



**NOTICE OF 2016 ANNUAL GENERAL MEETING  
AND EXPLANATORY NOTES AND PROXY FORM**

DATE OF MEETING

**WEDNESDAY, 23 NOVEMBER 2016**

TIME OF MEETING

**11.00AM (WST)**

PLACE OF MEETING

**CELTIC CLUB**

**48 ORD STREET**

**WEST PERTH, WESTERN AUSTRALIA**

This Notice of Meeting is an important document. It should be read in its entirety. If you are in doubt as to how you should vote, please seek advice from your professional advisor prior to voting.

If you wish to discuss the matters in this Notice of Meeting, please contact the Company Secretary on (+61 8) 9381 4483.

**MARINE PRODUCE AUSTRALIA LIMITED**

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Subiaco, Western Australia 6008

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

### VENUE

The 2016 Annual General Meeting of the Shareholders of Marine Produce Australia Limited will be held at:

**CELTIC CLUB**  
**48 ORD STREET**  
**WEST PERTH, WESTERN AUSTRALIA**  
**Commencing 11.00AM (WST) on 23 November 2016**

### VOTING ELIGIBILITY

All Shareholders may attend the Meeting. The directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that for the purposes of voting at the Meeting, Shareholders will be taken as those who are registered on the Company's register of members as at 11.00am (WST) on 21 November 2016.

### HOW TO VOTE

The business of the Meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

You may vote on the items of business to be considered at the Meeting, either in person at the Meeting or by completing, signing and returning the Proxy Form enclosed with this Notice.

### VOTING IN PERSON (OR BY ATTORNEY)

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 11am (WST).

To vote in by attorney, your attorney must attend the Meeting on the date and at the place set out above. Attorneys should bring to the meeting an original or certified copy of the power of attorney authorising them to attend and vote at the Meeting.

### VOTING BY PROXY

A Proxy Form accompanies this Notice of Meeting.

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

- each Shareholder has a right to appoint a proxy;
- the proxy may, but need not be, a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The Proxy Form must be completed and signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. In the case of Shares held jointly, all joint holders must sign the Proxy Form.

**To be effective a completed and signed the Proxy Form must be returned to Security Transfer Registrars and be received no later than 11.00am (WST) on Monday, 21 November 2016.**

Completed and signed Proxy Forms may be delivered to the Company's share registry, Security Transfer Registrars:

- By email to [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)
- By posting to PO BOX A2020, South Sydney NSW 1235
- By facsimile to +61 (0) 8 9315 2233
- By hand to The Trust Building, Suite 511,155 King Street, Sydney NSW by 8.00am and 5.00pm (EDST) Monday to Friday, providing it is not a public holiday in NSW.

You may also lodge your proxy online at [www.securitytransfer.com.au](http://www.securitytransfer.com.au) and by following the instructions set out on the proxy form.

### **Chair to vote undirected proxies**

The Chair will vote undirected proxies on, and in favour of, all of the proposed Resolutions. In exceptional circumstances, the Chairperson may change his/her voting intention on any Resolution.

### **CORPORATE REPRESENTATIVES**

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The representative must bring to the Meeting evidence of his or her appointment unless it has been previously given to the Company's share registry, Security Transfer Registrars.

### **ASKING QUESTIONS AT THE MEETING**

The Meeting is intended to give Shareholders the opportunity to hear both the Chair and the Managing Director talk about the year that has just passed and also give some insight into the year ahead.

We welcome Shareholders' questions or comments at the Meeting. In the interests of all present, we ask that you confine your questions to matters before the Meeting that are relevant to Shareholders as a whole.

The Company's Auditors will attend the Meeting and the Chair will allow a reasonable opportunity for Shareholders to ask the Auditors questions about:

- the conduct of the audit;
- the preparation and content of the 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

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2016 Annual General Meeting of Shareholders will be held at 11.00am (WST) on 23 November 2016 at the Celtic Club, 48 Ord Street, West Perth, Western Australia. The Explanatory Notes and Proxy Form accompanying this Notice of Meeting are incorporated in and form part of this Notice of Meeting. Some terms used in this Notice of Meeting are defined in the Explanatory Notes.

## AGENDA

### GENERAL BUSINESS

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#### 2016 Financial Statements

To receive, consider and discuss the Company's financial statements and the reports of the directors and Auditors for the year ended 30 June 2016.

### ORDINARY BUSINESS

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#### RESOLUTION 1 – RE-ELECTION OF MILES KENNEDY

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

*"That Miles Kennedy, who retires by rotation in accordance with Clause 73.1 of the Company's Constitution and being eligible offers himself for re-election, be re-elected as a director."*

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#### RESOLUTION 2 – ISSUE OF DIRECTOR'S OPTIONS – MILES KENNEDY

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

*"That Shareholders hereby approve the issue of 500,000 Director's Options to Miles Kennedy, or his nominee(s), for no cash consideration, each of such Director's Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act."*

#### Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by Miles Kennedy and his nominee(s) (and any associate of Miles Kennedy and his nominee(s)). However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form); or
- (b) it is cast by the 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).

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#### RESOLUTION 3 – ISSUE OF DIRECTOR'S OPTIONS – DESIREE ALLEN

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

*"That Shareholders hereby approve the issue of 500,000 Director's Options to Desiree Allen, or her nominee(s), for no cash consideration, each of such Director's Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act."*

**Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution by Desiree Allen and his nominee(s) (and any associate of Desiree Allen and her nominee(s)). However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form); or
- (b) it is cast by the 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).

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**RESOLUTION 4 – ISSUE OF DIRECTOR’S OPTIONS – DAMIEN KELLY**

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

*“That Shareholders hereby approve the issue of 200,000 Director’s Options to Damien Kelly, or his nominee(s), for no cash consideration, each of such Director’s Options being subject to the terms and conditions and carrying the right, exercisable at the time, price and in the manner prescribed in the Explanatory Notes, to subscribe for one (1) Share in the Company, and resolve that this constitutes reasonable remuneration for the purposes of Chapter 2E of the Corporations Act.”*

**Voting Exclusion Statement:**

The Company will disregard any votes cast on this Resolution by Damien Kelly and his nominee(s) (and any associate of Damien Kelly and his nominee(s)). However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the Proxy Form); or
- (b) it is cast by the 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).

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**BY ORDER OF THE BOARD**

**Mark Clements**  
**Company Secretary**  
24 October 2016

## EXPLANATORY NOTES

These Explanatory Notes have been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of the Company, and provides Shareholders with the information required to be provided to Shareholders by the Corporations Act. Shareholders should read the Notice and these Explanatory Notes carefully before deciding how to vote on the Resolutions.

## RECEIVING FINANCIAL STATEMENTS AND REPORTS

The Corporations Act requires that the Annual Financial Report of the Company be tabled at the Meeting. In addition, the Constitution provides for such reports and statements to be received and considered at the Meeting.

Neither the Corporations Act nor the Company's Constitution requires a vote of members at the Annual General Meeting on such reports or statements. However, Shareholders will be given ample opportunity to raise questions with respect to these reports at the meeting.

## RESOLUTION 1 - RE-ELECTION OF MILES KENNEDY

Mr Kennedy has held directorships of Australian listed resource companies for over 31 years. He is the Non-executive Chairman of Lucapa Diamond Company Limited. He was previously the executive Chairman of Sandfire Resources NL, Kimberley Diamond Company NL and RNI NL. He has extensive experience in the management of public companies. He practised as a Barrister and Solicitor of the Supreme Court of Western Australia and the High Court of Australia and as an Attorney of the Supreme Court of South Africa.

Mr Kennedy is considered an independent non-executive director.

Desiree Allen and Damien Kelly recommend the re-election of Miles Kennedy.

## RESOLUTION 2 - ISSUE OF DIRECTOR'S OPTIONS – MILES KENNEDY

Under Resolution 2, Shareholders are asked to approve the issue of Director's Options for no consideration to Miles Kennedy as follows:

Director	No. of Director's Options	Exercise Price	Expiry Date
Miles Kennedy	500,000	\$1.00	30 November 2020

(a) Number, Price and Allottees

The Company will issue the Director's Options described above to Miles Kennedy, or his respective nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

On 6 October 2016, the Board, other than Miles Kennedy, resolved to issue 500,000 Director's Options to Miles Kennedy, subject to Shareholder approval. During September 2016, a total of 467,562 Shares were issued following the conversion of unlisted \$0.75 options expiring on 30 September 2016. This represented the highest price at which Shares were transacted in the 12 months preceding this notice. The exercise price of \$1.00 represents a premium of \$0.25, equivalent to 33% above the last transacted price of \$0.75 per Share.

Under a prospectus dated 16 November 2015, the Company made the non-renounceable offer of new Shares, at an issue price of \$0.50 per Share, pursuant to:

(i) a pro rata non-renounceable rights issue (including any shortfall) ("**Rights Issue**") on the basis of 1 new Share for every 2.5 Shares held at the Record Date defined in the prospectus; and

(ii) a share purchase plan ("**SPP**") allowing existing Shareholders to subscribe for up to \$15,000 worth of Shares (30,000 shares at the issue price of \$0.50 per Share).

The exercise price of \$1.00 represents a premium of \$0.50, equivalent to 100% above the issue price of \$0.50 per Share under the Rights Issue and SPP.

(b) Use of Funds Raised

No funds will be raised from the issue of the Director's Options under Resolution 2.

## (c) Terms of Director's Options

The terms of the Director's Options are included in Schedule 1 of the Notice.

## (d) Other Information

The primary purpose of the issue of Director's Options is not to raise capital, but to provide an incentive to Miles Kennedy. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Director's Options.

The market price of the Shares during the term of the Director's Options would normally determine whether or not the Director's Option Holder exercises the Director's Option. At the time any Director's Options are exercised and Shares issued pursuant to the exercise of any Director's Option, the Shares may be trading at a price which is higher than the Exercise Price of the Director's Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

The Company was voluntarily de-listed from ASX on 22 December 2010 and accordingly its securities are not quoted or traded on ASX but are able to be traded off-market. The last sale of Shares to an unrelated buyer took place on 29 July 2014 and in the 12 months preceding that date the Company's Share price traded from a low of \$0.049 per Share on 2 December 2013 to a high of \$0.245 on 7 July 2014 per Share.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Director's Options proposed to be issued pursuant to Resolution 2, will be transferable but not listed. Nevertheless, a value for each of the Director's Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.1423 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Director's Options	\$1.00
Share price used	\$0.75
Expiry date (4 years from date of issue)	30 November 2020
Total number of Director's Options	500,000
Risk free rate	1.78%
Price Volatility	33%
Black-Scholes total notional value (all 500,000 Director's Options)	\$71,150
Black-Scholes total notional value (each Director's Option)	\$0.1423

## (e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

Unlisted Securities:	
Unlisted ordinary fully paid shares	36,473,936
Unlisted options exercisable at \$0.75 on or 30 November 2018	2,200,000

## (f) Potential Dilution

If:

1. none of the existing unlisted options to acquire Shares are exercised but all Director's Options are issued pursuant to Resolution 2 and are exercised, the total dilution effect of the issue and exercise of all Director's Options issued pursuant to Resolution 2 on the Company's Share capital would be approximately 1.35%; and
2. all of the existing unlisted options to acquire Shares are exercised and all Director's Options are issued pursuant to Resolution 2 and are exercised, the total dilution effect of the issue and exercise of all the Director's Options issued pursuant to Resolution 2 on the Company's fully diluted Share capital would be approximately 1.28%.



## (g) Director's Interests

As at the date of this Notice of Meeting, Miles Kennedy had a relevant interest in the number of Shares set out below and no relevant interest in Options:

Director	Fully paid Ordinary Shares	Options over Ordinary Shares
Miles Kennedy	1,830,000	1,056,484

## (h) Director's Remuneration

For the financial year ended 30 June 2016, Miles Kennedy was remunerated at a rate of \$60,000 per annum.

From 1 July 2016 Miles Kennedy has been remunerated at a rate of \$60,000 per annum.

Other than the issue of Director's Options the subject of Resolution 2, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Director's Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the Directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Director's Options.

Miles Kennedy declined to make a recommendation about the proposed Resolution 2 on the basis that he has a material personal interest in the outcome of that resolution. All other Directors of the Company recommend that Shareholders vote in favour of Resolution 2 as, having considered Miles Kennedy's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to Miles Kennedy to encourage the growth of the Company and maximize the value of each Shareholder's investment in the Company.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 2 (other than as Directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 2.

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**RESOLUTION 3 - ISSUE OF DIRECTOR'S OPTIONS – DESIREE ALLEN**

Under Resolution 3, Shareholders are asked to approve the issue of Director's Options for no consideration to Desiree Allen as follows:

Director	No. of Director's Options	Exercise Price	Expiry Date
Desiree Allen	500,000	\$1.00	30 November 2020

## (a) Number, Price and Allottees

The Company will issue the Director's Options described above to Desiree Allen, or her respective nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

The Company will issue the Director's Options described above to Desiree Allen, or her respective nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

On 6 October 2016, the Board, other than Desiree Allen, resolved to issue 500,000 Director's Options to Desiree Allen, subject to Shareholder approval. During September 2016, a total of 467,562 Shares were issued following the conversion of unlisted \$0.75 options expiring on 30 September 2016. This represented the highest price at which Shares were transacted in the 12 months preceding this notice. The exercise price of \$1.00 represents a premium of \$0.25, equivalent to 33% above the last transacted price of \$0.75 per Share.

Under a prospectus dated 16 November 2015, the Company made the non-renounceable offer of new Shares, at an issue price of \$0.50 per Share, pursuant to:

- (i) a pro rata non-renounceable rights issue (including any shortfall) ("*Rights Issue*") on the basis of 1 new Share for every 2.5 Shares held at the Record Date defined in the prospectus; and
- (ii) a share purchase plan ("*SPP*") allowing existing Shareholders to subscribe for up to \$15,000 worth of Shares (30,000 shares at the issue price of \$0.50 per Share).

The exercise price of \$1.00 represents a premium of \$0.50, equivalent to 100% above the issue price of \$0.50 per Share under the Rights Issue and SPP.

(b) Use of Funds Raised

No funds will be raised from the issue of the Director's Options under Resolution 3.

(c) Terms of Director's Options

The terms of the Director's Options are included in Schedule 1 of the Notice.

(d) Other Information

The primary purpose of the issue of Director's Options is not to raise capital, but to provide an incentive to Desiree Allen. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Director's Options.

The market price of the Shares during the term of the Director's Options would normally determine whether or not the Director's Option Holder exercises the Director's Option. At the time any Director's Options are exercised and Shares issued pursuant to the exercise of any Director's Option, the Shares may be trading at a price which is higher than the Exercise Price of the Director's Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

The Company was voluntarily de-listed from ASX on 22 December 2010 and accordingly its securities are not quoted or traded on ASX but are able to be traded off-market. The last sale of Shares to an unrelated buyer took place on 29 July 2014 and in the 12 months preceding that date the Company's Share price traded from a low of \$0.049 per Share on 2 December 2013 to a high of \$0.245 on 7 July 2014 per Share.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Director's Options proposed to be issued pursuant to Resolution 3, will be transferable but not listed. Nevertheless, a value for each of the Director's Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.1423 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Director's Options	\$1.00
Share price used	\$0.75
Expiry date (4 years from date of issue)	30 November 2020
Total number of Director's Options	500,000
Risk free rate	1.78%
Price Volatility	33%
Black-Scholes total notional value (all 500,000 Director's Options)	\$71,150
Black-Scholes total notional value (each Director's Option)	\$0.1423

(e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

Unlisted Securities:	
Unlisted ordinary fully paid shares	36,473,936
Unlisted options exercisable at \$0.75 on or before 30 November 2018	2,200,000

- (f) Potential Dilution
- If:
1. none of the existing unlisted options to acquire Shares are exercised but all Director's Options are issued pursuant to Resolution 3 and are exercised, the total dilution effect of the issue and exercise of the Director's Options issued pursuant to Resolution 3 on the Company's Share capital would be approximately 1.35%; and
  2. all of the existing unlisted options to acquire Shares are exercised and all Director's Options are issued pursuant to Resolution 3 and are exercised, the total dilution effect of the issue and exercise of the Director's Options issued pursuant to Resolution 3 on the Company's fully diluted Share capital would be approximately 1.28%.

(g) Director's Interests

As at the date of this Notice of Meeting, Desiree Allen had a relevant interest in the number of Shares set out below and no relevant interest in Options:

Director	Fully paid Ordinary Shares	Options over Ordinary Shares
Desiree Allen	136,726	1,000,000

(h) Director's Remuneration

For the financial year ended 30 June 2016, Desiree Allen received \$237,560, plus superannuation as her remuneration as a Director.

From 1 July 2016 Desiree Allen was remunerated at a rate of \$240,000 per annum, plus superannuation. This was increased to \$295,000 per annum, plus superannuation, from 1 October 2016.

Other than the issue of Director's Options the subject of Resolution 3, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Director's Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the Directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Director's Options.

Desiree Allen declined to make a recommendation about the proposed Resolution 3 on the basis that she has a material personal interest in the outcome of that resolution. All other Directors of the Company recommend that Shareholders vote in favour of Resolution 3 as, having considered Desiree Allen's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to Desiree Allen to encourage the growth of the Company and maximize the value of each Shareholder's investment in the Company.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 3 (other than as Directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 3.

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**RESOLUTION 4 - ISSUE OF DIRECTOR'S OPTIONS – DAMIEN KELLY**

Under Resolution 4, Shareholders are asked to approve the issue of Director's Options for no consideration to Damien Kelly as follows:

Director	No. of Director's Options	Exercise Price	Expiry Date
Damien Kelly	200,000	\$1.00	30 November 2020

## (a) Number, Price and Allottees

The Company will issue the Director's Options described above to Damien Kelly, or his respective nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

The Company will issue the Director's Options described above to Damien Kelly, or his respective nominee(s), for no cash consideration and on the terms referred to below, within one month of the date of the Meeting.

On 6 October 2016, the Board, other than Damien Kelly, resolved to issue 200,000 Director's Options to Damien Kelly, subject to Shareholder approval. During September 2016, a total of 467,562 Shares were issued following the conversion of unlisted \$0.75 options expiring on 30 September 2016. This represented the highest price at which Shares were transacted in the 12 months preceding this notice. The exercise price of \$1.00 represents a premium of \$0.25, equivalent to 33% above the last transacted price of \$0.75 per Share.

Under a prospectus dated 16 November 2015, the Company made the non-renounceable offer of new Shares, at an issue price of \$0.50 per Share, pursuant to:

(i) a pro rata non-renounceable rights issue (including any shortfall) ("**Rights Issue**") on the basis of 1 new Share for every 2.5 Shares held at the Record Date defined in the prospectus; and

(ii) a share purchase plan ("**SPP**") allowing existing Shareholders to subscribe for up to \$15,000 worth of Shares (30,000 shares at the issue price of \$0.50 per Share).

The exercise price of \$1.00 represents a premium of \$0.50, equivalent to 100% above the issue price of \$0.50 per Share under the Rights Issue and SPP.

## (b) Use of Funds Raised

No funds will be raised from the issue of the Director's Options under Resolution 4.

## (c) Terms of Director's Options

The terms of the Director's Options are included in Schedule 1 of the Notice.

## (d) Other Information

The primary purpose of the issue of Director's Options is not to raise capital, but to provide an incentive to Damien Kelly. Given this purpose, the Company does not believe that there are any significant opportunity costs or benefits forgone by the issue of the Director's Options.

The market price of the Shares during the term of the Director's Options would normally determine whether or not the Director's Option Holder exercises the Director's Option. At the time any Director's Options are exercised and Shares issued pursuant to the exercise of any Director's Option, the Shares may be trading at a price which is higher than the Exercise Price of the Director's Options. Where this is the case, the opportunity cost may be that the Company could have received greater consideration for the issue of the Shares than the applicable Exercise Price.

The Company was voluntarily de-listed from ASX on 22 December 2010 and accordingly its securities are not quoted or traded on ASX but are able to be traded off-market. The last sale of Shares to an unrelated buyer took place on 29 July 2014 and in the 12 months preceding that date the Company's Share price traded from a low of \$0.049 per Share on 2 December 2013 to a high of \$0.245 on 7 July 2014 per Share.

ASIC has indicated the Black-Scholes option price calculation method is an acceptable method for valuing options. This method is designed to value listed securities that are freely tradable and hence it is not entirely appropriate or reliable in the current circumstances where the Director's Options proposed to be issued pursuant to Resolution 4, will be transferable but not listed. Nevertheless, a value for each of the Director's Options as at the date of this Notice of Meeting has been estimated to be approximately \$0.1423 by applying the Black-Scholes option pricing model based on the particulars contained in the following Table:

**Table**

Exercise price of Director's Options	\$1.00
Share price used	\$0.75
Expiry date (4 years from date of issue)	30 November 2020
Total number of Director's Options	200,000
Risk free rate	1.78%

Price Volatility	33%
Black-Scholes total notional value (all 200,000 Director's Options)	\$28,460
Black-Scholes total notional value (each Director's Option)	\$0.1423

## (e) Issued Capital

The Company currently has the following issued capital as at the date of the Notice:

Unlisted Securities:	
Unlisted Ordinary fully paid shares	36,473,936
Unlisted options exercisable at \$0.75 on or before 30 November 2018	2,200,000

## (f) Potential Dilution

If:

1. none of the existing unlisted options to acquire Shares are exercised but all Director's Options are issued pursuant to Resolution 4 and are exercised, the total dilution effect of the issue and exercise of all the Director's Options issued pursuant to Resolution 4 on the Company's Share capital would be approximately 0.55%; and
2. all of the existing unlisted options to acquire Shares are exercised and all Director's Options are issued pursuant to Resolution 4 and are exercised, the total dilution effect of the issue and exercise of the Director's Options issued pursuant to Resolution 4 on the Company's fully diluted Share capital would be approximately 0.51%.

## (g) Director's Interests

As at the date of this Notice of Meeting, Damien Kelly had a relevant interest in the number of Shares set out below and no relevant interest in Options:

Director	Fully paid Ordinary Shares	Options over Ordinary Shares
Damien Kelly	66,800	221,000

## (h) Director's Remuneration

For the financial year ended 30 June 2016, Damien Kelly received \$51,452 as his remuneration as a Director.

From 1 July 2016 Damien Kelly is remunerated at a rate of \$40,000 per annum.

Other than the issue of Director's Options the subject of Resolution 4, the Company currently has no intention of materially altering the above remuneration.

All of the Directors were available to consider the proposed Resolution.

The Directors consider that, although the issue of the Director's Options would constitute reasonable remuneration for the purposes of Chapter 2E of the Corporations Act, it is possible that the transaction could be construed otherwise. Therefore, the Directors also consider that it is prudent and sensible appropriate to seek the approval of Shareholders to the issue of the Director's Options.

Damien Kelly declined to make a recommendation about the proposed Resolution 4 on the basis that he has a material personal interest in the outcome of that resolution. All other Directors of the Company recommend that Shareholders vote in favour of Resolution 4 as, having considered Damien Kelly's experience and responsibilities and the Company's current circumstances, they each consider the issue of the Director's Options to be a reasonable and proper incentive to Damien Kelly to encourage the growth of the Company and maximize the value of each Shareholder's investment in the Company.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 4.

Other than the information disclosed above or elsewhere in this Explanatory Statement, no Director has an interest in the outcome of the proposed Resolution 4 (other than as Directors of, and holders of securities in, the Company) and neither the Directors nor the Company are aware of any other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 4.

**GLOSSARY**

In the Notice of Meeting and these Explanatory Notes, unless the context otherwise requires, the following expressions have the following meanings:

**Annual Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company.

**Annual General Meeting** means the Company's Meeting convened by this Notice of Meeting

**Auditors** means the Company's auditors being Grant Thornton Audit Pty Ltd.

**ASX** means ASX Limited (ABN 98 008 624 691).

**Board** means the board of directors.

**Company** means Marine Produce Australia Limited ABN 70 091 805 480.

**Constitution** means the constitution of the Company as at the date of the Meeting.

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

**Director** means a director of the Company.

**Director's Report** means the report by the director's as included in the Company's Annual Financial Report.

**Explanatory Notes** means these explanatory notes.

**Meeting** or **General Meeting** means the Annual General Meeting of Shareholders convened by this Notice of Meeting.

**Notice of Meeting** or **Notice** means the notice of the Annual General Meeting of which these Explanatory Notes form part.

**Official List** means the official List of ASX.

**Remuneration Report** means the remuneration report of the Company set out in the Director's Report section of the Company's Annual Financial Report.

**Resolution** means a resolution referred to in the Notice of Meeting.

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

**Shareholder** means a shareholder of the Company.

**WST** means Western Standard Time.

In this Notice and Explanatory Notes, words importing the singular include the plural and vice versa.

**SCHEDULE 1 - TERMS AND CONDITIONS OF \$1.00 MPA OPTIONS (DIRECTOR'S OPTIONS)**

- (a) Definitions:
- (i) **ASX Listing Rules** means the official listing rules of ASX Limited;
  - (ii) **Company** means Marine Produce Australia Limited (ACN 091 805 480);
  - (iii) **Corporations Act** means Corporations Act 2001 Commonwealth of Australia.
  - (iv) **Exercise Price** means the exercise price of each MPA Option, being AU\$1.00
  - (v) **Expiry Date** means 5.00pm (Perth time) on 30 November 2020.
  - (vi) **Exercise Notice** means the form prescribed by the Company from time to time for the purpose of exercising MPA Options.
  - (vii) **MPA Option** means an Option to subscribe for a Share at the Exercise Price prior to the Expiry Date in the manner set out in these Terms and Conditions.
  - (viii) **MPA Option Holder** means the person or persons registered as the holder of one or more MPA Options from time to time.
  - (ix) **Share** means a fully paid ordinary voting share in the capital of the Company.
- (b) Each MPA Option carries the right to subscribe for one Share.
- (c) Each MPA Option is unlisted and is transferable subject to any restrictions on transfer imposed by ASX.
- (d) Subject to any restrictions imposed on the exercise of Options by ASX, MPA Options may be exercised by the MPA Option Holder by delivering to the Company's registered office or the Company's share registry an Exercise Notice at any time prior to the Expiry Date.
- (e) Each Exercise Notice must state the number of MPA Options to be exercised and be accompanied by the relevant holding statement(s), if any, and payment (in Australian currency) to the Company of an amount (the Application Monies) being the result of the Exercise Price multiplied by the number of MPA Options being exercised.
- (f) Following receipt of a properly executed Exercise Notice and Application Monies in respect of the exercise of any MPA Options, the Company will issue the resultant Shares and deliver notification of shareholdings.
- (g) Subject to any restrictions imposed by ASX, the Company will make application to have the Shares (issued pursuant to an exercise of MPA Options) listed for quotation by ASX within 7 days of the date of issue.
- (h) Subject to any restrictions imposed by ASX, Shares issued pursuant to an exercise of MPA Options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
- (i) MPA Options carry no right to participate in pro rata issues of securities to Shareholders unless the MPA Options are exercised before the record date for determining entitlements to the relevant pro rata issue.
- (j) Each MPA Option Holder will be notified by the Company of any proposed pro rata issue of securities to Shareholders in accordance with ASX Listing Rules.
- (k) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the MPA Options will be changed to the extent necessary to comply with the requirements of the Corporations Act and ASX Listing Rules (in force at the time of the reorganisation).
- (l) Except as noted in paragraph (k) above, a MPA Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the MPA Option can be exercised.

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