



LUCAPA DIAMOND COMPANY LIMITED

ACN 111 501 663

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11.00AM (WST)

DATE: Tuesday, 30 May 2023

PLACE: Celtic Club, 48 Ord Street, West Perth, WA 6005

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11:00am (WST) on Sunday, 28 May 2023.

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BUSINESS OF THE MEETING

AGENDA

FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2022 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

RESOLUTIONS

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 31 December 2022.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting prohibition statement: A vote on Resolution 1 must not be cast (in any capacity) (and the Company will disregard any such vote) by or on behalf of:

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

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

- (c) the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR MILES KENNEDY

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

“That, for the purpose of clause 6.3(c) of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Mr Miles Kennedy, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – ISSUE OF PERFORMANCE RIGHTS TO MR STEPHEN WETHERALL UNDER THE INCENTIVE PLAN

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

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 15,077,959 Performance Rights to Mr Stephen Wetherall (or his nominee) under the Incentive Plan and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) Mr Stephen Wetherall (or his nominee(s));

- (b) any person referred to in ASX Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Incentive Plan; or
- (c) an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of Resolution 3 by:

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

Voting prohibition statement: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 3 if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

4. RESOLUTION 4 – ISSUE OF PERFORMANCE RIGHTS TO MR NICK SELBY UNDER THE INCENTIVE PLAN

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

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 8,361,145 Performance Rights to Mr Nick Selby (or his nominee) under the Incentive Plan and on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- (a) Mr Nick Selby (or his nominee(s));
- (b) any person referred to in ASX Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Incentive Plan; or
- (c) an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of Resolution 4 by:

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

Voting prohibition statement:

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4 if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

5. RESOLUTION 5 - APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to have additional capacity to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue provided for in Listing Rules 7.1A, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement."

6. RESOLUTION 6 - REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair of the Meeting for identification purposes."

14 April 2023
By order of the Board

Mark Clements
Company Secretary

IMPORTANT INFORMATION

Attendance and participation

The Company welcomes the participation of Shareholders in the Meeting and Shareholders are invited to lodge questions in advance of the Meeting by sending an email containing their question(s) to general@lucapa.com.au by 5.00pm (WST) on 28 May 2023.

The Chair will endeavour to respond to as many emailed questions from a range of Shareholders during the Meeting - however, regrettably, not all questions may be answered in the time provided.

Please note that individual responses will not be sent to Shareholders.

Voting procedure

Voting on all proposed resolutions at the Meeting will be conducted by poll. Under the Constitution, any poll will be conducted as directed by the Chair.

Shareholders can vote in one of two ways:

- by attending the Meeting and voting; or
- by appointing a proxy or attorney to attend and vote on their behalf.

Voting in person or by attorney

Shareholders, or their attorneys, who attend the Meeting in person are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that the Company may check their Shareholding against the Company's share register and note attendances.

Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Voting Form and return by the time and in accordance with the instructions set out on the Proxy Voting Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

To be effective, Proxy Voting Forms must be received by 11.00am (WST) on 28 May 2023, being 48 hours prior to the Meeting. Proxies received after this time will be invalid.

Voting intentions

The Chair intends to vote all undirected proxies in favour of each item of business, provided the Chair is entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice. However, in exceptional circumstances, the Chair may change his voting intention, in which case an ASX announcement will be made.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9381 5995.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 December 2022 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

No resolution is required for this item, but Shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the Meeting and Shareholders will be given the opportunity 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 and the independence of the auditor.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.lucapa.com.au.

1. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

1.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Company or the Directors of the Company.

The remuneration report sets out a company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of a company for a financial year.

Shareholders will be given the opportunity to ask questions about or make comments on the Remuneration Report.

1.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against the adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

1.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this annual general meeting.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR MILES KENNEDY

2.1 General

ASX Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr Miles Kennedy, who has served as a Director since 19 September 2008 and was last elected on 20 July 2020, retires by rotation and seeks re-election.

2.2 Qualifications and other material directorships

Mr Kennedy has held directorships of Australian listed companies for more than 30 years. He was previously Chairman of companies including Sandfire Resources, Kimberley Diamond Company, Blina Diamonds, Macraes Mining Company, MOD Resources and RNI. He has extensive experience in the management of public companies with specific emphasis in the resources industry. He lives in Dunsborough, Western Australia.

2.3 Independence

The Board considers that whilst Mr Kennedy has served as a Director for a long period, he remains independent from management and substantial Shareholders and is therefore able to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual Shareholder or other party. If re-elected the Board considers that Mr Kennedy will be an independent Director.

The Board acknowledges that it is not comprised by a majority of independent Directors. However, Mr Kennedy as the Chair is independent and the Board comprises Directors who each have extensive exploration, development and mining industry knowledge, country specific knowledge, technical, financial, capital markets and commercial expertise. The Board will address the skills commensurate with the growth and development of the Group's activities to ensure those skill sets are complemented by additional industry or other expertise in the sector.

As the Company transitions to a mid-tier producer and explorer, the Board has set about identifying and assessing suitable independent non-executive Director candidates to complement the existing competencies of the Board to drive performance, create Shareholder value and lead ethically by example.

The identification and appointment of an independent non-executive Director is ongoing. The Company's Board skills matrix will form an integral basis in the identification and assessment of suitable candidates based on readily available information on respective backgrounds, current Board positions and visible competencies.

The Board currently performs the role of a Nomination Committee given the Company's size and stage of growth. However, this will be reviewed to ensure there is a continued emphasis on Board membership which aligns with the Company's corporate culture and addresses independence and diversity.

2.4 Diversity

The Board comprises four Directors, all of whom are male. The Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise in the industries and the jurisdictions in which the Group operates, can understand and competently deal with current and emerging business matters and can effectively assess the performance of management.

The Group's diversity objective is to improve gender diversity at all levels of its business on a year-on-year basis whilst recognising that it operates in very competitive labour markets in remote locations, with strong cultural sensitivities, where positions are sometimes difficult to fill. There is periodic reporting at the Group's operations to measure the gender mix within various levels of the organisation. The Group is committed to continually assessing and proactively monitoring these diversity trends and advocates that every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

The Company continues to identify female candidates as part of the Board competencies analysis for the independent Non-executive director position.

The Board is aware that many studies suggest that greater gender diversity at Board and management level creates a positive force for driving corporate performance as qualified and committed directors with different backgrounds, experiences and knowledge will likely enhance corporate performance. In that regard, the Board remains focused on resolving the gender imbalance on the Board by continuing to identify a pipeline of suitably qualified candidates with careful consideration of those who strengthen the Board skills matrix.

The Company continues to support the Australian Institute of Company Director's Board diversity initiatives and will continue to evolve its Board in alignment with the Company's needs and diversity best practice.

2.5 Board recommendation

The Company recognises the importance of its people in building a strong and successful organisation. To achieve this, the Company has focused on developing the right culture across the organisation, which is strongly based on a vision, mission and values communicated in our teams in Australia and Africa to ensure they know what is expected of them, both operationally and behaviourally, and are recognised for their good work.

Mr Kennedy is an integral part of the leadership team that drives this strategy.

Following the annual review of the performance of Directors conducted by the Board, the Board (excluding Mr Kennedy) supports the re-election of Mr Miles Kennedy and recommends that Shareholders vote in favour of Resolution 2. The Board considers that Mr Kennedy provides an important contribution to the Board, given his professional background, extensive experience in the diamond industry and important relationships established with Government and private partners in Angola, Lesotho and Australia.

3. RESOLUTIONS 3 AND 4 - ISSUE OF PERFORMANCE RIGHTS UNDER THE INCENTIVE PLAN

3.1 Background

The Board currently monitors and reviews the remuneration level and policy of the Group as the Company does not have a remuneration committee given the size of the Board. However, it is intended that a remuneration committee will be established comprised by a majority of independent Directors as the Company continues its transition to become a mid-tier producer and explorer.

The Board engaged an independent remuneration consultant, BDO Reward WA Pty Limited (**BDO**), to review the pay and rewards for Directors and senior executives. This review included

independent benchmarking as the Company continues to maximise operating performance from its existing mines and exploration programs and moves toward another transformative and key strategic objective, which is the development of and ultimately the production from the Company's recently acquired Merlin Project in the Northern Territory, Australia.

The Company, as well as the diamond industry generally, have emerged from a difficult period. The Company is entering an important phase. While the Board believes that the remuneration framework was largely appropriate and fit-for-purpose, based on the Company's development and growth profile to drive and deliver the outcomes desired by all Shareholders, it has adopted the recommendations from BDO as an independent remuneration consultant. The recommendations from BDO focus on providing Executive Directors, key management personnel and senior management with clear short term incentives (**STI's**), project based incentives (**PBI's**) and long term incentives (**LTI's**) to drive the alignment of the Company's key objectives in a cost-effective way.

The STI's in the form of cash and equity, PBI's in the form of equity and LTI's in the form of equity, are to be measured against the Company's relevant targets and individual key performance indicators (**KPI's**) such as:

STI's

- Company Targets
 - Production
 - Expenditures/ Capex
 - ESG/ Safety
 - Exploration
- Individual KPI's for participants in the Incentive Plan

PBI's

- Commissioning of and production at the Merlin Project

LTI's

- Absolute Shareholder return

3.2 General

The Company is proposing to grant the following Performance Rights to Mr Stephen Wetherall and Mr Nick Selby (**Executive Directors**) as follows (**Director Incentives**) under the Incentive Plan:

Director	Performance Rights		
	Short Term Incentives	Long Term Incentives	Total
Stephen Wetherall	7,557,780	7,520,179	15,077,959
Nick Selby	4,410,998	3,950,147	8,361,145
Total	11,968,778	11,470,326	23,439,104

A Performance Right is exercisable, at no cost, on satisfaction of relevant performance hurdles, into a Share. The Performance Rights proposed to be granted to the Executive Directors will vest based on the achievement of short term and long term incentive performance hurdles respectively, and as a key staff retention mechanism, employment with the Company at time of vesting.

3.3 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

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

The grant of Director Incentives constitutes giving a financial benefit and the Directors are related parties of the Company by virtue of being Directors.

The purpose of the issue of the Director Incentives to the Executive Directors is to further retain, motivate and reward their respective performances.

The Directors (other than the Executive Directors) have formed the view that the grant of the Director Incentives is at arm's length and constitutes reasonable remuneration for the Directors for the purposes of sections 210 and 211 of the Corporations Act. Accordingly, and in reliance on these statutory exceptions, approval from Shareholders is not being sought for the purposes of Chapter 2E of the Corporations Act.

3.4 Listing Rule 10.14

In addition, Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to:

10.14.1 a director of the entity,

10.14.2 an associate of the director, or

10.14.3 a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The proposed issue of the Director Incentives to the Executive Directors is captured by Listing Rule 10.14.1(a) and therefore requires the approval of Shareholders under Listing Rule 10.14.

Approval pursuant to Listing Rule 7.1 is not required in order to grant the Director Incentives to the Executive Directors as approval is being obtained under Listing Rule 10.14.

Accordingly, if Resolutions 3 and 4 are approved, the grant of Director Incentives to the Executive Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

3.5 Technical information required by Listing Rule 14.1A

If Resolutions 3 and 4 are passed, the Company will be able to proceed with the grant of Director Incentives to each of the Executive Directors within 3 years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).

As approval pursuant to Listing Rule 7.1 is not required for the grant of the Director Incentives and the Shares issued on vesting of the Director Incentives (because approval is being obtained under Listing Rule 10.14), the grant of Director Incentives will not use up any of the Company's 10% or 15% annual placement capacities.

If Resolutions 3 and 4 are not passed, the Company will not be able to proceed with the grant of Director Incentives to the Executive Directors. This would likely mean the Company would be required to meet the portion of the Directors' remuneration that were to be satisfied by the issue of the Director Incentives in cash.

3.6 Technical information required by Listing Rule 10.15

Pursuant to and in accordance with Listing Rule 10.15 the following information is provided in relation to Resolutions 3 and 4:

- (a) the Director Incentives are proposed to be issued to the Executive Directors or their nominees over the next three years based on achievement against incentive performance hurdles;
- (b) each of the Executive Directors falls within the category set out in Listing Rule 10.14.1 by virtue of being Directors;
- (c) the maximum number of Performance Rights to be issued to the Executive Directors is as follows (which the Directors, other than the Executive Directors) consider to be an appropriate and equitable number of Performance Rights in the circumstances):

Director	Performance Rights
Stephen Wetherall	15,077,959
Nick Selby	8,361,145
Total	23,439,104

- (d) the current remuneration package of the Executive Directors is disclosed in the audited Remuneration Report contained within the Company's Annual Report 2022. In summary Mr Wetherall's and Mr Selby's total fixed remuneration for FY21 was \$633,938 and \$479,588 respectively. Following the recommendations from BDO as an independent remuneration consultant in relation to the pay and rewards for directors and senior executives, including independent benchmarking, Mr Wetherall's and Mr Selby's total fixed remuneration has been adjusted in FY22 to \$714,417 and \$500,352 respectively based upon the 62.5 percentile quartile, peer group market analysis and rating.

Under the new Short Term Incentive framework established following the recommendations from BDO and shareholder approval at the annual general meeting held 30 May 2022, 2,858,220 and 1,668,300 Performance Rights were issued to Mr Wetherall and Mr Selby, respectively. As 72% of the Short Term Incentive measures were achieved in FY22 a cash bonus of \$101,303 and \$59,129 was paid to Mr Wetherall and Mr Selby, respectively and 2,056,751 and 1,200,494 of these Performance Rights will vest to Mr Wetherall and Mr Selby respectively subject to employment conditions being met.

Following Shareholder approval at the Company's annual general meeting held on 30 May 2022:

- (i) 8,532,000 and 4,482,000 Performance Rights were issued to Mr Wetherall and Mr Selby, respectively with vesting conditions and performance milestones relating to the commissioning of and production at the Merlin Project; and
- (ii) 2,844,000 and 1,494,000 Performance Rights were issued to Mr Wetherall and Mr Selby, respectively with vesting conditions and performance milestones relating to the Company's absolute Shareholder return.

Subject to the approval of Resolutions 3 and 4, Mr Wetherall and Mr Selby will also be entitled to 15,077,959 and 8,361,145 Performance Rights respectively.

The Remuneration Report sets out further details of Mr Wetherall and Mr Selby's remuneration.

- (e) since the Incentive Plan was last approved by Shareholders at the Company's annual general meeting held on 30 May 2022, the Company has issued 14,234,220 and 7,644,300 Performance Rights to Mr Wetherall and Mr Selby, respectively for nil consideration under the Plan.
- (f) the Performance Rights subject to the approval of Resolutions 3 and 4 will be issued on the terms and conditions contained in the Incentive Plan and the following additional key

terms which the Directors (other than the Executive Directors) consider to be appropriate and equitable in the circumstances:

1. It is intended that the STI is awarded on an annual basis (subject to Shareholder approval, as required under the Listing Rules) as follows:

- 60% (Mr Wetherall)/ 50% (Mr Selby) of fixed remuneration – one-year annual award
- Vesting only if:
 - Employed at time of vesting (one year from the date of issue);
 - Subject to achievement of milestones based upon Company targets and individual KPIs as follows:

Company Targets (70-80%)	Individual KPI 's (20-30%)
- Production (25%)	- KPI's relevant to personal control areas and Company scorecard
- Expenditure/ Capex (25%)	
- ESG/ Safety (25%)	
- Exploration (25%)	

- Apportioned in accordance with achievement against threshold, target and stretch targets;
- Paid as follows:
 - 33% in cash following assessment of milestones at year end; and
 - 67% in deferred equity (through Performance Rights) to be granted in May 2023 subject to Shareholder approval; expiring four years from the date of issue; measured following assessment of milestones at year end.

2. It is intended that the LTI is awarded on an annual basis (subject to Shareholder approval as required under the Listing Rules):

- 40% (Mr Wetherall)/ 30% (Mr Selby) of fixed remuneration – awarded annually;
- Vesting only if:
 - Employed at time of vesting (three years from the date of issue); and
 - Subject to achievement of absolute Shareholder returns measured over a three-year period based upon a Share price target to be determined based upon the closing Share price on grant date;

TSR Performance Over Three Years	% of Performance Rights that Vest
<10%	0%
15%	51%
>15%<20%	Pro-rata vesting between 50%-100%
>20%	100%

- Paid as follows:
 - 100% in deferred equity (through Performance Right) to be granted in May 2023 subject to Shareholder approval; expiring five years from the date of issue; measured at end of year three.

3. For all STI, PBI and LTI awards, the employee must be employed by the Company for the award to vest (**Service Condition**). There are usual good leaver and bad leaver provisions that apply at the discretion of the Board.

4. All awards must be exercised within 2 years or they lapse/ expire.

5. The Board has discretion to reduce or clawback all vested and unvested deferred STI and LTI awards in certain circumstances to ensure Executive Directors do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion are extensive and include situations where an Executive Director has engaged in misconduct.
6. In the event of a change of control, all Performance Rights will vest.
- (g) Performance Rights, rather than options, have been used following the recommendations from BDO as performance rights are viewed as a better alternative to remunerate executives who are tasked with achieving certain specific strategic outcomes;
- (h) the purpose of the issue of the Director Incentives is to provide a performance linked incentive component in the remuneration package for each of the Executive Directors to motivate and reward their performance as an Executive Director to achieve the Company's current objectives;
- (i) the value of each Performance Right and the pricing methodology is set out in Annexure A, being:
- (i) \$0.038 per Short Term Performance Right; and
 - (ii) \$0.037 per Long Term Performance Right;
- (j) the Director Incentives will be issued to each Executive Director no later than three years after the date of the Meeting (or such later date permitted by ASX waiver or modification of the Listing Rules);
- (k) no cash price is being paid by the Executive Directors for the grant and issue of the Director Incentives and therefore no loans are being made to the Executive Directors in connection with the grant of the Director Incentives;
- (l) a summary of the material terms of the Incentive Plan is set out in Annexure B;
- (m) details of any Director Incentives issued under the Incentive Plan will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue of any such Director Incentives was obtained under Listing Rule 10.14;
- (n) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the Incentive Plan after the passing of Resolutions 3 and 4 who were not named in this Notice will not participate in the Incentive Plan until approval is obtained under Listing Rule 10.14;
- (o) a voting exclusion statement is included in respect of Resolutions 3 and 4;
- (p) The Board considers the multi-year awards are appropriate based upon the Company's circumstances as the annual rolling incentives (STI's and LTI's) relate largely to the operating part of the business and the delivery of shareholder returns and sustainability;
- (q) The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Director Incentives upon the terms proposed.

3.7 Board recommendation

The Company recognises the importance of its people in building a strong and successful organisation.

The Board, other than the Executive Directors consider the issue of Performance Rights under Resolutions 3 and 4 to be an appropriate and equitable number of Performance Rights in the circumstances and recommend that Shareholders vote in favour of Resolutions 3 and 4.

4. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

4.1 General

Broadly speaking, and subject to a number of exceptions, ASX 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.

However, under ASX Listing Rule 7.1A, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

Resolution 5 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in ASX Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

4.2 Description of Listing Rule 7.1A

Any Equity Securities issued under the 7.1A Mandate (**Placement Securities**) 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 class of quoted Equity Securities, being ordinary shares (**Shares**).

Resolution 5 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).

Eligible entities which 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 Placement Securities calculated in accordance with the formula in Listing Rule 7.1A.2.

4.3 Technical information required by ASX Listing Rule 14.1A

If Resolution 5 is passed, the Company will be able to issue Placement Securities up to the combined 25% limit in ASX Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 5 is not passed, the Company will not be able to access the additional 10% capacity to issue Placement Securities without Shareholder approval under ASX Listing Rule 7.1A and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in ASX Listing Rule 7.1.

4.4 Technical information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 5:

(a) **Period for which the 7.1A Mandate is valid**

Subject to the approval of Resolution 5, the 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or ASX Listing Rule 11.2 (disposal of the Company's main undertaking).

(b) **Minimum price**

Any Placement Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Placement Securities are to be issued is agreed by the Company and the recipient of the Placement Securities; or
- (ii) if the Placement Securities are not issued within 10 ASX trading days of the date in Section 4.4(b)(i), the date on which the Placement Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Placement Securities under the 7.1A Mandate to further its strategy of growing as a niche mid-tier explorer and producer of high-quality diamonds. Funds raised could be used to expand capacity at the producing mines at Lulo (Angola) and Mothae (Lesotho), to further the studies and mine development activities at Merlin (Northern Territory), to further the kimberlite exploration activities at Lulo (Angola), to advance the exploration programs at Brooking (Western Australia) and Orapa Area F (Botswana), for general working capital and corporate administration costs or for the acquisition of new resource assets and investments.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.3 upon issue of any Placement Securities under the 7.1A Mandate.

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

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below is included for illustrative purposes only and shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Shares on issue as at 13 April 2023.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)		Dilution		
		Issue Price (per Share)		
		\$0.020 50% decrease in Issue Price	\$0.040 Issue Price	\$0.060 50% increase in Issue Price
1,439,559,875 (Current Variable A)	Shares issued - 10% voting dilution	143,955,988 Shares	143,955,988 Shares	143,955,988 Shares
	Funds raised	\$2,879,120	\$5,758,240	\$8,637,359
2,159,339,813 (50% increase in Variable A)	Shares issued - 10% voting dilution	215,933,981 Shares	215,933,981 Shares	215,933,981 Shares
	Funds raised	\$4,318,680	\$8,637,359	\$12,956,039
2,879,119,750 (100% increase in Variable A)	Shares issued - 10% voting dilution	287,911,975 Shares	287,911,975 Shares	287,911,975 Shares
	Funds raised	\$5,758,240	\$11,516,479	\$17,274,719

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 1,439,599,875 Shares on issue as at the date of this Notice.
2. The issue price set out above is the closing price of the Shares on the ASX on 13 April 2023.
3. The Company issues the maximum possible number of Placement Securities under the 7.1A Mandate.
4. The table shows only the effect of issues of Placement Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1
5. The issue of Placement Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options or Performance Rights are exercised into Shares before the date of issue of the Placement Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1 unless otherwise disclosed.
8. 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%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A Mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A, being the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Placement Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Placement Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company or associates of a related party of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 30 May 2022 (**Previous Approval**).

There have been no issues of or agreements to issue Placement Securities under the Previous Approval by the Company during the 12 month period preceding the date of the Meeting.

- (g) As at the date of this Notice, the Company is not proposing to make an issue of Placement Securities under ASX Listing Rule 7.1A.
- (h) Accordingly, a voting exclusion statement is not included in respect of this Resolution 5.

5. **RESOLUTION 6 - REPLACEMENT OF CONSTITUTION**

5.1 **Background**

Section 136(2) of the Corporations Act provides that a company may modify or repeal its constitution or any provision of its constitution by a special resolution of its Shareholders.

Resolution 6 is a special resolution which will enable the Company to repeal its existing constitution which was adopted over 10 years ago (**Existing Constitution**) and adopt a new proposed constitution (**Proposed Constitution**). The Proposed Constitution reflects the updated requirements of the Corporations Act, the ASX Listing Rules and good governance. The Directors believe that in the circumstances it is preferable to replace the Existing Constitution with the Proposed Constitution, rather than to amend a multitude of specific rules.

Resolution 6 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 Proposed Constitution is broadly consistent with the provisions of the Existing Constitution.

Prior to the Meeting, a copy of the Proposed Constitution is available for review by Shareholders at the Company's website and at the Company's registered office during normal business hours. A copy of the New Constitution can also be sent to Shareholders of the Company upon contacting the Company Secretary on +618 9381 5995. A complete signed copy of the New Constitution will be tabled at the Meeting.

If Resolution 6 is passed, the Company will adopt the Proposed Constitution with effect from the date of the Annual General Meeting, being 30 May 2023.

5.2 Summary of proposed changes

There are certain amendments that the Board considers to be immaterial or that are likely not to have a material impact on Shareholders. These include:

- to update immaterial provisions to reflect the current position under the Corporations Act, ASX Listing Rules and other applicable rules;
- of a drafting, procedural or administrative nature; and
- to remove outdated and redundant provisions.

In addition, where appropriate, the Proposed Constitution removes duplication of existing requirements under the Corporations Act or the ASX Listing Rules, which would otherwise require amendments if there are future legislative or regulatory changes.

It is not practicable to list all of the differences between the Existing Constitution and Proposed Constitution in detail in this Explanatory Statement, noting that the material amendments are for the most part limited to changes to clauses 12 (General meetings), 22 (Dividend reinvestment and Share plans) and 23 (Notices).

A summary of the material differences is set out below:

(a) Virtual general meetings

The Existing Constitution provided that general meetings may be held as a hybrid meeting i.e. both in-person and virtually simultaneously. The Proposed Constitution provide that any general meeting may be held wholly virtually, using technology only, provided the technology gives members as a whole a reasonable opportunity to attend, participate, be heard and vote and otherwise meets applicable legal requirements. It is the Company's preference to continue with in-person meetings.

(b) Employee incentive plan issue cap

The Treasury Laws Amendment (Cost of Living Support and Other Measures) Act 2022 (Cth) introduced a new Division 1A into Part 7.12 of the Corporations Act in relation to employee share schemes (**New Rules**). The legislation, which took effect on 1 October 2022, replaces and expands the current ASIC Class Order [CO 14/1000] (**Class Order**).

The New Rules, which is to replace the Class Order, offers regulatory relief from the Corporations Act's securities disclosure, licensing, advertising and anti-hawking regulatory requirements which would otherwise apply when making offers of interests under employment share schemes (**ESS**).

An offer from an ESS which requires payment by the offeree to participate can only be eligible for regulatory relief under the New Rules if it complies with the 'issue cap'. The issue cap is the maximum percentage of a company's then share capital that it is permitted to issue over a three-year period under an ESS. Under the Class Order, issue caps of 5% of a listed entity's fully paid shares apply over a rolling period of 3 years (irrespective of whether monetary consideration is required) when relying on Class Order relief. Under the New Rules:

- (i) there is no cap on issues made for no monetary consideration; and
- (ii) the issue cap may be either the percentage specified in a company's constitution, or if no percentage is specified in the company's constitution, then 5%.

This means that the Company has the ability to increase the percentage of its share capital that it is permitted to issue under the New Rules, from the default of 5%, for issues made for no consideration and for issues made for no monetary consideration by specifying a new issue cap in its constitution.

For the purposes of section 1100V of Division 1A of Part 7.12 of the Corporations Act, the Company proposed to increase its issue cap percentage to 10% of shares on issue. This will provide the Company with greater flexibility in the future to further attract, retain and reward employees via increased offers of interests under future employee share schemes.

(c) Restricted Securities

ASX made a number of changes to the escrow regime in the Listing Rules in December 2019 to make aspects of the listing process and ongoing compliance with the Listing Rules more efficient for issuers and for ASX.

Amongst these, a two-tier escrow regime was introduced where ASX can and will require certain, more significant, holders of Restricted Securities (as defined by the Listing Rules) and their controllers to execute a formal escrow agreement in the form of Appendix 9A, as was previously the case. However, for less significant holdings, ASX will instead permit entities to rely on a provision in their constitution imposing appropriate escrow restrictions on the holder of Restricted Securities and to simply give a notice to the holder of Restricted Securities in the form of a new Appendix 9C advising them of those restrictions.

Under the Proposed Constitution, holders of Restricted Securities will be taken to have agreed in writing that those Securities are to be kept on the Company's issuer sponsored sub-register and are to have a holding lock applied for the duration of the applicable escrow period. Holders of Restricted Securities will also not be entitled to participate in any return of capital on those Securities during the applicable escrow period, except as permitted by the Listing Rules or ASX.

5.3 Proportional takeover provisions

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares. Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution provisions which stipulate that a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act (**Provisions**). This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause. The Existing Constitution also included a provision regarding proportional takeover bids however, subject to Resolution 6 being passed the Existing Constitution will be repealed and replaced by the Proposed Constitution.

(a) Effect of Provisions

If the Constitution is amended pursuant to Resolution 6 and the Provisions are effectively reinstated and a proportional takeover bid is made for Shares in the Company, the Provisions require the Directors to call a meeting of Shareholders who hold Bid Class Shares to vote on a resolution to approve the proportional takeover bid. The resolution will be passed if more than 50% of the votes cast on the resolution are

in favour of the resolution. The bidder, and any associate of the bidder, will be excluded from voting.

If the resolution to approve the proportional takeover bid is not voted on as at the end of the day before the 14th day before the last day of the bid period under the takeover bid, the resolution will be taken to have been passed.

If a resolution to approve the proportional takeover bid is voted on and rejected, all unaccepted offers under the takeover bid are taken to be withdrawn and each binding takeover contract for the takeover bid must be rescinded by the bidder.

The Provisions do not apply to full takeover bids (that is, a takeover bid for all of the securities in the class of securities that the takeover bid relates to).

If this Resolution 6 is passed, and therefore the Constitution is amended and the Provisions are effectively reinstated, the Provisions will only apply until 30 May 2026 (being three years from the date of the Meeting), unless renewed by Shareholders (or unless the Constitution is amended before then to delete the Provisions).

(b) **No awareness of any proposal to acquire or to increase the extent of a substantial interest in the Company**

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

(c) **Potential advantages and disadvantages of the Provisions**

The Directors consider that the Provisions have not had (and will not have) any potential advantages or potential disadvantages for the Directors, as the Board is free to make whatever recommendations it considers appropriate on any proportional takeover bid that may be made.

The potential advantages of the Provisions for Shareholders include:

- Shareholders have a say, by majority, in determining whether a proportional takeover bid should be allowed to proceed, which may assist in ensuring that any proportional takeover bid is attractive to a majority of Shareholders;
- the Board is able to formally ascertain the views of Shareholders in respect of a proportional takeover bid;
- it may help Shareholders to avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without payment of an adequate premium for control;
- it increases Shareholders' bargaining power and may assist in ensuring any proportional takeover is adequately priced and is attractive to the majority of Shareholders; and
- knowing the view of the majority of Shareholders may help each individual Shareholder to form an opinion on whether to accept or reject an offer under the bid.

The potential disadvantages of the Provisions for Shareholders include:

- the Provisions may reduce the likelihood of a proportional takeover bid being successful and may therefore discourage the making of a proportional takeover bid; and

- the Provisions may also reduce the opportunities which Shareholders have to sell their Shares in the Company.

(d) **Review of advantages and disadvantages of the Provisions**

When the Provisions were previously in effect, no takeover bids for the Company (either proportional or full) were made or announced. Therefore, there is no example against which the advantages or disadvantages of the Provisions may be assessed.

However, the Board is not aware of any potential bid that was discouraged by the Provisions.

5.4 Board recommendation

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that the Shareholders vote in favour of Resolution 6.

GLOSSARY

\$ means Australian dollars.

7.1A Mandate has the meaning given in Section 4.1.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

Associated Body Corporate means

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (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;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Lucapa Diamond Company Limited (ACN 111 501 663).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Executive Directors means each of Mr Stephen Wetherall and Mr Nick Selby.

Equity Securities has the meaning given to that term in the ASX Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice.

Group means the Company and its subsidiaries;

Incentive Plan means the Company's Incentive and Retention Plan approved at the Company's 2022 Annual General Meeting and summarised in Annexure B.

Long Term Performance Right means a Performance Right that vests subject to the satisfaction of the long term milestones set out in section 3.6(f)2.

LTI's means long term incentives.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or Notice of Meeting means this notice of meeting including the Explanatory Statement and the Proxy Voting Form.

Option means an option to subscribe for or acquire a Share.

PBI's means project based incentives.

Performance Right or **PR** means a right to be issued a Share on the terms and conditions in the Incentive Plan .

Proxy Voting Form means the proxy voting form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 31 December 2022.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Short Term Performance Right means a Performance Right that vests subject to the satisfaction of the short term milestones set out in section 3.6(f)1.

STI's means a short term incentives.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A.2.

WST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A - VALUATION OF PERFORMANCE RIGHTS

Short Term Incentives

The Company has valued the performance rights proposed to be issued to the Executive Directors in accordance with the Short Term Incentive (STI) pursuant to Resolutions 3 and 4 using the Binomial Option valuation methodology. The valuation using this methodology is a function of a number of variables;

Variable	Input
Share price	\$0.038
Exercise price	\$0
Risk free interest rate	3.33%
Volatility	75%
Time (years to expiry) - Annual STI	4

For the purposes of calculating the value of each performance right, the Company has:

- (a) assumed the Share price is \$0.038, which was the closing price of Shares on ASX on 16 March 2023, being the date of the valuation;
- (b) assumed the exercise price is \$0;
- (c) used a risk free interest rate of 3.33% (estimated based on the 10-year Australian treasury bond rate as at the date of valuation of the Short Term and Project Performance Rights);
- (d) used a volatility of the Share price of 75% based on the four year historic volatility of the share price of the Company; and
- (e) assumed that the performance rights are issued on 30 May 2023.

Based on the above, the Company has calculated an indicative value of one STI performance right to be \$0.038.

Accordingly, an indicative value of the performance rights proposed to be issued to the Executive Directors pursuant to Resolutions 3 to 4 is \$454,814, comprising:

Executive Director	Indicative value (STI Performance Rights)
Mr Stephen Wetherall	\$287,196
Mr Nick Selby	\$167,618
TOTAL	\$454,814

Any change in the variables applied in the Binomial Model calculation between the date of the valuation (16 March 2023) and the date the performance rights are granted would have an impact on their value.

Long Term Incentives

The Company has valued the performance rights proposed to be issued to the Executive Directors in accordance with the Long Term Incentives (LTI) pursuant to Resolutions 3 and 4 using the Trinomial Option valuation methodology, which incorporates performance conditions based on absolute Shareholder return measurements.

The valuation of the LTI performance rights has been prepared using the assumptions below for the following scenarios:

- **Scenario A** - the target share price up to which point no performance rights vest;
- **Scenario B** - the target share price at which point 51% of the performance rights vest; and
- **Scenario C** - the target share price at which point 100% of the performance rights vest.

Variable/ Description	Scenario A	Scenario B	Scenario C
Share price	\$0.038	\$0.038	\$0.038
Risk free interest rate	3.33%	3.33%	3.33%
Volatility	75%	75%	75%
Time (years to expiry)	5	5	5
Share price target	\$0.051	\$0.058	\$0.066
Compound annual growth in share price	9.9%	15.0%	20.1%
% PRs vesting	0%	51%	100%
Indicative value of one PR	\$0.037	\$0.037	\$0.037

The indicative value of the performance rights proposed to be issued to Mr Stephen Wetherall under the LTI is as follows:

	Scenario A	Scenario B	Scenario C
Number of PRs vesting	0	3,835,291	7,520,179
Value of PRs vesting	\$0	\$141,906	\$278,247

The indicative value of the performance rights proposed to be issued to Mr Nick Selby under the LTI is as follows:

	Scenario A	Scenario B	Scenario C
Number of PRs vesting	0	2,014,575	3,950,147
Value of PRs vesting	\$0	\$74,539	\$146,155

For the purposes of calculating the value of each performance right, the Company has:

- (a) assumed the Share price is \$0.038, which was the closing price of Shares on ASX on 16 March 2023, being the date of valuation;
- (b) used a risk free interest rate of 3.33% (estimated based on the 10-year Australian treasury bond rate as at the date of valuation of the performance rights);
- (c) used a volatility of the Share price of 75% based on the 4 year historic volatility of the share price of the Company; and
- (d) assumed that the performance rights are issued on 30 May 2023.

Any change in the variables applied in the Trinomial Valuation calculation between the date of the valuation (16 March 2023), and the date the performance rights are granted would have an impact on their value.

ANNEXURE B - SUMMARY OF INCENTIVE PLAN

The key terms of the Incentive and Retention Plan (**Plan**) are as follows:

- (i) **Eligibility:** Participants in the Plan may be:
 - (A) a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each, a **Group Company**);
 - (B) a full or part time employee of any Group Company;
 - (C) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**); or
 - (D) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,

who is declared by the Board to be eligible to receive grants of Options or Performance Rights (**Awards**) under the Plan (**Eligible Participants**).
- (ii) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- (iii) **Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
- (iv) **Issue price:** Performance Rights granted under the Plan will be issued for nil cash consideration. Unless the Options are quoted on the ASX, Options issued under the Plan will be issued for no more than nominal cash consideration.
- (v) **Vesting conditions:** An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards (**Vesting Conditions**).
- (vi) **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Awards have been granted under the Plan or their nominee where the Awards have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Awards due to:
 - (A) special circumstances arising in relation to a Relevant Person in respect of those Awards, being:
 - (A) a Relevant Person ceasing to be an Eligible Participant due to:
 - (I) death or total or permanent disability of a Relevant Person; or
 - (II) retirement or redundancy of a Relevant Person;
 - (B) a Relevant Person suffering severe financial hardship;
 - (B) any other circumstance stated to constitute “special circumstances” in the terms of the relevant offer made to and accepted by the Participant; or
 - (C) any other circumstances determined by the Board at any time (whether

before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,

(Special Circumstances), or

- (C) a change of control occurring; or
 - (D) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (vii) **Lapse of an Award:** An Award will lapse upon the earlier to occur of:
- (A) an unauthorised dealing, or hedging of, the Award occurring;
 - (B) a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (C) in respect of unvested Awards only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;
 - (D) in respect of vested Awards only, a Relevant Person ceases to be an Eligible Participant and the Award granted in respect of that Relevant Person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;
 - (E) the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
 - (F) the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and
 - (G) the expiry date of the Award.
- (viii) **Not transferrable:** Subject to the ASX Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
- (ix) **Shares:** Shares resulting from the exercise of the Awards shall, subject to any Sale Restrictions (refer paragraph (k)) from the date of issue, rank on equal terms with all other Shares on issue.
- (x) **Sale restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- (xi) **Quotation of Shares:** If Shares of the same class as those issued under the Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.

- (xii) **No participation rights:** There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.
- (xiii) **Change in exercise price of number of underlying securities:** An Award does not confer the right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.
- (xiv) **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (xv) **Amendments:** Subject to express restrictions set out in the Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Plan, or the terms or conditions of any Award granted under the Plan including giving any amendment retrospective effect.

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Proxy Voting Form

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **11:00am (WST) on Sunday, 28 May 2023**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at
<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

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



BY MAIL:

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GPO Box 5193
Sydney NSW 2001

IN PERSON:

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Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

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BY FACSIMILE:

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All enquiries to Automic:

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