
ZENITH ENERGY LTD

ACN 615 682 203

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at

TIME: 1.00pm (WST)

DATE: 29 November 2018

PLACE: Gershwin's Main Room, Hyatt Regency,
99 Adelaide Terrace, Perth WA 6000

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

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (WST) on 27 November 2018.

CONTENTS

Business of the Meeting (setting out the proposed Resolutions)	3
Explanatory Statement (explaining the proposed Resolutions)	5
Glossary	9
Proxy Form	Enclosed

IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 1.00pm (WST) on 29 November 2018 at:

Gershwin's Main Room, Hyatt Regency
99 Adelaide Terrace
PERTH WA 6000

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (WST) on 27 November 2018.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

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

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

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

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

- if proxy holders vote, they must cast all directed proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018.”

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

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

The above prohibition does not apply if:

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

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR DOUG WALKER

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

“That, for the purpose of clause 14.2) of the Constitution and for all other purposes, Mr Doug Walker, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – ISSUE OF PERFORMANCE RIGHTS TO A RELATED PARTY – MS STEPHANIE UNWIN

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

“That, for the purposes of section ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 84,000 Performance Rights under the Performance Rights Plan to Ms Stephanie Unwin (or her nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or their nominee or any associates of those Directors (**Resolution 3 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 4 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

Provided the Chair is not a Resolution 3 Excluded Party, the above prohibition does not apply if:

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

4. RESOLUTION 4 – ISSUE OF PERFORMANCE RIGHTS TO A RELATED PARTY – MR DARREN SMITH

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

“That, for the purposes of section ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 42,000 Performance Rights under the Performance Rights Plan to Mr Darren Smith (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought, or their nominee or any associates of those Directors (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 4 Excluded Party, 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.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:


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

Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:

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

Dated: 22 October 2018

By order of the Board

A handwritten signature in black ink, appearing to read 'RM', with a long horizontal flourish extending to the right.

**Rebecca Stringer-Krein
Company Secretary**

EXPLANATORY STATEMENT

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

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

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

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

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

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

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

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

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

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

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

2.3 Previous voting results

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

3. RESOLUTIONS 2 – RE-ELECTION OF DIRECTOR – DOUG WALKER

3.1 General

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

The Company currently has 3 Directors (excluding, for the purposes of calculating one third, the managing director) and accordingly 1 must retire.

Mr Walker retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr Walker is a 35-year veteran of the power generation industry. He has designed and built more than 60 remote power stations across Australasia, initially through his own company, StateWest Power, and later through Zenith Pacific Pty Ltd, which he co-founded in 2006. StateWest was subsequently acquired by Wesfarmers Energy.

Mr Walker is recognised in the industry for his innovative thinking, both in finding effective solutions to difficult power generation problems and for creating the now widely-recognised Build, Own and Operate ("BOO") approach to the establishment of remote area power plants.

Mr Walker does not currently hold any other directorships.

Mr Walker was appointed a Director of Zenith Energy Limited on 2 November 2016, and Executive Chairman on 22 March 2017.

3.3 Independence

Mr Walker is an Executive Director and substantial shareholder of the Company. As such, he is not considered to be an independent director.

3.4 Board recommendation

The Board supports the re-election of Mr Walker and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTIONS 3 & 4 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTIES – MS STEPHANIE UNWIN AND MR DARREN SMITH

4.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue up to 126,000 Performance Rights (**Performance Rights**) to Ms Unwin (or her nominee) and Mr Smith (or his nominee) on the terms and conditions set out below.

The Performance Rights are to be issued under the Company's Performance Rights Plan which was established at the time of the Company's Initial Public

Offering in May 2017 and disclosed in the Company's Prospectus at that time (**Performance Rights Plan**).

42,000 of the Performance Rights which are, subject to Shareholder approval, to be issued to Ms Unwin, are subject to a vesting condition that she be in the service of the Company for 12 months after the offer is accepted by her.

The remaining 42,000 Performance Rights which are, subject to Shareholder approval, to be issued to Ms Unwin, are subject to a vesting condition that she be in the service of the Company for 24 months after the offer is accepted by her.

Accordingly, subject to Shareholder approval, Ms Unwin will be eligible to convert:

- (a) 42,000 Performance Rights for her first year of service immediately; and
- (b) the remaining 42,000 upon completion of Ms Unwin's second year of service, being 11 September 2019.

The 42,000 Performance Rights which are, subject to Shareholder approval, to be issued to Mr Smith, are subject to a vesting condition that he be in the service of the Company for 24 months after the offer was accepted by him. This offer was made and accepted on 28 March 2017.

Accordingly, subject to Shareholder approval, Mr Smith will be eligible to convert 42,000 Performance Rights for his second year of service upon completion of his second year of service, being 28 March 2019.

The key terms of the Performance Rights are set out at Schedule 1.

4.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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

The issue of Performance Rights constitutes giving a financial benefit and Ms Stephanie Unwin is a related party of the Company by virtue of being a Director.

The Directors (other than Ms Unwin who has a material personal interest in Resolution 3 and Mr Smith who has a material personal interest in Resolution 4) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Performance Rights because the agreement to issue the Performance Rights to Ms Unwin and Mr Smith under the Performance Rights Plan, is considered reasonable in the circumstances and was negotiated on an arm's length basis at the time of their appointment to the Board of the Company.

4.3 ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

Ms Unwin and Mr Smith are related parties by virtue of being a Director of the Company.

On the basis that these issues are performance rights and not options, there is no consideration payable for the issue of the performance rights, and consequently no loan is applicable.

As the issue of the Performance Rights involves the issue of securities under an employee incentive scheme to a Director of the Company, Shareholder approval pursuant to ASX Listing Rule 10.14 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.15B do not apply in the current circumstances.

4.4 Technical information required by ASX Listing Rule 10.14

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Performance Rights to Ms Unwin (or her nominee) and Mr Smith (or his nominee):

- (a) Ms Unwin and Mr Smith are both related parties by virtue of being Directors of the Company;
- (b) the maximum number of Performance Rights to be issued to Ms Unwin (or her nominee) and Mr Smith (or his nominee) is 126,000, comprising:
 - (i) 84,000 to Ms Unwin (in respect to the first two years of service); and
 - (ii) 42,000 to Mr Smith (in respect to the second year of service);
- (c) the Performance Rights have a nil issue price and will be issued for nil cash consideration, accordingly no funds will be raised from the issue;
- (d) 42,000 Performance Rights have already been issued under the Performance Rights Plan to persons referred to in ASX Listing Rule 10.14, being Mr Smith. This issue took place upon Mr Smith's acceptance of his employment contract on 28 March 2017 which was prior to the Company's listing on the ASX. This was disclosed in the Company's announcement "*Initial Director's Interest Notice x4*" dated 9 May 2017;
- (e) all Directors are entitled to participate under the Performance Rights Plan, however, at the current time the Company does not intend to make any further offers to Messrs Walker or Moffat. Approval is being sought only for the issue of Performance Rights to the Ms Unwin (or her nominee) and Mr Smith (or his nominee);
- (f) the Performance Rights will be issued to Ms Unwin (or her nominee) and Mr Smith (or his nominee) no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or

modification of the ASX Listing Rules) and it is anticipated the Performance Rights will be issued on one date; and

- (g) the Performance Rights will otherwise be issued in accordance with the terms of the Performance Rights Plan.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights to Ms Unwin (or her nominee) and Mr Smith (or his nominee) as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights pursuant to Resolution 3 and 4 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

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

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

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

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Zenith Energy Ltd (ACN 615 682 203).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

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

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2018.

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

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

Shareholder means a registered holder of a Share.

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

SCHEDULE 1 – SUMMARY OF KEY TERMS OF THE PERFORMANCE RIGHTS PLAN

The key terms of the Performance Rights Plan are as follows:

(Eligibility and Grant of Plan Awards): the Board may grant options or performance rights to acquire Shares under the Incentive Plan (**Plan Awards**) to any full or part time employee or director of the Company or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor of the Company (**Eligible Participant**). Plan Awards may be granted by the Board at any time.

(No Consideration): unless the Plan Awards are quoted on ASX, Plan Awards will be issued for no more than nominal cash consideration.

(Conversion): each Plan Award is exercisable into one Share ranking equally in all respect with the existing issued Shares or may be satisfied through a cash payment, at the Board's discretion.

(Exercise Price and Expiry Date): the expiry date for Performance Rights granted under the Incentive Plan will be determined by the Board prior to the grant of the Performance Rights.

(Exercise Restrictions): the Plan Awards granted under the Incentive Plan may be subject to conditions on exercise as may be fixed by the Board prior to grant of the Plan Awards (Exercise Conditions). Any restrictions imposed by the Board must be set out in the offer for the Plan Awards.

(Renounceability): Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each Participants).

(Lapsing of Plan Awards): unless the Board determines otherwise, subject to the terms of the offer made to a Participant, an unexercised Plan Award will lapse:

- (a) on the Eligible Participant ceasing to be an Eligible Participant;
- (b) where any Exercise Conditions have not been met by the date the relevant person ceases to be an Eligible Participant (Ceasing Date); or
- (c) where any Exercise Conditions have been met by the Ceasing Date or the Plan Award is not subject to any Exercise Conditions, the Participant does not exercise the Plan Award within a period of 1 month after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
- (d) if any Exercise Condition is unable to be met; or
- (e) the expiry date has passed.

(Share Restriction Period): Shares issued on the exercise of Plan Awards may, at the discretion of the Board, be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the Plan Awards.

(Disposal of Plan Awards): Plan Awards will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.

(Trigger Events): the Company may permit Plan Awards to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.

(Participation): There are no participating rights or entitlements inherent in the Plan Awards and holders will not be entitled to participate in new issues of capital offered to shareholders of the Company during the currency of the Plan Awards.

(Change in exercise price): a Plan Award will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the Plan Award can be exercised.

(Reorganisation): if at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(Limitations on Offers): the Company must have reasonable grounds to believe, when making an offer under the Incentive Plan that the number of Shares to be received on exercise of Plan Awards, when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous 3 year period under an employee incentive scheme covered by an ASIC Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.

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