



HIGHLANDS PACIFIC LIMITED

(ARBN 078 118 653)

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

AND

PROXY FORM

A NOTICE OF ANNUAL GENERAL MEETING TO BE HELD AT
10.00AM (AEST) ON 18 MAY 2017
AT
GRAND PAPUA HOTEL, MARY STREET
PORT MORESBY, PAPUA NEW GUINEA
IS
INCLUDED IN THIS DOCUMENT.

TO BE VALID, ALL PROXY FORMS FOR USE AT THIS ANNUAL GENERAL MEETING MUST BE
COMPLETED AND RETURNED NO LATER THAN 10AM (AEST) ON 17 MAY 2017



Notice is hereby given that the 20th Annual General Meeting of shareholders of Highlands Pacific Limited will be held at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea on Thursday, 18th May 2017 at 10:00am.

A G E N D A

BUSINESS

1. To receive accounts and reports

To receive and consider the accounts (including the statement of financial position and statement of comprehensive income) for the year ended 31 December 2016, together with the reports of the Directors and the Auditors thereon and, if thought fit, pass the following resolution:

"That the accounts (including the statement of financial position and statement of comprehensive income) for the year ended 31 December 2016 are hereby adopted".

2. Re-election of Director – Bartholomew Philemon

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

"That Mr Bartholomew Philemon, retiring in accordance with Regulation 10.3(b) of the Company's Constitution and being eligible, is re-elected as a Director of the Company".

3. Election of Director – Ronald Douglas

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

"That Mr Ronald Douglas, retiring in accordance with Regulation 10.6 of the Company's Constitution and being eligible, is elected as a Director of the Company".

4. Approval of Auditors

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

"That Messrs PricewaterhouseCoopers be appointed as Auditors of the Company".



NOTICE OF ANNUAL GENERAL MEETING

5. Approval of Performance Rights Plan

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

"That, in accordance with Listing Rule 7.2 Exception 9(b) and for all other purposes, approval is given for:

- (a) the "Highlands Pacific Performance Rights Plan" for the provision of incentives to employees and executive directors of the Company (**Plan**); and
- (b) the grant of performance rights to participants in the Plan, and the subsequent issue or transfer of shares to, or in relation to, participants under the Plan.

This resolution renews approval to the Plan given by shareholders most recently in May 2014.

NOTES

The Company will, in accordance with Rule 14.11 of the Listing Rules, disregard any votes cast in respect of this resolution by any Director who is eligible to participate in any Plan and any associate of the Director.

However, the Company will not disregard any votes on the resolution if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

6. Approval of issue of performance rights to Managing Director

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

"That, in accordance with ASX Listing Rule 10.14, the issue of 2,200,000 performance rights to Mr Craig Lennon, Managing Director of the Company, under the Highlands Pacific Performance Rights Plan in accordance with the terms described in the Explanatory Memorandum is approved."

NOTES

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in respect of this resolution by a Director of the entity – except one who is ineligible to participate in any employee incentive scheme in relation to the entity; and an associate of that person (or those persons).

However, the Company will not disregard any votes on the resolution if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.



NOTICE OF ANNUAL GENERAL MEETING

Proxy

As a member of the Company you are entitled to appoint a proxy to attend this meeting on your behalf. The proxy does not need to be a member of the Company. If you are entitled to cast two or more votes, you are entitled to appoint not more than two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you wish to appoint a proxy, please fill out, sign and return the attached proxy form as directed by the notes on the proxy form.

For the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 7.00pm (Port Moresby and Brisbane time) on Tuesday, 16th May 2017. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxy forms can be delivered by post to the Share Registry of the Company, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001; or sent by fax to the Share Registry of the Company, Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia).

Should you have any queries please feel free to contact me.

INCORPORATION OF EXPLANATORY MEMORANDUM

The Explanatory Memorandum to Shareholders attached to this Notice of Meeting, is hereby incorporated into and forms part of this Notice of Meeting.

By Order of the Board

SYLVIE MOSER
COMPANY SECRETARY

13 April 2017

INTRODUCTION

The purpose of this Explanatory Memorandum is to provide shareholders with information to assist them in assessing the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of Highlands Pacific Limited (**Highlands**).

The Board recommends that shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

RESOLUTION 2 RE-ELECTION OF DIRECTOR – BARTHOLOMEW PHILEMON

Mr Philemon was originally appointed a Director on 21 September 2012 and was most recently re-elected on 21 May 2015. He now retires from his position as Director in accordance with Regulation 10.3(b) of the Company's Constitution.

Mr Philemon brings to the Board extensive experience in government affairs and economic development issues at the national and pacific regional levels having served with great distinction as member for the Lae Open seat from 1992 until 2012. Mr Philemon was recently a Director of the Bank of Papua New Guinea (Aug 2013 to Jun 2016) and Oil Search Limited (Nov 2012 to Sept 2016), and has, among many appointments, been Chairman of Air Niugini, and has held a number of Ministerial posts in PNG Governments including Minister of Foreign Affairs and Minister for Finance and Treasury.

The Board recommends the re-election of Mr Philemon as a Director.

RESOLUTION 3 ELECTION OF DIRECTOR – RONALD DOUGLAS

Mr Douglas was originally appointed a Director on 7 February 2017 to fill a casual vacancy. He now retires from his position as Director in accordance with Regulation 10.6 of the Company's Constitution.

Mr Douglas is an engineer by training and has more than 30 years' experience in senior management in the mining industry. This includes five years as Executive General Manager Projects and Studies at Newcrest Mining (during which time he was involved in the development of Hidden Valley, Lihir Expansion and the Wafi/Golpu development in Papua New Guinea), and three years as Global Head of Projects and Technology at Orica. He also is former CEO of Australian Solomons Gold, and former Managing Director for Anglesey Aluminium Metal Ltd (Rio Tinto). Mr Douglas is currently employed as Executive Vice President Global Project Delivery at Ausenco, based in Brisbane.

The Board recommends the election of Mr Douglas as a Director.

RESOLUTION 5

APPROVAL OF PERFORMANCE RIGHTS PLAN

Resolution 5 seeks shareholder approval under ASX Listing Rule 7.2 Exception 9(b) for the Highlands Pacific Performance Rights Plan (**Plan**), the terms of which are set out in Attachment A. By obtaining approval under these Listing Rules any performance rights (**PR's**) or securities issued are excluded from the "15% rule" limit applicable to ASX Listing Rule 7.1 (Listing Rule 7.1 places an annual general limit on capital raisings of 15%).

Highlands' shareholders most recently approved the Plan on 22 May 2014. The Plan is unchanged to that approved in 2014, but must be put to shareholders for approval every three years so that any securities granted or issued by Highlands under the Plan do not count towards the Company's 15% annual limit under ASX Listing Rule 7.1.

An effective long term equity incentive scheme is considered a key component of present-day executive remuneration practices. Highlands wishes to maintain competitive senior executive remuneration practices and wishes to offer balanced and appropriately targeted equity incentives to its executives.

Information relevant to Resolution 5 is as follows:

Identity of persons entitled to participate in the Plan

The Managing Director and other executives who are employed by Highlands on a full-time basis are entitled to participate in the Plan. However, any PR's or securities issued to the Managing Director will be subject to further shareholder approval (see Resolution 6).

Performance rights already issued

Since 22 May 2014, being the last date shareholders approved the Plan, 9,450,000 PR's have been issued to the Managing Director position. The PR's were issued, subject to shareholder approval, for no consideration and to date 3,262,500 have vested and been exercised while 1,087,500 have lapsed leaving 5,100,000 remaining unvested.

A further 20,615,000 PR's were issued to eligible participants for no consideration and to date 4,876,250 have vested and been exercised while 3,688,750 have lapsed leaving 12,050,000 remaining unvested.

Voting exclusion

In accordance with Listing Rule 14.11, Highlands will disregard any votes cast by any Director who is eligible to participate in any Plan and any associate of the Director in respect of this resolution (the only eligible Director is Mr Lennon as he is the only Executive Director).

Director's recommendation

Each of the Directors (other than Mr Lennon) recommends the approval of the Plan. Mr Lennon makes no recommendation in view of his personal interest in the outcome. None of the Directors (other than Mr Lennon) have an interest in the outcome of the resolution.

RESOLUTION 6

APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR

The purpose of Resolution 6 is to approve the grant of 2,200,000 performance rights (**PR's**) to Mr Lennon, the Managing Director of Highlands under the Highlands Pacific Performance Rights Plan (**Plan**).

The number of PR's has been set upon the recommendation of the company's remuneration advisors, who have been engaged independently of management by the Board's Remuneration Committee. The PR's represent in total shares to the value of A\$150,000, as determined by the volume weighted average price of our shares for the 5 days ending 17 March 2017, the last practicable date which we could use to enable the performance rights to be valued and included in the Notice of Meeting.

The Board wants to ensure that the remuneration of Highlands' executives is in line with the market and that there is an effective incentive for the executives to improve Highlands' performance and the value of investments of the shareholders. The Board has sought independent external guidance in making its determination, both in the form of equity incentive and the quantum, in conjunction with the overall remuneration package offered to employees and the Managing Director.

As Mr Lennon is a Director of Highlands shareholder approval is required under ASX Listing Rule 10.14 before any issue of securities, such as PR's, can be made.

Subject to approval by shareholders, the Board proposes that the PR's be issued to Mr Lennon under the Plan and on the terms detailed below. In the Board's view the performance hurdles, which must be satisfied before the PR's are exercisable, link the ultimate value of the PR's to the Total Shareholder Returns (TSR).

The PR's are granted in one tranche with a vesting period and associated performance condition over a three year time period.

In accordance with ASX Listing Rules 10.14 and 10.15, the following information is provided for shareholders:

Terms of the Issue

The terms and conditions are detailed below:

Number of Rights **2,200,000**

Exercise Price **Nil**

Vesting Conditions

The ability of the PR's to be automatically exercised is dependent on:

- (a) Mr Lennon meeting the Service Condition; and
- (b) Highlands Pacific meeting the March 2017 Performance Rights Offer Performance Conditions as set out below.

Service Condition

The Service Condition is that Mr Lennon must still be employed by a member of the Highlands Pacific Group on the Exercise Date (31 December 2019) for the PR's to vest.

Performance Conditions

In addition to the Service Condition the PR's will only vest once the Board advises that the March 2017 Performance Rights Offer Performance Conditions have been satisfied. The number of PR's available to vest subject to these conditions is set out in the following table.

Performance Condition Description	Maximum Number of PR's subject to the Performance Condition
1 HIG TSR matching a Peer Group as recommended by independent external consultants over the 3 calendar year period to the end of 2019 of 550,000 rising to 1,100,000 for top quartile performance for that period.	1,100,000
2 Pro-rata lineal performance of the Company market capitalisation from that of 1 January 2017 towards the strategic target of AU\$250 million by the end of 2020, adjusted for any securities issued.	1,100,000
Total	2,200,000

In any event, the Board's decision is final in determining satisfactory performance of each performance condition. PR's that do not vest on the Vesting Date will lapse. There will be no retesting.

Highland Pacific Total Shareholder Return (TSR) vs Peer Group (Performance Condition 1)

The above Performance Condition will be measured by an independent third party over the Performance Period (1 January 2017 to 31 December 2019).

Market Capitalisation Growth (Performance Condition 2)

The above Performance Condition will be measured by an independent third party over the Performance Period (1 January 2017 to 31 December 2019) using the reference points of the market capitalisation of the Company at those times in relation to the strategic target of a market capitalisation for the Company of AU\$250 million by the end of 2020, adjusted for any securities issued.

Vested PR's will be automatically exercised on the Vesting Date. On exercise shares will be registered.

Participants are specifically prohibited from hedging their Highlands Pacific share price exposure in respect of their PR's during the Performance Period.

Additional Information

No. of PR's	Estimated Value per PR	Total Value of PR's
2,200,000	AU\$0.05565	AU\$122,430

The total value is based on the fair value of the entitlement, assuming Mr Lennon successfully completes the service period condition and, vesting conditions.

Valuation assumptions include:

- Stock volatility: 65%
- Risk Free Rate: 2.0%
- Dividend Yield: 0.0%
- Index volatility: 20%
- Correlation Highlands to Index: 0.20
- Expected Life: Grant date to 31 Dec 2019
- Highlands Share Price: AU\$0.067 (17th March 2017)

The benefit of the proposed PR's to be granted to Mr Lennon, subject to the passing of this resolution, will depend on the achievement of the vesting conditions consisting of continuous service and external performance conditions and Highlands' future share price. Assuming all conditions are met and estimating the future Highlands' share price, the dollar value of the benefit to Mr Lennon and the value compared to the growth in Highlands' market capitalisation with constant capital assumed would be as follows:

Future Highlands Share Price	Total PR grant benefit (potential 100% vested) [A]	Growth in Market Capitalisation of Highlands* [B]	% of increase value [A] / [B] x 100%
AU\$0.10	AU\$220,000	AU\$30.7m	0.72%
AU\$0.20	AU\$440,000	AU\$124.3m	0.35%
AU\$0.25	AU\$550,000	AU\$171.1m	0.32%
AU\$0.30	AU\$660,000	AU\$217.9m	0.30%
AU\$0.40	AU\$880,000	AU\$311.5m	0.28%

* Based on a share price of AU\$0.067 (17th March 2017) and 935,915,836 shares on issue (17th March 2017) – assumed unchanged for this purpose.

Mr Lennon currently holds 3,550,000 shares and 3,200,000 PR's with details as follows:

No. of PR's	Exercise Price (AU\$)	Vesting Date	Expiry Date	Vested (Y/N)
3,200,000	Performance Hurdle based Nil	31 Dec 2017	31 Dec 2017	N

Identity of persons entitled to participate in the Plan

The Managing Director, Mr Lennon, is entitled to participate in the Plan; however any performance rights or securities issued to Mr Lennon will be subject to shareholder approval. No other Directors of the Company are entitled to participate in the Plan.

Maximum number of PR's that may be issued

The maximum number of PR's that may be acquired by Mr Lennon under this resolution is 2,200,000 and which if vested and exercised by Mr Lennon, will entitle him to acquire 2,200,000 shares.

Consideration of PR's

The PR's will be issued for nil consideration.

Use of funds raised

As the PR's have a nil exercise price there will be no funds raised on exercise.

Terms of any loan in relation to the acquisition

No loan will be provided by Highlands in relation to the grant or exercise of the PR's.

Issue Date

The PR's, if approved, will be issued by the Company to Mr Lennon within three months of shareholders' approval.

Effect of the proposal

If all of Mr Lennon's PR's are exercised, based on the current number of issued shares in Highlands, he would hold approximately 0.95% of the issued shares in Highlands.

Shareholders should note that if Mr Lennon exercises all of his PR's, it will have a small diluting effect on existing shareholders' interest.

Issue of options since last approval

No persons referred to in listing rule 10.14 have received securities under the Plan referred to in this resolution since the General Meeting of 21 May 2015 – Resolution 5.

Voting exclusion

In accordance with Listing Rule 14.11, Highlands will disregard any votes cast by a Director of the entity, except one who is ineligible to participate in any employee incentive scheme in relation to the entity and an associate of that person (or those persons).

Directors recommendation

Each of the Directors (other than Mr Lennon) recommends the issue of the PR's to Mr Lennon for the reasons set out above and recommends that you vote in favour of this resolution. Mr Lennon makes no recommendation in view of his personal interest in the outcome. None of the Directors (other than Mr Lennon) have an interest in the outcome of the resolution.

Attachment A

PERFORMANCE RIGHTS PLAN

Highlands Pacific Limited ARBN 078 118 653

Plan Rules

Highlands Pacific Performance Rights Plan Rules

A Subdivision 83A-C (ITAA 1997) complying employee share scheme

EXPLANATORY MEMORANDUM

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Highlands Pacific Performance Rights Plan Rules

1. Purpose

- 1.1 The Plan is established by the Company to provide employees with a means of receiving Performance Rights.

2. Definitions and Interpretation

2.1 Definitions

In these Rules, unless the context otherwise requires, the following terms and expressions will have the following meanings:

Acceptance means the form provided to Employees in order to accept an Invitation to apply for a grant of Performance Rights in the form approved by the Board from time to time.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

Board means the Board of Directors of the Company, a committee appointed by the Board of Directors of the Company as constituted from time to time, or any person who is provided with delegated authority by the Board from time to time.

Business Day means a day on which banks are open for general banking business in Papua New Guinea, excluding Saturdays, Sundays or public holidays in Papua New Guinea.

Companies Act means the *Companies Act 1997* (PNG) as amended.

Company means Highlands Pacific Limited (ARBN 078 118 653) or, in the event the name of the Company is changed by special resolution, the new name of the company.

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time.

Deal means, in relation to a Performance Right or Share (as the case may be), any dealing, including but not limited to:

- (a) a sale, transfer, assignment, trust, encumbrance, option, swap, any alienation of all or any part of the rights attaching to the Performance Right or Share; and
- (b) any hedging (including any dealing with a derivative instrument intended to "lock in" a profit relating to a Performance Right, and any other transactions in financial products that operate to limit the economic risk associated with holding a Performance Right).

Eligible Employee means any permanent full-time or part-time employee of the Group, including a director employed in an executive capacity, who is determined by the Board as eligible to receive an Invitation.

Group means the Company and its Subsidiaries from time to time.

Invitation means an invitation to an Eligible Employee to apply for a grant of Performance Rights under these Rules in the form approved by the Board from time to time.

Listing Rules means the listing rules, market rules or operating rules of a financial market in respect of which the Company's Shares are quoted or are the subject of an application for quotation, including but not limited to the official listing rules of the ASX and POMSoX (as relevant), as they apply to the Company from time to time.

Participant means a person who has been granted Performance Rights pursuant to these Rules.

Performance Condition means any conditions (including conditions related to service) which must be satisfied before a Performance Right vests.

Performance Period means the period or periods of time at the expiration of which the Board will review the Performance Conditions.

Performance Right means a conditional right, acquired as a result of the acceptance of an Invitation under the terms of the Plan, to acquire a Share in the Company, subject to the satisfaction of conditions.

Permanent Incapacity means a condition the effect of which is, in the opinion of the Board, to prevent a Participant from continuing to be an Eligible Employee engaged in a similar capacity as they held prior to the condition being acquired or in any occupation with the Company for which he or she is reasonably qualified by education, training and experience.

Plan means the Highlands Pacific Performance Rights Plan in respect of which these Rules apply.

POMSoX means Port Moresby Stock Exchange Limited.

Redundancy means where a Participant's position is made redundant, there is no acceptable alternative position available within the Company and the Participant's employment is terminated by a member of the Company by reason of redundancy.

Retirement means where a Participant intends to permanently cease all gainful employment permanently in circumstances where the Participant provides, in good faith, a written statutory declaration to the Board to that effect.

Rules means these Rules in respect of the operation of the Plan as amended from time to time.

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

Subsidiary has the meaning given in section 9 of the Companies Act.

Takeover Offer means an offer within the meaning of the Takeovers Code adopted under the *Securities Act 1997* (PNG).

2.2 Interpretation

In these Rules unless otherwise stated or the contrary intention appears:

- a) the singular includes the plural and vice versa;
- b) a gender includes all genders;
- c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- d) 'includes' means includes without limitation;
- e) no rule of construction will apply to a Rule to the disadvantage of a party merely because that party put forward the Rule or would otherwise benefit from it;
- f) a provision of these Rules which has the effect of requiring anything to be done on or by a date which is not a Business Day is to be interpreted as if it required that thing to be done on or by the immediately following Business Day;
- g) headings are inserted in these Rules for convenience only and do not affect the interpretation of these Rules; and
- h) a reference to:
 - (i) a person includes a reference to the person's executors, administrators and successors and, in the case of the Trustee, includes any substituted or additional trustee;
 - (ii) any legislation includes any modification or replacement of it and any regulations and statutory instruments issued under it and a reference to any provision of any legislation includes any modification or substitution of it;
 - (iii) a right includes a benefit, remedy, discretion and power;
 - (iv) time is to local time in the capital of the State of Queensland;
 - (v) '\$' or 'dollars' is a reference to Australian currency;
 - (vi) this or any other document includes the document as varied or replaced; and
 - (vii) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmission and email.

2.3 Applicable Legislation

These Rules, the offering and granting of any Performance Rights and/or Shares issued on vesting of any Performance Rights and the rights attaching to or interests in the Performance Rights and/or Shares issued on vesting of the Performance Right will at all times be subject to the constitution of the Company, the Companies Act, the Corporations Act, any other applicable legislation from time to time and the Listing Rules (as applicable).

3. Offers

- 3.1 The Board may make offers from time to time to Eligible Employees to participate in the Plan.
- 3.2 The Board has absolute discretion:
 - (i) as to whom offers are made, but offers can only be made to Eligible Employees; and
 - (ii) as to the number of Performance Rights offered in each case and the terms of their issue.

- 3.3 The Invitation with respect to each offer must be in writing and specify the following terms of issue of the relevant Performance Rights:
- (i) the number of Performance Rights which the Eligible Employee is offered;
 - (ii) the closing date for Acceptance;
 - (iii) the Performance Conditions (if any) applying to the offer;
 - (iv) the Performance Period (if any) applying to the offer;
 - (v) the amount (if any) payable on vesting of the Performance Rights; and
 - (vi) any other terms and conditions relating to the offer of Performance Rights.

4. Acceptance by participant

- 4.1 An Eligible Employee may accept an offer of Performance Rights by:
- (i) completing and signing the Acceptance; and
 - (ii) lodging the completed and signed Acceptance with the Company, by the time and date specified in the Invitation.
- 4.2 Where an Acceptance is approved by the Board, the Company, will:
- (i) issue the number of Performance Rights applied for in the name of the Participant; and
 - (ii) notify the Participant of the number of Performance Rights granted to him or her.
- 4.3 By lodging the completed and signed Acceptance in accordance with Rule 4.1, the Participant agrees to acquire the Performance Rights and to be bound by these Rules as amended from time to time.
- 4.4 Notwithstanding any other provision of this Plan, a Participant has no entitlement to be granted any Performance Rights unless and until such Performance Rights are granted.

5. Performance Conditions

- 5.1 At the end of any Performance Period, the Board will determine the outcome of any Performance Conditions. The determination may include (without limitation):
- (i) a determination that some or all of the Performance Rights vest as a consequence of the outcome of any applicable Performance Hurdle;
 - (ii) a reduction of the number of Performance Rights that vest as a consequence of the outcome of any applicable Performance Hurdle; and
 - (iii) a determination that the Performance Rights lapse, in whole or part, as a consequence of the outcome of any applicable Performance Hurdle.
- 5.2 A determination made by the Board under Rule 5.1 is final unless the Board in its absolute discretion decides to revise any determination.
- 5.3 Notwithstanding any other provision of these Rules, the Board may waive, amend or replace any performance or other measure in a Performance Condition attaching to a Performance Right if the Board determines that the original Performance Condition is no longer appropriate or applicable (for instance, if a particular stock market index is no longer published, there are extraneous economic circumstances or there is a corporate action, including a discounted rights issue, which impacts on the performance measure), provided that the interests of the relevant Participant are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant.

6. Consideration

Performance Rights will be issued for no consideration unless otherwise determined by the Board and set out in the terms of issue specified under Rule 3.1.

7. Restriction on transfers of Performance Rights

7.1 The Participant must not Deal with any Performance Rights without the prior approval of the Board.

7.2 A legal personal representative of the Participant may be registered as a holder of the Participant's Performance Rights in circumstances where either the Participant has died or the Participant's estate is liable to be dealt with under the laws relating to mental health, upon the production to the Company, of such evidence reasonably required to establish the entitlement of the legal personal representative to be so registered.

8. Lapse of Performance Rights

8.1 A Participant's Performance Rights lapse on the earliest to occur of:

- (i) a determination that the Performance Rights lapse under Rule 5; and
- (ii) the breach by the Participant of any obligation arising under these Rules, including any purported transfer of its Performance Rights other than in accordance with Rule 7.

9. Takeovers, Schemes of Arrangement and Winding-up

9.1 If:

- (i) the Board recommends that a Takeover Offer be accepted; or
- (ii) a Takeover Offer is declared unconditional,

all unvested Performance Rights will vest on the earlier of these two dates.

9.2 Where, pursuant to Rule 9.1 Performance Rights vest, the Board must as soon as practicable give written notice to each Participant.

9.3 If Rule 9.1 applies, any restrictions on Dealing imposed on Shares issued on vesting of Performance Rights will cease to have effect.

9.4 If a company (**Acquiring Company**) obtains control of the Company as a result of a Takeover Offer or any other corporate action and the Company, the Acquiring Company and the Participant agree, a Participant may, upon vesting of Performance Rights, be provided with shares of the Acquiring Company or its parent in lieu of Shares, on substantially the same terms and subject to substantially the same conditions as the Shares, but with appropriate adjustments to the number and class of shares.

10. Vesting of Performance Rights

10.1 Notwithstanding any other Rule of these Rules, a Performance Right will only vest if:

- (i) the Performance Right has not lapsed in accordance with Rule 8 or 9; and
- (ii) each Performance Condition to which the Performance Right is subject has been satisfied.

10.2 Unless the Board determines otherwise, no amount is payable on vesting of a Performance Right.

11. Overriding Restrictions on Issue and Vesting

- 11.1 Despite any Rule or the terms of any Performance Right, no Performance Right may be offered, issued or vested if to do so would contravene any applicable law or where compliance with any applicable law would in the opinion of the Board be unduly onerous or impractical.
- 11.2 The number of Performance Rights which may be granted under the Plan must not exceed (assuming all outstanding Performance Rights were exercised), when aggregated with any shares issued during the previous 5 years pursuant to any other employee share scheme operated by the Company, a maximum of five percent (5%) of the total issued capital of the Company at the time of the grant of the Performance Rights, with unregulated offers excluded.

12. Adjustments under certain events

- 12.1 If, at any time when Shares are traded on the ASX:
- (i) shares are issued pro rata to the Company's shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits; or
 - (ii) shares are issued pro rata to the Company's shareholders by way of a rights issue; or
 - (iii) the number of Performance Rights to which each Participant is entitled; or
 - (iv) the number of underlying Shares to which each Performance Right confers an entitlement; or
 - (v) any amount payable on vesting of the Performance Rights; or
 - (vi) where appropriate, a combination of (iv), (v) and/or (vi) above,
- will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the Participant as a result of such corporate actions having regard, where appropriate, to the principles underlying any applicable ASX Listing Rules.
- 12.2 Subject to Rule 3, upon any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the vesting of a Performance Right, the terms of the Performance Right, including the amount (if any) payable on vesting of the Performance Right, are to be reconstructed to the extent necessary to comply with any Listing Rules applying to a reorganisation of capital at the time of the reorganisation. Subject to the provisions with respect to the rounding of entitlements as sanctioned by the meeting of shareholders approving such a capital reorganisation, in all other respects the terms for the vesting of Performance Rights are to remain unchanged.

Any adjustment to the terms of the Performance Rights under Rule 12.2 may not be made if it would result in any benefits being conferred on the Participant which are not conferred on the Company's shareholders generally.

13. Taxes or social security contributions

- 13.1 Stamp duty or any similar tax which may be assessed, paid or payable in respect of any document or documents executed in connection with the Plan (other than any share transfer) is payable by the Company within the time prescribed by law.

- 13.2 The employer of a Participant will have the power to withhold, or to require the Participant to remit to it, an amount sufficient to satisfy all federal, state, local and foreign withholding tax requirements in respect of any or all of the Participant's Performance Rights.
- 13.3 Where the Company, or a Subsidiary, must account for any tax or social security contributions (in any jurisdiction) for which a Participant is liable because of the issue or transfer of Shares, or the vesting of a Performance Right, either the Company or Subsidiary may withhold the amount assessed in its discretion or the Participant must, prior to the Participant's Shares being issued or transferred or cash being paid to the Participant, or the Performance Right vesting, either:
- (i) pay the amount assessed to the Company; or
 - (ii) make acceptable arrangements with the Company for the amount assessed to be made available to the Company.

14. Rights of Participants and Eligible Employees

Nothing in these Rules or the terms of any Performance Rights:

- (i) confers upon an Eligible Employee a right to a grant or offer of a grant of a Performance Right;
- (ii) confers on a Participant or an Eligible Employee the right to continue as an employee of any company in the Group;
- (iii) affects the rights of any company in the Group to terminate the employment or office of a Participant or an Eligible Employee (as the case may be);
- (iv) affects the rights and obligations of any Participant or an Eligible Employee under the terms of their office or employment with any company in the Group;
- (v) confers any legal or equitable right on a Participant or an Eligible Employee whatsoever to take action against any company in the Group in respect of their office or employment; nor
- (vi) confers on a Participant or an Eligible Employee any rights to compensation or damages in consequence of the termination of their employment by a company in the Group for any reason whatsoever including ceasing to have rights under the Plan as a result of such termination.

15. Power of Attorney

- 15.1 In consideration of the issue of the Performance Rights, each Participant irrevocably appoints each director and the secretary for the time being of the Company severally as his or her attorney, to do all acts and things and to complete and execute any documents, including share transfers, in his or her name and on his or her behalf that may be convenient or necessary for the purpose of giving effect to the provisions of these Rules or the terms of a Performance Right.
- 15.2 The Participant (or after his or her death, his or her legal personal representative) will be deemed to ratify and confirm any act or thing done under this power and must indemnify the attorney in respect of doing so.

16. Administration of the Plan

- 16.1 The Plan is administered by the Board which has power to:
- (i) determine appropriate procedures for administration of the Plan consistent with these Rules; and
 - (ii) resolve conclusively all questions of fact or interpretation in connection with the Plan.

- 16.2 The Board may delegate its authority in respect of any or all of the matters referred to in these Rules, either generally or with respect to any specific issuance of Performance Rights.

17. Plan amendment

17.1 Amendment of Plan

- (i) Subject to the Listing Rules and the constitution of the Company, the Board may at any time amend these Rules or the terms and conditions upon which any Performance Rights and Shares issued on vesting of Performance Rights have been issued under the Plan.
- (ii) No amendment of these Rules or to Performance Rights and Shares issued on vesting of Performance Rights granted under the Plan may be made if the amendment materially reduces the rights of any Participant (unless agreed by the Participant) in respect of Performance Rights and Shares issued on vesting of Performance Rights granted to them prior to the date of the amendment other than an amendment introduced primarily:
 - (a) for the purposes of complying with or conforming to present or future legislation governing or regulating the Plan or like plans;
 - (b) to correct any manifest error or mistake;
 - (c) for the purpose of complying with Listing Rules; or
 - (d) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation.
- (iii) The Board may determine that any amendment of these Rules or the terms of Performance Rights or Shares issued on vesting of Performance Rights granted under the Plan be given retrospective effect.
- (iv) Amendment of these Rules or the terms and conditions upon which Performance Rights and Shares issued on vesting of Performance Rights are granted under the Plan by the Board will be of immediate effect unless otherwise determined by them.
- (v) As soon as reasonably practicable after making any amendment of these Rules or the terms and conditions of Performance Rights and Shares issued on vesting of Performance Rights granted under the Plan the Board will give notice of the amendment to any Participant affected by the amendment. Failure by the Board to notify a Participant of any amendment will not invalidate the amendment as it applies to that Participant.

17.2 Amendment by Addendum

Subject to any other provision of these Rules, the Board may from time to time amend the terms of this Plan as they will apply in particular jurisdictions or circumstances by means of an addendum of these Rules.

18. Notices

- 18.1 Any notice or other communication given pursuant to these Rules must be in writing and is deemed to have been given properly if:
- (i) delivered;
 - (ii) sent by post;
 - (iii) sent by facsimile transmission or other print-out communications method (including email);
and is deemed to have been served;
 - (iv) if delivered, at the time of delivery;

- (v) if posted, 3 business days after the date of posting (or, in the case of a notice posted to a Participant with an address outside Australia, 5 business days after the date of posting); or
- (vi) if sent by facsimile transmission or other print-out communications method, on receipt of delivery notification, confirmation of transmission or similar notification.

18.2 Delivery, postage and print-out communications to the Participant or the Company must be made:

- (i) in the case of the Company, to its registered office address; or
- (ii) in the case of a Participant, to the address of the Participant according to the records of the Company; or
- (iii) to such other address as the Company or the Participant may notify to the other party respectively.

19. Cessation of employment

19.1 Cessation of employment - death, Permanent Incapacity or Board Approval

- (i) Where a Participant ceases employment by reason of:
 - death;
 - Permanent Incapacity; or
 - any other reason with the approval of the Board,

any unvested Performance Rights will vest on a pro-rata basis for the Performance Period worked and be immediately exercised, unless the Board determines otherwise.

- (ii) Where the Board exercises its discretion under Rule 19.1 (i), it will give written notice to the Participant.
- (iii) The Board may provide for a different termination treatment at the time of a Grant or Offer.

Cessation of employment for other reasons

Where a Participant ceases employment with the Group due to:

- (a) the employment of the Participant being terminated, or the Participant being dismissed from office (as the case may be), due to serious or wilful misconduct, wilful disobedience, negligence or incompetence, insubordination, behaviour which damages or is likely to damage the business or reputation of the Company or any of its clients, or any other conduct justifying termination of employment or office without notice at common law;
- (b) the Participant resigning or ceasing their employment or office with the Company (as the case may be) and commencing employment, or holding the office of director, or directly or indirectly holding more than 5% of the issued capital with a competitor of the Company (as determined by the Board in its absolute discretion) in breach of any post-termination restrictions in their contract of employment or associated documentation; or
- (c) the Participant being ineligible to hold their office for the purposes of section 426 of the Companies Act, Part 2D.6 of the Corporations Act or as a result of any relevant corporations or securities law.

All unvested Performance Rights will automatically lapse on the date of cessation of employment.

19.3 Cessation of employment – other circumstances

- (i) Subject to rule 24, if the Participant ceases to be an employee with the Group other than in circumstances set out in rules 19.1 and 19.2, all unvested Performance Rights will lapse, unless the Board determines otherwise.
- (ii) For the purposes of Rule 19.3(i), the Board may determine that some or all Performance Rights:
 - vest; or
 - lapse or are deemed to be forfeited with effect from the date the Participant ceases employment.
- (iii) Where the Board exercises its discretion under Rule 19.3(i), it will give written notice to the Participant.
- (iv) The Board may provide for a different termination treatment at the time of a Grant or Offer.

20. Listing

20.1 Performance Rights

Where the Company is listed on the ASX and POMSx, and unless determined otherwise by the Board in its sole and absolute discretion, Performance Rights issued under the Plan will not be quoted on the ASX or POMSx.

20.2 Shares issued on vesting of Performance Rights

Where the Company is listed on the ASX and/or POMSx, the Shares issued on vesting of Performance Rights will be listed on the ASX and/or POMSx (as relevant).

21. Disposal restrictions

21.1 Board determines

The Board may determine prior to an Invitation being made whether there will be any restrictions on the disposal or otherwise on Dealing with Performance Rights or Shares issued on vesting of Performance Rights.

21.2 No transfer

Subject to Rule 21.1, a Participant must not engage in any Dealing in relation to Performance Rights and Shares issued on vesting of Performance Rights unless all restrictions on Dealing in relation to the Performance Rights and Shares issued on vesting of Performance Rights have been met or the Board has waived any such restrictions.

21.3 Board actions

The Company may do such things and enter such arrangements as it considers necessary to enforce the restrictions set out in this Rule 21. Participants will be bound by any action by the Company under this Rule 21.

21.4 Share Trading Policy

Any Dealing after the end of any disposal restrictions must be in accordance with the Company's share trading policy as amended from time to time.

22. Forfeiture Condition

22.1 Subject to Forfeiture

An Invitation may contain a term to the effect that the Performance Rights acquired under this Plan are subject at all times to Forfeiture Conditions.

22.2 Forfeiture events

While Performance Rights are subject to this Rule 22, if the Board determines that the Participant:

- (i) has committed an act of fraud;
- (ii) is ineligible to hold their office for the purposes of section 426 of the Companies Act or Part 2D.6 of the Corporations Act; or
- (iii) is found to have acted in a manner that the Board considers to be gross misconduct or in such other circumstances as may be specified in an Invitation,

any unvested Performance Rights held by the Participant will lapse or be deemed to be forfeited (as applicable), unless the Board determines otherwise.

23. Termination of the Plan

The Board may at any time terminate the Plan or suspend the operation of the Plan for such period or periods as it thinks fit.

24. Governing Law

This Plan, and any Performance Rights and Shares issued on vesting of Performance Rights granted under it, will be governed by, and must be construed according to, the laws of Papua New Guinea and the Commonwealth of Australia.