



**SPIRIT TELECOM LIMITED**  
**ACN 089 224 402**

# **Notice of Annual General Meeting**

## **Explanatory Statement and Proxy Form**

Date of Meeting:  
**THURSDAY, 24 NOVEMBER 2016**

Time of Meeting:  
**2.00PM (AEDST)**

Place of Meeting:  
**Baker & McKenzie**  
**Level 19**  
**181 William Street**  
**Melbourne Victoria, 3000**

*This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor without delay*

# SPIRIT TELECOM LIMITED

ACN 089 224 402

Registered office: Level 4, 100 Albert Road, South Melbourne Victoria 3205

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Members of Spirit Telecom Limited (the "Company") will be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria, 3000 at 2.00pm (AEDST) on Thursday, 24 November 2016.

### AGENDA

The Explanatory Statement and proxy form which accompany and form part of this Notice, describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement and the proxy form in their entirety.

#### ORDINARY BUSINESS

##### Receipt and consideration of Accounts & Reports

To receive and consider the financial report of the Company and the related reports of the Directors (including the Remuneration Report) and auditors for the year ended 30 June 2016.

*Note: Except for as set out in Resolution 1, there is no requirement for shareholders to approve these reports. Accordingly no resolution will be put to shareholders on this item of business.*

##### Resolution 1: Adoption of Remuneration Report

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

*"That for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report (included in the Directors' report) for the financial year ended 30 June 2016 be adopted."*

##### Resolution 2: Re-election of Mr Terence Gray as a Director of the Company

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

*"That Mr Terence Gray, being a director who retires pursuant to the Constitution of the Company and being eligible for re-election offers himself for re-election, is hereby re-elected as a Director of the Company."*

##### Resolution 3: Approval to issue 3,850,000 Performance Rights to Mr Geoffrey Neate (or his nominee)

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

*"That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given to grant up to 3,850,000 Performance Rights (being a right to acquire up to 3,850,000 fully paid ordinary shares in the Company subject to satisfaction of relevant performance conditions) for no consideration to Mr Geoffrey Neate (a Director of the Company), or his nominee, as described in the Explanatory Statement accompanying this Notice of Meeting."*

**Resolution 4: Approval to issue 6,250,000 Options to Mr James Joughin (or his nominee)**

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

*“That for the purposes of ASX Listing Rule 10.11, and for all other purposes, shareholders approve, the issue of 6,250,000 options to Mr James Joughin (or his nominee) on the terms set out in the Explanatory Statement.”*

**Resolution 5: Approval to issue 6,250,000 Options to Mr Terence Gray (or his nominee)**

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

*“That for the purposes of ASX Listing Rule 10.11, and for all other purposes, shareholders approve, the issue of 6,250,000 options to Mr Terence Gray (or his nominee) on the terms set out in the Explanatory Statement.”*

**SPECIAL BUSINESS**

**Resolution 6: Approval of 10% Placement Facility**

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

*“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum”*

DATED this 24<sup>th</sup> day of October 2016 at Melbourne.

By order of the Board



**Melanie Leydin**  
**Company Secretary**

## Notes

1. **Entire Notice:** The details of the resolution contained in the Explanatory Notes accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.
2. **Record Date:** The Company has determined that for the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7pm on the date 48 hours before the date of the Annual General Meeting will be taken, for the purposes of the Meeting, to be held by the persons who held them at that time. Only those persons will be entitled to vote at the Annual General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.
3. **Proxies**
  - a. Votes at the Annual General Meeting may be given personally or by proxy, attorney or representative.
  - b. Each shareholder has a right to appoint one or two proxies.
  - c. A proxy need not be a shareholder of the Company.
  - d. If a shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution.
  - e. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.
  - f. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
  - g. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
  - h. To be effective, proxy forms must be received by the Company's share registry (Security Transfer Registrars Pty Ltd) no later than 48 hours before the commencement of the Annual General Meeting, this is no later than 2.00pm (AEDST) Melbourne time on Tuesday, 22 November 2016. Any proxy received after that time will not be valid for the scheduled meeting.

## 4. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## 5. Voting Exclusion Statement:

### Resolution 1

The Company will disregard any votes cast on this resolution (in any capacity) by or on behalf of a member of the Key Management Personnel (being those persons described as such in the Remuneration Report) or a closely related party of such a member unless the vote cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Any undirected proxies held by Directors or other Key Management Personnel or their closely related parties for the purposes of Resolution 1 (excluding the Chairman) will not be voted on Resolution 1. Accordingly, if you intend to appoint a member of Key Management Personnel as your proxy, please ensure that you direct them how to vote. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him to vote by marking the box for Resolution 1. By marking the Chairman's box on the proxy form you acknowledge that the Chairman of the meeting will vote in favour of this item of business as your proxy. The Chairman will vote undirected proxies in favour of Resolution 1.

### Resolution 2

There are no voting exclusions on this resolution.

### Resolution 3

In accordance with ASX Listing Rules, the Company will disregard:

- any votes cast on Resolution 3 by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those Directors;
- any votes cast on Resolution 3 by Mr Geoffrey Neate or by his associates;

In addition, the Corporations Act provides that a member of the Company's Key Management Personnel as disclosed in the Remuneration Report (which includes the Directors and the Chairman) or a closely related party of that Key Management Personnel, cannot cast a vote on Resolution 3 (in any capacity). However, such restrictions do not apply if the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form specifying how the proxy is to vote; or
- by the Chairman of the meeting as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

If you appoint the Chairman as your proxy and you do not direct the Chairman how to vote, you will be expressly authorising the Chairman to exercise the proxy even if the relevant resolution is connected directly or indirectly with the remuneration of a Key Management Personnel for the Company. Shareholders should note that the Chairman intends to vote any undirected proxies in favour of all resolutions.

#### **Resolutions 4 and 5**

In accordance with the ASX Listing Rules and the Corporations Act, a vote on Resolutions 4 and 5 must not be cast (in any capacity) by or on behalf of:

- in the case of Resolution 4, Mr James Joughin or any of his associates; and
- in the case of Resolution 5, Mr Terence Gray or any of his associates;

unless, in relation to the relevant proposed Resolution:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of the Director to whom the relevant Resolution would permit a financial benefit or any of his associates.

#### **Resolution 6**

The Company will disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

#### **6. Enquiries**

Shareholders are invited to contact the Company Secretary, Melanie Leydin on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

## EXPLANATORY STATEMENT

### Receipt and consideration of Accounts & Reports

A copy of the Annual Report for the financial year ending 30 June 2016 (which incorporates the Company's financial report, reports of the Directors (including the Remuneration Report) and the auditors) is not enclosed as there is no longer a requirement for the Company to incur the printing and distribution cost associated with doing so for all shareholders. You may obtain a copy free of charge in hard copy form by contacting the Company by phone at 1300 007 001, and you may request that this occurs on a standing basis for future years. Alternatively you may access the annual report at the Company's website: <http://www.spirit.com.au/> or via the Company's announcement platform on ASX. Except for as set out in Resolution 1, no resolution is required on these reports.

### Resolution 1: Adoption of Remuneration Report

#### **Background**

Section 250R(3) of the Corporations Act requires that a resolution to adopt the remuneration report must be put to the vote at the Annual General Meeting. The vote on this Resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is set out in the Directors' Report in the Company's 2016 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

In accordance with Section 250SA of the Corporations Act 2001, Shareholders will be provided with a reasonable opportunity to ask questions concerning, or make comments on, the remuneration report at the Annual General Meeting.

The Corporations Act requires the Company to put a resolution to Shareholders that, in accordance with Division 9 of Part 2G.2 of the Corporations Act, if twenty five (25%) per cent or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election.

It is noted that at the Company's last Annual General Meeting, the votes cast against the remuneration report represented less than twenty five (25%) per cent of the total votes cast and accordingly, a spill resolution will not under any circumstances be required for the Annual General Meeting.

The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

#### **Directors Recommendation**

Noting that each Director has a personal interest in their own remuneration from the Company (as such interests are described in the Remuneration Report) and, as described in the voting exclusions on this resolution (set out in the Notice of AGM), that each Director (or any Closely Related Party of a Director) is excluded from voting their shares on this resolution, the Directors unanimously recommend that shareholders vote in favour of Resolution 1 to adopt the Remuneration Report.

#### **Voting Exclusions**

The Company will disregard any votes cast on this resolution (in any capacity) by or on behalf of a member of the Key Management Personnel (being those persons described as such in the Remuneration Report) or a closely related party of such a member unless the vote cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Any undirected proxies held by Directors or other Key Management Personnel or their closely related parties for the purposes of Resolution 1 (excluding the Chairman) will not be voted on Resolution 1. Accordingly, if you intend to appoint a member of Key Management Personnel as your proxy, please ensure that you direct them how to vote. If you intend to appoint the Chairman of the meeting as your proxy, you can direct him to vote by marking the box for Resolution 1. By marking the Chairman's box on the proxy form you acknowledge that the Chairman of the

meeting will vote in favour of this item of business as your proxy. The Chairman will vote undirected proxies in favour of Resolution 1.

## **Resolution 2: Re-election of Mr Terence Gray as a Director of the Company**

### ***Background***

The Constitution of the Company requires that at every annual general meeting, at least one Director shall retire from office and provides that such Directors are eligible for re-election at the meeting. Mr Terence Gray being eligible, offers himself for re-election.

Terence is a corporate consultant to Lodge Partners Pty Ltd offering investment management and corporate advisory services. He has over 20 years' financial markets experience including funds management and corporate finance. Terence has held roles as Head of Equities at ANZ Funds Management, Chief Investment Officer at Allianz Equity Management, Head of Research, Allianz Dresdner Asset Management and Director of Corporate Finance, Grange Securities. He has deep knowledge of funds management and the Australian equity market. His grounding as an institutional investor running large investment teams and as a corporate advisor to junior companies provides insight and expertise in company valuation, corporate fund raising and M&A activity.

### ***Directors Recommendation***

The Board (with Mr Gray abstaining), recommends that shareholders vote in favour of the re-election of Mr Gray. The Chairman of the meeting intends to vote undirected proxies in favour of Mr Gray's re-election.

### ***Voting Exclusions***

There are no voting exclusions on this resolution.

## **Resolution 3: Approval to Grant Performance Rights to Mr Geoffrey Neate (or his nominee)**

### **Background**

Resolution 3 of this Notice provide for 3,850,000 Performance Rights to be granted to Mr Geoffrey Neate (or his nominee) on the terms described below.

Performance Rights are proposed to be granted to Mr Geoffrey Neate (or his nominee) to align his interests with the interests of Shareholders. The grant of the Performance Rights (and the subsequent issue of Shares if certain vesting conditions are met) to Mr Geoffrey Neate (or his nominee) is a cash retentive form of remuneration when compared to the payment of cash consideration.

It should also be noted that the extent to which the rights will vest is dependent on the shareholder returns generated by the Company outperforming a group of peer companies, which is intended to align the interests of all Shareholders.

The establishment of an effective performance management system assists in maintaining a focus on delivering superior shareholder returns. A key role of this program is to ensure that this objective is achieved. It should be recognised that the achievement of these objectives will be to the benefit of all Shareholders, and the conversion of the performance rights can only occur if these benefits are realised.

Consistent with the desire to minimise cash expenditures, the Board believes that in order to incentivise Mr Geoffrey Neate (or his nominee) in line with current market practices, Performance Rights provide an appropriate and meaningful remuneration component to executive management that is aligned with Shareholder interests.

### **Terms of Performance Rights**

Resolution 3 of this Notice provide for a total of 3,850,000 Performance Rights to be granted to Mr Geoffrey Neate (or his nominee). The Performance Rights will be issued to Mr Neate for nil consideration. The vesting of the Performance Rights is contingent on the Company achieving hurdles over a three year performance period. Further details on how Performance Hurdles are calculated are described below.

The value of the Performance Rights which are proposed to be granted can only be definitively determined at the time of grant, following shareholder approval. The 3,850,000 Performance Rights proposed to be issued to Mr Neate are worth approximately \$100,000 in line with the announcement made by the Company on 24 June 2016.

The full terms of the Performance Rights are set out in Annexure B of this Explanatory Statement.

### **Mr Geoffrey Neate's Remuneration Package**

Mr Neate was appointed to the Board on 16 June 2016 as Managing Director. As announced on 24 June 2016, his remuneration package will comprise:

- a fixed component of \$305,159 per annum, plus statutory superannuation contributions;
- the opportunity to earn an annual cash short term incentive which will be structured as a cash payment subject to achievement of relevant key financial and non-financial milestones. Mr Neate's maximum entitlement to receive an STI is 30% of his Base Salary with the key milestones to be achieved by no later than 30 June 2017.
- an entitlement to receive Performance Rights under the LTI Plan of up to \$100,000, subject to achievement of relevant TSR and return of capital measures, and subject to Shareholder approval.

Approval is being sought in Resolution 3 in respect of the proposed grant of Performance Rights to Mr Neate under the LTI Plan as a component of his revised overall executive remuneration package, as announced by the Company on 24 June 2016. The terms reflect a level of remuneration which is considered by the Board to be appropriate for Mr Neate's role given the current stage of the Company's development while providing an incentive to retain and adequately motivate Mr Neate.

On 24 June 2016 the Company announced the terms of Mr Neate's Managing Director Employment Contract. If any future grant to Mr Neate of options or share rights is proposed for shareholder approval, such proposed grant shall be determined at the discretion of the Board, rather than being a contractual obligation of the Company. The proposed future grant of any options or share rights, remains subject to shareholder approval.

### **Performance Rights offered**

The Company proposes to make grants to Mr Neate of Performance Rights under the LTI Plan. The Performance Rights will be issued to Mr Neate for nil consideration. The vesting of the Performance Rights is contingent on the Company achieving performance hurdles over a three year performance period (**Performance Hurdles**). Further details on how Performance Hurdles are calculated are described below.

The number of Performance Rights granted for the three year performance period will be 3,850,000 to Mr Neate.

### **Conversion of Performance Rights into Shares**

Under the LTI Plan, the Company is required to issue, or procure the transfer of, Shares to Mr Neate in respect of Performance Rights for nil cash consideration on:

- (a) the satisfaction of the Performance Hurdles (to the extent of the satisfaction of those hurdles) for the relevant Performance Period within three years from the date of each grant of Performance Rights (**Performance Date**) provided that in the absence of special circumstances Mr Neate remains employed by the Company; or
- (b) the occurrence of an Accelerated Event (more detail on the meaning of an Accelerated Event is provided below).

### **Performance Hurdles**

Subject to an Accelerated Event, the Performance Rights will not vest unless the Performance Hurdles have been achieved by the Performance Date.

If the Performance Hurdles are not satisfied by the Performance Date the entitlement to Shares will lapse unless:

- (a) the Board decide exceptional circumstances justify the reduction or waiver in whole or in part of the Performance Hurdles; or
- (b) an Accelerated Event occurs.

There is no ability to re-test whether or not the Performance Hurdles have been satisfied after the Performance Period has ended.

The number of Performance Rights which vest is determined by assessing the performance of the Company, as measured by Total Shareholder Return (**TSR**) at the Performance Date relative to a comparator group of companies (the **Performance Hurdle**). The VWAP of the Shares in the one-month preceding the Performance Date compared to VWAP of the Shares in the one month preceding the grant date, will be used in calculating TSR over the three year period. The TSR incorporates capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring the Company's performance.

For clarity, the Performance Hurdle's mentioned above will be split 50% subject meeting the TSR, and 50% for exceeding the budgeted return on capital.

In relation to the 50% portion meeting the TSR, the Performance Rights will only convert to Shares subject to the Performance Period being met and subject to the Company's TSR being at least equal to the median of the comparator group performance. The entire annual allocation will convert if the Company's TSR is at the 75th percentile or higher than the comparator group performance. The detailed breakdown of the relationship between the Company's performance and the conversion of Performance Rights is:

- 0% converting if the Company TSR performance is below the median performance of the comparator group.
- Straight line Pro-rata conversion if the Company TSR performance is at or above the median performance of the comparator group, but below the 75th percentile performance of the comparator group.
- 100% converting if the Company TSR performance is at or above the 75th percentile performance of the comparator group.

In addition to the Performance Period and Performance Hurdles, the vesting of Performance Rights is subject to the continuing employment of Mr Neate. Subject to an Accelerated Event, Performance Rights will generally lapse on Mr Neate's resignation or dismissal.

If an Accelerated Event occurs, all Performance Rights granted will automatically vest into Shares, irrespective of whether Performance Hurdles have been achieved.

To the extent that Performance Hurdles have not been satisfied in respect of a Performance Right, and an Accelerated Event has not occurred, once a Performance Period expires, that Performance Right lapses.

Having regard to the Performance Hurdles, the Directors consider that the issue of the Performance Rights represents reasonable remuneration.

### **Accelerated Event**

Performance Rights granted under the LTI Plan will convert to Shares if an Accelerated Event has occurred. For the avoidance of doubt, if an Accelerated Event occurs, the Performance Hurdles and the associated Performance Period do not apply to any of the Performance Rights granted under the LTI Plan to an Executive Officer.

An 'Accelerated Event' means:

- (a) the Company becoming aware of a change of control of the Company occurring;
- (b) a compromise or arrangement is approved by the Court under the Corporations Act in connection with a scheme for the acquisition, reorganisation or merger of the Company;
- (c) the Company is delisted from ASX;
- (d) a resolution is passed to wind up the Company; or
- (e) only in respect of the relevant Executive Officer, a special circumstance occurs (**Special Circumstance**).  
Special Circumstance means with respect to an Executive Officer:
  - (i) Total and permanent disablement;
  - (ii) Redundancy;
  - (iii) the death of the Executive Officer during his or her employment or office with the Company; or
  - (iv) any other circumstance as the Board may at any time determine from time to time.

### *Legal Requirements - Listing Rule 10.14*

Listing Rule 10.14 provides that a company must not permit a Director or their associates to acquire securities under an employee incentive scheme without Shareholder approval. The LTI Plan constitutes an 'employee incentive

scheme' under the ASX Listing Rules. If approval is given under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

*Disclosures for the purposes of Listing Rule 10.14*

It is proposed that the Company's Managing Director, Mr Geoffrey Neate, will participate in the LTI Plan by being granted an award of Performance Rights. As Mr Neate is a director of the Company, shareholder approval is required in respect of the proposed grant of Performance Rights to Mr Neate and the issue of Shares on the vesting of such Performance Rights upon satisfaction of the applicable vesting conditions. The Notice of Meeting and Explanatory Notes have been prepared to comply with Listing Rule 10.15A. No director of the Company, other than Mr Neate, are eligible for participation in the LTI Plan.

The following disclosures are made for the purposes of Listing Rule 10.15A:

- (a) the maximum number of Performance Rights that can be awarded under this approval are 3,850,000 to Mr Neate. Subject to the satisfaction of the vesting conditions described above, Mr Neate will receive one Share in the Company for each Performance Right granted;
- (b) no consideration is payable on the grant of the Performance Rights, or the conversion of each Performance Right into a Share upon satisfaction of the vesting conditions;
- (c) persons referred to in Listing rule 10.14 who received securities under the LTI Plan since the last approval, and details of those securities, are as follows:

<b>Name of recipient</b>	<b>Number of securities received</b>	<b>Acquisition price of each security</b>
Geoffrey Neate	Nil	Nil

- (d) Mr Neate is the only director (i.e. person referred to in Listing rule 10.14) entitled to participate in the LTI Plan;
- (e) no loan will be made by the Company in relation to the grant of Performance Rights to Mr Neate;
- (f) details of any Performance Rights issued under the LTI Plan will be published in each annual report of the Company relating to a period in which the Performance Rights have been issued, and the annual report will confirm that approval for the issue of securities was obtained under Listing Rule 10.14;
- (g) any director other than Mr Neate who become entitled to participate in the LTI Plan after Resolution 3 is approved and who was not named in these Explanatory Notes will not participate until approval is obtained under Listing Rule 10.14; and
- (h) subject to the passing of Resolution 3, it is expected that the 3,850,000 Performance Rights to Mr Neate will be granted and issued no later than twelve months after the Meeting.

In addition, it is noted that:

- (a) Mr Neate's security interests in the Company are:
  - (i) 166,205,900 fully paid ordinary shares; and
  - (ii) 53,493,929 unlisted options exercisable at 3.9376 cents per option, expiring 31 July 2019.
- (b) the dilution effect of the Performance Rights is in aggregate in the order of 0.5% of the total Shares on issue.

*Advantages and Disadvantages*

The Board notes that advantages may accrue to the Company and members as a result of the passing of Resolution 3. These advantages potentially include the alignment of Mr Neate's interests more closely with those of members, with a strong focus on the delivery of long term total shareholder return.

The Board also notes that disadvantages may accrue to the Company and members as a result of the passing of Resolution 3. These disadvantages include dilution to members' interest in the Company as a result of the grant of Shares under the Performance Rights. The fair value of the Performance Rights over the Performance Periods will be expensed in the Company's Consolidated Statement of Comprehensive Income.

### **Board Recommendation**

The Board has approved the grant of Performance Rights to Mr Neate to secure his tenure with the Company as part of his remuneration as Managing Director, having regard to his role and the current stage of the Company's development, and to provide an incentive to improve the financial performance of the Company and, in turn, shareholder value.

The Board (with Mr Neate abstaining in respect of Resolution 3, respectively) recommends that Shareholders vote in favour of Resolution 3.

### **Resolutions 4 and 5: Approval for the grant of options to Mr James Joughin and Mr Terence Gray**

#### **Background**

Resolutions 4 and 5 of the Notice provide for a total of 12,500,000 Options to be granted, with 6,250,000 Options to be granted to each of Mr James Joughin (or his nominee) and Mr Terence Gray (or his nominee) on the terms described below.

Options are proposed to be granted to each of the Company's Non-Executive Directors to align their interests with the interests of Shareholders. The grant of the Options (and the subsequent issue of shares if vesting conditions are met) to the Directors is a cost effective form of remuneration when compared to the payment of cash consideration.

Proposed resolution no.	Option recipient/ related party	Number of options	Exercise price	Vesting date	Expiry date
4	Mr James Joughin (or his nominee)	6,250,000	35% premium to the 30 day VWAP of shares prior to the date of shareholder approval	The options vest 24 months after the date of grant	24 November 2019 (3 years from the date of shareholder approval)
5	Mr Terence Gray (or his nominee)	6,250,000	35% premium to the 30 day VWAP of shares prior to the date of shareholder approval	The options vest 24 months after the date of grant	24 November 2019 (3 years from the date of shareholder approval)

The number of options proposed to be granted to each non-executive director represents 50% of the Managing Director's LTI of \$100,000, and is in-line with current market practices. The exercise price will be priced at a 35% premium to the 30 day VWAP of shares traded in Spirit Telecom Limited prior to the date of the Annual General Meeting.

ASX Listing Rule 10.11 requires the approval of shareholders before securities can be issued to a related party. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

The following information is given under ASX Listing Rule 10.13 on the options that are proposed to be issued to the Directors:

- (a) the related parties are Mr James Joughin and Mr Terence Gray;
- (b) the maximum number of options to be granted in total is 12,500,000;
- (c) the Company will grant and issue the options no later than twelve months after the Meeting;
- (d) the key terms of the options are as set out above and at Appendix C;
- (e) the options will be granted for nil cash consideration; and
- (f) no funds will be raised from the grant of the options.

Other remuneration (in addition to the proposed grant of options) paid by the company to Mr James Joughin, and Mr Terence Gray is annual non-executive Chairman fees for Mr Joughin of \$60,000 and annual non-executive Director fees for Mr Gray of \$30,000 (including superannuation).

In addition, it is noted that:

- (a) Mr Joughin's security interests in the Company are 5,199,276 fully paid ordinary shares; and
- (b) Mr Gray's security interests in the Company are 8,313,377 fully paid ordinary shares and 813,419 unlisted options exercisable at 3.9376 cents per option, expiring 31 July 2019;
- (c) the dilution effect of the Options is in aggregate in the order of 1.47% of the total Shares on issue.

The Company believes it is appropriate to grant equity options to non-executive directors. Smaller entities often elect to use equity instruments to remunerate non-executive directors in order to attract and retain high caliber individuals while minimizing the cash cost of engaging those people. In addition, the options also help to create alignment between directors and shareholders.

Although the Options, if their issue is approved by shareholders, must ultimately be valued at the grant date, an indicative valuation of each tranche of Options as at 14 October 2016 (being the date the Company agreed to issue the options, subject to shareholder approval) is detailed below:

Option Recipient	Number of Options	Exercise Price of options	Indicative Value of Options
Mr James Joughin (or his nominee)	6,250,000	\$0.035	\$50,000
Mr Terence Gray (or his nominee)	6,250,000	\$0.035	\$50,000

The indicative value of the \$0.035 exercise price options is based on a Black and Scholes valuation of the options as at 14 October 2016 based on the following inputs:

Underlying Share Price:	\$0.026 per share (closing price of ST1 on 14 October 2016)
Exercise Price:	\$0.035 per share (35% premium to the ST1 30 day VWAP up to and including 14 October 2016)
Risk free rate:	2% (Australian Government 10 year bond yield)
Volatility:	60% (three year ST1 historic volatility)
Grant Date:	14 October 2016
Expiry:	14 October 2019

## Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless either:

- the giving of the financial benefit falls within one of the exceptions to the provisions; or
- prior Shareholder approval is obtained to the giving of the financial benefit.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of the public company.

A "financial benefit" for the purposes of the Corporations Act also has a very wide meaning. It includes the public company paying money or issuing securities to a related party.

Mr James Joughin and Mr Terence Gray are related parties of the Company due to the fact that they are Directors of the Company. The issue of Options to Mr James Joughin and Mr Terence Gray constitutes a "financial benefit" as described in the Corporations Act. Accordingly, the proposed issue of Options pursuant to Resolutions 4 and 5 will constitute the provision of a financial benefit to a related party of the Company.

It is the view of Directors that the proposed issue of Options pursuant to Resolutions 4 and 5 fall within the exception under section 211 of the Corporations Act (reasonable remuneration) given the circumstances of the Company and the position held by the Directors. Accordingly, the Directors are not seeking shareholder approval under section 208 of the Corporations Act, although shareholder approval must be obtained pursuant to ASX Listing Rule 10.11.

The full terms of the Option Issues are set out in Annexure C of this Explanatory Statement.

### ***Voting Exclusions***

The Company will disregard any votes cast on these resolutions by Mr James Joughin and Mr Terrence Gray and/or their associates as follows:

- in the case of Resolution 4, Mr James Joughin or any of his associates; and
- in the case of Resolution 5, Mr Terrence Gray or any of his associates;

However, the Company will not disregard a vote if:

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

### ***Director's Recommendations***

The Directors (with Mr James Joughin abstaining on Resolution 4, and Mr Terrence Gray abstaining on Resolution 5) unanimously recommend that Shareholders vote in favour of Resolutions 4 and 5.

Other than the information specified in this Explanatory Memorandum, the Directors are not aware of any other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4 and 5.

The Chairman of the meeting will vote undirected proxies in favour of Resolutions 4 and 5.

### **Resolution 6: Approval of 10% Placement Facility**

#### ***Background***

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting ("10% Placement Facility"). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see below).

The Company continues actively seeking to increase work on its current operations and reviewing new potential projects and investments. Should the Company utilise the 10% Placement Facility, it intends to use the funds to acquire new assets or investments, to conduct further work on its current operations or to meet additional working capital requirements.

#### ***Directors Recommendations***

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

### ***Voting Exclusions***

The Company will disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

## Description of Listing Rule 7.1A

### (a) *Shareholder approval*

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting. This means it requires approval of 75% of the votes cast by shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

### (b) *Equity Securities*

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue four classes of Equity Securities, Shares and Unlisted Options, Listed Options and Performance Rights.

### (c) *Formula for calculating 10% Placement Facility*

Listing Rule 7.1A.2 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 in accordance with the following formula:

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

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 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 shares under the entity's 15% placement capacity without shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

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

### (d) *Listing Rule 7.1 and Listing Rule 7.1A*

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 836,844,216 Shares and therefore has a capacity to issue:

- (i) 115,794,823 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being obtained under Resolution 6, 83,620,786 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2

### (e) *Minimum Issue Price*

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days 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 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) *10% Placement Period*

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

**(10% Placement Period).**

**Listing Rule 7.1A**

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

**Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 trading days 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 trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised). Shareholders may be exposed to economic risk and voting dilution, including the following:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata

entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.012 50% decrease in Issue Price	\$0.023 Issue Price	\$0.046 100% increase in Issue Price
<b>Current Variable A</b> 836,844,216 Shares	<b>10% Voting Dilution</b>	83,684,422 Shares	83,684,422 Shares	83,684,422 Shares
	<b>Funds raised</b>	\$1,004,213	\$1,924,742	\$3,849,483
<b>50% increase in current Variable A</b> 1,255,266,324 Shares	<b>10% Voting Dilution</b>	125,526,632 Shares	125,526,632 Shares	125,526,632 Shares
	<b>Funds raised</b>	\$1,506,320	\$2,887,113	\$5,774,225
<b>100% increase in current Variable A</b> 1,673,688,432 Shares	<b>10% Voting Dilution</b>	167,368,843 Shares	167,368,843 Shares	167,368,843 Shares
	<b>Funds raised</b>	\$2,008,426	\$3,849,483	\$7,698,967

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - No Listed Options (including any Listed Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities;
  - 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%.
  - 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 Facility, based on that Shareholder's holding at the date of the Annual General Meeting.
  - The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - The issue price is **\$0.023**, being the closing price of the Shares on ASX on **21 October 2016**.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking)).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued expenditure on the Company's current assets and projects and/or general working capital.

- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

**Information under Listing Rule 7.3A.6(a):**

The table below shows the total number of equity securities issued in the past 12 months preceding the date of the AGM and the percentages those issues represent of the total number of equity securities on issue at the commencement of the 12 month period with all numbers noted on a post-consolidation basis.

Equity securities issued in the prior 12 month period (post consolidation)	105,762,733
Equity securities issued in the prior 12 month period* (post consolidation)	964,005,468
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	911.48%

\* For full details of the issues of equity securities made by the Company since the date of the last Annual General Meeting, see Annexure A. Included in this Appendix is a summary of the amount of funds raised as a result of the capital raisings during the previous 12 month period and the remaining funds as at the date of this notice is approximately \$1.6 million (excluding receipts).

**Voting Exclusions**

The Company will disregard any votes cast on resolution 6. by any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any associate of such person.

In accordance with Listing Rule 14.11.1 and the relevant Note under that rule concerning Rule 7.1A, as at the date of this Notice of Meeting it is not known who may participate in the proposed issue (if any). On that basis, no security holders are currently excluded.

## GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

“\$” means Australian Dollars;

“**10% Placement Facility**” has the meaning as defined in the Explanatory Statement for Resolution 6;

“**10% Placement Period Facility**” has the meaning as defined in the Explanatory Statement for Resolution 6;

“**Annual Report**” means the Directors’ Report, the Financial Report, and Auditor’s Report, in respect to the year ended 30 June 2016;

“**ASX**” means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires;

“**ASX Settlement Operating Rules**” means the rules of ASX Settlement Pty Ltd which apply while the Company is an issuer of CHESS approved securities;

“**Auditor’s Report**” means the auditor’s report on the Financial Report;

“**AEDST**” means Australian Eastern Daylight Standard Time.

“**Board**” means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors;

“**Chairman**” means the person appointed to chair the Meeting of the Company convened by the Notice;

“**CHESS**” has the meaning in Section 2 of the ASX Settlement Operating Rules;

“**Closely Related Party**” means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

“**Company**” means Spirit Telecom Limited ACN 089 224 402;

“**Constitution**” means the constitution of the Company as at the date of the Meeting;

“**Convertible Security**” means a security of the Company which is convertible into shares;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Director**” means a Director of the Company;

“**Directors Report**” means the annual directors’ report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

“**Equity Security**” has the same meaning as in the Listing Rules;

“**Explanatory Memorandum**” means the explanatory memorandum which forms part of the Notice;

“**Financial Report**” means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities;

“**Key Management Personnel**” means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

“**Listing Rules**” means the Listing Rules of the ASX;

“**Meeting**” has the meaning given in the introductory paragraph of the Notice;

“**Notice**” means the Notice of Meeting accompanying this Explanatory Statement;

“**Proxy Form**” means the proxy form attached to the Notice;

“**Remuneration Report**” means the remuneration report which forms part of the Directors’ Report of Spirit Telecom Limited for the financial year ended 30 June 2016 and which is set out in the 2016 Annual Report.

“**Resolution**” means a resolution referred to in the Notice;

“**Schedule**” means schedule to the Notice;

“**Section**” means a section of the Explanatory Memorandum;

“**Share**” means a fully paid ordinary share in the capital of the Company;

“**Shareholder**” means shareholder of the Company;

“**Trading Day**” means a day determined by ASX to be a trading day in accordance with the Listing Rules;

“**VWAP**” means volume weighted average price.

## Annexure A

### CASH ISSUES

Date	Number of Securities	Security Type	Terms	Description	Party or Basis	Price	Discount to 15 day VWAP	Total Consideration	Use of Consideration
4-Mar-2016*	333,333,334 (pre-share consolidation basis) 14,492,754 (post share consolidation basis)	FPO	FPO	Capital Raising - Placement	Sophisticated investors	\$0.00075	25%	\$250,000	Working capital for administrative expenses and expense in connection with the Capital Raising and acquisition of Spirit Telecom (Australia) Pty Ltd, including ongoing administrative costs associated with completion of the acquisition.
4-Mar-2016*	26 (pre-share consolidation basis) 1 (post-share consolidation basis)	FPO	FPO	Exercise of options	Issue of shares to option holder	\$0.02	N/A	\$0.52	General working capital purposes
16-Jun-2016	131,032,000	FPO	FPO	Capital Raising – Prospectus Offer	Eligible investors	\$0.02	N/A	\$2,620,640	Scaling in marketing, sales and operation staff, core network and building network expansion and upgrades, a final payment in respect of the prior acquisition of Spirit of Voxcom (an Internet service provider), paying costs of the offer, and additional working capital and funding for acquisitions.
<b>Total</b>								<b>\$2,870,640.52</b>	

### NON-CASH ISSUES

16-Jun-2016	611,250,000	FPO	FPO	Consideration for acquisition of Spirit Telecom (Australia) Pty Ltd	Issued to Vendors as part of the consideration for the acquisition of Spirit	\$Nil	N/A	\$Nil	Issue of shares to Vendors as part of the consideration for the acquisition of Spirit
16-Jun-2016	197,594,357	ST10	ST10	Consideration for acquisition of Spirit Telecom (Australia) Pty Ltd	Issued to Vendors as part of the consideration for the acquisition of Spirit	\$Nil	N/A	\$Nil	Issue of shares to Vendors as part of the consideration for the acquisition of Spirit
6-Oct-2016	636,356	FPO	FPO	Issue of shares to incentivise employees of the Company (non-directors)	Issued to certain employees of the Company (non-directors)	\$Nil	N/A	\$Nil	Issue of shares to employees of the Company (non-directors)
6-Oct-2016	9,000,000	PR	PR	Grant of performance rights to employees of the Company	Granted to certain employees of the Company	\$Nil	N/A	\$Nil	Grant of performance rights to employees of the Company

## **Glossary**

*FPO Fully Paid Ordinary Shares*

*ST10 ST10 Listed Options – exercisable at \$0.039376 (3.9376 cents) on or before 31 July 2019*

*PR Unlisted Performance Rights*

*\* The above fully paid ordinary shares issued on 4 March 2016 were issued on a pre-share consolidation basis, and issued by the legal parent entity Arunta Resources Ltd.*

## ANNEXURE B

### Performance Rights Terms Summary

#### Mr Geoffrey Neate

A summary of the terms of the Performance Rights are set out below:

- Each Performance Right gives the recipient the right to acquire one Share.
- The Performance Rights will generally have a maximum life of 3 years, such that if they are not exercised before the 3<sup>rd</sup> anniversary of their grant (“**Expiry Date**”) they will generally lapse.
- The issue price for each Performance Right is \$Nil.
- Shares issued on exercise of the Performance Rights will rank equally with all existing Shares from the date of issue. The Company will apply for quotation of the Shares issued on the exercise of each Performance Right.
- The Performance Rights are not transferrable.
- The Performance Rights will not vest unless the Performance Hurdles have been achieved by the Performance Date.
- When a Performance Right vests, the Company will issue a vesting notification to the holder of the Performance Right, and if exercised, and after which the holder of the Performance Rights will make payment to the Company of the required issue price.
- Lapsing Conditions: Unless otherwise determined by the Board in its sole and absolute discretion, any vested Performance Rights will lapse on the earlier of:
  - where a participant has acted fraudulently, dishonestly or wilfully breaching their duties to the Company;
  - the Expiry Date; or
  - the holder ceases to be employed by the Company in the absence of a Special Circumstance which includes the death, total permanent disablement or redundancy of the participant or any other circumstance as the Plan Committee may at any time determine.
- Performance Rights do not give holders any right to participate in new issues of securities in the Company made to Shareholders generally or to participate in dividends unless the Performance Rights are exercised and the resultant Shares are issued prior to the record date to determine entitlements to the securities or dividend (as applicable).
- Performance Rights do not give holders any right to vote.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - the number of Performance Rights will be reconstructed (as appropriate) in a manner consistent with the Listing Rules but with the intention that such reconstruction will not result in any benefits being conferred on the Performance Right holder which are not conferred on Shareholders; and
  - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Performance Rights will remain unchanged.
- Performance Rights will also vest automatically upon a range of events generally constituting a change in control of the Company.

## ANNEXURE C

### Terms and Conditions of Options – James Joughin and Terence Gray

The terms and conditions of the options to be granted to Mr James Joughin and Mr Terence Gray pursuant to Resolutions 4 and 5, respectively are as follows:

#### Terms of Options

##### (a) Entitlement

- (i) Each Option entitles the Option holder to subscribe for, and be allotted, one ordinary Share in the capital of the Company.
- (ii) Shares issued on the exercise of Options will rank equally with all existing Shares on issue, as at the exercise date, and will be subject to the provisions of the Constitution of the Company and any escrow restrictions imposed on them by the ASX.

##### (b) Exercise of Option

- (i) The options' exercise price, exercise date, vesting date and expiry date are as follows:

Option recipient	Number of options	Exercise price	Vesting date	Expiry date
Mr James Joughin (or his nominee)	6,250,000	35% premium to the 30 day VWAP of shares prior to the date of shareholder approval	The options vest 24 months after the date of grant	24 November 2019 (3 years from the date of shareholder approval)
Mr Terence Gray (or his nominee)	6,250,000	35% premium to the 30 day VWAP of shares prior to the date of shareholder approval	The options vest 24 months after the date of grant	24 November 2019 (3 years from the date of shareholder approval)

- (ii) Each Option is exercisable by the Option holder signing and delivering a notice of exercise of Option together with the exercise price in full for each Share to be issued upon exercise of each Option to the Company's Share Registry.
- (iii) Remittances must be made payable to 'Spirit Telecom Limited' and cheques should be crossed 'Not Negotiable'.
- (iv) All Options will lapse on the earlier of the
  - (A) receipt by the Company of notice from the Option holder that the Option holder has elected to surrender the Option; and
  - (B) expiry of the final date and time for exercise of the Option.
- (v) In the event of liquidation of the Company, all unexercised Options will lapse.

##### (c) Quotation

- (i) The Company will not apply to the ASX for Official Quotation of the Options.
- (ii) If the Shares of the Company are quoted on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all Shares issued on the exercise of any Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

##### (d) Participation in Securities Issues

Subject to paragraph (e) below, the holder is not entitled to participate in pro-rata new issues of securities without exercising the Options.

##### (e) Participation in a Reorganisation of Capital

- (i) In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of an Option holder will be changed in accordance with the Listing Rules of the ASX applying to a restructure or reorganisation of the capital at the time of that restructure or

reorganisation, provided always that the changes to the terms of the Options do not result in any benefit being conferred on the Option holder which is not conferred on Shareholders of the Company.

- (ii) In any reorganisation as referred to in paragraph (e)(i), Options will be treated in the following manner:
- (A) in the event of a consolidation of the share capital of the Company, the number of Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
  - (B) in the event of a subdivision of the share capital of the Company, the number of Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
  - (C) in the event of a return of the share capital of the Company, the number of Options will remain the same and the exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
  - (D) in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of Options and the exercise price of each Option will remain unaltered;
  - (E) in the event of a pro-rata cancellation of shares in the Company, the number of Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each Option will be amended in inverse proportion to that ratio; and
  - (F) in the event of any other reorganisation of the issued capital of the Company, the number of Options or the exercise price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders.

**(f) Adjustments to Options and Exercise Price**

- (i) Adjustments to the number of Shares over which Options exist and/or the exercise price may be made as described in paragraph (f)(ii) to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.
- (ii) The method of adjustment for the purpose of paragraph (f)(i) shall be in accordance with the Listing Rules of the ASX from time to time, which, under Listing Rules 6.22.2 and 6.22.3, currently provide:

**(A) Pro Rata Cash Issues**

Where a pro-rata issue is made (except a bonus issue) to the holders of underlying securities, the exercise price of an Option may be reduced according to the following formula:

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

where:

- O' = the new exercise price of the Option.  
O = the old exercise price of the Option.  
E = the number of underlying securities into which one Option is Exercisable.  
P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date.  
S = the subscription price for a security under the pro-rata issue.  
D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro-rata issue).  
N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

**(B) Pro-Rata Bonus Issues**

If there is a bonus issue to the holders of the underlying securities, on the exercise of any Options, the number of Shares received will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price will not change.

**(g) Change of Control**

If:

- (i) a takeover bid within the meaning of the Corporations Act is made for the shares in the Company and the bidder becomes entitled to compulsorily acquire all of the shares, any Options not exercised by the end of the bid period shall lapse; or
- (ii) a court approves a scheme of arrangement in relation to the Company, which has been approved by a resolution passed by the requisite majorities of the Company's shareholders, the effect of which is that a person will have a relevant interest in at least 90% of the ordinary shares of the Company, any Options not exercised within 2 business days after the court order approving the scheme will automatically lapse.

**(h) Transferability of Options**

- (i) The options are not transferable

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# SPIRIT TELECOM LIMITED

ACN: 089 224 402

**REGISTERED OFFICE:**LEVEL 4  
100 ALBERT ROAD  
SOUTH MELBOURNE VIC 3205**SHARE REGISTRY:**Security Transfer Australia Pty Ltd  
**All Correspondence to:**  
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Sydney NSW 2000  
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E: registrar@securitytransfer.com.au  
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Code:

ST1

Holder Number:

## PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

### SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

**OR**

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 2:00pm AEDST on Thursday 24 November 2016 at Baker &amp; McKenzie, Level 19, 181 William Street, Melbourne Victoria, 3000 and at any adjournment of that meeting.

### SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

**RESOLUTION**

	For	Against	Abstain*
1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Mr Terence Gray as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval to issue 3,850,000 Performance Rights to Mr Geoffrey Neate (or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval to issue 6,250,000 Options to Mr James Joughin (or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval to issue 6,250,000 Options to Mr Terence Gray (or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. \* 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.

### SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director &amp; Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

**Proxies must be received by Security Transfer Australia Pty Ltd no later than 2:00pm AEDST on Tuesday 22 November 2016.**

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