



## Notice of Annual General Meeting, Explanatory Statement and Proxy Form

Aurora Labs Limited  
ACN 601 164 505

### **Venue**

Room 4, Technology Park Function Centre, Brodie Hall Drive, Bentley, Western Australia

### **Time and Date**

10:00am (WST) on Wednesday, 29 November 2017

#### **IMPORTANT NOTE**

The Notice of Annual General Meeting, Explanatory Statement and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

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## Important Dates

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An indicative timetable of key proposed dates is set out below. These dates are indicative only and are subject to change.

Event	Date
Last day for receipt of Proxy Forms – Proxy Forms received after this time will be disregarded	10:00am (WST) on Monday, 27 November 2017
Snapshot date for eligibility to vote	5:00pm (WST) on Monday, 27 November 2017
Annual General Meeting	10:00am (WST) on Wednesday, 29 November 2017

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# Notice of Annual General Meeting

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Notice is hereby given that an Annual General Meeting of Aurora Labs Limited ACN 601 164 505 (**Company**) will be held at the offices of the Company located at Room 4, Technology Park Function Centre, Brodie Hall Drive, Bentley, Western Australia at **10:00am (WST) on Wednesday, 29 November 2017**.

The Explanatory Statement, which accompanies and forms part of this Notice, describes the various matters to be considered.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the Glossary.

## AGENDA

### Financial Statements and Reports

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To receive and consider the annual financial report, Directors' report and Auditor's report of the Company for the financial year ended 30 June 2017, as contained in the Company's Annual Report for 2017.

### Resolution 1: Adoption of Remuneration Report

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

*"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2017, as contained in the Company's Annual Report for 2017, be adopted by the Company."*

**Note:** The vote on Resolution 1 is advisory only and does not bind the Directors of the Company.

### Resolution 2: Re-election of Director – Mr John (Nathan) Henry

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

*"That for the purpose of clause 12.2(c) of the Company's Constitution and for all other purposes, Mr John (Nathan) Henry, a Director who retires in accordance with clause 12.3(c) of the Constitution and, being eligible, offers himself for re-election, is re-elected as a Director."*

### Resolution 3: Re-election of Director – Mr Mathew Whyte

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

*"That for the purposes of Listing Rule 14.4, clause 12.2(c) of the Company's Constitution and for all other purposes, Mr Mathew Whyte, a Director who retires in accordance with clause 12.3(i) of the Constitution and, being eligible, offers himself for re-election, is re-elected as a Director."*

### Resolution 4: Appointment of Auditor

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

*“That, for the purposes of section 327B(1) of the Corporations Act and for all other purposes, HLB Mann Judd, having consented to act, be appointed as auditor of the Company.”*

#### **Resolution 5 – Grant of Tranche 1 Employee Options to Director under Employee Incentive Plan – Mr David Budge**

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

*“That for the purposes of sections 195(4) and 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to 15,000 Tranche 1 Employee Options to Mr David Budge (or his nominee) under the Employee Incentive Plan, in the manner and on the terms and conditions set out in the Explanatory Statement.”*

#### **Resolution 6 – Grant of Tranche 1 Employee Options to Director under Employee Incentive Plan – Mr John (Nathan) Henry**

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

*“That for the purposes of sections 195(4) and 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to 15,000 Tranche 1 Employee Options to Mr John (Nathan) Henry (or his nominee) under the Employee Incentive Plan, in the manner and on the terms and conditions set out in the Explanatory Statement.”*

#### **Resolution 7 – Grant of Tranche 1 Employee Options to Director under Employee Incentive Plan – Mr Mathew Whyte**

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

*“That for the purposes of sections 195(4) and 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to 15,000 Tranche 1 Employee Options to Mr Mathew Whyte (or his nominee) under the Employee Incentive Plan, in the manner and on the terms and conditions set out in the Explanatory Statement.”*

#### **Resolution 8 – Grant of Tranche 2 Employee Options to Director under Employee Incentive Plan – Mr Mathew Whyte**

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

*“That for the purposes of section 208 of the Corporations Act, Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to 100,000 Tranche 2 Employee Options to Mr Mathew Whyte (or his nominee) under the Employee Incentive Plan, in the manner and on the terms and conditions set out in the Explanatory Statement.”*

#### **Resolution 9 – Approval of Redemption and Cancellation of Class A Performance Shares**

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

*“That for the purpose of section 256C(2) of the Corporations Act and for all other purposes, Shareholders approve the redemption and cancellation of 6,300,000 Class A Performance Shares,*

*by way of selective capital reduction, in accordance with their terms and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Note:** Resolution 9 is a special resolution. To be passed, it must be approved by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

### **Resolution 10 – Approval of Termination Entitlements which may become payable to Mr David Budge, Managing Director**

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

*“That for the purposes of section 200E of the Corporations Act and for all other purposes, Shareholders approve the Termination Entitlements described in the Explanatory Memorandum which may become payable to the Company’s Managing Director, Mr David Budge, under the terms of the Employment Agreement entered into between Mr Budge and the Company.”*

### **Resolution 11 – Approval of Termination Entitlements which may become payable to Mr John (Nathan) Henry, Executive Director**

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

*“That for the purposes of section 200E of the Corporations Act and for all other purposes, Shareholders approve the Termination Entitlements described in the Explanatory Memorandum which may become payable to the Company’s Executive Director, Mr John (Nathan) Henry, under the terms of the Employment Agreement entered into between Mr Henry and the Company.”*

### **Resolution 12: Approval of Additional Placement Facility**

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

*“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”*

**Note:** Resolution 12 is a special resolution. To be passed, it must be approved by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

**By order of the Board**

**Mathew Whyte**  
Company Secretary  
26 October 2017

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## Voting Prohibitions and Exclusions

### Corporations Act voting prohibitions

Pursuant to sections 200E, 224 and 256C(2)(a) of the Corporations Act, a vote on the following Resolution must not be cast (in any capacity) by or on behalf of the party specified in the table below or their respective Associates:

Resolution	Excluded Parties
Resolution 1	Members of the Key Management Personnel whose remuneration is detailed in the Remuneration Report and their Closely Related Parties.
Resolution 5	Mr David Budge or any other Related Parties to whom Resolution 5 would permit a financial benefit to be given.
Resolution 6	Mr John (Nathan) Henry or any other Related Parties to whom Resolution 6 would permit a financial benefit to be given.
Resolution 7	Mr Mathew Whyte or any other Related Parties to whom Resolution 7 would permit a financial benefit to be given.
Resolution 8	Mr Mathew Whyte or any other Related Parties to whom Resolution 8 would permit a financial benefit to be given.
Resolution 9	A holder of a Class A Performance Share or any other person who is to receive consideration as part of the Selective Capital Reduction.
Resolution 10	Mr David James Budge.
Resolution 11	Mr John (Nathan) Henry.

However, this voting prohibition does not prevent the casting of a vote on any of Resolution 1, 5 to 10 or 11 if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution, and it is not cast on behalf of a Related Party to whom the Resolution would permit a financial benefit to be given, or their Associate.

In relation to Resolutions 1, 5 to 8, 10, 11 and 12 members of Key Management Personnel and their Closely Related Parties (other than the Chairperson) may not vote as proxy if the appointment does not specify how the proxy is to vote. The Chairperson may vote as proxy in accordance with an express authorisation on the Proxy Form.

### ASX voting exclusion statements

For the purposes of Listing Rule 14.11, the following voting exclusion statements apply to the Resolutions.

The Company will disregard any votes cast on the following Resolutions by or on behalf of the following parties and/or their Associates:

Resolution	Excluded Parties
Resolution 5	A Director who may participate in the Employee Incentive Plan.
Resolution 6	A Director who may participate in the Employee Incentive Plan.
Resolution 7	A Director who may participate in the Employee Incentive Plan.

Resolution 8	A Director who may participate in the Employee Incentive Plan.
Resolution 12	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder if the resolution is passed.

However, the Company need not disregard a vote on Resolutions 5 to 8 and 12 if it is cast by:

- the person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

# Proxy Appointment, Voting and Meeting Instructions

## Lodgement of a Proxy Form

The Proxy Form (and any power of attorney or other authority, if any, under which it is signed) must be received at an address given below by **10:00am WST on Monday, 27 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid. Proxy Forms may be lodged as follows:

*By hand* 2/79 Bushland Ridge, Bibra Lake, WA 6163

*By post:* PO Box 1531, Bibra Lake DC, WA 6965

*By email:* enquiries@auroralabs3d.com

## Appointment of a proxy

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy may, but need not be, a Shareholder.

If you wish to appoint the Chairperson as your proxy, mark the appropriate box on the Proxy Form. If the person you wish to appoint as your proxy is someone other than the Chairperson please write the name of that person. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairperson will be your proxy.

If you appoint the Chairperson as your proxy, he or she can only cast your votes on Resolution 1 (Adoption of the Remuneration Report), Resolutions 5 to 8 (Grant of Options to Directors under Employee Incentive Plan) and Resolutions 10 and 11 (Approval of Termination Entitlements) if you expressly authorise him or her to do so by marking the box on the Proxy form.

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company on +61 8 9434 1934 or you may photocopy the Proxy Form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

## Corporate Shareholders

Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

- two directors of the company;
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary – that director.

## Votes on Resolutions

You may direct your proxy how to vote by placing a mark in the 'FOR', 'AGAINST' or 'ABSTAIN' box opposite the Resolution. All your votes will be cast in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolutions 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 Resolutions, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

## Voting restrictions that may affect your proxy appointment

Members of the Key Management Personnel (except for the Chairperson) and their Closely Related Parties are not able to vote your proxy on Resolution 1 (Adoption of the Remuneration Report), Resolutions 5 to 8 (Grant of Options to Directors under Employee Incentive Plan) and Resolutions 10 and 11 (Approval of Termination Entitlements) unless you have directed them how to vote. This



exclusion does not apply to the Chairperson if his or her appointment as proxy expressly authorises him to vote on matters of Key Management Personnel remuneration.

If you intend to appoint the Chairperson, a Director or any other member of Key Management Personnel or any of their Closely Related Parties as your proxy, you are encouraged to direct them how to vote on all the Resolutions.

#### **Chairperson voting of undirected proxies**

At the date of this Notice, the Chairperson intends to vote all undirected proxies FOR each of the Resolutions. In exceptional cases the Chairperson's intentions may change subsequently and in this event, the Company will make an announcement to the market.

The Proxy Form expressly authorises the Chairperson to exercise undirected proxies on all Resolutions including Resolution 1 (Adoption of Remuneration Report), Resolutions 5 to 8 (Grant of Options to Directors under Employee Incentive Plan) and Resolutions 10 and 11 (Approval of Termination Entitlements) even though these Resolutions are connected directly or indirectly with the remuneration of a member of Key Management Personnel.

#### **Voting entitlement (snapshot date)**

For the purposes of determining voting and attendance entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at **5:00pm WST on Monday, 27 November 2017**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

#### **Corporate representatives**

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's share registry before the Meeting or at the registration desk on the day of the Meeting.

#### **Questions from Shareholders**

At the Meeting, the Chairperson will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management of the Company and the Remuneration Report. A representative of HLB Mann Judd, as the Auditor responsible for preparing the Auditor's report for the year ended 30 June 2017 will attend the Meeting. The Chairperson will also allow a reasonable opportunity for Shareholders to ask the 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 financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

To assist the Board and the Auditor in responding to any questions that you may have, please submit any questions to the Company by **10:00am WST on Wednesday, 22 November 2017** in the same manner as outlined above for lodgement of Proxy Forms.

As required under section 250PA of the Corporations Act, the Company will make available at the Meeting those questions directed to the Auditor received in writing at least 5 business days prior to the Meeting, being questions which the Auditor considers relevant to the content of the Auditor's report or the conduct of the audit of the annual financial report for the year ended 30 June 2017. The Chairperson will allow a reasonable opportunity for the Auditor to respond to the questions set out on this list.

# Explanatory Statement

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This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary or otherwise in the Explanatory Statement.

## 1. Annual Financial Report

The Corporations Act requires that the annual financial statements, Directors' report and Auditor's report of the Company for the year ended 30 June 2017 be tabled at the Meeting. These reports are contained in the Company's 2017 Annual Report.

Neither the Corporations Act nor the Company's Constitution requires a vote of Shareholders on these reports. However, Shareholders will be given reasonable opportunity to raise questions on these reports and ask questions of the Auditor.

The Company's 2017 Annual Report is available on its website (<http://auroralabs3d.com/financial-reporting/>).

## 2. Resolution 1 – Adoption of Remuneration Report

### 2.1 Background

The Remuneration Report is set out in the Directors' report which forms part of the Annual Report.

The Corporations Act requires the Company to put a resolution to Shareholders that the Remuneration Report be adopted. Section 250R(3) of the Corporations Act specifies that the vote on Resolution 1 is **advisory only** and does not bind the Directors or the Company.

Accordingly, failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report. However, the Board will take the outcome of the vote into consideration when considering the remuneration policy.

### 2.2 Spill meeting

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a **Spill Resolution**) that a further meeting be held within 90 days at which all of the offices of Director are vacated (other than the office of Managing Director) and each such office will be put to a vote.

At the Company's 2016 annual general meeting, the votes cast against the remuneration report represented less than 25% of the total votes cast. Accordingly, a Spill Resolution will not be required for the Annual General Meeting.

### 2.3 Directors' recommendation

The Directors decline to make a recommendation on how Shareholders should vote in respect of Resolution 1 as they each hold a material personal interest in the outcome of the Resolution.

### **3. Resolution 2 – Re-election of Director – Mr John (Nathan) Henry**

#### **3.1 Background**

Resolution 2 seeks Shareholder approval for the re-election of Mr John (Nathan) Henry.

Clause 12.3(c) of the Company's Constitution requires that one third of the Directors in office (other than a Managing Director) retire by rotation at each annual general meeting of the Company, with the retiring Directors then being eligible for re-election.

Clause 12.2(c) of the Company's Constitution provides that the Company may, at a general meeting, appoint a person as a director by ordinary resolution.

Mr Henry is an Executive Director of the Company who was last elected by Shareholders at the Company's 2016 annual general meeting held on 28 November 2016.

Mr Henry retires from office by rotation as required by clause 12.3(c) of the Constitution, and, being eligible, submits himself for re-election.

#### **3.2 Biography – John (Nathan) Henry**

Mr Nathan Henry is an Executive Director of the Company having been first appointed on 23 November 2015.

Mr Henry has held senior management roles for over 28 years and has been involved across all levels of strategic planning, divisional financial reporting and senior corporate accountability up to board level. His roles have covered the full spectrum of responsibility including process and business model development, new business development, technology implementation and roll out through distributed networks, market research and writing of business plans.

Mr Henry has experience with ISO certification, equipment purchase recommendations, workflow planning, skilled employee recruitment, securing approved vendor list (AVL) status and marketing plans. He has previously developed and led sales teams for market leading companies both in Australia and the USA.

Mr Henry is responsible for developing the strategy and processes required for branding and marketing the Company's products and services. He is responsible for developing advertising materials, overseeing web design and social media campaigns as well as monitoring metrics for these modes of communication and marketing.

The Directors (excluding Mr Henry) do not consider Mr Henry to be 'independent' for the purposes of the ASX Principles due to him being employed in an executive position by the Company.

#### **3.3 Directors' recommendations**

The Directors (other than Mr Henry who has a material personal interest in the outcome of the Resolution and declines to make a recommendation) recommend that Shareholders vote in favour of Resolution 2.

### **4. Resolution 3 – Re-election of Director – Mr Mathew Whyte**

#### **4.1 Background**

In accordance with Listing Rule 14.4 and clause 12.3(i) of the Company's Constitution, a Director who was appointed by the Board must retire at the next annual general meeting of the Company and is eligible for re-election.

Clause 12.2(c) of the Company's Constitution provides that the Company may, at a general meeting, appoint a person as a director by ordinary resolution.

Mr Mathew Whyte is a Non-Executive Director of the Company who was appointed by the Board on 26 July 2017 to fill a casual vacancy.

Mr Whyte retires from office as required by clause 12.3(i) of the Constitution, and, being eligible, submits himself for re-election.

#### 4.2 **Biography – Mathew Whyte**

Mr Mathew Whyte is a professional executive with over 30 years' experience in corporate administration, company secretarial services and financial management of small to medium ASX listed entities.

Mr Whyte has specific and hands-on board, company secretarial and chief financial officer experience for Western Australian based ASX listed companies in the mining, exploration mining services, biotech, oleochemical and renewable fuel generation industries, including those with overseas operations in Africa, South East Asia, North America and United Kingdom.

Mr Whyte previously served as a non-executive director of Kingston Resources Limited (ASX: KSN) from September 2011 until July 2015 and is has held the role of company secretary for Novo Latio Ltd (ASX: NLI) since November 2011.

#### 4.3 **Directors' recommendations**

The Directors (other than Mr Whyte who has a material personal interest in the outcome of the Resolution and declines to make a recommendation) recommend that Shareholders vote in favour of Resolution 3.

### **5. Resolution 4: Appointment of auditor**

#### 5.1 **Background**

Resolution 4 seeks Shareholder approval for the appointment of HLB Mann Judd as auditor of the Company.

HLB Mann Judd was appointed auditor by the Board.

HLB Mann Judd has been nominated by a member of the Company to be the auditor (see at Annexure A). HLB Mann Judd has duly consented to act as Auditor (see Annexure B).

If Resolution 4 is approved, HLB Mann Judd would be appointed as the auditor with effect from the close of the Meeting.

#### 5.2 **Corporations Act requirements**

Section 327B(1) of the Corporations Act requires that a company appoint an auditor at its first annual general meeting or to replace a vacancy in the office of auditor at any annual general meeting.

However, section 328B of the Corporations Act requires that a company may only appoint an auditor at its annual general meeting if a member of the company nominates the auditor in writing before the meeting is convened or not less than 21 days before the meeting.

Section 328A of the Corporations Act requires that an auditor provide its consent in writing to the appointment.

### 5.3 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4 to appoint HLB Mann Judd as the auditor.

## 6. Resolutions 5 to 8 – Grant of Options to Directors under Employee Incentive Plan

### 6.1 Background

Resolutions 5 to 8 seek Shareholder approval, under Chapter 2E of the Corporations Act and Listing Rule 10.14, for the grant of 145,000 Options to Messrs Budge, Henry and Whyte (or their respective nominees) under the Company's Employee Incentive Plan.

The Tranche 1 Options proposed to be granted to Messrs Budge, Henry and Whyte were determined under three categories:

- package options – as part of the respective Director's employment package with the Company to attract and retain quality executives and employees;
- performance options – as a reward for executives and employees exceeding Company deliverables; and
- innovation options – as a reward for employees who have come up with innovative ideas that are deemed to be beneficial to the Company and its business operations.

The Company's Employee Incentive Plan is available on its website (<http://auroralabs3d.com/corporate-compliance/>) and a summary of the Plan is set out in Schedule 1 to this Explanatory Statement.

### 6.2 Regulatory requirements

#### (a) Section 195(1) of the Corporations Act

Section 195(1) of the Corporations Act provides that a director who has a "material personal interest" in a matter being considered at a director's meeting must not be present while the matter is being considered or vote on the matter.

Section 195(4) of the Corporations Act provides that where there are insufficient directors to form a quorum at a directors' meeting because of section 195(1), the directors may call a general meeting of shareholders to consider the matter.

The Directors are unable to form a quorum to consider any matters relating to the issue of Tranche 1 Employee Options under Resolutions 5 to 7, as each of the Directors has a material personal interest in the outcome of the Resolutions. Therefore, the Company is seeking approval under section 195(4) of the Corporations Act to deal with the matter.

#### (b) Chapter 2E of the Corporations Act

Section 208 of the Corporations Act (set out in Chapter 2E) requires that, where a public company proposes to give a financial benefit to a Related Party, the public company must:

- obtain the approval of the company's members in accordance with section 208 of the Corporations Act in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

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

The grant of Employee Options to Directors constitutes the giving of a financial benefit to a Related Party pursuant to the Corporations Act.

Accordingly, Shareholder approval is sought for the purposes of section 208 of the Corporations Act for the grant of the Employee Options to Directors.

**(c) Listing Rule requirements**

Listing Rule 10.14 provides that a company must not permit a director and any of his or her Associates to acquire securities under an employee incentive scheme without shareholder approval.

Messrs Budge, Henry and Whyte are each Directors and are therefore Related Parties of the Company. Accordingly, Shareholder approval is required for the grant of the Tranche 1 Employee Options and the Tranche 2 Employee Options.

Listing Rule 7.1 provides that prior approval of a company's shareholders is required for an issue of Equity Securities (including shares) if the Equity Securities will, when aggregated with the Equity Securities issued by that company during the previous 12 months, exceed 15% of the number of Equity Securities on issue at the commencement of that 12 month period.

If Resolutions 5 to 8 are approved, then approval is not required under Listing Rule 7.1, or Listing Rule 10.11 which prohibits the issue of Equity Securities to Related Parties without first obtaining shareholder approval.

Accordingly, the Tranche 1 Employee Options to be granted to Messrs Budge, Henry and Whyte, and the Tranche 2 Employee Options to be granted to Mr Whyte will not be included in the Company's issuing capacity calculation for the purpose of Listing Rule 7.1.

**6.3 Corporations Act information requirements**

Section 219 of the Corporations Act requires that the following information be provided to Shareholders in relation to Resolutions 5 to 8 for the purposes of obtaining approval under Section 208 of the Corporations Act:

**(a) Names of the Related Parties**

The Related Parties are:

- Mr David James Budge – Managing Director of the Company;
- Mr John (Nathan) Henry – Executive Director of the Company; and
- Mr Mathew Whyte – Non-Executive Director of the Company and Company Secretary.

**(b) Nature of the financial benefit**

The nature of financial benefit that will be given to the Directors if Resolutions 5 to 8 are approved is the grant of 145,000 Employee Options to the Directors (or their nominees) in the proportions set out in the table below:

Related Party	Number of Employee Options
David Budge	15,000 Tranche 1 Employee Options
John (Nathan) Henry	15,000 Tranche 1 Employee Options
Mathew Whyte	15,000 Tranche 1 Employee Options 100,000 Tranche 2 Employee Options

(c) **Value of the financial benefit**

A valuation of the Tranche 1 and Tranche 2 Employee Options was conducted by the Company, and reviewed by the Company's auditor, HLB Mann Judd, on 18 October 2017 (**Valuation**) which applied the Black-Scholes option pricing model (**Black-Scholes Model**).

The Black-Scholes Model is based on a number of assumptions and variables, including the following:

- the exercise price for each:
  - Tranche 1 Employee Option is \$0.79; and
  - Tranche 2 Employee Option is \$0.95;
- each Tranche 1 Employee Option has an expiry date of 31 August 2020, and it is assumed that the Tranche 1 Employee Options will be exercised immediately prior to the expiry date;
- each Tranche 2 Employee Option has an expiry date of 31 July 2020, and it is assumed that the Tranche 1 Employee Options will be exercised immediately prior to the expiry date;
- the closing price of Shares traded on ASX on 17 October 2017 was \$0.515;
- a risk-free rate of 2.07% has been adopted;
- a dividend yield rate of 0% has been adopted;
- a volatility factor of 100% has been adopted; and
- a marketability discount of 30% has been adopted to reflect the fact that the Tranche 1 and Tranche 2 Employee Options are not freely transferable.

The table below sets out the estimated value of the Tranche 1 and Tranche 2 Employee Options and the estimated financial benefit to be received by Messrs Budge, Henry and Whyte, applying the above valuation.

Related Party	Individual value	Number	Total value
<b>Tranche 1 Employee Options</b>			
David Budge	\$0.1861	15,000	\$2,792
John (Nathan) Henry	\$0.1861	15,000	\$2,792
Mathew Whyte	\$0.1861	15,000	\$2,792

<b>Tranche 2 Employee Options</b>			
Mathew Whyte	\$0.1686	100,000	\$16,860
<b>TOTAL</b>		<b>145,000</b>	<b>\$25,236</b>

(d) **Remuneration**

The table below sets out the total remuneration paid or payable to Messrs Budge, Henry and Whyte for the last financial year and the proposed total remuneration for the current financial year (including the value of the proposed Employee Options to be considered at the Meeting), including superannuation and motor vehicle payments.

<b>Related Party</b>	<b>2016/17 Financial Year</b>	<b>2017/18 Financial Year</b>
<b>Cash</b>		
David Budge	\$227,234	\$280,300
John (Nathan) Henry	\$188,846	\$251,850
Mathew Whyte	\$70,400	\$153,525
<b>Non-cash</b>		
David Budge	115,000 Options pursuant to the Employee Incentive Plan exercisable at \$2.23 and expiring on 30 November 2019 (each having an estimated value in the Annual Report of \$0.2925).  165,000 Options pursuant to the Employee Incentive Plan exercisable at \$3.00 and expiring on 31 March 2020 (each having an estimated value in the Annual Report of \$0.2768).	15,000 Tranche 1 Employee Options
John (Nathan) Henry	140,000 Options pursuant to the Employee Incentive Plan exercisable at \$2.23 and expiring on 30 November 2019 (each having an estimated value in the Annual Report of \$0.2925)  125,000 Options pursuant to the Employee Incentive Plan exercisable at \$3.00 and expiring on 31 March 2020 (each having an estimated value in the Annual Report of \$0.2768)	15,000 Tranche 1 Employee Options
Mathew Whyte	50,000 Options exercisable at \$3.00 and expiring on 31 March 2020 (each having an estimated value in the Annual Report of \$1.1676)	15,000 Tranche 1 Employee Options  100,000 Tranche 2 Employee Options



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**Note:** Estimated value of existing Options in the table above was conducted applying the Black-Scholes Model.

(e) **Security holdings**

The table below sets out the securities and rights in the Company in which each of Messrs Budge, Henry and Whyte has a direct or indirect interest at the date of the Notice. The table does not include the Employee Options to be considered at the Meeting.

Related Party	Shares	Performance Shares	Options
David Budge	23,946,785	4,420,945 Class A Performance Shares (to be cancelled under Resolution 9) 4,973,563 Class B Performance Shares 5,341,975 Class C Performance Shares	725,000 Options exercisable at \$0.20 on or before 31 December 2018 115,000 Options pursuant to the Employee Incentive Plan exercisable at \$2.23 and expiring on 30 November 2019 165,000 Options pursuant to the Employee Incentive Plan exercisable at \$3.00 and expiring on 31 March 2020
John (Nathan) Henry	982,151	153,628 Class A Performance Shares (to be cancelled under Resolution 9) 172,832 Class B Performance Shares 185,634 Class C Performance Shares	1,693,334 Options exercisable at \$0.20 on or before 31 December 2018 140,000 Options pursuant to the Employee Incentive Plan exercisable at \$2.23 and expiring on 30 November 2019 125,000 Options pursuant to the Employee Incentive Plan exercisable at \$3.00 and expiring on 31 March 2020
Mathew Whyte	Nil	Nil	50,000 Options exercisable at \$3.00 and expiring on 31 March 2020

(f) **Voting interests**

The table below sets out details of the respective voting interests of Messrs Budge, Henry and Whyte, including how these interests may change upon the events specified in the table occurring.

Event	New Shares received	Total Shares held after event	Voting power after event (rounded)
<b>David Budge</b>			
Current position	Nil	23,946,785	41.10%

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Conversion of all existing Performance Shares and exercise of all existing Options	15,741,483	39,688,268	68.12%
Exercise of all Employee Options to be considered at the Meeting	15,000	23,961,785	41.13%
Conversion/exercise of all existing or proposed Performance Shares and Options	15,756,483	39,703,268	68.15%
<b>John (Nathan) Henry</b>			
Current position	Nil	982,151	1.69%
Conversion of all existing Performance Shares and exercise of all existing Options	2,470,428	3,452,579	5.93%
Exercise of all Employee Options to be considered at the Meeting	15,000	997,151	1.71%
Conversion/exercise of all existing or proposed Performance Shares and Options	2,485,428	3,467,579	5.95%
<b>Mathew Whyte</b>			
Current position	Nil	Nil	Nil
Conversion of all existing Performance Shares and exercise of all existing Options	50,000	50,000	0.09%
Exercise of all Employee Options to be considered at the Meeting	115,000	115,000	0.20%
Conversion/exercise of all existing or proposed Performance Shares and Options	165,000	165,000	0.28%

**Notes:**

1. Mr Budge has a “substantial holding” for the purposes of the Corporations Act as he controls 5% or more of the voting Shares at the date of the Notice.
2. Mr Budge has a “relevant interest” under the Corporations Act (i.e. an ability to effect control over voting shares) of more than 20% at the date of the Notice. His ability to acquire or otherwise receive additional Shares (including on conversion of Performance Shares and exercise of Options) will be restricted by the takeovers provisions in Chapter 6 of the Corporations Act, subject to certain limited exceptions.
3. Existing or proposed Performance Shares in the table above include Class A Performance Shares to be cancelled under Resolution 9.

**(g) Dilution**

If Resolutions 5 to 8 are approved, a total of 45,000 Tranche 1 Employee Options and 100,000 Tranche 2 Employee Options will be granted each of which may be exercised for the holder to be issued with one Share. The grant of these Options will not dilute the shareholding interests of existing Shareholders unless and until the Options are exercised.

Assuming that the number of Shares currently on issue (58,261,500) does not change, the dilutive effect on the shareholding interests of existing Shareholders if:

- all Tranche 1 Employee Options were exercised would be approximately 0.08%;
- all Tranche 2 Employee Options were exercised would be approximately 0.17%; and
- all Tranche 1 and 2 Employee Options were exercised would be approximately 0.25%.

**(h) Exercise**

The market price of Shares during the period of the Tranche 1 Employee Options and the Tranche 2 Employee Options will normally determine whether or not the Tranche 1 or Tranche 2 Employee Options are exercised.

At the time any Tranche 1 or Tranche 2 Employee Options are exercised and Shares are issued pursuant to the same, Shares may be trading on ASX at a price which is higher than the exercise price of the Tranche 1 Employee Options or Tranche 2 Employee Options.

**(i) Trading history**

The most recent available data concerning the price of the Company's Shares traded on ASX since 17 April 2017 (i.e. approximately 6 months from the Notice date) is summarised in the table below.

	High	Low	Last
<b>Price</b>	\$1.70	\$0.48	\$0.515
<b>Date</b>	8 May 2017	12 October 2017	17 October 2017

**(j) Funds raised**

The Company will not raise any funds from the issue of Tranche 1 or Tranche 2 Employee Options under Resolutions 5 to 8. These Employee Options are granted under the Employee Incentive Plan.

If all of the Tranche 1 and Tranche 2 Employee Options to be granted are exercised, the Company will raise \$130,550 (before costs). These funds will be applied to the general working capital requirements of the Company at that time.

**(k) Directors interests in the proposed resolutions**

Mr Budge has a material personal interest in the outcome of Resolution 5 and will be the only Director to receive a benefit from that Resolution.

Mr Henry has a material personal interest in the outcome of Resolution 6 and will be the only Director to receive a benefit from that Resolution.

Mr Whyte has a material personal interest in the outcome of Resolutions 7 and 8 and will be the only Director to receive a benefit from those Resolutions.

(l) **Any other information**

Other than as set out in this Explanatory Statement, the Directors do not consider there is any further information which the Shareholders would reasonably require in order to decide whether or not to approve Resolutions 5 to 8.

6.4 **Listing Rule information requirements**

Listing Rule 10.15 requires that the following information be provided to Shareholders in relation to Resolutions 5 to 8 for the purposes of obtaining approval under Listing Rule 10.14:

(a) **Maximum number of securities to be granted**

Please refer to Section 6.3(b) above.

(b) **Price of the securities**

The Tranche 1 and Tranche 2 Employee Options will be granted for nil cash consideration under the terms of the Employee Incentive Plan. Accordingly, funds will not be raised on grant.

Each Tranche 1 Employee Option will be exercisable at \$0.79. This exercise price represents a premium of approximately 12.5% above the VWAP to Shares traded on ASX over the 5 trading days up to and including 25 August 2017, being \$0.705 per Share.

Each Tranche 2 Employee Option will be exercisable at \$0.95. This exercise price represents a premium of approximately 12.5% above the VWAP to Shares traded on ASX over the 5 trading days up to and including 25 July 2017.

(c) **Names of the persons who have received securities under the Employee Incentive Plan since its last approval**

The Employee Incentive Plan was adopted by the Company prior to its admission to ASX on 12 August 2016 and was summarised in its initial public offering prospectus dated 9 June 2016. The rules of the plan remain the same, save for a non-material amendment made on 13 March 2017 to enable tax deferral in relation to awards granted under the plan, pursuant to subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth).

Accordingly, the Employee Incentive Plan has not been approved by Shareholders.

The Company has granted the following securities under the Employee Incentive Plan to persons referred to in Listing Rule 10.14 since its admission to ASX:

Recipient	Number and type of Security granted	Date of issue
David Budge	115,000 Options exercisable at \$2.23 and expiring on 30 November 2019 165,000 Options exercisable at \$3.00 and expiring on 31 March 2020	12 June 2017
John (Nathan) Henry	140,000 Options exercisable at \$2.23 and expiring on 30 November 2019	12 June 2017

	125,000 Options exercisable at \$3.00 and expiring on 31 March 2020	
Mathew Whyte	50,000 Options exercisable at \$3.00 and expiring on 31 March 2020	14 March 2017

(d) **Persons eligible to participate in the Employee Incentive Plan**

As at the date of the Notice, the persons referred to in Listing Rule 10.14 who are entitled to participate in the Employee Incentive Plan are Messrs Budge, Henry and Whyte.

(e) **Terms of any loans**

There are not any arrangements or proposed arrangements between the Company and any participant in the Employee Incentive Plan whereby the Company has entered into, or proposes to enter into, any loan with an Employee Incentive Plan participant for the purposes of acquiring securities under the Employee Incentive Plan.

(f) **Date by which securities will be granted**

If Resolutions 5 to 8 are approved, the Company intends to grant the Tranche 1 and the Tranche 2 Employee Options as soon as practicable following the Meeting. In any event, the Company will not grant the Options later than 12 months after the date of the Meeting.

6.5 **Directors' recommendations**

(a) **Resolution 5 – Grant of Employee Options to Mr Budge**

The Directors (other than Mr Budge) recommend that Shareholders vote in favour of Resolution 5.

The Directors (other than Mr Budge) consider that the issue of Tranche 1 Employee Options to Mr Budge (or his nominee):

- aligns the interests of Mr Budge with the financial success of the Company, in that exercise of the Employee Options would generally only be warranted by an increase of the price of Shares traded on ASX to above the exercise price; and
- is a reasonable and appropriate method to provide cost effective and efficient remuneration, as the non-cash form of this benefit will allow the Company to spend a greater portion of its cash reserves on its operation than it would if alternative cash forms of remuneration were given to Mr Budge.

Mr Budge has a material personal interest in Resolution 5 and therefore declines to make any voting recommendation to Shareholders.

(b) **Resolution 6 – Grant of Employee Options to Mr Henry**

The Directors (other than Mr Henry) recommend that Shareholders vote in favour of Resolution 6.

The Directors (other than Mr Henry) consider that the issue of Tranche 1 Employee Options to Mr Henry (or his nominee):

- aligns the interests of Mr Henry with the financial success of the Company, in that exercise of the Employee Options would generally only be warranted by an increase of the price of Shares traded on ASX to above the exercise price; and

- is a reasonable and appropriate method to provide cost effective and efficient remuneration, as the non-cash form of this benefit will allow the Company to spend a greater portion of its cash reserves on its operation than it would if alternative cash forms of remuneration were given to Mr Henry.

Mr Henry has a material personal interest in Resolution 6 and therefore declines to make any voting recommendation to Shareholders.

(c) **Resolutions 7 and 8 – Grant of Employee Options to Mr Whyte**

The Directors (other than Mr Whyte) recommend that Shareholders vote in favour of Resolutions 7 and 8.

The Directors (other than Mr Whyte) consider that the issue of Tranche 1 and Tranche 2 Employee Options to Mr Whyte (or his nominee):

- aligns the interests of Mr Whyte with the financial success of the Company, in that exercise of the Employee Options would generally only be warranted by an increase of the price of Shares traded on ASX to above the exercise price; and
- is a reasonable and appropriate method to provide cost effective and efficient remuneration, as the non-cash form of this benefit will allow the Company to spend a greater portion of its cash reserves on its operation than it would if alternative cash forms of remuneration were given to Mr Whyte.

Mr Whyte has a material personal interest in Resolutions 7 and 8 and therefore declines to make any voting recommendations to Shareholders in relation to these resolutions.

## 7. Resolution 9 – Approval for Selective Reduction of Capital

### 7.1 Background

Resolution 9 seeks Shareholder approval under section 256C(2) of the Corporations Act for the redemption and cancellation of all 6,300,000 Class A Performance Shares in accordance with their terms (**Selective Capital Reduction**).

The terms and conditions of the Class A Performance Shares:

- were disclosed in the Company's initial public offering prospectus dated 9 June 2016, and are set out at Schedule 2;
- provide (among other things) that each Class A Performance Share:
  - will convert into a Share if the Company (or an entity controlled by the Company) has cumulative revenue of A\$1,500,000 before 30 June 2017 (**Performance Milestone**); and
  - would be automatically redeemed by the Company for the sum of \$0.00001 each if the Performance Milestone is not satisfied.

As announced to ASX on 14 July 2017, the Performance Milestone was not satisfied. Accordingly, the Class A Performance Shares were to be automatically redeemed and cancelled by the Company in accordance with their terms of issue.

Notwithstanding that the terms of the Class A Performance Shares provide for automatic redemption, approval of Shareholders under Resolution 9 is sought to ensure that the redemption and cancellation of the Class A Performance Shares satisfies all applicable legal requirements under the Corporations Act.

The Company has offered to pay to each holder of a Class A Performance Share a redemption price of \$0.00001 per share, totalling \$63.00, or to waive their entitlement to receive such amount. At 17 October 2017, the Company has:

- received requests for payment of redemption amounts totalling \$0.69; and
- received written waivers for redemption amounts representing \$50.05.

The Company is seeking to confirm the position of the remaining holders of a Class A Performance Shares in relation to redemption amounts representing \$12.26.

Resolution 9 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).

## 7.2 Section 256C of the Corporations Act

Pursuant to section 256C of the Corporations Act, a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced.

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

- addressing the risk of the transaction leading to the Company's insolvency;
- seeking to ensure fairness between the shareholders of the Company; and
- requiring the Company to disclose all material information.

In particular, section 256B of the Corporations Act requires that a Company may only reduce its capital if:

- it is fair and reasonable to the shareholders as a whole;
- it does not materially prejudice the Company's ability to pay its creditors; and
- it is approved by shareholders in accordance with section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to shareholders.

The Directors (other than Messrs Budge and Henry who have a material personal interest in Resolution 9 as holders of Class A Performance Shares) believe that the Selective Capital Reduction is fair and reasonable to Shareholders for the following reasons:

- as the Performance Milestone was not satisfied by the Company, the Class A Performance Shares are to be automatically redeemed by the Company in accordance with their terms of issue which had been previously disclosed to Shareholders in the Company's initial public offering prospectus dated 9 June 2016;
- the Selective Capital Reduction will not materially prejudice the Company's ability to pay its creditors and will have a negligible financial effect on the Company;

- the Selective Capital Reduction will reduce the cash reserves of the Company by a negligible amount (no more than \$13.64, after accounting for payment waivers received from holders of Class A Performance Shares); and
- the Directors do not consider that there are any material disadvantages to the Company undertaking the Selective Capital Reduction.

### 7.3 Listing Rule 7.20

Pursuant to Listing Rule 7.20, the Company is required to notify Shareholders of the effect of any reorganisation of its capital. The Company considers the Selective Capital Reduction to be a reorganisation of its capital for the purposes of Listing Rule 7.20.

For the purposes of Shareholders approving the Selective Capital Reduction, the following information is provided to Shareholders as required by Listing Rule 7.20:

- the Selective Capital Reduction will result in cancellation of 6,300,000 Class A Performance Shares, but will not otherwise not have any impact on the Company's capital structure;
- the Selective Capital Reduction does not involve any fractional entitlements, as it involves the redemption and cancellation of all Class A Performance Shares; and
- the Selective Capital Reduction will not have any effect on any Options on issue as at the date of the Selective Capital Reduction.

### 7.4 Indicative Timetable

The table below sets out the indicative timetable for the Selective Capital Reduction. The dates in the table are indicative only may change, subject to ASX requirements.

Event	Target Date
Lodgement of Notice of General Meeting with ASIC	19 October 2017
Despatch Notice of Annual General Meeting and announcement to ASX	27 October 2017
Annual General Meeting	29 November 2017
Notification to ASX of expiry of 14 days from approval of Resolution 9 Cancellation of Class A Performance Shares	13 December 2017
Despatch of notice to holders of Class A Performance Shares confirming redemption and cancellation	19 December 2017

### 7.5 Directors' recommendation

The Directors (other than Messrs Budge and Henry who each have a material personal interest in the outcome of the Resolution and decline to make a recommendation) recommend that Shareholders vote in favour of Resolution 9.

## 8. Resolutions 10 and 11 – Approval of Termination Entitlements which may become payable to Mr John (Nathan) Henry and Mr David Budge

Resolutions 10 and 11 seek Shareholder approval under section 200E of the Corporations Act for certain termination payments and benefits which Messrs Budge and Henry may become entitled to if their employment with the Company is terminated (**Termination Entitlements**).



Details of the termination events and the payments and benefits which may be made to Messrs Budge and Henry are set out below.

The Board has formed the view that:

- the circumstances in which the relevant payments may be made to Mr Budge are appropriate and the amounts of such payments are not excessive or unusual for an executive with the role and responsibilities of Mr Budge; and
- the circumstances in which the relevant payments may be made to Mr Henry are appropriate and the amounts of such payments are not excessive or unusual for an executive with the role and responsibilities of Mr Henry.

#### 8.1 **Section 200E of the Corporations Act**

Section 200B of the Corporations Act prohibits a company from giving a benefit to a director in connection with the director's retirement or removal from office unless the company's shareholders approve that benefit under section 200E or the benefit falls within certain exceptions set out in the Corporations Act.

A payment or benefit will only fall within the exceptions set out in the Corporations Act if the amount of the payment is less than a prescribed multiple of the director's remuneration and if the nature of the payment falls within one of the categories set out in the Corporations Act (for example, a payment by way of damages for breach of contract or a payment for past services).

Notwithstanding that Messrs Budge and Henry's Termination Entitlements may fall within any of the categories of exception set out in the Corporations Act, Shareholder approval is sought in any event.

Section 200E of the Corporations Act requires that, where shareholders are asked to approve a payment or other benefit to a director that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment or benefit, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount or benefit is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount.

The amount of any payment or other benefit that may be made to Messrs Budge and Henry in connection with their retirement or removal from office depends upon their respective remuneration at the time that either of them ceases to hold office and the circumstances in which they cease to hold office.

To inform Shareholders of the manner in which termination payments and benefits may be calculated, the following paragraphs summarise the remuneration and termination provisions of the Employment Agreements.

#### 8.2 **Remuneration and incentive entitlements**

The material terms of Messrs Budge and Henry's employment were disclosed in the Company's initial public offering prospectus dated 9 June 2016. The terms of employment remain substantially unchanged save for remuneration entitlements.

The current remuneration entitlements for Messrs Budge and Henry are set out in Section 6.3(d).

Messrs Budge and Henry, being Directors, are also eligible to participate in the Employee Incentive Plan. Please refer to section 8.5 below for further details.

### 8.3 Termination arrangements and entitlements

The termination provisions of the Employment Agreements for Messrs Budge and Henry are substantially identical. These are described below.

#### (a) Termination with notice by the Company

The Company may terminate Messrs Budge or Henry's employment by giving 6 months' written notice or paying an equivalent amount of their annual salary in lieu of notice. This notice period does not apply if Messrs Budge or Henry is summarily dismissed (i.e. dismissed for cause without notice).

Once notice of termination has been given by the Company to Messrs Budge or Henry, the Company is entitled to require that they do not (amongst other things):

- carry out their duties or responsibilities under the Employment Agreement; or
- attend the premises of the Company for the duration of the notice period.

If the Company elects to pay Messrs Budge and Henry in lieu of giving notice, they will each be entitled to:

- payment equal to 6 months' of their respective annual salaries; and
- payment of accrued but untaken annual leave and long service leave in accordance with applicable law.

#### (b) Summary termination by the Company

The Company may terminate Messrs Budge or Henry's employment by notice in writing effective immediately in certain circumstances specified in their respective Employment Agreement, including in the case of serious misconduct and in the event of a material breach of the Employment Agreement by either of them.

#### (c) Termination by Director

Either Messrs Budge or Henry may terminate their employment by providing 6 months' written notice to the Company.

### 8.4 Protection of Company interests

The Employment Agreements each contain restraint of trade provisions which in summary prevent Messrs Budge and Henry engaging in a business of the same or substantially similar nature to the Company or soliciting the Company's employees, suppliers or clients within an area of up to the Asia Pacific region for up to 6 months following termination of their employment.

### 8.5 Effect of termination on awards granted under the Employee Incentive Plan

Messrs Budge and Henry, being Executive Directors of the Company, are eligible to participate in the Employee Incentive Plan.

Any Options or Performance Rights granted to Messrs Budge or Henry pursuant the Employee Incentive Plan are granted on the condition that vested Options that have not been exercised, and unvested Performance Rights, will automatically lapse and be forfeited if they:

- are dismissed from employment by reason of (among other things) serious misconduct, gross negligence, a material breach of the terms of the Employment Contract or any other conduct justifying termination of employment;

- cease their employment for any reason, and breaches a post-termination restriction contained in their respective Employment Agreements; or
- become ineligible to hold their respective offices for the purposes of Part 2D.6 (disqualification from managing corporations) of the Corporations Act.

## 8.6 Directors' recommendation

### (a) Resolution 10

The Directors (other than Mr Budge) consider that the termination benefits payable by the Company to Mr Budge under his Employment Agreement are reasonable in the circumstances and recommend that Shareholders vote in favour of Resolution 10.

Mr Budge has a material personal interest in Resolution 10 and therefore declines to make any voting recommendation to Shareholders.

### (b) Resolution 11

The Directors (other than Mr Henry) consider that the termination benefits payable by the Company to Mr Henry under his Employment Agreement are reasonable in the circumstances and recommend that Shareholders vote in favour of Resolution 10.

Mr Henry has a material personal interest in Resolution 10 and therefore declines to make any voting recommendation to Shareholders.

## 9. Resolution 12 – Approval of Additional Placement Facility

### 9.1 Background

Resolution 12 seeks Shareholder approval for an additional issuing capacity under Listing Rule 7.1A (**Additional Placement Facility**).

If approved, Resolution 12 would enable the Company to issue additional Equity Securities (calculated below) over a 12 month period without obtaining Shareholder approval.

Resolution 12 is a special resolution. It must be passed by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

### 9.2 Applicable Listing Rules

Listing Rule 7.1A permits eligible entities that have obtained the approval of shareholders by special resolution at an annual general meeting, to issue additional an additional 10% of its issued capital, over a 12 month period.

The Company is an eligible entity (being an entity with market capitalisation of \$300 million or less and which is not included in the S&P/ASX 300 index) and seeks Shareholder approval under this Resolution for the Additional Placement Facility.

### 9.3 Requirements of Listing Rule 7.1A

#### (a) Quoted securities

Any Equity Securities issued under the Additional Placement Facility must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Company has one class of Equity Securities quoted on ASX, being fully paid ordinary shares.

**(b) Number of Equity Securities that may be issued**

Listing Rule 7.1 permits the Company to issue Equity Securities equal to approximately 15% of the Company's issued capital over a 12 month period without Shareholder approval.

The Additional Placement Facility under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1. The effect of Shareholders passing this Resolution is to allow the Company to issue up to 25% of its issued capital during the next 12 months without obtaining specific Shareholder approval before the placement.

The exact number of additional equity securities that the Company may issue under the Additional Placement Facility is not fixed but is calculated under a formula prescribed by the Listing Rules (set out below).

At the date of this Notice, the Company has 58,261,500 Shares on issue. If all the Resolutions in this Notice are passed, the Company will be permitted to issue (as at the date of this Notice):

- (i) 8,739,225 Equity Securities under Listing Rule 7.1 (15% placement capacity); and
- (ii) 5,826,150 Equity Securities under Listing Rule 7.1A (10% Additional Placement Facility).

**(c) Formula for Additional Placement Facility**

If this Resolution 12 is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula:

$$\text{Additional Placement Capacity} = (A \times D) - E$$

where:

**A** = the number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue:

- plus the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2;
- plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1 or ASX Listing Rule 7.4; and
- less the number of fully paid ordinary securities cancelled in the 12 months;

**D** = 10%; and

**E** = the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under ASX Listing Rule 7.1 or 7.4.

## 9.4 Listing Rule information requirements

Listing Rule 7.3A requires that the following information be provided to Shareholders in relation to Resolution 12 for the purposes of obtaining approval under Listing Rule 7.1A:

### (a) Minimum price at which Equity Securities may be issued

The issue price of any Equity Security under the Additional Placement Facility will not be less than 75% of the VWAP for 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 securities are to be issued is agreed; or
- (ii) if the securities are not issued within 5 trading days of the date above, the date on which the securities are issued.

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

If Resolution 12 is passed and the Company issues securities under the Additional Placement Facility, then there is a risk to existing Shareholders of economic and voting dilution, including the risk that:

- (i) the market price for Equity Securities in the same class may be significantly lower on the issue date of the new Equity Securities than on the date of this Meeting; and
- (ii) the new Equity Securities may be issued at a price that is at a discount to the market price for Equity Securities in the same class on the issue date or the new Equity Securities may be issued in consideration for the acquisition of a new asset.

The table below identifies the potential dilution to existing Shareholders following the issue of Equity Securities under the Additional Placement Facility (based on the formula set out above) using different variables for the number of issued Shares and the market price of Shares.

The numbers are calculated on the basis of the latest available market price of Shares before the date of this Notice and the current number of Shares on issue.

Variable A in Listing Rule 7.1A		Nominal issue price		
		\$0.515 (market price)	\$0.3863 (25% decrease in market price)	\$0.2575 (50% decrease in market price)
Current issued capital A = 58,261,500 Shares	Ordinary Shares issued under LR 7.1A	5,826,150	5,826,150	5,826,150
	Voting dilution	10%	10%	10%
	Funds raised	\$3,000,467	\$2,250,350	\$1,500,234

	<b>Economic dilution</b>	0%	2.27%	4.55%
<b>50% increase in issued capital</b> <b>A = 87,392,250 Shares</b>	<b>Ordinary Shares issued under LR 7.1A</b>	8,739,225	8,739,225.00	8,739,225.00
	<b>Voting dilution</b>	10%	10%	10%
	<b>Funds raised</b>	\$4,500,701	\$3,375,526	\$2,250,350
	<b>Economic dilution</b>	0%	2.27%	4.55%
<b>100% increase in issued capital</b> <b>A = 116,523,000 Shares</b>	<b>Ordinary Shares issued under LR 7.1A</b>	11,652,300.00	11,652,300.00	11,652,300.00
	<b>Voting dilution</b>	10%	10%	10%
	<b>Funds raised</b>	\$6,000,935	\$4,500,701	\$3,000,467
	<b>Economic dilution</b>	0%	2.27%	4.55%

**Notes:**

This table has been prepared on the following assumptions:

1. the closing price of Shares traded on ASX on 17 October 2017 was \$0.515;
2. the Company issues the maximum number of Equity Securities available under the Additional Placement Facility;
3. existing Shareholders' holdings do not change from the date of this Meeting to the date of the issue under the Additional Placement Facility;
4. the Company issues Shares only and does not issue other types of Equity Securities (such as Options) under the Additional Placement Facility;
5. the impact of placements under Listing Rule 7.1 or following the exercise of Options is not included in the calculations; and

6. Economic dilution (ED) is calculated using the following formula:

$$ED = (MP - (NMC / TS)) / MP$$

where:

**MP** = the market price of shares traded on ASX, expressed in dollars;

**MC** = market capitalisation prior to issue of Equity Securities, being the MP multiplied by the number of shares on issue;

**NMC** = notional market capitalisation, being the market capitalisation plus the NSV;

**NSV** = new security value, being the number of new Equity Securities multiplied by the issue price of those Equity Securities; and

**TS** = total shares on issue following new Equity Security issue.

**(c) Date by which Equity Securities may be issued**

Equity Securities may be issued under the Additional Placement Facility for 12 months after this Meeting (i.e. until 29 November 2018).

However, the approval of the Additional Placement Facility under this Resolution will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or Listing Rule 11.2 (disposal of the Company's main undertaking).

**(d) Purpose for which Equity Securities may be issued**

The Company may seek to issue Equity Securities under the Additional Placement Facility for the following purposes:

- (i) cash consideration to fund business growth, to acquire new assets or make investments, to develop the Company's existing assets and operations and for general working capital; and
- (ii) non-cash consideration to acquire new assets or make investments; in these circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

**(e) Allocation policy**

The Company's allocation policy for the issue of Equity Securities under the Additional Placement Facility will depend on the prevailing market conditions at the time of the proposed issue. The allottees will be determined on a case-by-case basis having regard to factors such as:

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

As at the date of this Notice, the Company has not identified any proposed allottees of Equity Securities using the Additional Placement Facility. However, the eventual allottees may include existing substantial Shareholders, other Shareholders and/or new investors.

None of the allottees will be a Related Party or an Associate of a Related Party of the Company, except as permitted under Listing Rule 7.2. Existing Shareholders may or may not be entitled to subscribe for Equity Securities under the Additional Placement Facility and it is possible that their shareholding will be diluted.

If the Additional Placement Facility is used to acquire new assets or investments, then it is likely that the allottees will be the vendors of these assets/investments.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities under the Additional Placement Facility.

(f) **Additional information on issued securities**

Shareholders previously approved an Additional Placement Facility at the Company's 2016 annual general meeting.

The total number of Equity Securities issued in the 12 months before this Meeting is 5,194,500. This represents approximately 6.0% of the total number of Equity Securities on issue at the commencement of that 12 month period.

None of the Equity Securities issued in the 12 months before this Meeting were issued under the Additional Placement Facility approved at the 2016 annual general meeting.

The details for each separate issue of Equity Securities issued during the 12 months before this Meeting are set out in Schedule 4.

9.5 **Directors' recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 12 as it will give the Company the flexibility to raise and fund necessary working capital whilst preserving the Company's cash reserves.



## Glossary

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In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

<b>Additional Placement Facility</b>	Has the meaning given to that term on Section 9.1 of this Explanatory Statement.
<b>Annual General Meeting or Meeting</b>	The annual general meeting of Shareholders or any adjournment thereof, convened by this Notice.
<b>Annual Report</b>	The annual report of the Company for the financial year ended 30 June 2017, including the annual financial report, the Directors' report and the Auditor's report.
<b>Associate</b>	Has the meaning given to that term in the Listing Rules.
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange, as the context requires.
<b>ASX Principles</b>	ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3 <sup>rd</sup> edition).
<b>Board</b>	The Company's Board of Directors.
<b>Chairperson</b>	The chairperson of the Meeting.
<b>Class A Performance Share</b>	A fully paid Class A Performance Share in the capital of the Company, the terms and conditions of which are set out in Schedule 2.
<b>Class B Performance Share</b>	A fully paid Class B Performance Share in the capital of the Company, the terms and conditions of which are set out in Schedule 2.
<b>Class C Performance Share</b>	A fully paid Class C Performance Share in the capital of the Company, the terms and conditions of which are set out in Schedule 2.
<b>Closely Related Parties</b>	Has same meaning given to it in section 9 of the Corporations Act, being, in relation to a member of Key Management Personnel: <ul style="list-style-type: none"><li>(a) a spouse or child of the member;</li><li>(b) a child of the member's spouse;</li><li>(c) a dependent of the member or the member's spouse;</li><li>(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;</li><li>(e) a company the member controls; or</li><li>(f) a person prescribed by the <i>Corporations Regulations 2001</i> (Cth) (currently none are prescribed).</li></ul>
<b>Company</b>	Aurora Labs Limited (ACN 601 164 505).
<b>Company Secretary</b>	The Company Secretary of the Company at the time of the Meeting.
<b>Constitution</b>	The Constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).

<b>Director</b>	A director of the Company.
<b>Employee Options</b>	The 145,000 Employee Options which, subject to Shareholder approval of Resolutions 5 to 8, are to be granted to Messrs Budge, Henry and Whyte, or their nominees, the terms and conditions of which are set out in Schedule 3.
<b>Employee Incentive Plan</b>	The employee incentive plan adopted by the Company on 12 August 2016 (as amended on 13 March 2017).
<b>Employment Agreement</b>	As the context requires: <ul style="list-style-type: none"> <li>(a) the Managing Director Engagement Deed between the Company and Mr David James Budge dated 4 May 2016 (as amended); or</li> <li>(b) the Executive Director Engagement Deed between the Company and Mr John (Nathan) Henry dated 4 May 2016 (as amended) .</li> </ul>
<b>Equity Security</b>	Has the meaning given to that term in ASX Listing Rule 19.12, being: <ul style="list-style-type: none"> <li>(a) a share;</li> <li>(b) a unit;</li> <li>(c) a right to a share or unit or option;</li> <li>(d) an option over an issued or unissued security;</li> <li>(e) a convertible security;</li> <li>(f) any security that ASX decides to classify as an equity security;</li> <li>(g) but not a security that ASX decides to classify as a debt security.</li> </ul>
<b>Explanatory Statement</b>	This explanatory statement which accompanies and forms part of the Notice of Meeting.
<b>Glossary</b>	This glossary of terms.
<b>Key Management Personnel</b>	Has the same meaning as the definition of that term in section 9 of the Corporations Act, being those persons details of whose remuneration are included in the Remuneration Report having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).
<b>Listing Rules</b>	The listing rules of ASX, as amended from time to time.
<b>Notice or Notice of Annual General Meeting</b>	The notice of Annual General Meeting which accompanies this Explanatory Statement.
<b>Performance Share</b>	A Class A Performance Share, Class B Performance Share or Class C Performance Share, as the context requires.
<b>Option</b>	An option to subscribe for a Share.
<b>Proxy Form</b>	The proxy form accompanying the Notice.
<b>Related Body Corporate</b>	Has the same meaning as given to that term in the Corporations Act.
<b>Related Party</b>	Has the same meaning as given to that term in the Corporations Act.
<b>Remuneration Report</b>	The remuneration report of the Company for the period ended 30 June 2017, appearing in the Director's report as set out in the Annual Report.

<b>Resolution</b>	A resolution set out in the Notice.
<b>Selective Capital Reduction</b>	Has the meaning given to that term in Section 7.1.
<b>Share</b>	A fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	A holder of a Share.
<b>Termination Entitlements</b>	As the context requires: <ul style="list-style-type: none"><li>(a) a termination entitlement payable to Mr Budge pursuant to the terms of his Employment Agreement, as described in section 7 of this Explanatory Statement; or</li><li>(b) a termination entitlement payable to Mr Henry pursuant to the terms of his Employment Agreement, as described in section 7 of this Explanatory Statement.</li></ul>
<b>Tranche 1 Employee Options</b>	The 45,000 Employee Options exercisable at \$0.79 on or before 31 August 2017, and otherwise on the term and conditions set out in Schedule 3.
<b>Tranche 2 Employee Options</b>	The 100,000 Employee Options exercisable at \$0.95 each on or before 31 July 2020, and otherwise on the term and conditions set out in Schedule 3.
<b>VWAP</b>	The volume-weighted average price of Shares traded on ASX.
<b>WST</b>	Australian Western Standard Time, being the time in Perth, Western Australia.

## Schedule 1 – Summary of Employee Incentive Plan Terms

The Company has established an employee incentive plan (**Plan**) which is governed by the Employee Incentive Plan Rules (**Rules**).

Under the Plan, the Company may grant options (**Plan Options**) to subscribe for fully paid ordinary shares in the capital of the Company (**Shares**) or performance rights entitling the holder to be issued Shares (**Plan Rights**) on terms and conditions set by the Board at its discretion.

The material terms of the Plan are as follows:

1. The purpose of the Plan is:
  - (a) to establish a method by which eligible persons can participate in the future growth and profitability of the Company;
  - (b) to provide an incentive and reward for eligible persons for their contribution to the Company; and
  - (c) to attract and retain a high standard of managerial and technical personnel for the benefit of the Company.
2. The following persons can participate in the Plan if the Board makes them an offer to do so:
  - (a) a full-time or part-time employee, including an executive and non-executive Director of the Company or its related bodies corporate;
  - (b) a contractor of the Company or its related bodies corporate; and
  - (c) a casual employee of the Company or its related bodies corporate where the employee or contractor is, or might reasonably be expected to be, engaged to work the pro-rata equivalent of 40% or more of a comparable full-time position.
3. Plan Options and Plan Rights (collectively **Awards**) issued under the Plan are subject to the terms and conditions set out in the Rules, which include:
  - (a) **Vesting Conditions** – which are time-based criteria, requirements or conditions (as specified in the offer and determined by the Board) which must be met prior to Awards vesting in a participant, which the Board may throughout the course of the period between the grant of an Award and its vesting, waive or accelerate as the Board considers reasonably appropriate;
  - (b) **Performance Conditions** – which are conditions relating to the performance of the Company and its related bodies corporate (and the manner in which those conditions will be tested) as specified in an offer and determined by the Board; and
  - (c) **Exercise Conditions** – which are criteria, requirements or conditions, as determined by the Board or under the Plan, which must be met (notwithstanding the satisfaction of any Vesting Conditions and/or Performance Conditions) prior to a Participant being entitled to exercise vested Options.
4. In accordance with ASIC Class Order 14/1000, the total Awards that may be issued under the Plan will not exceed 5% of the total number of Shares on issue. In calculating this limit, Awards issued to participants under the Plan other than in reliance upon this Class Order are discounted.
5. Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the Plan except to the extent an Offer provides otherwise.
6. The Board has the unfettered and absolute discretion to administer the Plan.

7. Awards issued under the Plan are not transferable and will not be quoted on the ASX.

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## Schedule 2 – Terms of Performance Shares

1. **Performance Shares:** Each Class [A, B or C] Performance Share is a share in the capital of the Company.
2. **General meetings:** Each Class [A, B or C] Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders.
3. **No voting rights:** A Class [A, B or C] Performance Share does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.
4. **No dividend rights:** A Class [A, B or C] Performance Share does not entitle the Holder to any dividends.
5. **No rights to return of capital:** A Class [A, B or C] Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
6. **Rights on winding up:** A Class [A, B or C] Performance Share does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.
7. **Not transferable:** A Class [A, B or C] Performance Share is not transferable.
8. **Reorganisation of capital:** If at any time the issued capital of the Company is reconstructed (including a consolidation, subdivision, reduction, cancellation or return of issued share capital), all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
9. **Application to ASX:** The Class [A, B or C] Performance Shares will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Class [A, B or C] Performance Shares into Shares, the Company must within 10 business days apply for the official quotation of the Shares arising from the conversion on ASX.
10. **Participation in entitlements and bonus issues:** A Class [A, B or C] Performance Share does not entitle a Holder (in their capacity as a holder of a Class [A, B or C] Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
11. **Amendments required by ASX:** The terms of the Class [A, B or C] Performance Shares may be amended as necessary by the Board in order to comply with the ASX Listing Rules (if applicable), or any directions of ASX (if applicable) regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
12. **No Other Rights:** A Class [A, B or C] Performance Share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
13. **Milestones:**
  - (a) A Class A Performance Share in the relevant class will convert into one Share upon achievement of the Company (or an entity controlled by the Company) having cumulative revenue of A\$1,500,000 before 30 June 2017.
  - (b) A Class B Performance Share in the relevant class will convert into one Share upon achievement of the Company (or an entity controlled by the Company) having cumulative revenue of A\$5,000,000 before 30 June 2018.

- (c) A Class C Performance Share in the relevant class will convert into one Share upon achievement of the Company (or an entity controlled by the Company) having cumulative revenue of A\$7,250,000 before 30 June 2019.
14. **Conversion on change of control:** Notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:
- (a) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company having received acceptances for more than 50% of the Company's shares on issue and being declared unconditional by the bidder; or
  - (b) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,
  - (c) that number of Class [A, B or C] Performance Shares that is equal to 10% of the Shares on issue immediately following conversion under this paragraph will convert into an equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of Class [A, B or C] Performance Shares then on issue as well as on a pro rata basis for each Holder. Class [A, B or C] Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.
15. **Redemption if Milestone not achieved:** If the relevant Milestone is not achieved by the required date, then each Class [A, B or C] Performance Share in that class will be automatically redeemed by the Company for the sum of \$0.00001 within 10 Business Days of non-satisfaction of the Milestone.
16. **Conversion Procedure:** the Company will issue the Holder with a new holding statement for the Share issued upon conversion of a Class [A, B or C] Performance Share within 10 Business Days following the conversion.
17. **Ranking upon conversion:** The Share into which a Class [A, B or C] Performance Share may convert will rank *pari passu* in all respects with the existing the Company Shares.
18. **Deferral of conversion:** If the conversion of any Class [A, B or C] Performance Shares (or any part thereof) would result in any person being in contravention of section 606(1) of the Corporations Act (**Takeover Restriction**) then:
- (a) The conversion of those Class [A, B or C] Performance Shares (or any part thereof) will be deferred until such later time or times that the conversion would not result in a contravention of the Takeover Restriction.
  - (b) A Holder may give written notification to the Company if they consider that the conversion of those Class [A, B or C] Performance Shares (or any part thereof) may result in the contravention of the Takeover Restriction, failing which the Company may assume the conversion of those Class [A, B or C] Performance Shares will not result in any person being in contravention of the Takeover Restriction.
  - (c) The Company may (but is not obliged to) by written notice to a Holder, request a Holder to provide the written notice referred to in paragraph 18(b) within 7 days if the Company considers that the conversion of those Class [A, B or C] Performance Shares (or any part thereof) may result in a contravention of the Takeover Restriction. If the Holder does not give notification to the Company within 7 days that they consider the conversion of the Class [A, B or C] Performance Shares (or part thereof) may result in the contravention of the Takeover Restriction, then the Company may assume that the conversion of the Class [A, B or C] Performance Shares (or part thereof) will not result in any person being in contravention of the Takeover Restriction.

## Schedule 3 – Terms of Employee Options

1. **Employee Incentive Plan:**
  - (a) Each Tranche 1 Employee Option and Tranche 2 Employee Option (each an **Employee Option**) is granted pursuant to the Employee Incentive Plan of the Company.
  - (b) Terms defined in the rules of the Employee Incentive Plan (**Rules**) will, when used in these Terms of Employee Options, have the same meaning given to those terms under the Rules or the Notice (as the case may be) unless expressly stated otherwise in these Terms of Employee Options.
  - (c) Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) will apply (subject to the conditions in that Act) to the Employee Options.
2. **Entitlement:** Each Employee Option entitles the holder (**Option Holder**) to subscribe for 1 Share.
3. **No payment on grant:** The Option Holder is not required to pay any amount on the grant of an Employee Option.
4. **Exercise price:** The exercise price of each Employee Option (**Exercise Price**) is:
  - (a) in the case of a Tranche 1 Employee Option, \$0.79; and
  - (b) in the case of a Tranche 2 Employee Option, \$0.95.
5. **Expiry date:** Each Employee Option not exercised by 5.00pm (WST) on the following dates (each an **Expiry Date**) will automatically lapse and terminate:
  - (a) in the case of a Tranche 1 Employee Option, 31 August 2020; and
  - (b) in the case of a Tranche 2 Employee Option, 31 July 2020.
6. **Certificate or holding statement:** The Company must give the Option Holder a certificate or holding statement stating:
  - (a) the number of Employee Options granted to the Option Holder;
  - (b) the Exercise Price of the Employee Options; and
  - (c) the date of grant of the Employee Options.
7. **Restrictions on dealing and transfer:**
  - (a) An Option Holder must not sell, transfer, mortgage, pledge, charge, grant a security interest over or otherwise dispose of (**Dispose**) any Employee Options, or agree to do any of the same, without the prior consent of the Board, except where such Disposal occurs by force of law.
  - (b) The transfer of any Employee Option is subject to any restrictions on transfer under the Corporations Act or the Listing Rules.
8. **Quotation of Employee Options:** The Company will not apply for quotation of any Employee Options.
9. **New issues:** The Option Holder is not entitled to participate in any new issue to the Shareholders of securities in the Company unless they have exercised their Employee Options before the record date for determining entitlements to the new issue of securities and participate



as a result of holding Shares. The Company must give the Option Holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.

10. **Bonus issues:** If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Employee Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Employee Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Employee Option before the record date for determining entitlements to the issue.
11. **Pro rata issues:** If the Company makes a pro rata issue of Shares (except a bonus issue) to Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and a Share has not been issued in respect of the Employee Option before the record date for determining entitlements to the issue, the Exercise Price of each Employee Option will be reduced in accordance with the Listing Rules.
12. **Reorganisation:**
- (a) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option Holder (including the number of Employee Options to which the Option Holder is entitled to and the Exercise Price) will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
  - (b) Any calculations or adjustments which are required to be made will be made by the Company's Board of Directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option Holder.
  - (c) The Company must, within a reasonable period, give to the Option Holder notice of any change to the Exercise Price of any Employee Options held by the Option Holder or the number of Shares which the Option Holder is entitled to subscribe for on exercise of an Employee Option.
13. **Exercise:**
- (a) Subject to 13(b), an Option Holder may:
    - (i) not exercise an Employee Option during the period (**Restriction Period**) commencing on the date that an Employee Option is granted and expiring on the later of:
      - A. the date that the last Vesting Condition (if any) is satisfied or waived by the Company; and
      - B. the date when the last Exercise Condition (if any) is satisfied or waived by the Company; and
    - (ii) only exercise an Employee Option after the expiry of the Restriction Period but prior to the Expiry Date.
  - (b) Notwithstanding paragraph 13(a), an Employee Option may be exercised:
    - (i) in the Board's absolute discretion, at any time after a Change of Control Event has occurred;
    - (ii) at any time after the announcement of a proposed capital reorganisation referred to in paragraph 12;

- (iii) in the Board's absolute discretion, following the occurrence and announcement by the Company of an event that in the opinion of the Board is likely to lead to the Company being removed from the official list of ASX; or
  - (iv) in the Board's absolute discretion, within 12 months, if any of the following occurs in relation to a Participant, in relation to Employee Options held by or on behalf of that Participant:
    - A. the illness or incapacity of the Participant necessitating the permanent withdrawal of the Participant from the work force, as accepted to the satisfaction of the Board; or
    - B. any other circumstances which the Board considers should be treated as permanent disablement of the Participant for the purposes of the Employee Incentive Plan.
- (c) To exercise Employee Options, the Option Holder must give the Company or its securities registry, at the same time:
- (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Employee Options being exercised and Shares to be issued;
  - (ii) payment of the Exercise Price for the Employee Options the subject of the exercise notice, by way of bank cheque or by other means of payment, approved by the Company;
  - (iii) the Certificate, or documentary evidence satisfactory to the Board that the Certificate was lost or destroyed; and
  - (iv) where required by the Company in accordance with rule 19.2 of the Rules, payment in full of the amount of Withholding Tax Amount that the Company is required to remit as a result of the exercise of the Employee Option.
- (d) Where a payment is received by the Company under paragraph 13(c)(iv), those moneys will be held on behalf of the Participant, and remitted to the appropriate taxing authority by the Company on behalf of the Participant as soon as reasonably practicable.
- (e) The Option Holder may only exercise Employee Options in multiples of 500 Employee Options unless the Option Holder holds less than 500 Employee Options.
- (f) A notice of exercise in relation to any Employee Options only becomes effective when the Company has received the full amount of the Exercise Price for the number of Employee Options specified in the notice, in cleared funds.
- (g) Employee Options will be deemed to have been exercised on the date the exercise notice is lodged with the Board.
14. **Re-issue of certificate or holding statement:** If the Option Holder exercises less than the total number of Employee Options registered in the Option Holder's name:
- (a) the Option Holder must surrender their Employee Option certificate (if any); and
  - (b) the Company must cancel the Employee Option certificate (if any) and issue the Option Holder a new Employee Option certificate or holding statement stating the remaining number of Employee Options held by the Option Holder.
15. **Issue of Shares:** Within 10 days after receiving an application for exercise of Employee Options and payment by the Option Holder of the Exercise Price, the Company must issue the Option Holder the number of Shares specified in the application.

16. **Equal ranking:** Subject to the Company's Constitution, all Shares issued on the exercise of Employee Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary Shares of the Company at the date of issue.
17. **Quotation of Shares:** The Company will apply to ASX for official quotation of the Shares issued on exercise of Employee Options.
18. **Bad Leaver:** Each Employee Option that has not been exercised and not expired will automatically lapse and be forfeited if the Participant to which the Employee Option relates ceases employment or engagement as a Contractor with the Group Companies as a Bad Leaver.
19. **Good Leaver:** An Employee Option will not lapse and be forfeited if the Participant to which the Employee Option relates ceases employment or engagement as a Contractor with any Group Companies as a Good Leaver.
20. **Governing law:** These terms and the rights and obligations of the Option Holder are governed by the laws of Western Australia. The Option Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

## Schedule 4 – Equity Securities in Past 12 Months

Issue Date	Equity Securities issued	Allottee(s)	Issue price	Total cash consideration	Use of funds	Non-cash consideration and current value
3 October 2017	167,500 Shares (on the exercise of 167,500 Options)	Various Option holders of the Company	\$0.20 per Share	\$33,500	As at 23 October 2017, the Company has not spent any of the funds received but proposes to apply the \$33,500 towards its general working capital requirements.	Non-cash consideration: Nil Current value: approximately \$86,263
	50,000 unquoted Options exercisable at \$0.72 each and expiring on 30 September 2020	A senior employee of the Company	Nil	Nil	Not applicable.	Non-cash consideration: Nil Current value: \$0.2003 each
29 August 2017	194,000 Shares (on the exercise of 194,000 Options)	Various Option holders of the Company	\$0.20 per Share	\$38,800	As at 23 October 2017, the Company has not spent any of the funds received but proposes to apply the \$38,800 towards its general working capital requirements.	Non-cash consideration: Nil Current value: \$99,910
	432,000 Options exercisable at \$0.79 and expiring on 31 August 2020	Non-related employees under the Employee Incentive Plan	Nil	Nil	Not applicable	Non-cash consideration: Nil Current value: approximately \$0.1861 each
12 July 2017	40,000 Options exercisable at \$1.17 and expiring on 30 June 2020	Non-related employees under the Employee Incentive Plan	Nil	Nil	Not applicable	Non-cash consideration: Nil Current value: \$0.1539 each
12 June 2017	255,000 Options exercisable at \$2.23 and expiring on 30 November 2019	Mr David Budge (Managing Director) and Mr John (Nathan) Henry (Executive Director) under the Employee Incentive Plan	Nil	Nil	Not applicable	Non-cash consideration: Nil Current value: approximately \$0.2925 each
	290,000 Options exercisable at \$3.00 and expiring on 31 March 2020		Nil	Nil	Not applicable	Non-cash consideration: Nil

						Current value: approximately \$0.2768 each
16 March 2017	641,000 Options exercisable at \$3.00 and expiring on 31 March 2020	Non-related employees under the Employee Incentive Plan	Nil	Nil	Not applicable	Non-cash consideration: Nil Current value: approximately \$0.2768 each
3 March 2017	2,800,000 Shares pursuant to a placement to sophisticated and professional investors	Shares were issued pursuant to a placement to various sophisticated and professional investors managed by Bell Potter	\$2.50 per Share	\$7,000,000	As at 23 October 2017: <ul style="list-style-type: none"> <li>approximately \$3,900,000 of the funds raised were used as follows (as set out in the Company's announcement dated 24 February 2017): <ul style="list-style-type: none"> <li>to accelerate the development and testing of the Company's medium and large format printers;</li> <li>to meet the costs of the placement; and</li> <li>for general working capital requirements; and</li> </ul> </li> <li>the Company proposes to apply the remaining \$3,100,000 towards the same purposes as outlined above.</li> </ul>	Non-cash consideration: Nil Current value: approximately \$1,442,000
	100,000 Shares (on the exercise of 100,000 Options)	Various Option holders of the Company	\$0.20 per Share	\$20,000	As at 23 October 2017, the Company has not spent any of the funds received but proposes to apply the \$20,000 towards its for its general working capital requirements.	Non-cash consideration: Nil Current value: approximately \$51,500
23 November 2016	225,000 Options exercisable at \$2.23 and expiring on 30 November 2019	Non-related employees under the Employee Incentive Plan	Nil	Nil	Not applicable	Non-cash consideration: Nil Current value: approximately \$0.2925 each

**Notes:**

- The value of Shares in the table above is based upon the latest closing price of Shares traded on ASX on 17 October, being \$0.515.
- The value of Options granted prior to 1 July 2017 has been extracted from the Annual Report which applied the Black-Scholes option pricing model.
- Options granted after 1 July 2017 have been valued using the Black-Scholes option pricing model as at 17 October 2017, based on a number of assumptions and variables, including the following:

- (a) each Option will be exercised immediately prior to the expiry date;
- (b) the closing price of Shares traded on ASX on 17 October 2017 was \$0.515;
- (c) a risk-free rate of 2.07% has been adopted;
- (d) a dividend yield rate of 0% has been adopted;
- (e) a volatility factor of 100% has been adopted; and
- (f) a marketability discount of 30% has been adopted to reflect the fact that the Options are not freely transferable.

## Annexure A – Auditor’s Nomination

For personal use only

John (Nathan) Henry  
15 Prince Street  
Gosnells, WA 6110

17 October 2017

Mr Mathew Whyte  
Company Secretary  
Aurora Labs Limited  
2/79 Bushland Ridge  
BIBRA LAKE WA 6163

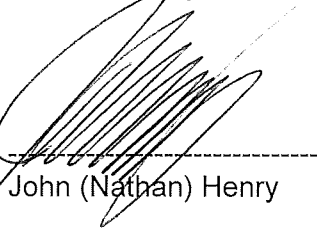
Dear Sir

**Aurora Labs Limited – Nomination of Auditor**

I, John (Nathan) Henry, am a shareholder of Aurora Labs Limited (**Company**).

For the purposes of section 328B(1) of the *Corporation Act 2001* (Cth), I hereby nominate HLB Mann Judd of Level 4, 130 Stirling Street, Perth, Western Australia 6000 for appointment as auditor of the Company, at the next annual general meeting of the Company.

Yours faithfully



John (Nathan) Henry

For personal use only



Annexure B – Auditor’s Consent

For personal use only

1710 ADM COR

18 October 2017

The Board of Directors  
Aurora Labs Limited  
2/79 Bushland Ridge  
BIBRA LAKE WA 6163

Dear Sirs

**CONSENT TO ACT AS AUDITORS - AURORA LABS LTD**

Further to our letter dated 11 January 2016 and in accordance with Section 328A of the Corporations Act 2001, we hereby consent to act as auditors of Aurora Labs Limited.

Yours faithfully



**HLB MANN JUDD**  
**Chartered Accountants**



**NORMAN NEILL**  
**Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: [mailbox@hlbwa.com.au](mailto:mailbox@hlbwa.com.au) | Website: [www.hlb.com.au](http://www.hlb.com.au)

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