



**Australian Agricultural Company Limited**  
ABN 15 010 892 270

## **2012 Notice of Annual General Meeting**

**ASX Announcement : 9/2012**

**13 February 2012**

Manager  
ASX Market Announcements  
Australian Securities Exchange

A copy of the 2012 Notice of Annual General Meeting of the Australian Agricultural Company Limited and Proxy Form are attached.

**Issued by:**

Bruce Bennett  
Company Secretary and General Counsel

[www.aaco.com.au](http://www.aaco.com.au)



# NOTICE OF ANNUAL GENERAL MEETING

Australian Agricultural Company Limited

ABN 15 010 892 270

The Annual General Meeting of Shareholders of the Australian Agricultural Company Limited ("AAco") will be held on Friday 16 March 2012 at 10.00am (Brisbane time) in the Grand Ballroom, Brisbane Marriott Hotel, 515 Queen Street, Brisbane, Queensland 4000.

If you are unable to attend the Annual General Meeting of Shareholders, please complete and return the enclosed proxy form in accordance with the specified directions in this Notice of Annual General Meeting and on the proxy form. This Notice of Annual General Meeting should be read in conjunction with the Explanatory Statement which is attached to this Notice of Annual General Meeting.

## ORDINARY BUSINESS

### Item 1: Financial Statements and Reports

- > To receive and consider the Financial Report and the Reports of the Directors and the Auditor in respect of the twelve months ended 31 December 2011.

Note: There is no vote on this item.

### Item 2: Remuneration Report

- > To consider and, if thought fit, to pass the following ordinary resolution:

*"That the Remuneration Report of AAco for the year ended 31 December 2011 be adopted."*

Note: In accordance with section 250R of the Corporations Act 2001 (Cth), the vote on this resolution will be advisory only.

### Item 3: Election of Director: Mr Thomas Keene

- > To consider and, if thought fit, to pass the following ordinary resolution:

*"That Mr Thomas Keene, a Director retiring in accordance with Article 9.8 of the Constitution of AAco, being eligible, is elected as a Director of AAco."*

### Item 4: Election of Director: Mr Stuart Black

- > To consider and, if thought fit, to pass the following ordinary resolution:

*"That Stuart Alexander Black, a Director retiring in accordance with Article 9.8 of the Constitution of AAco, being eligible, is elected as a Director of AAco."*

### Item 5: Election of Director: Mr David Crombie

- > To consider and, if thought fit, to pass the following ordinary resolution:

*"That Mr David Charles Crombie, a Director retiring in accordance with Article 9.8 of the Constitution of AAco, being eligible, is elected as a Director of AAco."*

## SPECIAL BUSINESS

### Item 6: Grant of performance rights to Mr David Farley

- > To consider and, if thought fit, to pass the following ordinary resolution:

*"That approval is given for the purpose of ASX Listing Rule 10.14 and all other purposes under the Corporations Act and the Listing Rules of ASX Limited for:*

- a) *Mr David Farley to participate in the AAco Performance Rights Plan (Plan) with a maximum of 237,256 performance rights being issued to him in the 2012 financial year in respect to the 2012 Long Term Incentive Plan (LTIP) Invitation;*
- b) *Mr David Farley to participate in the Plan with a maximum of 71,895 performance rights being issued to him in the 2012 financial year in respect to the 2012 Deferred Equity Award (DEA) Invitation; and*
- c) *the acquisition by Mr David Farley of performance rights and ordinary shares in AAco, in consequence of the vesting of those performance rights,*

*in accordance with the Plan Rules (as amended from time to time) described in the Explanatory Notes accompanying this Notice of Meeting."*

### Item 7: Ratify issue of shares under Listing Rule 7.4

- > To consider and, if thought fit, to pass the following ordinary resolution:

*"That for the purposes of ASX Listing Rule 7.4 and all other purposes, the members ratify the issue by the Directors of 39,639,668 ordinary shares in the capital of AAco as described in the Explanatory Notes accompanying this Notice of Meeting."*

## Voting exclusion statement

### Voting exclusion on Item 2

A vote must not be cast (in any capacity) on item 2 by or on behalf of:

- key management personnel of AAco (including the Directors), details of whose remuneration is disclosed in the Remuneration Report ("KMP"); or
- a closely related party (such as close family members and any companies the person controls) of those persons,

whether as Shareholder or proxyholder. However, a vote may be cast on item 2 by a member of the KMP, or a closely related party of a member of the KMP, if the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on item 2, and the vote is not cast on behalf of a member of the KMP or a closely related party of a member of the KMP.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### *Proxy voting by the Chairman of the meeting on item 2*

If the Chairman of the meeting is your proxy or is appointed your proxy by default, and you do not direct your proxy how to vote “for”, “against” or “abstain” on item 2 on the proxy form, you are directing the Chairman of the meeting to vote in favour of item 2 even if that item is connected directly or indirectly with the remuneration of a member of the KMP.

### *Voting exclusions on Item 6*

AAco will disregard any votes cast on item 6 by:

- a Director of the entity entitled to participate in any employee incentive scheme in relation to the entity and, if ASX has expressed an opinion under rule 10.14.3 that approval is required for participating in an employee incentive scheme by anyone else, that person; and
- an associate of those persons.

However, AAco need not disregard a vote on item 6 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 a direction on the proxy form to vote as the proxy decides.

A vote must not be cast on item 6 by a member of the KMP, or a closely related party of a member of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on item 6. However, this voting exclusion does not apply if the member of the KMP is the Chairman of the meeting acting as proxy and their appointment expressly authorises the Chairman of the meeting to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP.

### *Undirected proxy voting by the Chairman of the meeting on item 6*

If you appoint the Chairman of the meeting as your proxy, and you do not direct your proxy how to vote on item 6 on the proxy form, you will be expressly authorising the Chairman of the meeting to exercise your proxy even if item 6 is connected directly or indirectly with the remuneration of a member of the KMP.

The Chairman of the meeting intends to vote undirected proxies in favour of item 6.

### *Voting exclusion on Item 7*

AAco will disregard any votes cast on Item 7 by:

- any person who participated in the issue; and
- an associate of those persons.

However, AAco need not disregard a vote on item 7 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 a direction on the proxy form to vote as the proxy decides.

By Order of the Board

**Bruce Bennett**

General Counsel and Company Secretary

13 February 2012

## NOTES

### **Voting by Proxy Information**

If you are entitled to attend and vote at the meeting of members, you may appoint a proxy to attend and vote at the meeting on your behalf. A proxy does not need to be a member. If you are entitled to cast two or more votes at the meeting, you may appoint two persons as your proxy or proxies to attend and vote at the meeting. If you appoint two proxies and you do not specify the proportion or number of your votes, each proxy may exercise half of your votes on a poll.

Any undirected proxies on a given item may be voted by the appointed proxies as they choose, subject to the restrictions set out in the voting exclusion statements in this Notice of Annual General Meeting. In particular:

- if an undirected proxy in relation to item 2 or 6 is given to a director (other than the Chairman) or other member of the KMP, details of whose remuneration are set out in the Remuneration Report (or any of their closely related parties), such a proxy will not vote on item 2 or 6. To allow such a proxy to vote on item 2 or 6, members must direct the proxy how to vote by ticking “For”, “Against” or “Abstain” opposite item 2 or 6 on the proxy form;
- if a member appoints the Chairman as the member’s proxy in relation to item 2, but does not complete any of the boxes “For”, “Against” or “Abstain” opposite item 2 on the proxy form, the member will be directing the Chairman to vote in favour of item 2. If a member wishes to appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on item 2, the member should specify this by completing the “Against” or “Abstain” box on the proxy form; and
- if a member appoints the Chairman as the member’s proxy in relation to item 6, but does not complete any of the boxes “For”, “Against” or “Abstain” opposite item 6 (as the case may be) on the proxy form, the Chairman will exercise your proxy even if item 6 is connected directly or indirectly with the remuneration of a member of the KMP. The Chairman intends to vote undirected proxies in favour of item 6. If a member wishes to appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on item 6 the member should specify this by completing the “Against” or “Abstain” box on the proxy form.

AAco must receive an Appointment of Proxy at least 48 hours before the meeting. Any proxy form received after this deadline (including at the Annual General Meeting) will be invalid. If an Appointment of Proxy is signed by the appointer's attorney, the authority under which the appointment was signed, or a certified copy of the authority, must accompany the Appointment of Proxy.

The proxy's appointment and, if applicable, the authority appointing an attorney, must be sent by post, fax, online or delivered by hand to:

**By post**

Australian Agricultural Company Limited  
c/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

**By fax**

Link Market Services Limited  
Facsimile (02) 9287 0309

**Online**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**By hand**

Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

By no later than 10.00am (Brisbane time) on 14 March 2012.

For your convenience, an Appointment of Proxy Form accompanies this Notice of Annual General Meeting. Please refer to the Appointment of Proxy Form for instructions on completing the form.

**Entitlement to Vote Date**

The Directors have determined that for the purposes of regulation 7.11.37 of the Corporations Regulations 2001 (Cth) and ASX Settlement Operating Rule 5.6.1, the persons eligible to vote at the meeting will be those persons who are registered Shareholders at 7.00pm (Sydney time) on 14 March 2012.

Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

**Corporate Representatives**

Any corporate Shareholder wishing to appoint a person to act as its representative at the meeting may do so by providing that person with:

- a letter or certificate, executed in accordance with the corporate Shareholder's Constitution, authorising that person as the corporate Shareholder's representative at the meeting; or
- a copy of the resolution appointing the person as the corporate Shareholder's representative at the meeting, certified by the company secretary or Director of the corporate Shareholder.

*Please bring this evidence of your appointment as corporate representative to the meeting.*

**EXPLANATORY STATEMENT**

This Explanatory Statement is an explanation of, and contains information about, the resolutions to be considered at the Annual General Meeting, which are set out in the accompanying Notice of Annual General Meeting, to assist Shareholders to determine how they wish to vote on the resolutions. This Explanatory Statement forms part of the accompanying Notice of Annual General Meeting and should be read together with the Notice of Annual General Meeting.

**Item 1: Financial Statements and Reports**

The Corporations Act 2001 (Cth) (the "**Corporations Act**") and the Constitution of AAco require the following reports in respect of the twelve months ended 31 December 2011 to be laid before the meeting:

- a) the Financial Report (which includes the financial statements and Directors' declaration);
- b) the Directors' Report; and
- c) the Auditor's Report.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity, as a whole, at the meeting to ask questions and make comments on these reports, and on the business, operations and management of AAco.

There is no requirement, either in the Corporations Act or in the Constitution of AAco, for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report.

**Item 2: Remuneration Report**

Section 250R(2) of the Corporations Act requires AAco to propose a resolution that the Remuneration Report be adopted. The vote on this resolution is advisory only.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

**Item 3: Election of Director: Mr Thomas Keene**

As required by Article 9.8 of the Constitution of AAco, any person appointed to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, holds office until the conclusion of the next Annual General Meeting but is eligible for election at that meeting. Non-Executive Director, Mr Thomas Keene, was appointed to be a Director of AAco on 5 October 2011 (as announced to ASX on 5 October 2011) and must retire in accordance with Article 9.8 of the Constitution of AAco, but offers himself for election.

A profile for Mr Keene is set out in the following section. The election of this Director will be by a separate ordinary resolution of AAco. To be elected, the candidate must receive more votes in favour of his election than against his election.

The Board (with Mr Keene abstaining) recommends that Shareholders vote in favour of Mr Thomas Keene's election.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### Profile: Mr Thomas Keene

Mr Keene has an extensive career in agriculture and is the former Managing Director of Graincorp Limited (having left in 2007), where he established the company as a listed entity. He is the current chairman of Grain Trade Australia, and a director of Cotton Seed Distributors and Midway Limited.

### Item 4: Election of Director: Mr Stuart Black

As required by Article 9.8 of the Constitution of AAco, any person appointed to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, holds office until the conclusion of the next Annual General Meeting but is eligible for election at that meeting. Non-Executive Director, Mr Stuart Alexander Black, was appointed to be a Director of AAco with effect from 5 October 2011 (as announced to ASX on 5 October 2011) and must retire in accordance with Article 9.8 of the Constitution of AAco, but offers himself for election.

A profile for Mr Black is set out in the following section. The election of this Director will be by a separate ordinary resolution of AAco. To be elected, the candidate must receive more votes in favour of his election than against his election.

The Board (with Mr Black abstaining) recommends that Shareholders vote in favour of Mr Stuart Black's election.

### Profile: Mr Stuart Black

Mr Black is Managing Partner of Chapman Eastway chartered accountants. He is a current non-executive director of leading geophysical consultants Coffey International Limited, and a former president of the Institute of Chartered Accountants.

He is the founding Chair and a current Board Member of the Accounting Professional and Ethical Standards Board.

### Item 5: Election of Director: Mr David Crombie

As required by Article 9.8 of the Constitution of AAco, any person appointed to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, holds office until the conclusion of the next Annual General Meeting but is eligible for election at that meeting. Non-Executive Director, Mr David Charles Crombie, was appointed to be a Director of AAco on 5 October 2011 (as announced to ASX on 5 October 2011) and must retire in accordance with Article 9.8 of the Constitution of AAco, but offers himself for election.

A profile for Mr Crombie is set out in the following section. The election of this Director will be by a separate ordinary resolution of AAco. To be elected, the candidate must receive more votes in favour of his election than against his election.

The Board (with Mr Crombie abstaining) recommends that Shareholders vote in favour of Mr David Crombie's election.

### Profile: Mr David Crombie

David Crombie is the immediate past President of the National Farmers Federation and a commissioner on the Australia Centre for International Agricultural Research. He was a founding partner and current non-executive director of GRM International and is a former chairman of Meat and Livestock Australia and a former director of Grainco Australia and the Meat Industry Council.

Mr Crombie operates family properties, breeding cattle and farming in southern Queensland.

### Item 6: Grant of performance rights to Mr David Farley

The Board proposes to offer participation in the AAco Performance Rights Plan ("**Plan**") to Mr David Farley, the Managing Director and CEO of AAco. Under Listing Rule 10.14, the ASX requires that Shareholders approve the grant of securities to a Director.

The Board proposes to offer participation in the Plan to Mr David Farley for the grant of performance rights ("**Performance Rights**") as described in this explanatory statement.

Shareholder approval is sought for the grant of Performance Rights to Mr Farley under the Plan as follows:

- up to 237,256 Performance Rights under the 2012 Long Term Incentive Plan ("**LTIP**") invitation ("**2012 LTIP Invitation**"); and
- up to 71,895 Performance Rights under the 2012 Deferred Equity Award ("**DEA**") invitation ("**2012 DEA Invitation**").

The terms of each grant is explained in more detail below.

#### *Director's remuneration*

Mr Farley's other remuneration benefits in respect of his employment are as follows:

- fixed remuneration of \$660,000 per annum; and
- short term incentive of up to \$300,000 per annum (comprising a potential cash bonus of up to a maximum of \$200,000 per annum plus a potential DEA of 50% of the cash bonus awarded in the relevant year as Performance Rights).

The proposed 2012 LTIP Invitation represents a gross \$ value equal to approximately 34.4% of Mr Farley's total annual remuneration opportunity. The proposed 2012 DEA Invitation represents a gross \$ value equal to approximately 10.4% of Mr Farley's total annual remuneration opportunity. Each of these awards has been confirmed to the Board as being 'fair and reasonable' remuneration by an independent remuneration consultant.



#### *Maximum Number of Shares*

Each vested Performance Right will translate into one fully paid ordinary share in AAco ("**Share**"). Accordingly, the maximum number of Shares that may be acquired by Mr David Farley, for which Shareholder approval under Item 6 is sought, is as follows:

- in respect of the 2012 LTIP Invitation, is a maximum of 237,256 Shares; and
- in respect of the 2012 DEA Invitation, is a maximum of 71,895 Shares.

#### *Price payable on grant or exercise of Performance Rights*

Mr Farley will not be required to pay any amount on the grant or vesting of his Performance Rights under either the 2012 LTIP Invitation or the 2012 DEA Invitation. The Performance Rights are not transferable.

#### *Names of all persons who received Shares under the last approval*

At AAco's 2011 annual general meeting, Shareholders approved the grant of 410,023 Performance Rights to Mr Farley under the Plan. 210,541 Performance Rights were granted to Mr Farley in relation to the 2010 financial year and 199,482 Performance Rights were granted to Mr Farley in relation to the 2011 financial year. Mr Farley was not required to pay any amount on the grant or vesting of these Performance Rights.

#### *Names of all persons referred to in Listing Rule 10.14 entitled to participate in the Plan*

Participation in the Plan is by invitation only. That is, only those eligible employees invited by the Board to apply will be able to participate. An employee includes a full or part time employee of AAco or any of its related bodies corporate and includes a director of AAco or of a related body corporate of AAco (being the class of person referred to in Listing Rule 10.14). No director of AAco other than Mr Farley has participated in the Plan.

#### *Terms of any loan relating to the acquisition of Shares*

There are no loans relating to the acquisition of Performance Rights or Shares under the Plan.

#### *Date by which grants of Performance Rights may be made*

It is proposed that the Performance Rights will be granted to Mr David Farley no later than 3 months after Shareholder approval is received in respect of the 2012 LTIP Invitation and the 2012 DEA Invitation.

#### *Requirements for approval*

Shareholder approval of the participation of Mr David Farley in the Plan and his acquisition of Performance Rights as detailed above and of Shares on vesting of those Performance Rights is sought for all purposes under the Corporations Act and the Listing Rules of ASX, including Listing Rule 10.14.

#### *ASX Listing Rule 10.14*

Under Listing Rule 10.14, an entity must not issue securities to a related party (such as a Director or a company controlled by a Director) under an employee incentive scheme without the approval of Shareholders. Accordingly, approval of Shareholders is sought for the purpose of

Listing Rule 10.14 to enable AAco to make grants of Performance Rights, and subsequently issue or transfer Shares, to Mr David Farley.

The Board (other than Mr David Farley) unanimously recommends that Shareholders vote in favour of the issue of securities to Mr David Farley under the AAco Performance Rights Plan.

#### *Further information in relation to the 2012 LTIP Invitation*

Shareholder approval is sought for the grant of up to 237,256 Performance Rights under the 2012 LTIP Invitation to Mr David Farley and in consequence of vesting of those Performance Rights, the corresponding acquisition of Shares by Mr David Farley, in accordance with the Plan Rules and the invitation (as described below).

#### *Assessed value of the benefit*

The value of the Performance Rights has been assessed by an independent consultant applying a modified binomial valuation methodology.

The values attributable are based on variables determined at the date of valuation and are indicative only. AAco will prepare and report a valuation based on actual variables at the date of issue, if approved and granted.

The input variables applied in the model for the purposes of the indicative value are as follows:

#### *Input variables:*

Indicative date*	31 January 2012
Share price**	\$1.39
Exercise Price	0
Risk free rate	3.13%
Expected dividend yield	0.00%
Standard deviation	27.10%
Number of days	1,096
Assessed value per Performance Right	\$1.3909
Number of Performance Rights	237,256

#### *Estimated annualised value*

2012 Financial Year	\$101,168
2013 Financial Year	\$109,899
2014 Financial Year	\$109,899
2015 Financial Year	\$9,033
	\$329,999

\* Being the date of release of AAco's 2011 Annual Report.

\*\* Being the closing price of AAco Shares on the date of release of AAco's 2011 Annual Report (being 31 January 2012).

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### *Potential value of the benefit to Mr Farley*

Depending on the future value of AAcO's shares, and assuming all the conditions of offer are met, the estimated value of the benefit under a number of future share price assumptions, is as follows:

Future AAcO share price	Potential Value of the benefit (\$)*	AAcO market capitalisation if potential benefit achieved (\$m)^
\$1.50	\$355,884	\$469
\$1.75	\$415,198	\$548
\$2.00	\$474,512	\$626
\$2.50	\$593,140	\$782
\$3.00	\$711,768	\$939
\$3.50	\$830,396	\$1,095
\$4.00	\$949,024	\$1,252
\$4.50	\$1,067,652	\$1,408
\$5.00	\$1,186,280	\$1,564

\* Assumes performance and service conditions met and does not include any dividend benefit.

^ Assumes constant issued capital of 312,861,135 AAcO Shares.

### *Performance conditions*

The number of Performance Rights which will vest in accordance with the Plan Rules and the invitation is dependant on performance conditions which can be summarised as follows:

#### **Performance Condition 1: External Performance Condition (TSR outperformance)**

50% of the Performance Rights (up to 118,628) are subject to an external Performance Condition, namely, AAcO's Total Shareholder Return (TSR) performance relative to the S&P/ASX Small Ordinaries Accumulation Index (ASX Code: XSOAI) measured over the Measurement Period.

Vesting of the Performance Rights subject to the TSR Outperformance condition will be calculated based on the following percentile results in the table below:

AAcO TSR Ranking versus S&P/ASX Small Ords Accumulation Index (XSOAI)	% of Performance Rights to vest
Below the 50th percentile	0% vest
At the 50th percentile	50% vest
Between the 50th and 75th percentile	2% vesting on a straight line interpolation for each percentile ranking
At or above the 75th percentile	100% vest

AAcO TSR will be measured by an independent third party over the Measurement Period being the period from the Grant Date to 31 March 2015.

#### **Performance Condition 2: Internal Performance Condition (EPS)**

50% of the Performance Rights (up to 118,628) are subject to an internal Performance Condition based on AAcO's earnings per share (EPS).

For the **2012 LTIP Invitation**, ESP is defined as follows:

- **Annual reported Net Profit after Tax Profit**
- **Less:** Valuation adjustments
- **Less:** any adjustment deemed fair and appropriate by the Board, in the Board's absolute discretion
- **Adjusted Net after Tax Profit (EPS for 2012 LTIP purposes)**

Vesting of the Performance Rights subject to the EPS condition will be calculated based on the following compound % growth rates over the three financial years FY 2012, FY 2013 and FY 2014, using FY 2011 as the base year.

EPS Compound Growth Rate	% of Performance Rights to vest
Compound growth rate of less than 7.5% p.a.	0% vest
Compound growth rate of at least 7.5% p.a.	50% vest
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS
Compound growth rate between 7.5% p.a. and 10% p.a.	2% vesting on a straight line interpolation for each 0.1% increment in EPS
Compound growth rate of 10% p.a. or more	100% vest

The vesting of the Performance Rights is also subject to Mr Farley remaining continuously employed with AAcO until the Vesting Date.

The **Vesting Date** in relation to Mr Farley's **2012 LTIP Invitation** Performance Rights will be the release date of AAcO's 2014 financial results, or no later than 31 March 2015.

#### *Price payable on grant or exercise of Performance Rights*

Mr Farley will not be required to pay an amount on the grant or vesting of the Performance Rights.

#### *Change of control*

Subject to the Listing Rules, if a "Change of Control Event" occurs, all unvested Performance Rights will vest on a pro-rata basis. Subject to the Listing Rules, the balance of unvested Performance Rights may also vest at the discretion of the Board.

#### *Automatic exercise on vesting*

Any Performance Rights that vest having met the performance and service conditions will automatically be exercised and Shares provided. Any unvested Performance Rights will lapse.

#### *No right to dividends*

The Performance Rights to be issued pursuant to the 2012 LTIP Invitation do not confer on the holder an entitlement to dividends until such time as the Performance Rights vest and Shares are issued or transferred.

#### *Capital reconstructions*

If the capital of AAco is reconstructed, the Performance Rights (or Shares issued or transferred upon vesting of Performance Rights) will be treated in accordance with the Listing Rules of ASX.

#### *Bonus issues or rights issues*

Subject to the Listing Rules, if there is a bonus issue, then upon vesting of the Performance Rights, Mr Farley will be entitled to the number of Shares which would have been issued to him under that bonus issue if immediately before the record date for the bonus issue, Mr Farley had duly exercised his Performance Rights. In the case of a rights issue, Mr Farley may, subject to the Listing Rules and to the extent permitted by law, elect to participate in the rights issue in the same way as Shareholders by making payment in respect of his entitlement, however such participation does not change the number of Performance Rights Mr Farley is entitled to under the Plan (or the number of Shares to be granted upon vesting of those Performance Rights). Any Shares acquired will be held by the Trustee of the Plan on behalf of Mr Farley and will be subject to the same terms and conditions as any other Shares held on behalf of Mr Farley pursuant to the Plan. The Performance Rights to be issued pursuant to the 2012 LTIP Invitation do not confer on the holder an entitlement to participate in other issues until such time as the Performance Rights vest and Shares are issued or transferred.

#### *No voting rights*

The Performance Rights to be issued pursuant to the 2012 LTIP Invitation do not confer an entitlement to vote at general meetings of AAco until such time as the Performance Rights vest and Shares are issued or transferred.

#### *Non-quotations*

AAco will not apply to the ASX for official quotation of the Performance Rights to be issued pursuant to the 2012 LTIP Invitation. Shares provided pursuant to the vesting of a Performance Right will rank equally with the Shares of AAco then on issue.

#### *Further information in relation to the 2012 DEA Invitation*

Shareholder approval is sought for the grant of up to 71,895 Performance Rights under the 2012 DEA Invitation to Mr David Farley and in consequence of vesting of those Performance Rights, the corresponding acquisition of Shares by Mr David Farley, in accordance with the Plan Rules and the scheme (as described below).

#### *Background to the Deferred Equity Award (DEA) scheme*

The Deferred Equity Award (DEA) scheme operates under the Plan (as approved by Shareholders on 11 May 2011). It was established to allow for Performance Rights to be allocated based on the value of short

term incentives (STI) earned each year, but rather than have the amount determined (being 50% of the cash component of the STI earned each year for Mr Farley) paid in cash, the amount is awarded in the deemed equivalent value in Performance Rights under the Plan.

In this way, Mr Farley (and other selected executives) receive an interest in AAco Shares which are forfeitable if the service conditions imposed under the invitation are not satisfied.

The Directors believe the DEA scheme aligns Shareholder interests with Director entitlements by imposing additional service expectations.

#### *Approval of 2012 DEA Invitation*

The Board is seeking approval for the issue of Performance Rights in 2012, the value of which equates to 50% of the maximum cash component of Mr Farley's STI entitlement for 2011.

As noted above, under Mr Farley's current remuneration arrangements, the STI component is capped at \$300,000 (comprising a potential cash bonus of up to a maximum of \$200,000 per annum plus a potential DEA of 50% of the cash bonus awarded in the relevant year as Performance Rights). Therefore, under current arrangements, the amount to be allocated under the DEA is capped at \$100,000, being 50% of the value of the maximum cash component of the STI.

The total number of Performance Rights proposed to be granted to Mr Farley in the 2012 financial year is calculated as follows:

$$\frac{\text{DEA \% of STI earned}}{\text{Right Allocation Value}^*} = \text{No. of Performance Rights}$$

\* Where the Right Allocation Value is determined on the same basis as the 2012 LTIP Invitation (which has reference to the closing AAco Share price on the date of release of AAco's 2011 Annual Report).

Accordingly, as Mr Farley's DEA component of his remuneration is capped at \$100,000, based on the estimated value of a Performance Right as at 31 January 2012 of \$1.3909 (which has reference to the closing AAco Share price on the date of release of AAco's 2011 Annual Report, being 31 January 2012), it is proposed that a maximum of 71,895 Performance Rights would be issued to Mr Farley calculated as \$100,000/\$1.3909 = 71,895.

The Performance Rights would be held subject to forfeiture only if Mr Farley does not meet the proposed service conditions in respect of the offer, being as follows in respect of the 2012 DEA Invitation:

- Tranche 1 (50%) - grant date plus 12 months; and
- Tranche 2 (50%) - grant date plus 24 months.

#### *Number of Shares to be issued*

Each vested Performance Right will translate into one Share. The Performance Right will be exercised and a Share acquired automatically at vesting. Any unvested Performance Rights will lapse.

#### *Price payable on grant or exercise of Performance Rights*

Mr Farley will not be required to pay an amount on the grant or vesting of the Performance Rights.



## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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### *Performance conditions*

Performance Rights granted and Shares issued under the terms of the 2012 DEA Invitation and the Plan will not be subject to any additional performance vesting conditions once granted.

The vesting of the Performance Rights is however subject to Mr Farley remaining continuously employed with AAco until the relevant vesting date.

### *Lapsing of Performance Rights*

Performance Rights will lapse:

- upon the cessation of employment unless Mr Farley is deemed a “good leaver”, as determined by the Board under the Plan Rules (which can include where Mr Farley ceases employment or office due to redundancy, retirement, permanent incapacity or death); or
- if the service vesting condition is not met and is incapable of being met.

### *Change of control*

Subject to the Listing Rules, if a “Change of Control Event” occurs, all unvested Performance Rights will vest on a pro-rata basis. Subject to the Listing Rules, the balance of unvested Performance Rights may also vest at the discretion of the Board.

### *No right to dividends*

The Performance Rights to be issued pursuant to the 2012 DEA Invitation do not confer on the holder an entitlement to dividends until such time as the Performance Rights vest and Shares are issued or transferred.

### *Capital reconstructions*

If the capital of AAco is reconstructed, the Performance Rights (or Shares issued or transferred upon vesting of Performance Rights) will be treated in accordance with the Listing Rules of ASX.

### *Bonus issues or rights issues*

Subject to the Listing Rules, if there is a bonus issue, then upon vesting of the Performance Rights, Mr Farley will be entitled to the number of Shares which would have been issued to him under that bonus issue if immediately before the record date for the bonus issue, Mr Farley had duly exercised his Performance Rights. In the case of a rights issue, Mr Farley may, subject to the Listing Rules and to the extent permitted by law, elect to participate in the rights issue in the same way as Shareholders by making payment in respect of his entitlement, however such participation does not change the number of Performance Rights Mr Farley is entitled to under the Plan (or the number of Shares to be granted upon vesting of those Performance Rights). Any Shares acquired will be held by the Trustee of the Plan on behalf of Mr Farley and will be subject to the same terms and conditions as any other Shares held on behalf of Mr Farley pursuant to the Plan. The Performance Rights to be issued pursuant to the 2012 DEA Invitation do not confer on the holder an entitlement to participate in other issues until such time as the Performance Rights vest and Shares are issued or transferred.

### *No voting rights*

The Performance Rights to be issued pursuant to the 2012 DEA Invitation do not confer an entitlement to vote at general meetings of AAco until such time as the Performance Rights vest and Shares are issued or transferred.

### *Non-quotations*

AAco will not apply to the ASX for official quotation of the Performance Rights to be issued pursuant to the 2012 DEA Invitation. Shares provided pursuant to the vesting of a Performance Right will rank equally with the Shares of AAco then on issue.

### **Item 7: Resolution to ratify issue of shares under Listing Rule 7.4**

On 10 May 2011, AAco announced that it had completed an institutional placement of Shares. Under the placement, AAco issued 39,639,668 Shares in AAco at an issue price of \$1.42 per Share. The Shares issued in the placement rank equally with the Shares in AAco on issue at the time of listing.

The Shares issued under the placement were allotted to sophisticated, experienced and professional investors. AAco raised the funds under the placement to provide financial flexibility to pursue growth consistent with AAco's strategic plan whilst maintaining target gearing levels of less than 40% (defined as net debt / total tangible assets).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company ratifies a previous issue of securities made pursuant to ASX Listing Rule 7.1 (and the previous issue did not breach ASX Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, AAco will retain flexibility to issue securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain Shareholder approval.

The Board unanimously recommends that Shareholders vote in favour of ratifying the issue of shares under the placement.