
HYDROCARBON DYNAMICS LIMITED
ABN 75 117 387 354
NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00am (Melbourne time)

DATE: Wednesday, 26 May 2021

PLACE: The meeting will be held at:

**Baker McKenzie
Level 19, 181 William Street, Melbourne VIC 3000**

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. Should you wish to discuss the matters in this Notice of Meeting please contact the Company Secretary on +61 3 9642 0655.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM**) of the Shareholders of Hydrocarbon Dynamics Limited (**HCD** or the **Company**) will be held on Wednesday, 26 May 2021 at 10.00am (Melbourne Time).

The meeting will be held physically at the offices of Baker McKenzie, Level 19, 181 William Street, Melbourne.

The meeting will **not** be held virtually.

COVID-19 rules regarding social distancing are subject to constant change. If it becomes necessary or appropriate to make alternative arrangements for the holding or conducting of the meeting, HCD will make further information available through the ASX website at asx.com.au (ASX: HCD) and on its website. HCD Shareholders should monitor HCD's website and its ASX announcements for any updates.

You are encouraged to lodge a proxy form. To be effective, your proxy form must be received at the share registry of the Company no later than 10.00am (Melbourne time) on 24 May 2021, being 48 hours before the AGM.

The Explanatory Statement to this Notice of Meeting provides additional information on the matters to be considered at the AGM. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 31 December 2020.

Unless the Company's Share Registry has been notified otherwise, Shareholders have not been sent a hard copy of the Annual Report. All Shareholders can view the Annual Report, which contains the Financial Report for the year ended 31 December 2020, on the Company's website (www.hydrocarbodynamics.com); go to "Announcements and Reports" and then "Annual Reports".

Following consideration of the Reports, the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of written questions, if any, submitted by Shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

B. ITEMS FOR APPROVAL

1. Remuneration Report

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

“That, the Company’s Remuneration Report for the financial year ended 31 December 2020 (set out in the Directors’ Report) be adopted.”

The Remuneration Report is set out in the 2020 Annual Report. Please note that, in accordance with section 250R(3) of the Corporations Act 2001 (Cth), the vote on this resolution is advisory only, and does not bind the Directors or the Company.

A vote on the resolution must not be cast (in any capacity) by or on behalf of any of the following persons - a member of the key management personnel (**KMP**), details of whose remuneration are included in the Remuneration Report or a closely related party of a KMP. However, a person described above may cast a vote on the resolution if the vote is not cast on behalf of the persons described above and:

- the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- the vote is cast by the Chairman and the proxy does not specify the way the proxy is to vote but the Chairman is expressly authorised to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

Shareholders who intend to appoint the Company’s Chairman as proxy (including an appointment by default) should have regard to the important information below under the heading “Important information concerning proxy votes on Resolution 1”. The proxy form sets out the manner in which the Chairman intends to cast undirected proxies. The proxy form also contains the authority for the Chairman to cast undirected proxies.

2. Election of Director - Mr Andrew Seaton

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

“ That Mr Andrew Seaton is elected as a director.”

3. Election of Director - Mr Nicholas Castellano

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

“ That Mr Nicholas Castellano is elected as a director.”

4. Ratification of prior share issue (for services)

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue by the Company of 1,379,990 fully paid ordinary shares to the allottee described in the Explanatory Memorandum to this Notice of Meeting that were each paid in full on application to the amounts and on the dates referred to in that Explanatory Memorandum, be and is hereby ratified and approved”.

Voting exclusion statement

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of **Resolution 4** by the person who participated in the issue the subject of this resolution and his associates.

However, the Company need not disregard a vote cast on the resolution if:

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

5. Ratification of prior share issue (placement)

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

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue by the Company of 23,160,000 fully paid ordinary shares to the allottees described in the Explanatory Memorandum to this Notice of Meeting that were each paid in full on application to the amounts and on the dates referred to in that Explanatory Memorandum, be and is hereby ratified and approved”.

Voting exclusion statement

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of **Resolution 5** by the person who participated in the issue the subject of this resolution and his associates.

However, the Company need not disregard a vote cast on the resolution if:

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

6. Approval of 10% placement facility

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

“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Memorandum to this Notice of Meeting, be and is hereby approved”.

Voting exclusion statement

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of **Special Resolution 6** by or on behalf of:

- a person who may participate in the 10% Placement Issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed; or
- an associate of those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

By order of the Board



Julie Edwards
Company Secretary
15 April 2021

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the AGM to be held physically at the offices of Baker McKenzie, Level 19, 181 William Street, Melbourne at 10.00am (Melbourne time) on Wednesday 26 May 2021.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions at the AGM.

RESOLUTION 1: REMUNERATION REPORT

Section 250R(2) of the Corporations Act requires that the section of the Directors' Report dealing with the remuneration of director and key management personnel (**Remuneration Report**) be put to the vote of shareholders for adoption by way of a non-binding vote.

The Remuneration Report details the remuneration policy for the Company and:

- reports the remuneration arrangements for Company Executives and Non-Executive Directors (HCD Personnel);
- explains Board policies in relation to the nature and value of remuneration paid to HCD Personnel; and
- discusses the relationship between the policy and Company performance.

The Remuneration Report is available within the Directors' Report in the Company's 2020 Annual Report (which has been made available on the HCD website, under "Announcements and Reports" and then "Annual Reports"). The Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments on the Report.

Under the provisions of the Corporations Act and subject to the qualifications in the paragraph below, the shareholder vote is advisory only and does not bind the Directors, and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy.

In addition, the Corporations Act provides that, if a company's remuneration report receives a 'no' vote of 25 per cent or more at two consecutive annual general meetings, a resolution must then be put to shareholders at the second annual general meeting as to whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election. So, in summary, while the shareholder vote on a Remuneration Report is advisory in respect of that Remuneration Report, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives "2 strikes".

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

A voting exclusion statement is set out in the Notice of Meeting.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

RESOLUTION 2: ELECTION OF DIRECTOR – MR ANDREW SEATON

In accordance with clause 13.4 of the Company's Constitution, Mr Seaton retires and, being eligible, offers himself for election as a Director.

Mr Seaton was a senior executive with Santos for twelve years, the last six of which he served as Chief Financial Officer and prior to that, as General Manager - Commercial and Finance. He currently serves as Chief Financial and Commercial Officer of Australian Naval Infrastructure. Prior to his role with Santos, Mr. Seaton worked in various roles with National Australia Bank, Merrill Lynch, Kinhill Engineers as well as with a subsidiary of Exxon Mobil. He is currently a non-executive director of Strike Energy.

The Directors, with Mr Seaton abstaining, unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3: ELECTION OF DIRECTOR – MR NICHOLAS CASTELLANO

In accordance with clause 13.4 of the Company's Constitution, Mr Castellano retires and, being eligible, offers himself for election as a Director.

Nick is a Hydrocarbon Dynamics (HCD) founder and is the inventor of the HCD Multi-Flow technology. Nick spent a decade in the nuclear power program of the United States Navy, ultimately becoming the leading chief of the reactor laboratory division of the nuclear powered aircraft carrier the Dwight D. Eisenhower, where he assumed responsibilities for chemistries in the reactor plants. After leaving, Nick developed cutting edge chemistry and patented processes in the industrial water and oil industries. In the industrial water industry Nick founded an industrial water treatment company with clients such as Pepsi Cola, Coca Cola and United Dairymen. In the oil industry Nick focused on oil well chemistry, developing and founding the technology of HCD.

The Directors, with Mr Castellano abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4: RATIFICATION OF PRIOR SHARE ISSUE (FOR SERVICES)

The Company issued 1,379,990 fully paid ordinary shares to Lowell Accounting Services Pty Ltd for accounting and company secretarial services provided. The shares were issued on 7 July 2020, 7 October 2020, 13 October 2020 and 8 January 2021. The number of shares issued was determined based on the Volume Weighted Average Price over the last 20 trading days of the month as it relates to each monthly payment.

Resolution 4 seeks Shareholder ratification for the allotment and issue on the dates referred to above of 1,820,161 shares which will have the effect of "refreshing" the Company's 15% limit for the issue of securities under the ASX Listing Rules. Not only will this approval give the Company the capacity to raise additional capital (to the 15% limit) without the need for shareholder approval, it provides the benefit of giving the Company flexibility in its funding endeavours.

Resolution 4: Specific information required by ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5 the following information is provided in relation to the share issues described in Resolution 4:

- (a) 1,820,161 fully paid ordinary shares were issued and allotted on 7 July 2020, 7 October 2020, 13 October 2020 and 8 January 2021;
- (b) the issue price of the Shares was \$0.0235;
- (c) the Shares issued are fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Share issue was made to a Lowell Accounting Services Pty Ltd, who is not considered a related party to the Company; and
- (e) no funds were raised as a result of the share issue; the Shares were issued in consideration for the provision of accounting and company secretarial services.

A Voting Exclusion Statement is set out in the Notice of Annual General Meeting which this Explanatory Memorandum accompanies.

The Directors unanimously recommend Shareholders vote in favour of Resolution 4.

RESOLUTION 5: RATIFICATION OF PRIOR SHARE ISSUE (PLACEMENT)

Background

On 23 November 2020, the Company issued 23,160,000 fully paid ordinary shares to sophisticated investors in a private placement.

Resolution 5 seeks shareholder ratification for the allotment and issue on the date referred to above of 23,160,000 Shares which will have the effect of "refreshing" the Company's 15% limit for the issue of securities under the ASX Listing Rules. Not only will this approval give the Company the capacity to raise additional capital (to the 15% limit) without the need for shareholder approval, it provides the benefit of giving the Company flexibility in its funding endeavours.

Resolution 5: Specific information required by ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5 the following information is provided in relation to the share issues described in **Resolution 5**:

- (a) 23,160,000 fully paid ordinary shares were issued and allotted on 23 November 2020;
- (b) the issue price of each of those Shares is A\$0.02;
- (c) the Shares issued are fully paid ordinary shares in the Company and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Share issue was made to various sophisticated investors, who are not related parties to the Company; and
- (e) the funds raised from the share issue will be used in development and working capital including marketing and sales of HCD product.

A Voting Exclusion Statement is set out in the Notice of Annual General Meeting which this Explanatory Memorandum accompanies.

The Directors unanimously recommend Shareholders vote in favour of Resolution 5.

RESOLUTION 6: APPROVAL OF 10% PLACEMENT FACILITY

General

ASX Listing Rule 7.1A enables eligible entities to issue Equity Securities (as that term is defined in the ASX Listing Rules) 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 ASX Listing Rule 7.1. An eligible entity for the purposes of ASX 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 ASX Listing Rule 7.1A.2 (refer to Section 7.2(c) below). The Company may use funds raised from any 10% Placement Facility for its exploration expenditure requirements and general working capital.

1. Description of ASX 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.

(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.

As at the date of the Notice, the Company has three classes of Equity Securities on issue being Shares, Unlisted Options and Incentive Rights

(c) Formula for calculating 10% Placement Facility

ASX 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 x D) – E

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

- (A) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4;
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in ASX 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 ASX 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 ASX Listing Rules 7.1 or 7.4.

ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

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

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 7.2(c) above).

(d) **Minimum Issue Price**

The issue price of Equity Securities issued under ASX 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 on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(e) **10% Placement Period**

Assuming Resolution 6 is passed, Shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the AGM; or
- (2) The time and date of the entity's next annual general meeting; or
- (3) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking); or

or such longer period if allowed by ASX.

2. ASX Listing Rule 7.1A

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

3. Specific Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX 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 on which trades in that class were recorded immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 10 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 the 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 unlisted options, only if the unlisted options are exercised). There is a risk that:
- (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,

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

The table below 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 ASX Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares 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 prorata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| Variable "A" in ASX Listing Rule 7.1A.2 (number of shares on issue) | 50% decrease in Issue Price \$0.0125 | | Issue Price \$0.025 | | 100% Increase in Issue Price \$0.05 | |
|---|--------------------------------------|-----------------|---------------------|-----------------|-------------------------------------|-----------------|
| | 10% Voting Dilution | Funds raised \$ | 10% Voting Dilution | Funds raised \$ | 10% Voting Dilution | Funds raised \$ |
| 440,290,106 (current) | 44,029,011 | \$550,363 | 44,029,011 | \$1,100,725 | 44,029,011 | \$2,201,451 |
| 660,435,159 (50% increase in current Variable A) | 66,043,516 | \$825,544 | 66,043,516 | \$1,651,088 | 66,043,516 | \$3,302,176 |
| 880,580,212 (100% increase in current Variable A) | 88,058,021 | \$1,100,725 | 88,058,021 | \$2,201,451 | 88,058,021 | \$4,402,901 |

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting;
 - (ii) No options or incentive rights are exercised into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A. The Company has 46,269,645 Unlisted Options and 14,050,000 Incentive Rights on issue at the date of this Notice of Meeting;
 - (iii) The table does not demonstrate an example of dilution that may be caused to a particular shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting;
 - (iv) The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule";
 - (v) The price of ordinary securities is deemed for the purposes of the table above to be \$0.025, being the closing price of the Company's listed securities on ASX on 14 April 2021 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 20% discount to market that the securities may be placed at;
 - (vi) The table does not demonstrate the effect of listed or unlisted options being issued under ASX Listing Rule 7.1A, it only considers the issue of the fully paid ordinary securities.
- (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 ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities or ASX Listing Rule 11.2 (disposal of main undertaking) before the anniversary of the AGM or at the time and date of the entity's next annual general meeting.
- (d) The Company may seek to issue the Equity Securities for the following purposes:

The Company intends to use the funds raised towards continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital, or if applicable, towards the acquisition of new assets or investments (including expense associated with such acquisition). The issue under Listing Rule 7.1A can only be made for cash consideration.

The Company will comply with the disclosure obligations under ASX 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 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 of Meeting 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 were to pursue an acquisition and were it to be successful in acquiring new resources assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (e) The Company has previously obtained Shareholder approval under ASX Listing Rule 7.1A at its Annual General Meeting held on 29 May 2020.
- (f) A voting exclusion statement is included in the Notice of Meeting to which this Explanatory Memorandum relates. At the date of that Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

4. Additional Information required by ASX Listing Rule 7.3A.6

As the Company has previously obtained approval under Listing Rule 7.1A, the following additional information as prescribed by that Rule is provided:

Listing Rule 7.3A.6(a): Total equity securities issued in previous 12 months:

| Listing Rule 7.3A.6(a) | Shares | Unlisted Options | Performance Incentive |
|---|---------------|-------------------------|------------------------------|
| Number of equity securities on issue at commencement of 12 month period | 282,077,778 | 0 | 14,050,000 |
| Equity securities issued in prior 12 month period ¹ | 158,212,328 | 46,269,645 | 0 |
| Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period | 56% | 100% | 0 |

Note 1: see the table on the following pages for details of equity securities issued in the previous 12 months.

Listing Rule 7.3A.6(b): Details of equity securities issued in previous 12 months

| Date of Issue: | Number Issued: | Class/ Type of equity security: | Summary of terms: | Names of persons who received securities or basis on which those persons was determined: | Price at which equity securities were issued: | Discount to market price (if any): | For cash issues: | | | | For non-cash issues: | |
|---|----------------|------------------------------------|--|--|---|------------------------------------|------------------------------------|-------------------------------------|---------------------------------|---|------------------------------|---|
| | | | | | | | Total cash consideration received: | Amount of cash consideration spent: | Use of cash consideration: | Intended use for remaining amount of cash (if any): | Non-cash consideration paid: | Current value of that non-cash consideration: |
| 4/05/20 | 56,415,808 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company | 1 for 5 Rights Issue and Rights Issue Underwriters | \$0.015 | None | \$846,237 | \$846,237 | Development and working capital | N/A | N/A | N/A |
| 7/5/20 | 6,570,000 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company | Unrelated Sophisticated investors in a private placement | \$0.015 | 43% | \$98,550 | \$98,550 | Development and working capital | N/A | N/A | N/A |
| 7/7/20 7/10/20 13/10/20 8/1/21 | 1,379,990 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company | Lowell Accounting Services Pty Ltd | \$0.031 | None | Nil | N/A | N/A | N/A | \$42,750 | \$35,000 |
| 7/7/20 7/10/20 13/10/20 8/1/21 | 1,307,359 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company | Mr Andrew Seaton | \$0.031 | None | Nil | N/A | N/A | N/A | \$40,500 | \$32,684 |
| 23/11/20 | 69,379,171 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company | 1 for 5 Rights Issue | \$0.02 | 15% | \$1,387,583 | \$600,000 | Development and working capital | Development and working capital | N/A | N/A |
| 23/11/20 | 34,689,645 | Unlisted options | Options with an exercise price of \$0.03 and an expiry date of 31/10/22. | 1 option for 2 shares purchased in Rights Issue | Nil cash consideration | N/A | Nil | N/A | N/A | N/A | N/A | N/A |
| 27/11/20 | 23,160,000 | Fully paid ordinary shares | Shares rank pari passu with all other fully paid ordinary shares on issue in the Company | Rights Issue Shortfall placed with sophisticated investors | \$0.02 | 15% | \$463,000 | Nil | N/A | Development and working capital | N/A | N/A |
| 27/11/20 | 11,580,000 | Unlisted options | Options with an exercise price of \$0.03 and an expiry date of 31/10/22. | 1 option for 2 shares purchased in Rights Issue Shortfall | Nil cash consideration | N/A | Nil | N/A | N/A | N/A | N/A | N/A |

A Voting Exclusion Statement is set out in the Notice of Meeting.

At the date of the Notice, the proposed allottees of any securities which may be issued in accordance with this resolution are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the securities which may be issued in accordance with this resolution), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

Resolution 6 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by shareholders entitled to vote on Resolution 6 must be in favour of the resolution.

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

Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Your proxy voting instruction must be received by 10.00am (Melbourne time) on Monday, 24 May 2021, being not later than 48 hours before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

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

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at

<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

