
CARNEGIE CLEAN ENERGY LIMITED

ACN 009 237 736

NOTICE OF ANNUAL GENERAL MEETING

**The Annual General Meeting of the Company will be held at
Swan Yacht Club, Riverside Road, East Fremantle WA 6158 on
Wednesday, 25 November 2020 at 9.00am (AWST)**

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

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary,
Grant Mooney, by telephone on +61 8 9226 0085.***

Shareholders are encouraged to lodge a proxy form attached to this Notice prior to the Meeting.

CARNEGIE CLEAN ENERGY LIMITED

ACN 009 237 736

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Carnegie Clean Energy Limited (**Company**) will be held at Swan Yacht Club, Riverside Road, East Fremantle WA 6158 on Wednesday, 25 November 2020 at 9.00am (AWST) (**Meeting**).

All votes taken at the Meeting will be taken on a poll.

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice. We recommend shareholders read the Explanatory Memorandum in relation to the proposed Resolutions.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 23 November 2020 at 9.00am (AWST).

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

AGENDA

Annual Report

To consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2020, which includes the Financial Report, the Directors' Report and the Auditor's Report.

1. Resolution 1 – Remuneration Report

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

“That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on this Resolution if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; or
 - (b) the person is the Chairperson voting an undirected proxy which expressly authorises the Chairperson to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.
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2. Resolution 2 – Re-election of Terry Stinson as Director

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

“That, pursuant to and in accordance with Listing Rule 14.4, Article 10.3 of the Constitution and for all other purposes, Terry Stinson, Director, retires and being eligible, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum.”

3. Resolution 3 – Ratify Issue of Class A Options to the Chief Executive Officer

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

“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 200,000,000 Class A Options to the Chief Executive Officer on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue (namely the Chief Executive Officer) or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. Resolution 4 – Ratify Issue of Class B Options to Management and Staff

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

“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify issue of 100,000,000 Class B Options to Management and Staff on the terms and conditions in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the issue (namely the Management and Staff) or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on this Resolution as the Chairperson decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. Resolution 5 – Approval of Employee Incentive Plan

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

*"That pursuant to and in accordance with Listing Rule 7.2 (Exception 13) and for all other purposes, Shareholders approve the Employee Incentive Plan (**Plan**), and the grant of Incentive Securities and the issue of underlying securities under the Plan, on the terms and conditions in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is eligible to participate in the Plan or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on the Resolution as the Chairperson decides; or
- (c) a Shareholder acting solely in a nominee, trustee, custodian or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on the Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

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

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and

- (a) the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

6. Resolution 6 – Approval of Issue of Incentive Options to Terry Stinson under the Employee Incentive Plan

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

"That, subject to Resolution 5 being passed, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 100,000,000 Incentive Options to Mr Terry Stinson (and/or his nominee(s)) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any Director who is eligible to participate in the Plan (including Mr Terry Stinson (and/or his nominee(s))) or an associate of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairman as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- (c) a Shareholder acting solely in a nominee, trustee, custodian or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution; and
 - (ii) the Shareholder votes on the resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

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

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person appointed as proxy is the Chairperson and the appointment does not specify how the Chairperson is to vote but expressly authorises the Chairperson to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

7. Resolution 7 – Approval for 10% Placement Facility

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

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of 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 in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person (and/or their nominee(s)) who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or any associates of that person or those persons.

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

- (a) a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with the directions given to the proxy or attorney to vote on this Resolution in that way; or
- (b) the Chairperson as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chairperson to vote on the Resolution as the Chairperson decides; or
- (c) a Shareholder acting solely in a nominee, trustee, custodian or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on this Resolution; and
- (ii) the Shareholder votes on the Resolution in accordance with the directions given by the beneficiary to the Shareholder to vote in that way.

Note: As at the date of this Notice, it is not known who may participate in any Equity Securities issued under Resolution 7 and the Company has not approached any Shareholder or identified a class of existing Shareholders to participate in any issue of Equity Securities under the 10% Placement Facility. Accordingly, no Shareholders are excluded from voting on Resolution 7.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Grant Mooney', written in a cursive style.

Grant Mooney
Non-Executive Director and Company Secretary

Dated: 20 October 2020

CARNEGIE CLEAN ENERGY LIMITED

ACN 009 237 736

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting on Wednesday, 25 November 2020 at 9.00am (AWST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the Notice.

The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

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

Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 – Adoption of Remuneration Report
Section 5:	Resolution 2 – Re-election of Terry Stinson as Director
Section 6:	Resolution 3 – Ratify Issue of Class A Options to the Chief Executive Officer
Section 7:	Resolution 4 – Ratify Issue of Class B Options to Management and Staff
Section 8:	Resolution 5 – Approval of Employee Incentive Plan
Section 9:	Resolution 6 – Approval of Issue of Incentive Options to Terry Stinson under the Employee Incentive Plan
Section 10:	Resolution 7 – Approval for 10% Placement Capacity
Schedule 1:	Definitions
Schedule 2:	Summary of Employee Incentive Plan
Schedule 3:	Terms and Conditions of Options

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

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

2.1 Proxies

A Proxy Form is enclosed with this Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited to attend the Meeting or, if they are unable to attend the Meeting, sign and return the Proxy Form to the Company in accordance with the instructions on the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and

- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 9.00am (AWST) on 23 November 2020, being at least 48 hours before the Meeting.

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

2.2 Voting Prohibition by Proxy holders (Remuneration Report)

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person described in subparagraphs (a) or (b) above and either:

- (a) the person does so as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; or
- (b) the person is the Chairperson voting an undirected proxy which expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

A vote on Resolution 1 must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolution 1; or
- (b) the person is the chair and the appointment of the chair as proxy does not specify the way the proxy is to vote on Resolution 1, but expressly authorises the Chairperson to exercise the proxy even if Resolution 1 is connected with the remuneration of a member of the Key Management Personnel.

3. Annual Report

In accordance with section 317(1) of the Corporations Act, the Annual Report for the financial year ended 30 June 2020 must be laid before the Meeting. There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at <https://www.carnegiece.com/>;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Auditor about:

- (a) the preparation and contents of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 – Adoption of Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the Company's remuneration policy; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors of the Company. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

If a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company will be required to put to Shareholders at the second AGM, a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2019 annual general meeting. Please note, if the Remuneration Report receives a Strike at this Meeting and if a second Strike is received at the 2021 annual general meeting, this may result in the re-election of the Board.

The Chairperson will allow reasonable opportunity for Shareholders to ask questions about or comment on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 2 – Re-election of Terry Stinson as Director

5.1 General

Article 10.3(b) of the Constitution requires one third of the Directors (excluding Directors required to retire under Article 10.3(c) and rounded down to the nearest whole number) to retire at each annual general meeting where the Company has three or more Directors.

ASX Listing Rule 14.4 states that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

Accordingly, Resolution 2 provides that Mr Terry Stinson will retire by rotation at this Meeting and, being eligible, offers himself for re-election.

Mr Stinson has over 30 years of executive leadership experience with innovation companies globally. He was formerly the Chief Executive Officer and Managing Director of Orbital Corporation Ltd (resigned as a director 18 November 2019). He was previously also a Vice President and General Manager at Siemens AG responsible for overseeing an international business across multiple sites, over 1,200 staff and delivering sales in excess of US \$300m p.a. Mr Stinson was also previously CEO and MD at Synerject, VP Manufacturing OMC, Director Advanced R&D Product and Process Mercury Marine, division of Brunswick Corp, Project Engineer LT-5 Corvette engine, USA SME 1990 Young Engineer of the Year, and leadership positions supporting various international ventures with Yamaha, Honda, Chrysler, Penske and others. Mr Stinson is a Non-Executive director of 3D metal printing technology company Aurora Labs Limited (appointed 26 February 2020) and is also Non-Executive Chairman of Talga Resources Ltd since 9 February 2017.

Details of the qualifications and experience of Mr Stinson are also included in the Annual Report.

If Resolution 2 is passed, Mr Stinson will be able to continue to act as a Director.

If Resolution 2 is not passed, Mr Stinson will cease to act as a Director.

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

5.2 Board Recommendation

The Board (excluding Mr Stinson) supports the election of Mr Stinson and recommends that Shareholders vote in favour of Resolution 2.

6. Resolution 3 – Ratify the Issue of Class A Options to Chief Executive Officer

6.1 Background

As announced to ASX on 21 July 2020, the Company issued 200,000,000 Options to the Company's Chief Executive Officer, Mr Jonathan Fievez (**Class A Options**).

The Class A Options were issued utilising the Company's existing 15% share issue capacity under ASX Listing Rule 7.1 and pursuant to the Company's Employee Incentive Plan. The Class A Options were issued on the same terms and conditions as Options to be issued under the Company's Employee Incentive Plan (the subject of Resolution 5), as detailed in Schedule 3.

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

6.2 Listing Rules 7.1 and 7.4

Listing Rule 7.1 provides that the Company is entitled to issue Equity Securities up to 15% of its issued share capital through placements during any 12-month period, without needing prior shareholder approval. Listing Rule 7.4 provides that if the Company in general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1. The Company confirms that the issue of the Class A Options did not breach Listing Rule 7.1.

The effect of passing Resolution 3 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

If Resolution 3 is passed, the Class A Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities the Company can issue without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date the Company issued the Class A Options.

If Resolution 3 is not passed, Class A Options will be included in calculating the Company's 15% Placement Capacity in Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue without Shareholder approval under Listing Rule 7.1 for the periods noted immediately above.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Class A Options.

6.3 Specific information required by Listing Rule 7.5

In accordance with the requirements of Listing Rule 7.5, the following information is provided:

- (a) 200,000,000 Class A Options were issued to the Company's Chief Executive Officer, Mr Jonathan Fievez.
- (b) The Class A Options have an exercise price of \$0.002 each and an expiry date of 20 July 2022 and were issued on the terms and conditions detailed in Schedule 3.
- (c) The Class A Options were issued on 21 July 2020.
- (d) The Class A Options will be issued for nil consideration and no funds will be raised from the issue. The purpose of the issue of the Class A Options was to encourage

the Chief Executive Officer to achieve the Company's objectives and to provide an incentive to perform his duties to that end.

- (e) The Class A Options were not issued under an agreement.
- (f) A voting exclusion statement is included in the Notice for Resolution 3.

6.4 Board Recommendation

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

7. Resolution 4 – Ratify the Issue of Class B Options to Management and Staff

7.1 General

As announced to ASX on 21 July 2020, the Company issued 100,000,000 Options to the Company's management and staff, including the Company's technology and administration team members (**Management and Staff**) (**Class B Options**).

The Class B Options were issued utilising the Company's existing 15% share issue capacity under ASX Listing Rule 7.1 and pursuant to the Company's Employee Incentive Plan. The Class B Options were issued on the same terms and conditions as Options to be issued under the Company's Employee Incentive Plan (the subject of Resolution 5), as detailed in Schedule 3.

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

7.2 Listing Rules 7.1 and 7.4

Listing Rule 7.1 provides that the Company is entitled to issue Equity Securities up to 15% of its issued share capital through placements during any 12-month period, without needing prior shareholder approval. Listing Rule 7.4 provides that if the Company in general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1. The Company confirms that the issue of the Class B Options did not breach Listing Rule 7.1.

The effect of passing Resolution 4 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

If Resolution 4 is passed, the Class B Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of Equity Securities the Company can issue without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date the Company issued the Class B Options.

If Resolution 4 is not passed, Class B Options will be included in calculating the Company's 15% Placement Capacity in Listing Rule 7.1, effectively decreasing the number of Equity Securities the Company can issue without Shareholder approval under Listing Rule 7.1 for the periods noted immediately above.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Class B Options.

7.3 Specific information required by Listing Rule 7.5

In accordance with the requirements of Listing Rule 7.5, the following information is provided

- (a) 100,000,000 Class B Options were issued to the Company's Management and Staff, including the Company's technology and administration team members, none of whom are related parties or substantial shareholders of the Company under Listing Rule 10.11.
- (b) The Class B Options have an exercise price of \$0.002 each and an expiry date of 20 July 2022 and were issued on the terms and conditions detailed in Schedule 3.
- (c) The Class B Options were issued on 21 July 2020.
- (d) The Class B Options will be issued for nil consideration and no funds will be raised from the issue. The purpose of the issue of the Class B Options was to encourage

the Company's Management and Staff to achieve the Company's objectives and to provide an incentive to perform their duties to that end.

- (e) The Class B Options were not issued under an agreement.
- (f) A voting exclusion statement is included in the Notice for Resolution 4.

7.4 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 4.

8. Resolution 5 – Approval of Employee Incentive Plan

8.1 General

Resolution 5 seeks Shareholder approval, pursuant to Listing Rule 7.2, Exception 13, to adopt the Company's Employee Incentive Plan (the **Plan**) and to enable Performance Rights, Options, and Shares upon exercise or conversion of those Performance Rights and Options to be issued under the Plan to eligible employees (**Incentive Securities**) to be exempted from Listing Rule 7.1 for a period of 3 years from the date on which Resolution 5 is passed.

A summary of the Plan, to be adopted pursuant to Resolution 5, is set out in Schedule 2.

The Company's existing employee equity incentive plan was last approved by Shareholders on 4 November 2016, and comprised an Employee Share Option Plan which offered the opportunity for eligible employees to subscribe for Options.

Resolution 5 seeks Shareholder approval to adopt the new Plan to offer the opportunity for eligible employees to subscribe for Options in addition to Performance Rights, in order to increase the range of potential incentives available for eligible employees.

The Plan is intended to assist the Company to attract and retain key staff. The Board believes that grants made to eligible employees under the Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the Plan will:

- (a) assist in the reward, retention and motivation of eligible employees;
- (b) link the reward of eligible employees to Shareholder value creation; and
- (c) align the interests of eligible employees with Shareholders by providing an opportunity to eligible employees to earn rewards via an equity interest in the Company based on creating Shareholder value.

Resolution 5 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 5, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though Resolution 5 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

8.2 ASX Listing Rules

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to convert to equity (such as an option or performance right), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 13, operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 13 is that any issues of securities under the Plan are treated as having been made with the approval of shareholders

for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2, Exception 13 lasts for a period of three years.

If Resolution 5 is not passed, any Incentive Securities issued under the Plan will count toward the Company's 15% Placement Capacity or must otherwise be subject to Shareholder approval. This may limit the Company's ability to utilise the Plan.

8.3 Specific Information Required by Listing Rule 7.2

In accordance with the requirements of Listing Rule 7.2, Exception 13(b), the following information is provided:

- (a) a summary of the material terms of the Plan is set out in Schedule 2 and forms part of the Notice;
- (b) no Securities have been issued under the current Plan as it is a new employee incentive plan and has not been previously approved by Shareholders;
- (c) the maximum number of equity securities proposed to be issued under the Plan following Shareholder approval is 1,114,145,245 securities, which is approximately 10% of the Company's current issued capital (although the Company does not intend to use the full capacity); and
- (d) a voting exclusion statement in respect of Resolution 5 has been included in the Notice.

8.4 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 5.

9. Resolution 6 – Approval of Issue of Incentive Options to Terry Stinson under the Employee Incentive Plan

9.1 General

The Company has agreed, subject to obtaining Shareholder approval, to grant a total of 100,000,000 Options exercisable at \$0.003 with an expiry date 3 years from the date of their issue to Director Mr Terry Stinson, pursuant to the Plan (**Incentive Options**).

In accordance with Listing Rule 10.14, Shareholder approval is required for the issue of Equity Securities to a Director or any associate of a Director under an employee incentive scheme. Resolution 5 seeks Shareholder approval, pursuant to Listing Rule 7.2, Exception 13, to adopt the Plan.

Resolution 6 is an ordinary resolution.

Resolution 6 is subject to Shareholders approving Resolution 5.

The Chairperson intends to exercise all available proxies in favour of Resolution 6.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 6, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though Resolution 6 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

9.2 Chapter 2E of the Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party, the Company must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Incentive Options to Mr Stinson as the exception in section 211 of the Corporations Act applies. The Incentive Options are considered to be reasonable remuneration for the purposes of section 211 of the Corporations Act.

9.3 Listing Rule 10.14

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

- (a) a director of the entity;

- (b) an associate of a director of the entity; or
- (c) a person whose relationship with the company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The proposed issue of Incentive Options requires approval by shareholders under Listing Rule 10.14 as Mr Stinson is a Director of the Company.

If Resolution 6 is passed, the Company will be able to proceed with the proposed issue of the Incentive Options to Mr Stinson providing him with incentives linked to the performance of the Company.

If Resolution 6 is not passed, the Company will not be able to proceed with the proposed issue of the Incentive Options and may need to consider other methods (such as cash payments) to remunerate and incentivise Mr Stinson.

Pursuant to Listing Rule 7.2 exception 14, as Shareholder approval is being sought under Listing Rule 10.14, Shareholder approval under Listing Rule 7.1 is not required.

9.4 Specific Information Required by Listing Rule 10.15

In accordance with the requirements of Listing Rule 10.15, the following information is provided:

- (a) Mr Terry Stinson (and/or his nominee) is the proposed recipient of the Incentive Options;
- (b) Mr Stinson is a Director of the Company and therefore falls under Listing Rule 10.14.1;
- (c) the maximum number of Incentive Options to be issued to Mr Stinson is 100,000,000;
- (d) the current total remuneration package from the Company to Mr Stinson is \$60,000 plus statutory superannuation;
- (e) no Securities have previously been issued to Mr Stinson under the Plan;
- (f) the Incentive Options are exercisable at \$0.003 each on or before 3 years from the date of their issue and the terms and conditions of the Incentive Options are detailed in Schedule 3;
- (g) the offer of Incentive Options to Mr Stinson forms part of the Company's Plan to encourage Mr Stinson to achieve the Company's objectives and to provide an incentive to perform his duties to that end. The issue of Incentive Options is preferred, rather than the issue of other securities such as shares as it is less dilutive to shareholders, provides a form of incentive to the recipient and provides certain tax advantages to the recipient. The total parcel of Incentive Options proposed to be issued to Mr Stinson has a value of \$40,000. Please refer to Section 9.5 below for the Company's valuation of the Incentive Options using the Black Scholes valuation model;
- (h) the Incentive Options will be issued as soon as practicable after the Meeting, and in any event, no later than 3 years after the date of the Meeting;
- (i) the Incentive Options will be granted for nil cash consideration;
- (j) a summary of the material terms of the Plan is set out in Schedule 2;
- (k) no loan is being offered in relation to the issue of the Incentive Options;
- (l) details of any Incentive Securities issued under the Plan will be published in the Company's annual report along with a statement that approval for the issue was obtained under Listing Rule 10.14 and any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Incentive Securities under the Plan after the resolution is approved at the Meeting and who were not named in the Notice will not participate until approval is obtained under Listing Rule 10.14; and
- (m) a voting exclusion statement is included in the Notice.

9.5 Valuation of Incentive Options

The Company has valued the Incentive Options to be issued by reference to the Black Scholes valuation model.

The following assumptions have been made regarding the inputs required for the model:

	Input	Note
Number of Incentive Options	100,000,000	
Underlying share spot price	\$0.001	1
Exercise Price	\$0.003	2
Dividend rate	Nil	3
Risk free rate	1.23	4
Volatility	100	5
Life of the Incentive Options	36 months	6
Valuation	\$0.0004	

Note 1: The underlying share spot price used for the purpose of the valuation is based on the closing Share price of \$0.001 on 16 October 2020.

Note 2: The exercise price is \$0.003.

Note 3: No dividends are expected to be paid during the life of the Incentive Options.

Note 4: The risk free rate is based on the Commonwealth Government 10 year Treasury bond yield of 1.23% at 16 October 2020.

Note 5: The volatility was calculated from the Company's historical trading volatility over the last 12 months and is 100%.

Note 6: The life of the Incentive Options has been assumed to be 36 months expiring 3 years following the date of issue, the final date for exercise of the Incentive Options.

Note 7: The total parcel of Incentive Options proposed to be issued to Mr Stinson has a value of \$40,000.

9.6 Board Recommendation

The Board (excluding Mr Stinson) recommends that Shareholders vote in favour of Resolution 6.

10. Resolution 7 – Approval of 10% Placement Capacity

10.1 General

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

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12-month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

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

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity

Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.

If Resolution 7 is passed, the effect will be that the Company will be able to issue Equity Securities under the 10% Placement Facility in addition to the Company's 15% placement capacity under Listing Rule 7.1.

If Resolution 7 is not passed, the effect will be that the Company will not be able to issue any Equity Securities under the 10% Placement Facility and will have to rely upon its 15% placement capacity under Listing Rule 7.1 for the issue of Equity Securities.

Resolution 7 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).

The Chairperson intends to exercise all available proxies in favour of Resolution 7.

10.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

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

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities that have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2 (other than exception 9, 16 or 17),
- (ii) plus the number of fully paid ordinary securities issued in the 12 months on the conversion of convertible securities within rule 7.2 (exception 9) where:
 - (A) the convertible securities were issued or agreed to be issued before the commencement of the 12 months; or
 - (B) the issue of, or agreement to issue, the convertible securities was approved, or taken under these Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4,
- (iii) plus the number of fully paid ordinary securities in the 12 months under an agreement to issue securities within Listing Rule 7.2 (exception 16) where:
 - (A) the agreement was entered into before the commencement of the relevant period; or
 - (B) the agreement or issue was approved or taken under these rules to have been approved under Listing Rule 7.1 or Listing Rule 7.4,
- (iv) plus the number of any other fully paid ordinary securities issued in the 12 months with approval under Listing Rule 7.1 or Listing Rule 7.4 (noting that this may include fully paid ordinary securities issued

in the 12 months under an agreement to issue securities within Listing Rule 7.2 (exception 17) where the issue is subsequently approved under Listing Rule 7.1),

- (v) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (vi) less the number of fully paid ordinary securities cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months where the issue or agreement to issue has not been subsequently approved by Shareholders under Listing Rule 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 11,141,452,450 Shares and therefore has a capacity to issue:

- (i) 1,671,217,868 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being sought under Resolution 7, 1,114,145,245 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 10.2(c)).

(e) **Minimum Issue Price**

Equity Securities issued under Listing Rule 7.1A must be issued for cash consideration and the issue price of Equity Securities must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) **10% Placement Period**

(i) Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (A) The date that is 12 months after the date of the annual general meeting at which the approval is obtained.
- (B) The time and date of the entity's next annual general meeting.
- (C) The time and date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the 10% Placement Period).

10.3 Effect of Resolution

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

10.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) Shareholder approval will be valid during the 10% Placement Period as detailed in Section 10.2(f).
- (b) Equity Securities will be issued for cash consideration and at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 10 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (c) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (d) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.
- (e) The table also shows:
 - (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
 - (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0005 50% decrease in Issue Price	\$0.001 Issue Price	\$0.002 100% increase in Issue Price
Current Variable A (11,141,452,450 Shares)	10% Voting Dilution	1,114,145,245 Shares	1,114,145,245 Shares	1,114,145,245 Shares
	Funds Raised	\$557,073	\$1,114,145	\$2,228,290
50% increase in current Variable A (16,712,178,675 Shares)	10% Voting Dilution	1,671,217,868 Shares	1,671,217,868 Shares	1,671,217,868 Shares
	Funds Raised	\$835,609	\$1,671,218	\$3,342,436
100% increase in current Variable A (22,282,904,900 Shares)	10% Voting Dilution	2,228,290,490 Shares	2,228,290,490 Shares	2,228,290,490 Shares
	Funds Raised	\$1,114,145	\$2,228,290	\$4,456,581

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) No Performance Rights or Options are exercised or converted into Shares before the date of the issue of the Equity Securities.
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
 - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is \$0.0010, being the closing price of the Shares on ASX on 16 October 2020. The Company will only issue the Equity Securities during the 10% Placement Period.
- (f) The Company may seek to issue the Equity Securities for cash consideration for CETO technology development and general working capital.
 - (g) The Company will only issue the Listing Rule 7.1A Shares during the 10% Placement Period. The approval under Resolution 7 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 of scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
 - (h) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.3 upon issue of any Equity Securities.

- (i) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
 - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (j) The subscribers under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an associate of a related party of the Company and are likely to be sophisticated and professional investors.
- (k) In the 12 months preceding the date of the Meeting, the Company has not issued any Equity Securities pursuant to Listing Rule 7.1A.2.
- (l) A voting exclusion statement is included in the Notice for Resolution 7. However as at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

10.5 Board Recommendation

The Board recommends that Shareholders vote in favour of Resolution 7.

Schedule 1 - Definitions

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

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 10.1.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2020.

Article means an article in the Constitution.

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

Auditor means HLB Mann Judd.

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

Board means the board of Directors of the Company.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Class A Options has the meaning given in Section 6.1.

Class B Options has the meaning given in Section 7.1.

Closely Related Party means:

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

Company means Carnegie Clean Energy Limited ACN 009 237 736.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

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

Equity Securities has the meaning given in the Listing Rules.

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

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

Incentive Securities has the meaning given in Section 8.1.

Incentive Options has the meaning given in Section 9.1.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Management and Staff has the meaning given in Section 7.1.

Meeting has the meaning given to that term in the introductory paragraph of the Notice.

Notice means the notice of the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

Option means any option to acquire a Share, subject to the terms and conditions in Schedule 3.

Optionholder means the holder of an Option.

Performance Right means a performance right which upon satisfaction of criteria and/or vesting conditions confers an entitlement to be provided with one Share.

Plan has the meaning given in Section 8.1.

Proxy Form means the proxy form attached to the Notice.

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

Resolution means a resolution proposed pursuant to the Notice.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

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

Share Registry means Automatic Registry Services.

Shareholder means a registered holder of a Share.

Strike has the meaning given in Section 4.

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

VWAP means volume weighted average price.

Schedule 2 – Summary of Terms of Employee Incentive Plan

The terms of the Employee Incentive Plan (**Plan**) are summarised below. A copy of the Plan can be obtained by contacting the Company. Terms not defined in the Notice have the meaning given in the Plan.

Eligible Employees: The eligible participants under the Plan are Directors (excluding non-executive Directors) and Employees who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Options or Performance Rights under the Plan; or any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Options or Performance Rights under the Plan. For the purposes of the Plan, "Employee" means an employee or other consultant or contractor of the Company, or any member of the Group.

In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan and be granted Shares, Options or Performance Rights.

Limits on Entitlement: An Offer of Options or Performance Rights may only be made under the Plan if the number of Shares that may be acquired on exercise of the Options or Performance Rights when aggregated with the number of Shares issuable if each outstanding Option and Performance Rights were exercised and the number of Shares issued pursuant to the Plan or any other Group employee incentive scheme during the previous 3 years does not exceed 10% of the total number of Shares on issue at the time of the proposed issue.

The maximum allocation and allocated pool may be increased by Board resolution, provided such an increase complies with the Listing Rules.

Individual Limits: The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

Offer and Conditions: An Offer must be set out in an Offer Letter delivered to an Eligible Employee. The Offer Letter may specify (as determined by the Board):

- (a) the number of Options or Performance Rights;
- (b) the conditions on the Offer (Offer Conditions);
- (c) the Grant Date;
- (d) the Fee (if any);
- (e) the Performance Criteria (if any);
- (f) the Vesting Conditions (if any);
- (g) the Exercise Price (if any);
- (h) the Exercise Period (if applicable);
- (i) the Performance Period (if applicable); and
- (j) the Expiry Date and Term (if applicable).

Consideration Payable: Options and Performance Rights will be issued for nil consideration.

Cashless Exercise: Under the Plan, a Participant may elect to pay the exercise price for each Option by setting off the total exercise price against the number of Shares which they are entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the holder will receive Shares to the value of the surplus after the exercise price has been set off.

Lapse of Options and Performance Rights: Subject to the Board's discretion, Options and Performance Rights shall automatically be cancelled for no consideration where:

- (a) the Participant ceases to hold employment or office with the Company or Group member (except where the Participant is a Good Leaver);
- (b) the Participant is determined to have engaged in Fraudulent or Dishonest Conduct (described below);
- (c) the applicable Performance Criteria and/or Vesting Conditions are not achieved by the relevant time;
- (d) the Board determines, in its reasonable opinion, that the applicable Performance Criteria and/or Vesting Conditions have not been met or cannot be met within the relevant time;
- (e) the Expiry Date has passed;
- (f) the Board determines that the Participant has brought the Group into disrepute or acted contrary to the interest of the Company or Group;
- (g) the Participant has elected to surrender the Performance Rights or Options; and
- (h) the Offer Letter provides for the cancellation of the Performance Rights or Options in any other circumstances.

Good Leaver: A Good Leaver is a Participant who ceases employment or office with the Company or a Group Member and is determined by the Board to be a Good Leaver. Where a Participant who holds Employee Incentives becomes a Good Leaver:

- (a) all vested Options which have not been exercised will continue in force and remain exercisable for 90 days after the date the Participant becomes a Good Leaver, unless the Board determines otherwise in its sole and absolute discretion, after which the Employee Incentives will lapse; and
- (b) the Board may in its discretion permit unvested Employee Incentives held by the Good Leaver to vest, amend the vesting criteria applicable to the Employee Incentives, including Performance Criteria and/or Vesting Conditions or determine that the unvested Employee Incentives lapse.

Bad Leaver: Where a Participant who holds Employee Incentives becomes a Bad Leaver all vested and unvested Employee Incentives will lapse. Where a Participant who holds Employee Incentives becomes a Bad Leaver the Board may determine to exercise the right to buy back any Shares issued upon exercise of an Option or conversion of a Performance Rights.

A Bad Leaver is a Participant who, unless the Board determines otherwise, ceases employment or office with the Company or a Group member (which includes for any of the circumstances amount to Fraudulent or Dishonest Conduct (described below)).

Fraudulent or Dishonest Conduct: Where, in the opinion of the Board, a Participant or former Participant (which may include a Good Leaver) has engaged in Fraudulent or Dishonest Conduct the Board may deem all Employee Incentives held by the Participant or former Participant to be automatically be forfeited. Fraudulent or Dishonest Conduct means a Participant or former Participant:

- (a) acts fraudulently or dishonestly;
- (b) wilfully breaches his or her duties to the Company or any member of the Group; or
- (c) has, by any act or omission, in the opinion of the Board (determined in its absolute discretion):
 - (i) brought the Company, the Group, its business or reputation into disrepute; or
 - (ii) is contrary to the interest of the Company or the Group.
- (d) commits any material breach of the provisions of any employment contract entered into by the Participant with any member of the Group;
- (e) commits any material breach of any of the policies of the Group or procedures or any laws, rules or regulations applicable to the Company or Group;
- (f) is subject to allegations, has been accused of, charged with or convicted of fraudulent or dishonest conduct in the performance of the Participant's (or former Participant's) duties, which in the reasonable opinion of the relevant directors of the Group effects the Participant's suitability for employment with that member of the Group, or brings the Participant or the relevant member of the Group into disrepute or is contrary to the interests of the Company or the Group;
- (g) is subject to allegations, has been accused of, charged with or convicted of any criminal offence which involves fraud or dishonesty or any other criminal offence which Board determines (in its absolute discretion) is of a serious nature;
- (h) has committed any wrongful or negligent act or omission which has caused any member of the Group substantial liability;
- (i) has become disqualified from managing corporations in accordance with Part 2D.6 of the Corporations Act or has committed any act that, pursuant to the Corporations Act, may result in the Participant being banned from managing a corporation; or
- (j) has committed serious or gross misconduct, wilful disobedience or any other conduct justifying termination of employment without notice.
- (k) has wilfully or negligently failed to perform their duties under any employment contract entered into by the Participant with any member of the Group;
- (l) has engaged in a transaction which involves a conflict of interest to their employment with the Company resulting in the Participant or former Participant obtaining a personal benefit;
- (m) accepts a position to work with a competitor of the Company or Group;
- (n) acting in such a manner that could be seen as being inconsistent with the culture and values of the Company or the Group; or
- (o) any other act that the Board determines in its absolute discretion to constitute fraudulent or dishonest by the Participant or former Participant.

Change of Control: All granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest (regardless of whether any Performance Criteria or Vesting Conditions have been satisfied) and a Participant may exercise any or all of their Options (regardless of whether the Vesting Conditions

have been satisfied) provided that no Option will be capable of exercise later than the Expiry Date, if any of the following change of control events occur:

- (a) the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;
- (b) a Takeover Bid:
 - (i) is announced;
 - (ii) has become unconditional; and
 - (iii) the person making the Takeover Bid has a Relevant Interest in 50% or more of the issued Shares;
- (c) any person acquires a Relevant Interest in 50.1% or more of the issued Shares by any other means; or
- (d) the Company announces that a sale or transfer (in one transaction or a series of transaction) of the whole (or substantially the whole) of the undertaking and business of the Company has been completed.

Holding Lock: The Board may at any time request that the Company's share registry to impose a holding lock on any Employee Incentives issued pursuant to the Plan where the Board determines or reasonably believes (in its absolute discretion) that a Participant (or a Former Participant) has or may breach these Rules.

Contravention of Rules: The Board may at any time, in its sole and absolute discretion, take any action it deems reasonably necessary in relation to any Employee Incentives if it determines or reasonably believes a Participant has breached the Plan or the terms of issue of any Employee Incentives, including but not limited to, signing transfer forms in relation to Employee Incentives, placing a holding lock on Employee Incentives, signing any and all documents and doing all acts necessary to effect a Buy-Back, accounting for the proceeds of the sale of forfeited Employee Incentives, refusing to transfer any Employee Incentives and/or refusing to issue any Shares.

Schedule 3 – Summary of Terms and Conditions of Options

Entitlement

- 1.1 Subject to the Board determining otherwise prior to an Offer, each vested Option entitles the Participant holding the Option to subscribe for, or to be transferred, one Share on payment of the Exercise Price (if any).

Exercise Price, Vesting Conditions and Expiry Date

	NUMBER OF OPTIONS OFFERED	EXERCISE PRICE OF OPTIONS (\$)	VESTING CONDITIONS	EXPIRY DATE OF OPTIONS
Class A Options	200,000,000	0.002	<ul style="list-style-type: none"> 50% vest when a Volume Weighted Average Share Price (VWAP) of not less \$0.002 is achieved over 90 day period; and 50% vest upon the satisfaction of specific technical key performance indicators for the CETO Wave Energy Technology. 	20 July 2022
Class B Options	100,000,000	0.002	<ul style="list-style-type: none"> 25% vest 6 months from the date of issue; 25% vest 12 months from the date of issue; and 50% vest upon the satisfaction of specific technical key performance indicators for the CETO Wave Energy Technology. 	20 July 2022
Incentive Options	100,000,000	0.003	<ul style="list-style-type: none"> N/A 	Three years from the date of issue.

Exercise Period

- 1.2 If the Participant is prohibited from exercising vested Options under Applicable Law on or in the ten (10) business days before the Expiry Date, the Expiry Date for the Options is automatically extended to the date that is five (5) business days after the Participant is no longer prohibited under Applicable Law from exercising the Option.

Conditions for Vesting and Exercise

- 1.3 Options will only vest and be exercisable if the applicable Performance Criteria and/or Vesting Conditions have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules.
- 1.4 In the event of a Liquidity Event, the Board in its absolute discretion may waive any vesting or exercise criteria in respect of some or all Options held by a Participant.

Method of Exercise

- 1.5 The Options are exercisable by the Participant within the Exercise Period specified by the Board in the Offer, subject to the Participant delivering to the registered office of the Company or such other address as determined by the Board of:
- 1.5.1 a signed Notice of Exercise; and
- 1.5.2 subject to the cashless exercise option, a cheque or cash or such other form of payment determined by the Board in its sole and absolute discretion as satisfactory for the amount of the Exercise Price (if any).

No Issue Unless Cleared Funds

- 1.6 Where a cheque is presented as payment of the Exercise Price on the exercise of Options, the Company will not, unless otherwise determined by the Board, allot and issue or transfer Shares until after any cheque delivered in payment of the Exercise Price has been cleared by the banking system.

Cashless Exercise of Options

- 1.7 Subject to clause 1.8, a Participant may elect to pay the Exercise Price for each Option by setting off the total Exercise Price against the number of Shares which they are entitled to receive upon exercise (**Cashless Exercise Facility**). By using the Cashless Exercise Facility, the holder will receive Shares to the value of the surplus after the Exercise Price has been set off.
- 1.8 If the Participant elects to use the Cashless Exercise Facility, the Participant will only be issued that number of Shares (rounded down to the nearest whole number) as is equal in value to the difference between the total Exercise Price otherwise payable for the Options on the Options being exercised and the then market value of the Shares at the time of exercise calculated in accordance with the following formula:

$$S = O \times \frac{(MSP - EP)}{MSP}$$

Where:

S = Number of Shares to be issued on exercise of the Options

O = Number the Options being exercised

MSP = Market value of the Shares calculated using the volume weighted average of the Shares on ASX for the 5 trading days immediately prior to (and excluding) the date of the Notice of Exercise

EP = Exercise Price

- 1.9 If the difference between the total Exercise Price otherwise payable for the Options on the Options being exercised and the then market value of the Shares at the time of exercise (calculated in accordance with clause 1.8) is zero or negative, then a Participant will not be entitled to use the Cashless Exercise Facility.

Minimum Exercise

- 1.10 Options must be exercised in multiples of one hundred (100) unless fewer than one hundred (100) Options are held by a Participant or the Board otherwise agrees.

Actions on Exercise

- 1.11 Following the exercise of Options:
- 1.11.1 the Options will automatically lapse; and
 - 1.11.2 the Company will allot and issue, or transfer, the number of Shares for which the Participant is entitled to subscribe for or acquire through the exercise of the Options.

Timing of the Issue of Shares on Exercise and Quotation

- 1.12 The Company must within twenty (20) business days after the later of the following:
- 1.12.1 receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised; and
 - 1.12.2 when excluded information in respect of the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information, the relevant date will be the date of receipt of a Notice of Exercise as detailed in clause 1.12.1 above,

the Company will:

- 1.12.3 allot and issue the Shares pursuant to the exercise of the Options;
 - 1.12.4 as soon as reasonably practicable and if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - 1.12.5 apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- 1.13 Notwithstanding clause 1.12 above, the Company's obligation to issue such Shares shall be postponed if such Participant at any time after the delivery of a Notice of Exercise and payment of the Exercise Price for each Option being exercised (if applicable) elects for the Shares to be issued to be subject to a holding lock for a period of twelve (12) months. Following any such election:
- 1.13.1 the Shares to be issued or transferred will be held by such Participant on the Company's issuer sponsored sub-register (and not in a CHESS sponsored holding); and
 - 1.13.2 the Company will apply a holding lock on the Shares to be issued or transferred and such Participant is taken to have agreed to that application of that holding lock.
- 1.14 The Company shall release the holding lock on the Shares on the earlier to occur of:
- 1.14.1 the date that is twelve (12) months from the date of issue of the Share; or
 - 1.14.2 the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or
 - 1.14.3 the date a transfer of the Shares occurs pursuant to clause 1.15 of these terms and conditions.

- 1.15 Shares shall be transferable by such Participant and the holding lock will be lifted provided that the transfer of the Share complies with section 707(3) of the Corporations Act and, if requested by the Company, the transferee of the Shares agrees by way of a deed poll in favour of the Company to the holding lock applying to the Shares following its transfer for the balance of the period in clause 1.14.1.

Shares Issued on Exercise

- 1.16 Shares issued on the exercise of the Options rank equally with all existing Shares, including those Shares issued, directly, under the Plan.

Quotation of the Shares Issued on Exercise

- 1.17 If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

Adjustment for Reorganisation

- 1.18 Subject to any Applicable Laws, the number of Options held by a Participant under the Plan may, in the sole and absolute discretion of the Board, be determined to be such number as is appropriate and so that the Participant does not suffer any material detriment following any variation in the share capital of the Company arising from:

- 1.18.1 a reduction, subdivision or consolidation of share capital;
- 1.18.2 a reorganisation of share capital;
- 1.18.3 a distribution of assets in specie;
- 1.18.4 the payment of a dividend, otherwise than in the ordinary course, of an amount substantially in excess of the Company's normal distribution policy; or
- 1.18.5 any issue of ordinary shares or other equity securities or instruments which convert into ordinary shares by way of capitalisation of profits or reserves.

- 1.19 Upon any adjustment being made, the Board will notify each Participant (or his or her legal personal representative where applicable) in writing, informing them of the number of Options held by the relevant Participant.

- 1.20 If there is any reorganisation of the issued share capital of the Company, the terms of Options and the rights of the Participant who holds such Options will be varied, including an adjustment to the number of Options and/or the Exercise Price (if any) applicable to Options, in accordance with the Listing Rules that apply to the reorganisation at the time of the reorganisation.

Participant in New Issues and Other Rights

- 1.21 A Participant who holds Options is not entitled to:

- 1.21.1 notice of, or to vote or attend at, a meeting of the Shareholders;
- 1.21.2 receive any dividends declared by the Company; or
- 1.21.3 participate in any new issues of securities offered to Shareholders during the term of the Options,

unless and until the Options are exercised and the Participant holds Shares.

Adjustment for Rights Issue

- 1.22 If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - (E[P-(S+D)]) \text{ divided by } N+1)$$

O =the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D =the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N =the number of Shares with rights or entitlements that must be held to receive a right to one new share.

Adjustment for Bonus Issue of Shares

1.23 If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

1.23.1 the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Participant would have received if the Participant had exercised the Option before the record date for the bonus issue; and

1.23.2 no change will be made to the Exercise Price.

Change of Control

1.24 For the purposes of these terms and conditions, a "**Change of Control Event**" occurs if:

1.24.1 the Company announces that its Shareholders have at a Court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the Court, by order, approves the scheme of arrangement;

1.24.2 a Takeover Bid:

1.24.2.1 is announced;

1.24.2.2 has become unconditional; and

1.24.2.3 the person making the Takeover Bid has a Relevant Interest in fifty percent (50%) or more of the issued Shares;

1.24.3 any person acquires a Relevant Interest in fifty and one-tenth percent (50.1%) or more of the issued Shares by any other means; or

1.24.4 the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed.

1.25 Where a Change of Control Event has (i) occurred or (ii) been announced by the Company and, in the opinion of the Board, will or is likely to occur:

1.25.1 a Participant may exercise any or all of their Options, regardless of whether the Vesting Conditions have been satisfied, provided that no Option will be capable of exercise later than the Expiry Date; and

1.25.2 if the Board has procured an offer for all holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the

Change in Control Event and the Board has specified (in its absolute discretion) a period during which the holders of Options may elect to accept the offer and, if the holder has not so elected at the end of that offer period, the Options, if not exercised within 10 days of the end of that offer period, shall expire.

Quotation

- 1.26 The Company will not seek official quotation of any Options.

No Transfer of Options

- 1.27 Options granted under this Plan may not be assigned, transferred, encumbered with a Security Interest in or over them, or otherwise disposed of by a Participant, unless:

1.27.1 the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, encumbrance with a Security Interest or disposal as the Board sees fit; or

1.27.2 such assignment or transfer occurs by force of law upon the death or total and permanent disablement of a Participant to the Participant's legal personal representative.

Options to be Recorded

- 1.28 Options will be recorded in the appropriate register of the Company.