 Ordinary Shares for no exercise price, on a monthly basis.</p> <p>The Options vest in equal tranches (being 516,388 Options on a monthly basis) and can be exercised at Mr McAuliffe's discretion over a ten year period at an exercise price of 3.89 pence. The Options expire on the tenth anniversary of the first vesting date of 29 June 2017.</p>

	The Ordinary Shares will be issued credited as fully paid and will rank equally with the existing Ordinary Shares of the Company.
Date securities were issued:	The Performance Rights and Options were offered on 26 June 2017. The Ordinary Shares will be issued from time to time as the Performance Rights vest, and the Options are exercised, as detailed above.
Issue price:	There is no issue price for the Performance Rights. The issue price for the Options is 3.89 pence which is the average AIM market price of the Company's shares over the 5 trading days before the Grant Date.
Allottee:	Mr Mike McAuliffe

If all of the 37,161,379 shares are vested and issued, then Mr McAuliffe's interest represents a stake of 2.5% in the Company's issued share capital immediately before the offer.

**Purpose of Resolution 5**

In general terms, subject to certain exceptions, the Constitution requires shareholder approval for an issue of shares (or rights which may convert to shares) if, over the preceding 12 months, the number of shares issued is more than 15% of the number of Ordinary Shares on issue at the beginning of that 12 month period (Rule 2.1(b)).

The Constitution also allows the Company to obtain shareholder approval after an issue of securities which was within the "15% in 12 months" limit in Rule 2.1(b). If shareholders subsequently ratify such an issue, the issue of securities will be treated as having been made with shareholder approval for the purposes of this Rule (Rule 2.1(g)).

The issue of securities to Mr McAuliffe did not require shareholder approval under Rule 2.1(b), as the number of securities issued was within the "15% in 12 months" limit. Accordingly, the offer to Mr McAuliffe has already been effected and will remain in place regardless of whether Resolution 5 is passed.

However, shareholder ratification of the offer to Mr McAuliffe is sought in order to allow future fundraising flexibility by providing that the offer does not erode the Company's ability to issue shares within the "15% in 12 months" limit prescribed by Rule 2.1(b).

If Resolution 5 is passed, the "15% in 12 months" limit will be effectively reset which will provide your Directors with the flexibility to raise further equity capital – if the Directors consider it to be in the best interests of shareholders at that time - without the costs and delay associated with convening another general meeting.

**Board recommendation**

The Directors (with Mr McAuliffe abstaining) recommend that shareholders vote in favour of Resolution 5 for the reasons set out above.

**Item 6. Approve new Employee Benefits Plan**

**Background**

In 2015 the Company adopted an Employee Benefits Plan (**Current Plan**). This Current Plan allows the Board discretion to offer various types of equity – including shares, performance rights and options (collectively, **Securities**) – to employees or officers (including Directors) of the Company and each Related Body Corporate (within the meaning of section 50 of the *Corporations Act 2001*) of the Company who is determined by the Directors to be an eligible employee (**Eligible Employees**).

Shareholders approved the issue of Securities under the Current Plan at the Annual General Meeting in October 2015.

The Current Plan was drafted largely to cater to offers of Securities to Australian-based staff and accordingly reflects Australian employment practises and taxation arrangements. The company has an increasing number of staff and executives based in

the United States, and the Current Plan does not adequately cater for United States employment practises and taxation arrangements.

Accordingly, the Board believes it is appropriate to adopt a fresh employee benefits plan (**New Plan**).

### ***Main Changes from the Current Plan***

Both plans have the same purpose: to assist in the reward, retention and motivation of Eligible Employees; to link the reward of Eligible Employees to Shareholder value creation; and to align the interests of Eligible Employees with Shareholders by providing an opportunity to Eligible Employees to earn rewards via an equity interest in the Company based on creating Shareholder value.

Both plans also give the Board discretion to determine which Eligible Employees may participate, and the terms of any offer of equity. Both plans allow the Board to offer various types of equity, such as performance rights, share options, as well as ordinary shares.

The main difference is that the New Plan includes an Appendix specifically dealing with offers of equity to Eligible Employees in the United States. This Appendix describes how offers are made, and the types of equity offers, in terms that are consistent with United States employment practises and taxation arrangements. (For instance, the Appendix refers to offers of 'restricted stock units', which is a term commonly used in the United States instead of 'performance rights'.) The Appendix also has terms that are required or customary to comply with United States taxation arrangements.

The other main difference is to the cap on the amount of equity that may be issued under the plan (which in turn provides a cap on the dilution of existing shareholders' interests). The cap under the Current Plan is a rolling three year cap of 5% of the issued share capital of the Company. This cap reflects common market practise for offers to employees in Australia.

The New Plan keeps this cap in place, for offers to Eligible Employees in Australia (that could not otherwise be made under the *Corporations Act*). For offers to other Eligible Employees, such as staff based in the United States, the New Plan creates a separate rolling three-year cap of 5% of the issued share capital of the Company. That is, under the New Plan there are two caps, each of 5%.

### ***Rules of the proposed New Plan***

Set out below is a summary of the rules of the New Plan. A full copy of the Plan rules is available to shareholders on request, by emailing [investors@seeingmachines.com](mailto:investors@seeingmachines.com).

- **Caps**: The maximum allocation of shares, options or performance rights under the plan is:
  - for offers to Eligible Employees in Australia (that could not otherwise be made under the *Corporations Act*) - a rolling three-year cap of 5% of the issued share capital of the Company; and
  - for offers to other Eligible Employees – a separate rolling three-year cap of 5% of the issued share capital of the Company.
- **Eligible Employee**: The Directors may from time to time, in their absolute discretion, invite any Director or Employee selected by them to participate in the Plan, on the terms set out in the Plan and on such other terms and conditions as the Directors determine. The Plan explicitly refers to the offers of Shares, Options or Performance Rights.
- **Invitations**: An invitation given to an Eligible Employee must set out: the number of Shares, Options or Performance Rights; the Grant Date; the Fee (if any); the Performance Criteria (if any); the Vesting Conditions (if any); the Exercise Price (if any); the Exercise Period (if applicable); the Expiry Date and Term (if applicable); the Forfeiture Conditions (if any); and any disposal restrictions attaching to the Plan Shares.
- **Options**:
  - The Board will determine prior to an Invitation being made and specify in the Invitation any Performance Criteria and/or Vesting Conditions attaching to the Options.
  - Each vested Option entitles the Participant holding the Option to subscribe for, or to be transferred, one Plan Share on payment of the Exercise Price (if any).
  - A Participant that holds Options is not entitled to attend Shareholders' meetings, or to receive dividends, unless and until the Options are exercised.



- Options may not be transferred, unless with Board consent or by operation of law.
- Performance Rights:
  - Each Performance Right confers an entitlement to be provided with one Share, credited as fully paid, at no cost, upon the full satisfaction of the Performance Criteria specified by the Board in relation to that Performance Right.
  - The Board may add to or vary any Eligible Employee's Performance Rights, in a manner that increases the overall benefit to the Eligible Employee, if the Eligible Employee is promoted, receives an increase in remuneration, or if the Eligible Employee's professional circumstances change such that the Board considers the previous Performance Rights to be no longer appropriate.
  - A Participant's Performance Rights are personal contractual rights granted to the Participant only and do not constitute any form of property. Performance Rights cannot be transferred to or vest in any person other than the Participant.
  - Where the number of Shares provided to the Participant in respect of a Performance Period is less than the number of Performance Rights granted to the Participant for that Performance Period, then any Performance Rights that have not vested will immediately lapse.
- Discretion: The Board may decide to allow a Participant to exercise Options whether or not the Exercise Conditions have been satisfied, provided that no Options will be capable of exercise later than the Expiry Date. The Board may also allow a Participant to retain Performance Rights whether or not Performance Criteria have been met. The Board may have regard to whatever it thinks proper when making these decisions, including a range of factors specified in the rules.
- Lapse: subject to Board discretion, Options and Performance Rights will lapse on the earliest of: the Option Expiry Date; the Board deciding that the Performance Criteria for the Performance Rights have not been met; the Participant ceasing to be employed by the Seeing Machines Group (other than for redundancy, retirement or other special circumstances); the Participant surrendering the Options or Performance Rights; or any other circumstances specified in the relevant Invitation.
- Issue of Shares: The Company will issue Shares or acquire and transfer Shares directly to the Eligible Employee where Shares are to be provided under this Plan, unless the Board determines otherwise. Shares acquired under the Plan rank equally in all respects with all other shares in the Company from the date of issue or acquisition (as applicable).
- AIM quotation: The Company will not seek official quotation of any Options. Where Shares acquired under the Plan are not yet quoted on AIM, the Company must use all reasonable endeavours to obtain quotation of those Shares on AIM within 10 business days of issue (subject to there being no trading restrictions in place at that time).
- Restriction: Participants may not dispose of, or grant any Security Interest over, any Shares held by the Participant under this Plan during a Restriction Period. The Company may place a holding lock or similar arrangement to give effect to the Restrictions. A Participant must comply with the Company's Securities Trading Policy at all times and must not deal in Plan Shares if this would contravene applicable laws.
- Change in control: The Directors may, in their absolute discretion, determine whether to release any Shares allocated under the Plan from any disposal restrictions or waive the restrictions if a 'change of control event' occurs or if there is an impending 'change of control event', including a takeover, merger or other event whereby control of the Company changes.
- New issues, Bonuses, Rights Issues: A Participant may participate in new issues of securities only if the Option or Performance Right has been exercised and Shares issued before the record date for the new issue. If the Company makes a bonus issue of Shares to existing shareholders, the number of Shares to which a Participant is entitled (assuming Options or Performance Rights vest) will be pro-rata adjusted, but there will be no change to the Exercise Price. If the Company makes an issue of Shares pro rata to existing shareholders, the Exercise Price of Options will be pro-rata adjusted.
- Reconstructions: If there is a reconstruction of the issued share capital of the Company, then the number of Performance Rights or Options (and/or the Exercise Price) must be reconstructed accordingly, in a manner that does

not result in any additional benefits being conferred on Participants that are not conferred on shareholders of the Company and otherwise complies with the AIM Rules.

- **Takeovers:** if a takeover bid is made (or a reconstruction or scheme of arrangement proposed) for the Company, the Board must notify Participants, who may choose to exercise Options, or request the Board to decide that Performance Rights vest immediately.
- **Administration:** the Board is responsible for administering the Plan. The Board may amend the Plan rules (within certain limits). The Board may at any time terminate or suspend the operation of the Plan.
- **Appendix for US Eligible Employees:** the new Plan includes an Appendix containing terms specifically covering equity offers for US-based staff, including terms covering the following items:
  - the maximum aggregate number of Shares that may be issued under the Plan pursuant to the exercise of Incentive Stock Options (as defined in the Plan) shall not exceed 70 million shares (the **ISO Share Limit**).
  - The Appendix, the total cap and the ISO Share Limit must be approved by a majority of the outstanding securities of the Company entitled to vote within a period beginning twelve months before and ending twelve months after the date on which the Appendix (or any such amendment) is adopted by the Board.
  - The Appendix has a term of ten years.
  - There are specific rules dealing with Options granted to US staff: including: the exercise price must not be less than the fair market value of a share on the date the option is granted; the terms of options are ten years.
  - There are specific rules for the time periods within which shares must be issued as a result of Performance Rights vesting.
  - Specific terms to ensure the Plan complies with Section 409A of the US Internal Revenue Code and with US Federal and California Securities laws.
  - Additional rules that apply to equity granted to staff in California, as required by California law.

### **Shareholder Approval**

In general, Rule 2.1(b) of the Constitution prohibits the Company from issuing or agreeing to issue more shares or other securities with rights of conversion to more shares than 15% of the issued capital of the Company in any 12 month period without shareholder approval (**15% Rule**). Rule 2.1(c)(x) of the Constitution contains an exception to the 15% Rule in respect of an issue made under an employee incentive scheme if, within three years before the date of the issue, the Company in general meeting has approved the issue of securities under the scheme.

The New Plan is an employee incentive scheme for the purposes of Rule 2.1(c)(x) of the Constitution. Accordingly, shareholder approval is sought for the issue of the Shares under the Plan for the purposes of Rule 2.1(b) and the exception contained in Rule 2.1(c)(x) of the Constitution. If approval is given, the Shares issued under the Plan will be exempt from counting towards the 15% of the issued capital of the Company that can be issued in any 12 month period without shareholder approval.

The effect of the approval sought will be that for the next three years, the issue of securities under the New Plan will not reduce the number of shares or other securities (with rights of conversion to more shares) that may be issued by the Company without shareholder approval under the 15% Rule in Rule 2.1(b) of the Constitution. It is noted, however, that as the number of issued shares is a component of the formula for the 15% Rule, any issue of shares under the Plan will increase the number of shares and other securities that the Company may issue under the 15% Rule.

### **ASIC Approval**

In 2015 the Company obtained a formal waiver from the Australian Securities and Investments Commission (**ASIC**) which allows the Company to offer and issue equity under employee benefits plans as an exception to the *Corporations Act* requirements (such as requiring prospectuses or other disclosure documents). The terms of the ASIC waiver require any material changes to the plan (or any new plan) to be approved by ASIC. Accordingly, before making any offers under the New Plan, the Company will require ASIC approval.

The New Plan would come into effect, and the Current Plan would be terminated, once shareholders have approved the New Plan and ASIC has varied its waiver (or granted a new waiver). If either of these conditions is not met, the Board retains discretion to continue to issue equity under the Current Plan.

**Shares issued under the Plans**

In the last three years, up to 20 October 2017, the following equity rights have been issued under the Current Plan and previous employee share plans:

<i>Date of issue</i>	<i>Number of shares issued</i>	<i>Performance rights / options granted</i>
27 Oct 2016	2,176,368	7,286,486
19 Oct 2015	2,951,102	5,965,559
29 Sep 2014	5,410,216	4,684,232
Total	10,537,686	17,936,277
Combined total	28,473,963	

A total of 17,936,277 performance rights or options have been awarded under the Plan, of which 15,455,739 rights remain unvested as of 20 October 2017. If all of the 15,455,739 rights are earned and vested, and converted to Shares, this would represent 1% of the Company's total issued shares as at 20 October 2017.

**Recommendation**

As the Directors are entitled to participate in the Plan, they make no recommendation in relation to this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.