

## APPEN LIMITED

ACN 138 878 298

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Appen Limited (the **Company**) will be held at the offices of Norton Rose Fulbright, Grosvenor House, Level 18, 225 George Street, Sydney, NSW, 2000 on Friday 27 May 2016 at 10.00am (AEST) (**Meeting**).

The Explanatory Notes to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Notes and the Proxy Form form part of this notice.

#### BUSINESS OF THE MEETING

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##### Item 1: Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 December 2015.

##### Item 2: Remuneration Report

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

*"To adopt the Remuneration Report for the year ended 31 December 2015."*

Notes:

- (i) In accordance with section 250R of the Corporations Act 2001, the vote on this resolution will be advisory only and will not bind the directors or the Company.
- (ii) A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

##### Item 3: Election of Directors

###### Item 3.1: Election of Ms Deena Shiff

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*"That Ms Deena Shiff, being a director who was appointed by the Board on 15 May 2015 and whose appointment as a director expires at the conclusion of the Annual General Meeting of the Company in accordance with clause 67.2 of the Company's Constitution and being eligible, offers herself for election, be re-elected as a director of the Company."*

##### Item 4: Re-election of Directors

###### Item 4.1: Re-election of Ms Robin Low

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*"That Ms Robin Low, being a director who is retiring in accordance with clause 68 of the Company's Constitution, and being eligible, offers herself for re-election, be re-elected as a director of the Company."*

**Item 4.2: Re-election of Mr William Pulver**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That Mr William Pulver, being a director who is retiring in accordance with clause 68 of the Company’s Constitution, and being eligible, offers himself for re-election, be re-elected as a director of the Company.”*

**Item 5: Ratification of the issue of Shares**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 1,758,700 fully paid ordinary shares on the terms and conditions set out in the Explanatory Notes.”*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

**Item 6: Additional 10% Placement Capacity**

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

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

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

**Item 7: Grant of Performance Rights to Mr Mark Brayan, Managing Director and Chief Executive Officer**

To consider, and if thought fit, pass the following resolution as an ordinary resolution of the Company:

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant and issue of 238,303 Performance Rights to Mr Mark Brayan, the Chief Executive Officer and Managing Director of the Company, and the subsequent issue of Shares on the vesting of such Performance Rights) on the basis set out in the Explanatory Notes to this Notice of Meeting.”*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

## ENTITLEMENT TO VOTE

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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 of the Company as at 7.00pm (AEST) on Wednesday 25 May 2016 (**Entitlement Time**).

This means that if you are not the registered holder of a Share in the Company at the Entitlement Time, you will not be entitled to vote at the Meeting.

## ANNUAL REPORT

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Copies of the Company's full Annual Report may be accessed at our website [www.appen.com](http://www.appen.com) and clicking on the Investors tab.

## VOTING OPTIONS AND PROXIES

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If you do not plan to attend the Meeting in person, you are encouraged to complete and return the Proxy Form that accompanies this Notice of Annual General Meeting.

### Voting by Proxy

A Shareholder who is entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote in place of the shareholder.

If the Shareholder appoints two proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the Shareholder's votes. If the specified proportion or number of votes exceeds that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a Shareholder of the Company. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Subject to the specific proxy provisions applying to Items 2 and 7 (see the Explanatory Notes below):

- If a Shareholder has not directed their proxy how to vote, the proxy may vote as the proxy determines, and
- If a Shareholder appoints the Chair of the Meeting as proxy and does not direct the Chair how to vote on an item of business, the Chair will vote in accordance with his voting intention as stated in this Notice of Meeting, namely in favour of each of the proposed resolutions set out in the Notice of Meeting.

### Proxy Voting by the Chair

For Item 2 (Remuneration Report) and Item 7 (Grant of Performance Rights to the CEO), where the Chair is appointed as a Shareholder's proxy and that Shareholder has not specified the way in which the Chair is to vote on Items 2 and 7 the Shareholder is directing the Chair to vote in accordance with the Chair's voting intentions for these items of business, even though Items 2 and 7 are connected with the remuneration of Key Management Personnel.

The Chair intends to vote all undirected proxies in favour of the resolutions in the Notice of Meeting, including Items 2 and 7.

## Proxy Forms

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original power of attorney or a certified copy if the proxy is signed by an attorney) with the Company's share registry, as an original or by facsimile, **no later than 10.00am (AEST) on Wednesday 25 May 2016 (Proxy Deadline)**.

Proxy forms may be submitted in one of the following ways:

- (i) **By mail** to Link Market Services Limited using the reply paid envelope or Locked Bag A14, Sydney South NSW 1235. Please allow sufficient time so that it reaches Link Market Services Limited by the Proxy Deadline;
- (ii) **By fax** to Link Market Services Limited on +61 2 9287 0309;
- (iii) **Online** via the Company's Share Registry website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Please refer to the Proxy Form for more information; or
- (iv) **By hand delivery** to Link Market Services Limited at Level 12, 680 George Street, Sydney NSW 2000.

Proxy Forms and Powers of Attorney must be received by the Proxy Deadline.

## CORPORATE REPRESENTATIVES

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Where a shareholding is registered in the name of a corporation, the corporate shareholder may appoint a person to act as its representative to attend the meeting by providing that person with:

- (i) a letter or certificate authorising him or her as the corporation's representative, executed in accordance with the corporation's constitution; or
- (ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporation.

BY ORDER OF THE BOARD



**Leanne Ralph**  
Company Secretary  
20 April 2016

# Explanatory Notes

## Notes on Business

### ITEM 1 – Financial Statements

As required by section 317 of the *Corporations Act 2001* (Cth) (**Corporations Act**) the financial report, directors' report and auditor's report of the Company for the most recent financial year will be presented to the meeting. The financial report contains the financial statements of Appen Limited.

There is no requirement for a formal resolution on this item.

The Chair of the meeting will allow a reasonable opportunity at the Meeting for Shareholders to ask questions about or make comments on the management of the Company. Shareholders will also be given a reasonable opportunity at the Meeting to ask the Company's auditor, KPMG, questions about its auditor's report, the conduct of its audit of the Company's financial report for the year ended 31 December 2015, the preparation and content of its auditor's report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of KPMG in relation to the conduct of the audit.

Shareholders may submit written questions to the Company in relation to the above matters. Written questions must be received no later than 5.00pm (AEST) on 15 May 2016. A form to facilitate the submission of questions is attached to this Notice and it includes details on the return of this form to the share registry.

### ITEM 2 – Adoption of remuneration report

#### Reasons for Resolution

In accordance with section 300A of the Corporations Act the Company has proposed a remuneration report for the consideration of Shareholders.

As provided by section 250R(3) of the Corporations Act, the resolution on this item of business is advisory only and does not bind the board or the Company.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for Shareholders, and conforms with market practice for delivery of reward.

In summary, the Remuneration Report in the Annual Report:

- explains the principles used for determining the nature and amount of remuneration of directors and senior managers of the Company;
- outlines the role of the Remuneration and Nomination Committee;
- sets out remuneration details for each director and senior executive of the Company (including the value of any options granted to those persons);
- outlines service contracts of key management personnel; and
- provides details of options granted to directors and key management personnel.

#### Director's Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

#### 2.2 Voting Exclusion Statement

As required by the Corporations Act, the Company will disregard any votes cast on Item 2 by any member of the Company's key management personnel (**Key Management Personnel** or **KMP**) or a Closely Related Party of any such member unless the person:

- (i) votes as a proxy appointed by writing that specifies how the person is to vote on the resolutions; or
- (ii) is the Chair of the Meeting and votes as a proxy appointed by writing that authorises the Chair to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

**What this means for Shareholders:** If you intend to appoint a member of the KMP (such as one of the directors) as your proxy, please ensure that you direct them how to vote on the proposed resolution in Item 2. If you intend to appoint the Chair of the Meeting as your proxy, you can direct him how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give the Chair your express authority to vote your undirected proxy (in which case the Chair will vote in favour of this item of business).

### **ITEM 3 – Election of Directors**

In accordance with Clause 67.2 of the Company's constitution and ASX Listing Rule 14.4 any director appointed to fill a casual vacancy or as an additional director holds office until the next annual general meeting of shareholders and is then eligible for re-election.

Ms Deena Shiff was appointed as a director during the year and offers herself for election at this Meeting. Details of Ms Shiff are outlined below.

#### **Item 3.1: Election of Deena Shiff**

Ms Shiff serves on the boards of a number of communications and technology companies including Bai Communications and Citadel Group (ASX: CGL) as well as serving on the board of not for profit companies. Until 2013, Deena was a Group Managing Director at Telstra, in turn, running the Wholesale Division; establishing the business division, Telstra Business; and setting up and leading Telstra Ventures, Telstra's corporate venture capital arm. Prior to that Deena had a legal career including as in-house counsel at Telstra and as a partner at law firm Mallesons Stephen Jacques.

Having had regard to the ASX Corporate Governance Principles and Recommendations (3rd edition) (**ASX Principles**), the Board considers Ms Shiff to be an independent director.

#### **Director's Recommendation**

The Board unanimously (other than Ms Shiff) recommends that Shareholders vote in favour of this resolution.

### **ITEM 4 – Re-election of Directors**

In accordance with the Company's Constitution and the ASX Listing Rules an election of Directors must be held at each AGM

Clause 68.2 of the Constitution also states that an election of Directors must be held at each AGM. The Constitution states that one-third of all directors must retire and offer themselves for re-election, excluding the Managing Director and directors appointed during the year by the Board. If no directors are scheduled to be elected by virtue of the ASX Listing Rules or the constitution, then one-third of directors must still retire and be re-elected by the members of the Company. Normally, this would be the director (other than the Managing Director) who has held office the longest since being appointed or last being elected.

As all Directors were last elected by Shareholders on the same day, Ms Low and Mr Pulver have submitted themselves for re-election at this Meeting.

The re-election of each of the candidates must be considered and voted on as a separate resolution. Details of the candidates are outlined below.

#### **Item 4.1: Re-election of Ms Robin Low**

Ms Low is a Director of AUB Group Limited (ASX: AUB), CSG Limited (ASX: CSV) and IPH Limited (ASX: IPH). She was a partner at PricewaterhouseCoopers with over 28 years' experience in assurance and risk management. Ms Low is a member of the Audit and Assurance Standards Board and is on the boards of not-for-profit organisations: Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Robin holds a Bachelor of Commerce from The University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia, and is a Graduate Member of the Australian Institute of Company Directors.

Ms Low is Chair of the Audit and Risk Committee.

Having had regard to the ASX Principles, the Board considers Ms Low to be an independent director.

### **Director's Recommendation**

The Board unanimously (other than Ms Low) supports the re-election of Ms Low and recommends that Shareholders vote in favour of this resolution.

### **Item 4.2: Re-election of Mr William Pulver**

Mr Pulver holds a BCom (Marketing) and is Non-Executive Director having originally joined Appen as Chief Executive Officer (CEO) in April 2010 overseeing the merger of Appen and Butler Hill in 2011. In January 2013, Bill transitioned to a non-executive director role on the Appen board, after taking on the role of CEO of the Australian Rugby Union. Prior to joining Appen, Bill served as president and chief executive officer of NetRatings, Inc., a NASDAQ-listed company, headquartered in New York and specialising in Internet media and market research. Bill led NetRatings until it was bought by The Nielsen Company in June 2007 and was responsible for its extensive growth through organic product development and acquisitions.

Mr Pulver is Chairman of Nominations and Remuneration Committee.

Having had regard to the ASX Principles, the Board considers Mr Pulver to be an independent director.

### **Director's Recommendation**

The Board unanimously (other than Mr Pulver) supports the re-election of Mr Pulver and recommends that Shareholders vote in favour of this resolution.

## **ITEM 5: Approval and Ratification of the Issue of Shares**

### **Background**

At the time of listing on the ASX, the Company offered to buy back all options held by the relevant executives that vested out to 1 March 2015 through a cash settlement. Alternatively, executives were allowed to roll these options forward under similar conditions (**Options**). A total of 2,045,000 Options were granted and as at the date of this Notice of Meeting, 286,300 Options remain outstanding. (These options were not issued under the Employee Incentive Scheme approved by Shareholders at the 2015 AGM).

### **Reasons for resolution**

During the financial year ended 31 December 2015, 1,758,700 Shares have been issued as a result of the exercise of Options.

Listing Rule 7.1 restricts the number of Equity Securities which a listed entity may issue in any 12 month period, without the approval of Shareholders, to 15% of the number of securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. Listing Rule 7.4 provides that an issue of securities is deemed to have been made with Shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and Shareholders subsequently approve the issue.

Therefore, if Shareholders ratify the issue of the Shares pursuant to Item 5, the Company will have the flexibility to issue further Equity Securities up to the 15% limit over the next 12 month period because the Shares will not be counted for the purposes of the 15% limit set out in Listing Rule 7.1.

The following information is provided to Shareholders to allow them to assess Item 5, including for the purposes of Listing Rule 7.5:

- (a) The number of securities allotted and issued: 1,758,700.
- (b) Issue price: Various as follows – 613,500 Shares at \$0.428 per Share; 409,000 Shares at \$0.367 per Share; 316,975 Shares at \$0.489 per Share; 316,975 Shares at \$0.432 per Share; 51,125 Shares at \$0.412 per Share; and 51,125 Shares at \$0.494 per Share.
- (c) Terms of the Shares: The Shares allotted and issued rank equally with the existing shares on issue.
- (d) Allottees: The Shares were allotted and issued to employees of the Company.
- (e) Intended use of funds raised: Funds raised from the issue of the Shares will be used for general working capital of the Company.

### **Voting Exclusion Statement**

The Company will disregard any votes cast on Item 5 by any person who participated in the issue of the Shares under this Item. However the Company will not disregard a vote if it is cast by 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.

### Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

## ITEM 6: Additional 10% Placement Capacity

### 6.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**). If Shareholders approve the resolution in Item 6, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in 5.2 below).

The Company is an Eligible Entity. The effect of the resolution in Item 6 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the meeting, without Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The resolution in Item 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this resolution for it to be passed.

### 6.2 10% Placement Capacity

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek Shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation at the 6 April 2016 of \$162,947,161.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of Equity Securities on issue, being quoted ordinary shares and unlisted options.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A is outlined in Listing Rule 7.2A.2. This rule provides that 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 Equity Securities calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
  - (d) less the number of Shares cancelled in the previous 12 months.
- D is 10%



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

### 6.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this resolution.

#### (a) Minimum Price

The minimum price at which the Equity Securities may be issued is 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 Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 (five) ASX trading days of the date in paragraph 6.3(a)(i), the date on which the Equity Securities are issued.

#### (b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

**(10% Placement Capacity Period).**

#### (c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If the resolution in Item 6 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

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 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.84 (50% decrease in current market price)	\$1.68 (Current market price)	\$3.36 (100% increase in current market price)
95,233,658  (Current Variable A)	Shares issued – 10% voting dilution	9,523,365	9,523,365	9,523,365
	Funds raised	\$7,999,626	\$15,999,253	\$31,998,506
142,850,487	Shares issued – 10% voting dilution	14,285,048	14,285,048	14,285,048

<b>(50% increase in Variable A) *</b>	<b>Funds raised</b>	\$11,999,440	\$23,998,880	\$47,997,761
<b>190,467,316</b>	<b>Shares issued – 10% voting dilution</b>	19,046,731	19,046,731	19,046,731
<b>(100% increase in Variable A)*</b>	<b>Funds raised</b>	\$15,999,254	\$31,998,508	\$63,997,016

\* 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 issue under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above has been prepared on the following assumptions:**

1. Variable A is 95,233,658 which equates to the shares currently on issue of 96,992,358 less 1,758,700 shares not yet approved by Shareholders (subject to approval under Item 5 of the Notice of Meeting).
2. The market price set out above is the closing price of the Shares on the ASX on 6 April 2016.
3. The Company issues the maximum possible number of shares under the 10% Placement Capacity.
4. The Company has issued 1,758,700 Equity Securities in the 12 months prior to the Meeting utilising available capacity under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares.
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.
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 10% Placement Capacity, 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 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.

**(d) Purpose of issue under 10% Placement Capacity**

The Company may seek to issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for working capital purposes or potential acquisitions; or
- (ii) as non-cash consideration for services, equipment or product. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3. The minimum issue price limitation as set out in Listing Rule 7.1A .3 applies to issues for non-cash consideration.

The Company will comply with the disclosure obligations under Listing Rules 7.1A4 and 3.10.5A upon issue of any Equity Securities.

**(e) Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both).

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, 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 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 under ASX Listing Rule 7.1A at the last AGM held on 22 May 2015.

**(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

**(h) Information Required under ASX Listing Rule 7.3A.6**

The Company has issued a total of 2,143,856 Shares in the 12 months preceding the date of this Meeting, all as a result of the exercise of Options held by employees of the Company, as follows:

- 9 April 2015: 409,000 Shares at \$0.367 per Share;
- 9 April 2015: 613,500 Shares at \$0.428 per Share;
- 25-June 2015: 204,500 Shares at \$0.432 per Share;
- 25-June 2015: 204,500 Shares at \$0.489 per Share;
- 1 March 2016: 51,125 Shares at \$0.412 per Share;
- 1 March 2016: 112,475 Shares at \$0.432 per Share;
- 1 March 2016: 112,475 Shares at \$0.489 per Share;
- 1 March 2016: 51,125 Shares at \$0.494 per Share;
- 1 March 2016: 358,593 Shares at \$0.50 per Share; and
- 16 March 2016: 26,563 Shares at \$0.50 per Share

**6.4 Voting Exclusion Statement**

The Company will disregard any votes cast on Item 6 by any person who may participate in the issue of Equity Securities under this item and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However the Company will not disregard a vote if it is cast by 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.

As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on the resolution in Item 6.

## Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

## ITEM 7– Grant of Performance Rights for Mr Mark Brayan

### 7.1 Background

ASX Listing Rule 10.14 provides that the Company must not permit any Directors to acquire securities under an employee incentive scheme without the approval of Shareholders.

Accordingly, Item 7 seeks the approval by Shareholders pursuant to ASX Listing Rule 10.14 to grant 238,303 Performance Rights (**Rights**) to Mr Brayan, Executive Director of the Company, in accordance with the terms of the Appen Equity Incentive Plan (**Plan**), and to the issue of Shares on the vesting of the Rights.

As the Rights are to be issued under the Plan, the rules of the Plan govern the Rights to be issued to Mr Brayan. The rules of the Plan were approved by Shareholders at the 2015 AGM. A full copy of the Plan rules are available on the Company's website.

#### a) Details of Rights grant to Mr Brayan, Managing Director and Chief Executive Officer

It is proposed that Mr Brayan will be issued 238,303 Rights, 142,768 in relation to FY15 and 95,535 in relation to FY16.

In determining the number of Rights to be issued to Mr Brayan the Board considered the:

- (i) Company's remuneration strategy;
- (ii) Company's situation;
- (iii) Role and contribution of Mr Brayan to the achievement of the Company's objectives; and
- (iv) Current market practice for remuneration of executive and non-executive officers in positions of similar responsibility.

The number of Rights granted to Mr Bryan has been calculated as 30% of his total fixed remuneration, multiplied by the 20 day VWAP to 29 February 2016 for FY16 Rights and 20 day VWAP to 28 February 2015 for FY15 Rights.

#### Vesting of Rights

These Rights will vest in tranches as follows, to the extent that the performance condition set out below is satisfied at the end of the performance period (being 1 March 2018 for FY15 Rights and 1 March 2019 for FY16 Rights):

Financial Year	Number of Rights	Vesting			
		1-Mar-16	1-Mar-17	1-Mar-18	1-Mar-19
FY15	142,768	27,668	57,550	57,550	-
FY16	95,535	-	31,845	31,845	31,845

No amount is payable in return for the grant of the Rights.

The following terms and conditions apply to Mr Brayan's Rights:

- On the vesting date, Appen will cause the relevant number of APX Shares to be issued or transferred to Mr Brayan.
- No amount is payable in return for the issue or transfer of APX Shares.

#### Performance Condition

The Rights offered are subject to an earnings per share (**EPS**) performance condition. The EPS target is 10% growth over the previous year. The EPS calculation is based on the annual audited financial statements for the relevant performance period.

The number of Rights to be allocated will be based on the achievement of following EPS Targets being achieved:

EPS Target Achieved	% Rights Allocated
100% or more of EPS Target	100%
90-99% of EPS Target*	50-80%
Less than 90 %	Nil

### Shareholder approval – Corporations Act

Under Part 2D.2 of the Corporations Act, subject to a number of exemptions, Shareholder approval must be obtained before the Company (or a Related Body Corporate or prescribed superannuation fund in relation to the Company) can give a person a “benefit” in connection with the person’s retirement from a managerial or executive office.

Under the Appen Equity Incentive Plan, where a participant in that plan ceases to be an employee of Appen (other than in prescribed circumstances) all unvested Rights held by that participant will lapse. In circumstances where the reason for that participant ceasing employment is because of death, total and permanent disability, retirement or redundancy (as determined by the Board) or any other reason with the approval of the Board, the Board has discretion as to how unvested Rights are to be treated. In the context of exercising this discretion, providing Shares to the person may constitute a termination benefit regulated by Part 2D.2 of the Corporations Act.

For a person who holds a managerial or executive office with the Company (or a Related Body Corporate), if Rights vest because a person ceases to be employed due to death, disability or any other reason in the Board’s discretion, the person will receive a benefit in connection with cessation from office, or position of employment regulated by Part 2D.2 of the Corporations Act. The value of the benefit received will be the market price of the Shares that are received following the exercise of the vested Rights.

### Shareholder approval – ASX Listing Rules

ASX Listing Rule 10.14 requires Shareholder approval before a Director can acquire shares or rights to shares under an employee incentive scheme. Approval from Shareholders is being sought to grant rights to Mr Brayan under the Appen Equity Incentive Plan in respect of FY15 and FY16 with any Rights issued within 12 months after the date of this Meeting.

### Information required by ASX Listing Rule 10.15

ASX Listing Rule 10.15 requires the following information to be disclosed in relation to the Rights to be granted to Mr Brayan under the Plan:

#### i. Maximum number of Rights and Shares

The maximum number of Rights that may be granted to Mr Brayan within 12 months of this Meeting is 238,303.

After the grant of Rights, the number of Shares that Mr Brayan may receive at the end of the vesting period on the vesting date will be determined having regard to the satisfaction of the relevant performance condition.

#### ii. Price for each Right (and the price for each INA Security that vests)

No payment for the Rights or upon vesting of the Rights is required by Mr Brayan.

#### iii. Shares under the Rights Plan received since the last approval

No Rights or Shares have previously been issued to Mr Brayan.

#### iv. Persons who are entitled to participate in the Rights Plan

The eligible participants under the Plan are employees of the Company (including Directors) or others who are determined by the Board to be eligible participants for the purposes of the Plan.

Mr Brayan is the only person referred to in ASX Listing Rule 10.14 who is currently entitled to participate in the Plan.

**v. Terms of any related loan**

There is no loan provided in relation to the acquisition of the Rights by Mr Brayan.

**vi. Issue date of Rights**

The Rights will be granted to Mr Brayan no earlier than immediately following this Meeting and no later than 12 months after this Meeting, on the conditions described in the Explanatory Notes.

**Voting exclusion**

The Company will disregard any votes cast on the proposed Item 7 by any Director of the Company (except one who is ineligible to participate in the Rights Plan), including Mr Brayan and any associate of any such persons. However, the Company need not disregard a vote if:

- a) 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
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy does.

In addition, no KMP of the Company or a Closely Related Party or Associate of such a KMP may vote as a proxy on the proposed Item 7 unless:

- a) the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed Item 6; or
- b) the person is the Chairman and votes as a proxy appointed by writing that authorises the Chairman to vote on the proposed Items 5 and 6 even though the resolution is connected directly or indirectly with the remuneration of KMP of the Company.

**Directors' Recommendation**

The Board unanimously (other than Mr Brayan) recommends that Shareholders vote in favour of the resolutions in item 7.

**Chairman's Voting Intention**

The Chairman of the Meeting intends to vote all available proxies in favour of all resolutions.

## GLOSSARY

**10% Placement Capacity** has the meaning given in section 5.2 of the Notice

**\$** means Australian Dollars

**AEST** means Australian Eastern Standard Time as observed in Sydney, Australia.

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

**ASX** means ASX Limited

**ASX Listing Rules** means the Listing Rules of the ASX, as amended or replaced from time to time except to the extent of any express written waiver by ASX.

**ASX Principles** means the ASX Corporate Governance Principles and Recommendations (3rd edition).

**Board** means the current board of directors of the Company.

**Closely Related Party** has the meaning as defined in section 9 of the Corporations Act.

**Company** means Appen Limited (ACN 138 878 298)

**Constitution** means the Company's Constitution.

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

**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that at the date of the relevant General Meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) Has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Notes** means the Explanatory Notes accompanying the Notice.

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

**Key Management Personnel** has the meaning as defined in section 9 of the Corporations Act.

**Notice or Notice of Meeting or Notice of Annual General Meeting** means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

**Option** means an option to acquire a Share.

**Plan** means Appen Equity Incentive Plan.

**Proxy Form** means the proxy form accompanying the Notice.

**Related Body Corporate** has the meaning set out in in section 50 of the Corporations Act.

**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 2014.

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


**Rights** mean long term incentive rights to acquire a Share issued under the Plan.

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


**Shareholder** means a holder of a Share.


## LODGE YOUR VOTE

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
Appen Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474

## PROXY FORM

I/We being a member(s) of Appen Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am on Friday, 27 May 2016 at Norton Rose Fulbright, Grosvenor House, Level 18, 225 George Street, Sydney, NSW, 2000 (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolution 2:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 2, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).


**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Ratification of the issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.1 Election of Ms Deena Shiff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.1 Re-election of Ms Robin Low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Grant of Performance Rights to Mr Mark Brayan, Managing Director and Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.2 Re-election of Mr William Pulver	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).





## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

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

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in 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 A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Wednesday, 25 May 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

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

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Appen Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
  
or  
  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**