

# **AUSTAL LIMITED**

ACN 009 250 266

## **Notice of Annual General Meeting**

and

## **Agenda**

and

## **Explanatory Memorandum**

### **A PROXY FORM IS ENCLOSED**

<b>Date of Meeting:</b>	<b>Thursday 11 November 2021</b>
<b>Time of Meeting:</b>	<b>2.00pm (WST)</b>
<b>Place of Meeting:</b>	<b>Fremantle Sailing Club 151 Marine Terrace Fremantle Western Australia</b>

*This Notice of Annual General Meeting and accompanying Explanatory Memorandum 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 adviser prior to voting.*

*If you are unable to attend the Annual General Meeting, please complete and return the enclosed Proxy Form in accordance with the specified instructions.*

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Shareholders of Austal Limited will be held at the **Fremantle Sailing Club, 151 Marine Terrace, Fremantle, Western Australia** on **Thursday, 11 November 2021 at 2.00pm (WST)** for the purpose of transacting the business referred to on the pages following this Notice of Annual General Meeting.

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

# Agenda

1. **Opening of the Annual General Meeting by the Chairman – Mr John Rothwell**
2. **Operating and financial overview by the Chief Executive Officer – Mr Patrick Gregg**
3. **Directors' Report and financial statements**

Receipt of the consolidated financial statements of Austal Limited (the **Company**) and its subsidiaries for the year ended 30 June 2021 together with the Directors' declaration and Report in relation to that financial year and the Auditors' report on those financial statements.

4. **Resolution 1 – Non-binding resolution to adopt Remuneration Report**

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

*"That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2021 be adopted."*

Note: Section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**) provides that the vote on this Resolution is advisory only and does not bind the Directors. However, there are potentially serious consequences associated with a "No" vote greater than 25%. Please see section 2 of the Explanation Memorandum for details.

#### **Voting Exclusion Statement**

*To the extent required by section 250R of the Corporations Act, the Company will disregard any votes cast in favour of this Resolution by or on behalf of a member of the Key Management Personnel (**KMP**) (which includes each of the Directors), named in the Company's Remuneration Report, or that KMP's Closely Related Party (in any capacity), unless the vote is cast:*

- (a) as a proxy for a person entitled to vote on this Resolution in accordance with a direction on the proxy form; or*
- (b) by the chair of the Meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on this Resolution and expressly authorises the chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

5. **Resolution 2 – Re-election of Mr Chris Indermaur**

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

*"That Mr Chris Indermaur, being a Director of the Company who retires in accordance with Article 8.1(f) of the Company's Constitution and, being eligible, is re-elected as a Director of the Company."*

6. **Resolution 3 – Re-election of Mr Giles Everist**

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

*“That Mr Giles Everist, being a Director of the Company who retires in accordance with Article 8.1(f) of the Company’s Constitution and, being eligible, is re-elected as a Director of the Company.”*

7. **Resolution 4 – Approval of the issue of Share Rights to Ms Sarah Adam-Gedge**

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

*“That, pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to \$25,400 worth of Share Rights to Ms Sarah Adam-Gedge on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Share Rights.”*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or on behalf a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 5 or an associate of that person or persons.*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.**

8. **Resolution 5 – Approval of the issue of Share Rights to Mr Chris Indermaur**

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

*“That, subject to the passing of resolution 2 above, pursuant to and in accordance with ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to \$25,400 worth of Share Rights to Mr Chris Indermaur on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Share Rights.”*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the appointment expressly authorises the chair to*

*exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 6 or an associate of that person or persons..*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.**

## 9. Resolution 6 – Approval of the issue of Share Rights to Mr Giles Everist

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

*“That, subject to the passing of resolution 3 above, pursuant to and in accordance with ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to \$25,400 worth of Share Rights to Mr Giles Everist on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Share Rights.”*

### **Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by or behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 7 or an associate of that person or persons..*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.**

## 11. Resolution 7 – Approval of the issue of STI Rights to Mr Patrick Gregg

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

*“That pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of 60,446 Short Term Incentive Deferred Equity Rights (STI Rights) for FY21 under the Austal Limited Rights Plan to Mr Patrick Gregg, on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Rights.”*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by or on behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in relation to the Company in respect of which approval is sought under this Resolution 7 or an associate of that person or persons..*

*However, the Company need not disregard a vote if:*

- (a) it is cast by the person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way;*
- (b) it is cast by the chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chairman to vote on the resolution as the chairman decides; or*
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
  - (i) 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*
  - (ii) the holder votes on the resolution in accordance with directions by the beneficiary to the holder to vote in that way.*

12. **Resolution 8 - Approval of the issue of LTI Rights to Mr Patrick Gregg**

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

*“That pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the grant of up to **459,435** LTI Rights under the Austal Limited Rights Plan for FY2022 to Mr Patrick Gregg on the terms and conditions set out in the Explanatory Memorandum, and any issue of Shares pursuant to those Rights.”*

**Voting Exclusion Statement**

*In accordance with section 250BD of the Corporations Act, a person appointed as proxy must not vote, on the basis of that appointment, on this Resolution if the person is either a member of the KMP or a Closely Related Party of such a member and the appointment does not specify the way the proxy is to vote on this Resolution. However, the proxy may vote if the proxy is the chair of the meeting and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

*In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by or on behalf of a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee*



You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Completed proxy forms must be returned to one of the above addresses (or online proxy lodgement) not less than 48 hours before the time for holding the Annual General Meeting.

In light of COVID-19 travel restrictions into Western Australia, four of the Company's Directors (Ms Adam-Gedge, Mr McCormack, Mr Indermaur and Mr Everist) will be joining the meeting by videoconference. Shareholders present at the Meeting will have the opportunity to ask questions to those directors 'live'.


#### **Corporate Representatives**

A Shareholder that is a corporation may appoint an individual to act as its representative and vote at the virtual Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. Written proof of the representative's appointment (including any authority under which it is signed) must be lodged with, or presented to the Company's share registry before the Meeting. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Hover over 'Resources' Select the Investor Services tab and click on 'Forms' and then select 'Holding Management'.

#### **Voting Entitlement**

It has been determined that under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 4.00pm (WST) (being 7.00pm Sydney time) on Tuesday, 9 November 2021.

**BY ORDER OF THE BOARD  
AUSTAL LIMITED**

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line and a vertical stroke.

**John Rothwell**  
Non-executive Chairman  
12 October 2021



# AUSTAL LIMITED

ACN 009 250 266

## Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of Austal Limited (**Austal** or **Company**) in connection with the business to be conducted at the **Annual General Meeting of Shareholders** to be held at the **Fremantle Sailing Club, 151 Marine Terrace, Fremantle, Western Australia** on **Thursday, 11 November 2021** at **2.00pm (WST)**.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

Certain terms and abbreviations used in this Explanatory Memorandum have defined meanings which are explained in Attachments 1, 2 and 3 at the end of this Explanatory Memorandum.

### Ordinary Business

#### 1. Annual financial report

The Corporations Act requires:

- the reports of the Directors and Auditors; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2021,

to be laid before the Meeting. The Corporations Act does not require a vote of Shareholders on the reports or statements. However, Shareholders will be given ample opportunity to raise questions or comments on the management of the Company.

Also, a reasonable opportunity will be given to Shareholders as a whole at the Meeting to ask the auditor of the Company's 2021 financial statements questions relevant to 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.

#### 2. Resolution 1 – Non-binding resolution to adopt Remuneration Report

The Corporations Act requires listed companies to make expanded disclosure in respect of Director and executive information. As a result, the Directors' Report must include a section called the "Remuneration Report". The Annual Report for the year ended 30 June 2021 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and Non-Executive Directors. A copy of the Remuneration Report is set out on pages 41 - 74 of the Annual Report and can also be found on the Company website at [www.austal.com](http://www.austal.com).

Section 250R(2) of the Corporations Act requires listed companies to put the Remuneration Report for each financial year to a vote of members at the Company's annual general meeting.

Under section 250R(3) of the Corporations Act, the Shareholder vote on this Resolution is advisory only and will not bind the Directors or the Company. 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 Company's remuneration policy.

In addition, under section 250W of the Corporations Act, if 25% or more of the votes cast on the resolution are voted against adoption of the Remuneration Report at the Annual General Meeting and then again at the 2022 Annual General Meeting, the Company will be required to put to Shareholders a resolution at the 2022 Annual General Meeting proposing the calling of a further general meeting to consider the election of directors of the Company (a "**Spill Resolution**").

If more than 50% of Shareholders vote in favour of a Spill Resolution, the Company would be required to convene a further general meeting (the "**Spill Meeting**") within 90 days of the 2022 Annual General Meeting. All of the directors who were in office when the 2022 directors' report was approved by the directors, other than the Managing Director, would cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as directors is approved would be the directors of the Company.

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member. Votes cast in favour of this resolution by such parties will be disregarded. However, a person described above (the "**voter**") may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and the voter is either:

- (a) appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- (b) the chair of the meeting and the appointment of the chair as proxy does not specify the way the proxy is to vote on Resolution 1 and expressly authorises the chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

### **Recommendation**

*The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.*

*The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.*

### **3. Resolution 2 – Re-election of Mr Chris Indermaur**

Mr Chris Indermaur is required to retire under the Director rotation provisions of Article 8.1(f) of the Company's Constitution. Mr Indermaur, being eligible, has offered himself for re-election as a Director.

Mr. Indermaur has over 30 years of experience in large Australian companies in engineering or commercial roles. Among these roles he was the Engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.

Chris holds a Bachelor of Engineering (Mechanical) and a Graduate Diploma of Engineering (Chemical) from the West Australian Institute of Technology (now Curtin University). Chris also holds a Bachelor of Laws and a Master of Laws from the Queensland University of Technology and a Graduate Diploma in Legal Practice from the Australian National University.

Chris is also a Director of Austin Engineering Ltd and in September 2021 Chris accepted an appointment as Non-executive Director at Mayur Resources Limited.

Chris has been a member of Austal's Audit & Risk Committee since 2018 and its Nomination & Remuneration Committee since 2019.

## **Recommendation**

*The Directors (with Mr Indermaur abstaining) unanimously recommend that Shareholders vote in favour of Resolution 2.*

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

## **4. Resolution 3 – Re-election of Mr Giles Everist**

Mr Giles Everist is required to retire under the Director rotation provisions of Article 8.1(f) of the Company's Constitution. Mr Everist, being eligible, has offered himself for re-election as a Director.

Mr Everist has a breadth of board and executive experience gained over his 30 year career. He has worked for a range of production and service based businesses, within the resources, engineering and construction sectors, both in Australia and overseas in the UK and Africa.

Mr Everist was appointed as a Non-Executive Director of Austal Ltd in November 2013 and Audit & Risk Committee Chair in November 2015. He holds a mechanical engineering degree and is a qualified chartered accountant. He was Chairman of ASX listed Decmil Group Limited between 2011 and 2014 and was the Chief Financial Officer and Company Secretary of Monadelphous Group Limited between 2003 and 2009. He has held senior financial executive roles during his career with Rio Tinto in the United Kingdom and Australia, as well as major US design engineering group Fluor Corporation.

Giles has held a number of other Non-Executive Director and Audit & Risk Committee Chair roles with ASX listed companies including Decmil Group Limited, Logicamms Limited and Macmahon Holdings Limited, as well as for a number of private and not for profit organisations.

Giles is currently a Non-Executive Director of Norwood Systems and Chief Financial Officer of Capital Limited, an LSE-listed contract mining company.

## **Recommendation**

*The Directors (with Mr Everist abstaining) unanimously recommend that Shareholders vote in favour of Resolution 3.*

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

## **5. Resolutions 4 to 6 – Approval of the issue of Share Rights to Non-Executive Directors**

The Board proposes to continue the existing incentive scheme which enables non-executive Directors of the Company to progressively acquire a shareholding in the Company with a value equal to his/her total annual base Board remuneration (excluding committee fees) (**Target Shareholding**). The scheme is an 'employee incentive scheme' for the purposes of the ASX Listing Rules although in order to preserve Director independence, it is not subject to Company performance measures or thresholds.

The issue of Share Rights under this scheme was approved by Shareholders at the 2018, 2019 and 2020 Annual General Meetings. It is proposed to continue those arrangements in 2021.

Resolutions 4, 5 and 6 seek Shareholder approval for Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Giles Everist (together the **Non-Executive Directors**) respectively to receive Share Rights under this incentive scheme. Resolution 5 is subject to the passing of Resolution 2. Resolution 6 is subject to the passing of Resolution 3. The Company is not seeking approval to issue further share rights to Mr Mick

McCormack, as he has already accumulated shares equal to the minimum shareholding through a mixture of share rights issues under this arrangement and additional purchases of shares in the Company.

Mr Giles Everist did not receive share rights under this arrangement during 2021 since his shareholding exceeded the minimum threshold at the time of the 2020 AGM however the Company now seeks approval to issue additional share rights to him as movement in the share price over the year has reduced the value of his shareholding below the threshold amount of \$100,000.

The objective of the scheme remains to strengthen the alignment between the interests of the non-executive Directors and Shareholders. Importantly, until a Non-Executive Director holds a number of Shares equal to their Target Shareholding, they may not sell any Shares resulting from the exercise of the Share Rights received (except in circumstances of a change of control).

This scheme is implemented by remunerating each non-executive director that elects to participate through a combination of cash (75% of base Board remuneration) and Share Rights (25% of base Board remuneration). This remuneration model will continue until that non-executive director holds a number of Shares (or Share Rights that would, if exercised, result in a number of Shares) equal to their Target Shareholding.

Non-executive Directors who reach the Target Shareholding value during the year may elect to cease receiving Share Rights and for their remuneration to be paid solely in cash from that point.

The initial period in which this scheme was implemented was 27 October 2017 (the day after the 2017 Annual General Meeting) until 26 October 2018 (**Initial Period**). The scheme has been re-implemented each year since that date.

The number of Share Rights granted to Non-Executive Directors during the previous 12 month periods pursuant to previous shareholder approval is as follows:

<b>Name</b>	<b>Share rights issued 1 Nov 2017 – 30 Oct 2018</b>	<b>Share rights issued 1 Nov 2018 – 30 Oct 2019</b>	<b>Share rights issued 1 Nov 2019 – 30 Oct 2020</b>	<b>Share rights issued 1 Nov 2020 to date</b>	<b>Total</b>
Giles Everist	13,584	6,857	0	0	20,441
Sarah Adam-Gedge	13,584	7,900	7,113	13,305	41,902
Chris Indermaur	0	7,900	6,466	12,094	26,460
Mick McCormack	n/a	n/a	n/a	6,920	6,920
<b>Total</b>	<b>38,488</b>	<b>22,657</b>	<b>13,579</b>	<b>32,319</b>	<b>95,723</b>

The above prior year issues were approved by shareholders at the 2017 to 2020 Annual General Meetings and the Company now seeks approval to issue Share Rights for a further period of one year, being the period from 12 November 2021 (the day after the Company's Annual General Meeting) until the date of the 2022 Annual General Meeting (**2022 Period**).

Offers to participate in the incentive scheme will again be made to the above Non-executive Directors and will be calculated by reference to 25% of their base board fees (excluding committee fees) for the 2022 Period. If a Non-Executive Director chooses to participate, he/she will continue to receive 75% of their total annual base board fees (excluding committee fees) and all of their committee fees in cash.

The Non-Executive Chairman is not currently expected to participate in the scheme due to his already significant shareholding in the Company. As mentioned above, Mick McCormack has also accumulated and retains a shareholding, the value of which exceeds one year's base board fees and will not be

included in this scheme for the 2022 Period, hence no shareholder approval is being sought for their participation in the scheme at this meeting.

Subject to Shareholder approval, the number of Share Rights that may be granted to each Non-Executive Director will be calculated as follows:

$$SR = \frac{TBBF \times 25\%}{VWAP} \quad \text{(Issue Formula)}$$

Where:

‘SR’ is the aggregate number of Share Rights which the Non-Executive Director is entitled to be granted for the 2022 Period;

‘TBBF’ is the Non-Executive Director’s total annual base board fees (excluding committee fees) for the 2022 Period; and

‘VWAP’ is the volume weighted average price of Shares traded on the ASX calculated over the last 5 trading days of each month during the 2022 Period.

Any fractional entitlements will be rounded up to the nearest whole number.

The Share Rights granted to Non-Executive Directors for the 2022 Period will be accrued in 12 equal (or as near to equal as possible) tranches with one tranche to vest each month, and issued twice a year subject to the relevant Non-Executive Director being continuously engaged as a non-executive director on the applicable vesting date.

Upon a tranche of the Share Rights vesting and being exercised, a Non-Executive Director will be issued, allocated or transferred one Share for each Share Right exercised.

For example purposes only, the information below shows the number of Share Rights that would be issued pursuant to Resolutions 4 to 6. In preparing this information, the Issue Formula has been used and the VWAP for Shares has been assumed to be \$1.88.

The following applies in respect of each Non-Executive Director:

- Total annual base board fees (excluding committee fees) for the 2022 Period: \$101,600
- Fees to be paid in cash for the 2022 Period: \$76,200.
- Fees to be paid in Share Rights for the 2022 Period: \$25,400.
- Number of Share Rights to be granted for the Forthcoming Period: 13,511 - being \$25,400 divided by the assumed VWAP of \$1.88.
- 1/12<sup>th</sup> of Share Rights to vest each month during the Forthcoming Period (assuming continued service as a non-executive director).
- Aggregate Dilutionary Effect of issues to all Non-executive Directors: 0.0006%.

The numbers and amounts set out above are examples only and actual numbers and amounts may vary depending on the VWAP of Shares over the 5 trading days of each month during the 2022 Period.

### **Corporations Act Requirements**

The Directors (other than Ms Adam-Gedge, Mr Indermaur and Mr Everist, who each have a material personal interest in Resolutions 4 to 6) have considered the application of Chapter 2E of the Corporations Act to the grant of Share rights to the Non-Executive Directors. As the Non-Executive Directors are foregoing the cash payment of fees and those fees are within the Shareholder approved

pool of Directors' fees and the number of Shares to be issued in lieu of those cash payment and fees is determined based on the VWAP of Shares, it has been determined that the financial benefit given by granting these Share rights constitutes reasonable remuneration to the Non-Executive Directors given:

- the circumstances of the Company, and
- the Non-Executive Directors' roles and responsibilities at the Company.

In light of the above, the Company will rely on the exception contained in section 211(1) of the Corporations Act and is not seeking Shareholder approval pursuant to section 208 of the Corporations Act in addition to the approval being sought under the ASX Listing Rules.

### **ASX Listing Rule Requirements**

Austal is proposing to issue Share Rights to certain Non-Executive Directors (as outlined above).

ASX Listing Rule 10.14.1 provides, in essence, that the approval of Shareholders by ordinary resolution is required before a Director can acquire securities in the Company under an employee incentive scheme.

The issue of Share Rights to Non-Executive Directors falls within ASX Listing Rule 10.14.1 and accordingly, in order for each Non-Executive Director to participate in this incentive scheme and to receive Share Rights (and hence shares in the Company), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.14. Resolutions 4 to 6 seeks the required shareholder approval to issue the Share Rights under and for the purpose of Listing Rule 10.14.

Shareholders should be aware that as the Share Rights defer a portion of Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Giles Everist remuneration for FY22 (and in relation to Mr Everist, for FY21), which has already been earned and otherwise would have been paid to the respective Non-Executive Director in cash.

If Resolutions 4 – 6 are passed, then the Company intends to issue the Share Rights to the applicable Non-Executive Directors (as outlined above) in lieu of payment of 25% of their total annual base board fees (excluding committee fees) for the relevant period in cash.

If Resolutions 4 - 6 are not passed for any reason, the Company intends to pay the respective Non-Executive Director the value of the Share Rights (being 25% of their total annual base board fees (excluding committee fees) for the relevant period) in cash as ordinary income.

### **ASX Listing Rule Disclosure Requirements**

ASX Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting Shareholder approval under ASX Listing Rule 10.14.

The following information is provided in relation to Resolutions 4, 5 and 6 for the purposes of ASX Listing Rule 10.15:

- (a) The Share Rights will be granted to Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Giles Everist who fall into the category of Listing Rule 10.14.1 by virtue of being Non-Executive Directors (subject to the passing of resolutions 2 and 3 in relation to Mr Indermaur and Mr Everist respectively).
- (b) The maximum number of Share Rights to be granted to each participant for the 2022 Period will be determined in accordance with the Issue Formula set out above. As such, as at the date of this Notice, the Company cannot determine the exact number of Share Rights to be issued to the Non-Executive Directors.

In any case, the Board has resolved to limit the value of the maximum number of Share Rights that can be granted to the Non-Executive Directors, to be not greater than \$76,200 total value of Share rights to be issued to Mr Indermaur, Ms Adam-Gedge and Mr Everist (being \$25% of TBBF for each Non-Executive Director).

One Share will be issued, allocated or transferred to the Non-Executive Directors on exercise of a vested Share Right.

- (c) The current total annual remuneration package of:
  - a. Ms Sarah Adam-Gedge is \$141,760, comprising \$76,200 in fixed director fees, \$40,000 in Deputy Chair and Subcommittee fees and \$25,400 in Share Rights;
  - b. Mr Chris Indermaur is \$121,600, comprising \$76,200 in fixed director fees, \$20,000 in Subcommittee fees and \$25,400 in Share Rights;
  - c. Mr Giles Everist is \$131,600, comprising \$76,200 in fixed director fees, \$30,000 in Subcommittee fees and \$25,400 in Share Rights;
- (d) The number of Share Rights that have been previously issued to Ms Sarah Adam-Gedge, Mr Chris Indermaur and Mr Giles Everist are set out in table above. No consideration was paid by those persons for the acquisition of Share Rights.
- (e) The Share Rights granted to Non-Executive Directors for the 2022 Period will be accrued in 12 equal (or as near to equal as possible) tranches with one tranche to vest each month, and issued twice a year subject to the relevant Non-Executive Director being continuously engaged as a non-executive director on the applicable vesting date. Upon a tranche of the Share Rights vesting and being exercised, a Non-Executive Director will be issued, allocated or transferred one Share for each Share Right exercised.
- (f) The incentive scheme enables non-executive Directors of the Company to progressively acquire a shareholding in the Company with a value equal to his/her total annual base Board remuneration (excluding committee fees) (**Target Shareholding**). The scheme is an 'employee incentive scheme' for the purposes of the ASX Listing Rules although in order to preserve Director independence, it is not subject to Company performance measures or thresholds. The objective of the scheme remains to strengthen the alignment between the interests of the non-executive Directors and Shareholders. Importantly, until a Non-Executive Director holds a number of Shares equal to their Target Shareholding, they may not sell any Shares resulting from the exercise of the Share Rights received (except in circumstances of a change of control).
- (g) The value of the Share Rights is determined by the 'VWAP', being the volume weighted average price of Shares traded on the ASX calculated over the last 5 trading days of each month during the 2022 Period.
- (h) The Company intends to invite the Non-Executive Directors to apply for Share Rights within 1 month from the date of the Meeting (and, in any case, no later than 12 months after the date of the Meeting) and the Share Rights will be issued no later than 12 months after the date of the Meeting.
- (i) No consideration is payable for the grant of Share Rights, or (unless the Board otherwise determines at the time it makes an offer of Share Rights) for the issue, allocation or transfer of Shares upon exercise of a vested Share Right. The Share Rights granted form part of the Company's remuneration and incentive package for non-executive Directors. Accordingly, no funds will be raised from the issue or vesting of Share Rights.

- (j) Share Rights are granted under the terms of the Rights Plan. The Share Rights vest at grant and are not subject to any performance conditions. Austal uses Share Rights because they create share price alignment between Non-Executive Directors and ordinary Shareholders, but accord the Non-Executive Directors flexibility by allowing them to convert the Share Rights into Shares at their discretion. A summary of the material terms of the Share Rights Plan is attached as Attachment 1.
- (k) There is no loan applicable in relation to the acquisition of Share Rights or the Shares underlying them because the Non-Executive Directors are not required to make any payment for the Share Rights or the Shares underlying them.
- (l) Details of any securities issued under the Share Rights incentive scheme will be published in the annual report of the Company relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (m) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Share Rights under the Austal Limited Rights Plan after Resolutions 4 to 6 are approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.
- (n) The voting exclusion statement in relation to Resolutions 4 to 6 accompanies Resolutions 4 to 6 in the Notice of Meeting.

## **Recommendation**

*The Directors (with Ms Adam-Gedge, Mr Indermaur and Mr Everist abstaining) recommend that Shareholders vote in favour Resolutions 4 to 6.*

*The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 4 to 6.*

## **6. Resolution 7 - Approval of the issue of STI Rights to Mr Patrick Gregg**

Resolution 7 seeks Shareholder approval for the grant of 60,446 STI Rights to Mr Patrick Gregg (and any subsequent issue of Shares pursuant to the exercise of those STI Rights) in relation to Mr Gregg's Short Term Incentive Payment earned for the FY2021 year.

Mr Gregg commenced as Executive Director of the Company on 1 January 2021. The STI Rights represent the 50% of Mr Gregg's FY2021 Short Term Incentive Payment that is deferred into equity. Subject to shareholder approval being obtained, the STI Rights will be granted under the Austal Limited Rights Plan which was approved by shareholders at the Company's 2019 AGM.

### **ASX Listing Rule Requirements**

Austal is proposing to issue STI Rights to the Executive Director.

Listing Rule 10.14.1 provides, in essence, that the approval of shareholders by ordinary resolution is required before a Director can acquire securities in the Company (including STI Rights) under an employee incentive scheme.

The issue of STI Rights to the Executive Director falls within ASX Listing Rule 10.4.1 and accordingly, in order for Mr Gregg to participate in the Plan and receive STI Rights under the Plan, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14. Resolution 7 seeks the required shareholder approval to issue the STI Rights under and for the purpose of Listing Rule 10.14.



If Resolution 7 is passed, then the Company intends to issue STI Rights to Mr Gregg, which represents 50% of Mr Gregg's FY2021 Short Term Incentive Payment that is deferred into equity.

If Resolution 7 is not passed, Shareholders should be aware, that as the STI Rights defer a portion of Mr Gregg's incentive remuneration for FY21, which has already been earned and otherwise would have been paid to Mr Gregg in cash.

If Resolution 7 is not passed for any reason, the Company intends to pay Mr Gregg the value of the STI Rights in full in cash as ordinary income.

### **ASX Listing Rule Disclosure Requirements**

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolution 7:

- (a) The name of the person referred to in Listing Rule 10.14 who is entitled (pursuant to Resolution 7) to participate in the Plan and receive STI Rights is Mr Patrick Gregg. Mr Gregg falls into the category of Listing Rule 10.14.1 by virtue of being the Executive Director of the Company.
- (b) If shareholder approval is provided, the maximum number of STI Rights (and hence Shares) to be granted for the 2021 financial year to Mr Gregg is 60,446. The STI Rights represent the 50% of Mr Gregg's FY21 Short Term Incentive Payment that is deferred into equity. The number of STI Rights has been determined by dividing the face value of Mr Gregg's STI payment (\$249,440 in total, 50% of which is \$124,720) by the 5-day VWAP of Austal shares calculated between 24-30 June 2020 (being the implied value attributed to each STI Right).
- (c) The current total maximum remuneration package of Mr Patrick Gregg in his role as Chief Executive Officer is \$970,000 plus a potential STI payment for the 2022 financial year of up to \$436,500 (if all criteria are achieved at 'Target' levels) or \$654,750 (if all criteria are achieved at 'Stretch' levels) and a potential Long Term Incentive (LTI) payment of up to \$485,000 (if all criteria are achieved at 'Target' levels) or \$970,000 (if all criteria are achieved at 'Stretch' levels), depending on achievement of objectives that the Board has set for the 2022 to 2024 financial years. These objectives are described in the Company's Annual Report.
- (d) Mr Gregg has been previously awarded 63,454 STI Rights and 651,137 LTI Rights under the Plan in the period between October 2017 to September 2021, at no cost, as part of his remuneration.
- (e) Each STI Right granted will result in the issue of the value of an ordinary Share, which may be settled in the form of cash or a Restricted Share (being a Share that is subject to a holding lock prohibiting transfer of that Share for a period of one year after issue), at the sole discretion of the Board.
- (f) No consideration is payable for the grant of STI Rights under the Plan, or (unless the Board otherwise determines at the time it makes an offer of STI Rights) for the issue or transfer of Shares upon vesting of STI Rights granted under the Austal Limited Rights Plan.
- (g) STI Rights are granted under the terms of the Company's Rights Plan. The grant of STI Rights is subject to performance against specific measures that apply over the financial year preceding the grant date. Austal uses STI Rights because they create share price alignment between Mr Gregg and ordinary Shareholders, but accord Mr Gregg flexibility by allowing him to convert the STI Rights into Shares at his discretion. A summary of the material terms of the grant of STI Rights is attached as Attachment 2.

- (h) No loans have or will be made by the Company in connection with the acquisition of STI Rights.
- (i) The STI Rights are expected to be granted to Mr Gregg by December 2021 (but in any event no later than 12 months after the date of the Meeting).
- (j) Details of the STI Rights granted under the Austal Limited Rights Plan will be published in each annual report of the Company relating to the period in which the STI Rights have been granted (with a statement that approval for the grant of STI Rights to Mr Gregg was obtained under Listing Rule 10.14).
- (k) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of STI Rights under the Austal Limited Rights Plan after Resolution 7 is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.
- (l) A voting exclusion statement in respect of Resolution 7 has been included in the notice of meeting.

## **7. Resolution 8 - Approval of the issue of LTI Rights to Mr Patrick Gregg**

Resolution 8 seeks Shareholder approval for the grant of up to 459,435 LTI Rights under the Austal Limited Rights Plan for FY2022 to Mr Gregg and any subsequent issue of Shares pursuant to those LTI Rights. The LTI Rights will be granted under the Austal Limited Rights Plan, which was described in detail in the Company's 2019 Notice of AGM, available in the 'ASX Announcements' tab at [www.austal.com](http://www.austal.com). A summary of the key terms of the Company's LTI Plan appears at Attachment 3 below.

Subject to shareholder approval being obtained, Mr Gregg will be granted 459,435 LTI Rights for FY2022. The FY2022 LTI Rights will be subject to vesting conditions (summarised below) and the grant of the FY2022 LTI Rights is intended to act as a strong incentive for Mr Gregg to align with the Company's strategic plan focussing on seeking improved performance, the growth of the Company and better returns for Shareholders. The vesting conditions will be measured over a period from 1 July 2021 to 30 June 2024.

Long term performance is measured in reference to three equally weighted metrics (i.e. 1/3 each):

- Indexed Total Shareholder Return (**iTSR**)
- Earnings per Share Growth (**EPSG**)
- Return on Equity (**ROE**)

The Board utilises an absolute TSR premium to indexed TSR outcomes, and avoids windfall gains / (losses) from changes in broad market movements in share prices. Austal's iTSR is computed by comparing Austal's TSR against Standard and Poor's ASX 300 Industrials Total Return Index.

Austal's TSR is the sum of share price appreciation and dividends (assumed to be reinvested in shares) during the Measurement period. Share price appreciation is measured utilising a 1 month VWAP at the beginning and the end of the measurement period (i.e. July in Year 1 and June in Year 3).

The LTI Rights attributable to iTSR will vest on the relevant Vesting Date as follows:

- if Austal's iTSR is less than zero, none of the LTI Rights attributed to iTSR will vest;
- if Austal's iTSR is between zero and 5.9%, then 50% of the LTI Rights attributed to iTSR will vest; and

- if Austal's iTSR is 6% or greater, then 100% of the LTI Rights attributed to iTSR will vest.

EPSG is determined by calculating the compound annual growth rate (**CAGR**) from EPS in the last financial year prior to the 3 year measurement period, to the EPS in the final year of the 3 year measurement period, where EPS equals Basic EPS as reported in the financial accounts of the relevant year and Actual EPSG results are compared against internal targets set by the Board.

The LTI Rights attributable to EPSG will vest on the relevant Vesting Date as follows:

- if Austal's EPSG is between 6% and 10%, 25% of the LTI Rights attributed to EPSG will vest;
- if Austal's EPSG is between 11% and 18%, 50% of the LTI Rights attributed to EPSG will vest; and
- if Austal's EPSG is 19% or greater, 100% of the LTI Rights attributed to EPSG will vest.

ROE is determined by dividing the average NPAT over the 3 year measurement period by the day weighted average Contributed Equity + Retained Profits - Reserved Shares balance over the 3 year measurement period.

- if Austal's ROE is between 10% and 12.4%, 25% of the LTI Rights attributed to ROE will vest;
- if Austal's ROE is between 12.5% and 14.9%, 50% of the LTI Rights attributed to ROE will vest; and
- if Austal's ROE is 15% or greater, 100% of the LTI Rights attributed to ROE will vest.

#### **ASX Listing Rule Requirements**

Austal is proposing to issue LTI Rights to the Executive Director.

Listing Rule 10.14.1 provides, in essence, that the approval of shareholders by ordinary resolution is required before a Director can acquire securities in the Company (including LTI Rights) under an employee incentive scheme.

The issue of LTI Rights to the Executive Director falls within ASX Listing Rule 10.4.1 and accordingly, in order for Mr Gregg to participate in the Plan and receive LTI Rights under the Plan the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.1. Resolution 8 seeks the required shareholder approval to issue the LTI Rights under and for the purpose of Listing Rule 10.14.

If Resolution 8 is approved, then Austal will be able to proceed with the grant of the LTI Rights to the Executive Director and Shareholder approval will not be required for any issue of Shares on vesting of such LTI Rights to Mr Gregg on the terms described in these Explanatory Materials and the grant of the LTI Rights (or any issue of Shares on vesting of the LTI Rights) will not count towards the Company's 15% Placement Capacity under Listing Rule 7.1.

If Resolution 8 is not approved, then Austal will be unable to proceed with the grant of the LTI Rights and may then need to consider alternative arrangements to appropriately remunerate and incentivise Mr Gregg.

#### **ASX Listing Rule Disclosure Requirements**

Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.14.

In accordance with Listing Rule 10.15, the following information is provided to Shareholders in relation to Resolution 8:

- (a) The name of the person referred to in LR 10.14 who is entitled (pursuant to Resolution 8) to participate in the Plan and receive LTI Rights is Mr Patrick Gregg. Mr Gregg falls into the category of Listing Rule 10.14.1 by virtue of being the Chief Executive Officer and an Executive Director of the Company. (b) If shareholder approval is provided, the maximum number of LTI Rights (and hence Shares) that may be granted to Mr Gregg (being a participant in the Plan requiring Listing Rule 10.14 approval) is 459,435 Rights. The number of LTI Rights has been determined by dividing the face value of Mr Gregg's total remuneration (\$970,000) by the VWAP of Austal shares for the first month of the measurement period, being July 2021 (being the implied value attributed to each LTI Right).
- (c) Mr Gregg's current total remuneration package is described in sub-paragraph (c) of the Explanatory Statement for Resolution 7.
- (d) Each LTI Right will be subject to the terms of the Plan and the satisfaction of vesting conditions above. Each LTI Right that vests will result in the holder having the right to receive the value of an ordinary Share, which may be settled in the form of cash or a Share in the Company, at the sole discretion of the Board. A summary of the material terms of the grant of LTI Rights is attached as Attachment 3.
- (e) The number of securities that have been previously issued to Mr Gregg under the Plan is set out in sub-paragraph (d) of the Explanatory Statement for Resolution 7.
- (f) LTI Rights are granted under the terms of the Company's Rights Plan, subject to the vesting conditions described above. A summary of the material terms of the LTI Rights is attached as Attachment 3. The grant of the LTI Rights is intended to act as a strong incentive for Mr Gregg to align with the Company's strategic plan focussing on seeking improved performance, the growth of the Company and better returns for Shareholders.
- (g) LTI Rights will not be granted under the Plan to Mr Gregg at any stage after 3 years from the date of the Annual General Meeting without obtaining any Shareholders approval required under the Listing Rules.
- (h) No consideration is payable for the grant of LTI Rights under the Plan, or (unless the Board otherwise determines at the time it makes an offer of LTI Rights) for the issue or transfer of Shares upon vesting of LTI Rights granted under the Plan. The Plan (and LTI Rights issued under it) form part of the Company's remuneration and incentive package for Mr Gregg.
- (i) The voting exclusion statement in relation to Resolution 8 accompanies Resolution 8 in the Notice of Meeting.
- (j) No loans have or will be made by the Company in connection with the acquisition of LTI Rights.
- (k) Details of Mr Gregg's holdings of interests in the Company are set out the Company's annual report.
- (l) Details of the LTI Rights granted under the Plan will be published in each annual report of the Company relating to the period in which the LTI Rights have been granted (with a statement that approval for the grant of LTI Rights to Mr Gregg was obtained under Listing Rule 10.14).
- (m) No other persons referred to in Listing Rule 10.14 are presently entitled to participate in the Plan (and any additional persons who become entitled to participate in the Plan after the resolution is approved and who are not named in this Notice of Meeting will not do so until after any Shareholder approval required under Listing Rule 10.14 (or otherwise under Chapter 10 of the Listing Rules) is obtained).

Subject to the passage of Resolution 8, the LTI Rights the subject of Resolution 8 (or Shares issued on the vesting of such Rights) will not count towards calculating the Company's 15% capacity to issue shares under Listing Rule 7.1.

## Glossary

In the Notice of Meeting and this Explanatory Memorandum (including the Attachments), the following terms have the meaning set out below:

<b>Term</b>	<b>Meaning</b>
<b>\$</b>	Australian dollars.
<b>ASX Listing Rules</b>	the Listing Rules of the ASX.
<b>ASIC</b>	Australian Securities & Investments Commission
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.
<b>Board</b>	the board of directors of the Company.
<b>Closely Related Party</b>	has the meaning as defined in section 9 of the Corporations Act and includes in respect of a member of the Key Management Personnel: <ul style="list-style-type: none"><li>• a spouse or child of the member or a child of the member's spouse;</li><li>• a dependant of the member or of the member's spouse;</li><li>• anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or</li><li>• a company the member controls.</li></ul>
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	the Corporations Act 2001 (Cth).
<b>Director</b>	a director of the Company.
<b>Explanatory Memorandum</b>	this Explanatory Memorandum accompanying the Notice of Meeting.
<b>Meeting</b>	the annual general meeting of the Company convened by the Notice of Meeting.
<b>Non-Executive Director or NED</b>	a Director of the Company who is not a member of the executive management team.

<b>Term</b>	<b>Meaning</b>
<b>Notice of Meeting or Notice</b>	the notice convening the Meeting that accompanies this Explanatory Memorandum.
<b>Proxy Form</b>	the proxy form included with the Notice of Meeting.
<b>Shares or Ordinary Shares</b>	fully paid ordinary shares in the Company.
<b>Shareholder</b>	the holder of Shares.
<b>Share Right</b>	a conditional, indeterminate right to the value of a Share which, upon the satisfaction or waiver of the relevant vesting conditions and, if required by the Company, the exercise of that Share Right, entitles its holder to receive either a Share or the value of a Share, at the Board's discretion.
<b>WST</b>	Western Standard Time, being the time in Perth, Western Australia.

## Attachment 1 – Summary of the key terms of grants of Share Rights to the Non-Executive Directors

The following is a summary of the key terms and conditions of the proposed grants of Share Rights to the Non-Executive Directors:

- (a) **(Eligibility)** The Board may from time to time invite eligible non-executive directors of the Company (or its subsidiaries) to receive Share Rights (**Eligible Participants**).
- (b) **(Share Rights)** The Company may issue Share Rights to one or more Eligible Participants. A Share Right is a conditional right which, upon the satisfaction or waiver of the relevant vesting conditions and, if required by the Company, the exercise of that share right, entitles its holder to receive an ordinary share in the Company.
- (c) **(Offers)** Unless otherwise set out in the explanatory information provided to Shareholders, the terms of the offers to the Eligible Participants, including the number of Share Rights, the number of Shares the Eligible Participants may receive on vesting and exercise of the Share Rights, the relevant vesting conditions, and any exercise conditions or any other terms applicable to a particular grant of Share Rights (for example the exercise period) will be set out in an invitation to an Eligible Participant.
- (d) **(Fulfilment of vested Share Rights)** The Company will fulfil vested Share Rights by issuing, allocating or causing to be transferred to the Eligible Participant the number of ordinary shares in the Company to which they are entitled.
- (e) **(Forfeiture of Share Rights)** Unless otherwise determined by the Board in its absolute discretion, Share Rights will be forfeited where:
  - i. the relevant vesting conditions are not satisfied or cannot be satisfied by the relevant date; or
  - ii. a participant has acted fraudulently, dishonestly or wilfully breached their duties to the Company (or its subsidiaries).
- (f) **(Disposal restrictions)** A Share Right cannot be transferred, disposed of or dealt with by a holder, without the prior approval of the Board or the relevant dealing is effected by force of law on death or legal incapacity of the holder.

In addition, holders must not transfer, dispose of or deal with Shares resulting from the exercise of a vested Share Right until such time as they have acquired and maintained that number of Shares equal to that holder's total base board fees (excluding committee fees) on the date of grant of the relevant Share Rights. This disposal restriction is subject to the change of control provisions below.

For the avoidance of doubt, the holder must comply with the Company's securities trading policy at all times.

- (g) **(Dividend and voting rights)** Dividends paid while a participant holds Share Rights will accrue in favour of the participant. A Share Right does not confer upon the holder an entitlement to vote.
- (h) **(New Issues)** Unless otherwise determined by the Board, there are no participation rights or entitlements inherent in the Share Rights and Eligible Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Share Rights without exercising the Share Right.



- (i) **(Reconstruction of Capital)** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of an Eligible Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules (if applicable) at the time of the reorganisation.
- (j) **(Change of control)** If a change of control event occurs, which includes a takeover of the Company, the Board may in its absolute discretion determine (having regard to, amongst other factors, the period of time that has elapsed between the date of grant of the relevant Share Rights and the date of the change of control event, and the circumstances of the change of control event) the manner in which all or a specified number of outstanding Share Rights will be dealt with (including without limitation in a manner that allows the holder to benefit from the change of control event on any terms the Board deems fit including determining that some or all of a holder's unvested Share Rights are deemed to have vested).
- (k) **(Trust)** The Board may elect to use, on such terms and conditions as determined by the Board, an employee share trust for the purpose of holding shares before or after the vesting of Share Rights or delivering any Shares to the holder upon the vesting of a Share Right.

For the avoidance of doubt, the Board may do all things necessary for the establishment, administration, operation and funding of an employee share trust.

- (l) **(Amendment)** The Board has the ability to amend the terms and conditions of the Share Rights at any time, including with retrospective effect, except if the amendment materially adversely affects the rights of a participant as they existed before the date of the amendment, other than:
  - i. an amendment which is primarily necessitated to ensure compliance with the Company's constitution or laws;
  - ii. to correct manifest errors;
  - iii. to take into consideration possible adverse taxation implications in respect of the Share Rights grants; or
  - iv. to allow the implementation of an employee share trust.

To implement an amendment that materially adversely affects the rights of a participant as they existed before the date of the amendment, at least 75% of the participants affected by that amendment must first agree to that amendment in writing.

If the ASX or the ASX Listing Rules require that shareholder approval be obtained to amend the terms and conditions of Share Rights, shareholder approval will be sought at the relevant time.

## Attachment 2 – Summary of key terms of the Austal Limited Rights Plan applicable to STI Rights

The following is a summary of the key terms and conditions of the proposed grants of STI Rights to Eligible Persons as defined in the Rules

- (a) **(Right)**: Means an entitlement to the value of a which may be settled in the form of cash, or a Share (including a Restricted Share), as determined by the Board in its discretion.
- (b) **(STI Right)**: Means a Right issued under Austal's Short Term Incentive arrangements.
- (c) **(Number of Rights)**: As determined by the Board. For the current period the number of STI Rights equals 50% of the value of a Participant's Short Term Incentive entitlement.
- (d) **(Share and Share Price)**: A Share is a fully paid ordinary share in the Company, and the Share Price is determined by the volume weighted average share price at which the Company's shares were traded on the ASX over the 5 trading days prior to the date for which the calculation is made, or such other period as is prescribed by the relevant rules.
- (e) **(Term)**: Each Right has a Term of 15 years and if not exercised within that Term the Rights will lapse
- (f) **(Eligible Person)**: Means a full time or part-time employee (including an executive Director but excluding a non-executive Director) of a Group Company or a person who will prospectively fill one of the foregoing roles.
- (g) **(Application)**: The document that must be submitted to apply for Rights under the Plan, which is annexed to the invitation sent by the Board to an Eligible Person.
- (h) **(Participant)**: Eligible Persons whose Applications have been accepted and have been granted Rights will be referred to as Participants in the Plan. They will remain Participants until all Rights they have been granted have either lapsed or been exercised and both any risk of forfeiture and disposal restrictions applicable to the Shares acquired by exercising the Rights have ceased to apply.
- (i) **(Vesting of STI Rights)**: STI Rights are vested at grant. No vesting conditions or Measurement Period applies thereafter, although the grant is subject to performance against measures applied over the financial year prior to the grant date. The vesting date will be notified to the Participant simultaneously with the grant date, in a Grant Notice incorporating the Vesting Notice.
- (j) **(Lapsing of Rights)**: Rights will lapse automatically on the earlier of: For unvested Rights when there is no opportunity for them to vest at a later date, or the end of the Term of the Right.
- (k) **(Exercise and Exercise Price)**: The Exercise Price is nil i.e. no amount needs to be paid by the Participant in order to exercise the Right. Vested Rights may be exercised at any time between the Vesting Date and the elapsing of the Term. On exercise of vested Rights, the Board will determine the Exercised Rights Value and the extent to which that value is to be provided in the form of cash, and/or Shares. In most cases, this will be in the form of Shares. Shares may be provided directly to the Participant or via an employee share trust (EST), and may involve on-market purchases or new issues of Shares. Any portion of the value of the vested Rights that is to be delivered in the form of cash will be paid through payroll with PAYG tax being deducted (as well as any other deductions that may be applicable or required by law).

- (l) **(Dealing/ Disposal Restrictions Applicable to Rights and Shares):** Rights may not be transferred, disposed of, charged, encumbered or otherwise dealt with at any time, except by force of law. All Shares acquired by Participants or held by the trustee of the EST for the benefit of Participants as a consequence of the exercise of Rights shall be subject to a disposal restriction being that such Shares may not be sold or disposed of in any way until their sale would not breach either:
- i. the Company's share trading policy, or
  - ii. Division 3 of Part 7.10 of the Corporations Act (insider trading provisions)
- following expiry of the Specified Disposal Restriction, if any, applicable to the Shares.
- (m) **(Specified Disposal Restriction)** A Specified Disposal Restriction is applicable to the Invitation which runs for 12 months from the deemed vesting date of the Rights. Specified Disposal Restrictions may be released early in limited circumstances in accordance with the Rules.
- (n) **(No Hedging):** Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares.
- (o) **(Board Discretion to prevent inappropriate benefits):** If the Board in its sole, reasonable discretion forms the view that circumstances have arisen that would make vesting of unvested Rights held by a Participant inappropriate, the Board may determine that some or all Rights held by a Participant lapse on a specified date. Such circumstances include but are not limited to:
- i. if a Participant engages in any activities or communications that, in the opinion of the Board, may cause harm to the operations or reputation of the Company or the Board,
  - ii. if the Board determines that a Participant or Participants took actions that caused harm or will (and would have been expected to, at the time of taking the action) cause harm to the Company's stakeholders,
  - iii. if the Board forms the view that a Participant or Participants have taken excessive risks or have contributed to or may otherwise benefit from unacceptable cultures within the Company,
  - iv. if the Board forms the view that Participants have deliberately or knowingly exposed employees, the broader community or environment to excessive risks above those which could ordinarily be expected, including risks to health and safety,
  - v. if a Participant fails to adhere to post-termination agreements,
  - vi. if there has been a material misstatement in the Company's financial reports, which once resolved, indicates that a larger number of Rights previously vested than should have, in light of the corrected information.
- (p) **(Bonus Issues, Rights Issues):** In cases of bonus share issues by the Company the number of Rights held by a Participant shall be increased by the same number as the number of bonus shares that would have been received by the Participants had the Rights been fully paid ordinary shares in the Company, except in the case that the bonus share issue is in lieu of a dividend payment, in which case no adjustment will apply.

In the case of general rights issues to Shareholders there will be no adjustment to the Rights, although holders of Rights that have been exercised into Shares will be entitled to participate in those general issues on the same terms as all other Shareholders. However, the Board may consider issuing options to Participants:

- i. of a number up to the number of Shares to which the Participant would have been entitled had the Rights been Shares, and
- ii. the exercise price of such options will be equal to the amount payable by Shareholders to exercise a right to acquire a Share.

In the case of an issue of rights to other than to Shareholders there will be no adjustment to the Rights.

- (q) **(Capital Reorganisation):** In the case of other capital reconstructions the Board may make such adjustments to the Rights as it considers appropriate with a view to ensuring that holders of Rights are neither advantaged nor disadvantaged.
- (r) **(Termination of Employment):** If a Participant ceases to be an employee of a Group Company and is not immediately re-employed by another Group Company then 50% of any Restricted Shares held by the Participant will cease to be subject to any Specified Disposal Restrictions, unless otherwise determined by the Board and/or specified in the relevant Invitation.
- (s) **(Change of Control or Delisting):** in the event of a Change of Control including a takeover, or in the event the Board determines that the Company will be imminently de-listed for reasons other than a Change of Control, Specified Disposal Restrictions will be lifted.
- (t) **(Amendment of Plan):** The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules. No amendment to or repeal of the Rules is to reduce the existing rights of any Participant in respect of any accepted Application that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant or where the amendment is introduced primarily:
- i. for the purpose of complying with or conforming to a present or future State, Territory or Commonwealth legal requirement governing, regulating or effecting the maintenance or operation of the Plan or like plans;
  - ii. to correct an error or mistake;
  - iii. to address possible adverse tax implications for Participants generally or the Company arising from:
  - iv. a ruling of any relevant taxation authority;
  - v. a change to tax legislation or the application or termination of the legislation or any other statute or law (including an official announcement by any relevant taxation or government authority);
  - vi. a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
  - vii. to enable the Company to comply with the Corporations Act or the Listing Rules.

### **Attachment 3 – Summary of key terms of the Austal Limited Rights Plan applicable to LTI Rights**

The following is a summary of the key terms and conditions of the proposed grants of LTI Rights to Eligible Persons as defined in the Rules

- (a) **(Right)**: Means an entitlement to the value of a Share (or, in the case of Austal USA Participants, a Share itself) which may be settled in the form of cash, or a Share (including a Restricted Share), as determined by the Board in its discretion.
- (b) **(LTI Right)**: Means a Right issued under Austal's Long Term Incentive arrangements.
- (c) **(Share and Share Price)**: A Share is a fully paid ordinary share in the Company, and the Share Price is determined by the volume weighted average share price at which the Company's shares were traded on the ASX over the 5 trading days set out in any invitation letter.
- (d) **(Term)**: Each Right has a Term of 15 years and if not exercised within that Term the Rights will lapse
- (e) **(Eligible Person)**: Means a full time or part-time employee (including an executive Director but excluding a non-executive Director) of a Group Company or a person who will prospectively fill one of the foregoing roles.
- (f) **(Application)**: The document that must be submitted to apply for Rights under the Plan, which is annexed to the invitation sent by the Board to an Eligible Person.
- (g) **(Participant)**: Eligible Persons whose Applications have been accepted and have been granted Rights will be referred to as Participants in the Plan. They will remain Participants until all Rights they have been granted have either lapsed or been exercised and both any risk of forfeiture and disposal restrictions applicable to the Shares acquired by exercising the Rights have ceased to apply.
- (h) **(Measurement Period)**: 3 years from the beginning of the financial year in which the Rights are issued.
- (i) **(Vesting Conditions)**: Vesting Conditions may relate to performance of the Company or an aspect of the Company's operations or the performance of the Participant, or continued service of the Participant with a Group Company, or any combination of the foregoing determined by the Board.
- (j) **(Vesting of LTI Rights)**: Following the end of the Measurement Period, the Board will determine the extent to which LTI Rights have vested, if at all, and notify Participants. Prior to the end of a Measurement Period the Board may determine that some or all of the LTI Rights held by a Participant will vest in which case the Board will notify Participants. In such circumstances the Board also has absolute discretion to determine that Exercise Restrictions (if any) are lifted, and that any remaining unvested LTI Rights will be forfeited in which case the Board shall notify Participants in writing, in a form determined by the Board in its absolute discretion.
- (k) **(Board Discretion Regarding Vesting of LTI Performance Rights)**: The Board retains discretion to increase or decrease, including to nil, the extent of vesting in relation to LTI Rights if it forms the view that it is appropriate to do so given the circumstances that prevailed during the Measurement Period. In exercising this discretion, the Board shall take into account, amongst other factors it considers relevant, Company performance from the perspective of Shareholders

over the relevant Measurement Period, and the Board will act reasonably in exercising such discretion.

- (l) **(Lapsing of Rights)**: Rights will lapse automatically on the earlier of: for unvested Rights when there is no opportunity for them to vest at a later date, or the end of the Term of the Right.
  
- (m) **(Exercise and Exercise Price)**: The Exercise Price is nil i.e. no amount needs to be paid by the Participant in order to exercise the Right. Vested Rights may be exercised at any time between the Vesting Date and the elapsing of the Term. On exercise of vested Rights, the Board will determine the Exercised Rights Value and the extent to which that value is to be provided in the form of cash, and/or Shares. In most cases, this will be in the form of Shares. Shares may be provided directly to the Participant or via an employee share trust (EST), and may involve on-market purchases or new issues of Shares. Any portion of the value of the vested Rights that is to be delivered in the form of cash will be paid through payroll with PAYG tax being deducted (as well as any other deductions that may be applicable or required by law).
  
- (n) **(Dealing/ Disposal Restrictions Applicable to Rights and Shares)**: Rights may not be transferred, disposed of, charged, encumbered or otherwise dealt with at any time, except by force of law. All Shares acquired by Participants or held by the trustee of the EST for the benefit of Participants as a consequence of the exercise of Rights are initially Restricted Shares, and shall be subject to a disposal restriction being that such Shares may not be sold or disposed of in any way until their sale would not breach either:
  - iii. the Company's share trading policy, or
  - iv. Division 3 of Part 7.10 of the Corporations Act (insider trading provisions)following expiry of the Specified Disposal Restriction, if any, applicable to the Restricted Shares.
  
- (o) **(Specified Disposal Restriction)**: A Specified Disposal Restriction of 1 financial year after the end of the Measurement Period is applicable to the LTI Rights.
  
- (p) **(No Hedging)**: Participants must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Rights (vested or unvested) or Restricted Shares.
  
- (q) **(Board Discretion to prevent inappropriate benefits)**: If the Board in its sole, reasonable discretion forms the view that circumstances have arisen that would make vesting of unvested Rights held by a Participant inappropriate, the Board may determine that some or all Rights held by a Participant lapse on a specified date. Such circumstances include but are not limited to:
  - vii. if a Participant engages in any activities or communications that, in the opinion of the Board, may cause harm to the operations or reputation of the Company or the Board,
  - viii. if the Board determines that a Participant or Participants took actions that caused harm or will (and would have been expected to, at the time of taking the action) cause harm to the Company's stakeholders,
  - ix. if the Board forms the view that a Participant or Participants have taken excessive risks or have contributed to or may otherwise benefit from unacceptable cultures within the Company,
  - x. if the Board forms the view that Participants have deliberately or knowingly exposed employees, the broader community or environment to excessive risks above those which could ordinarily be expected, including risks to health and safety,
  - xi. if a Participant fails to adhere to post-termination agreements,

- xii. if there has been a material misstatement in the Company's financial reports, which once resolved, indicates that a larger number of Rights previously vested than should have, in light of the corrected information.
- (r) **(Bonus Issues, Rights Issues):** In cases of bonus share issues by the Company the number of Rights held by a Participant shall be increased by the same number as the number of bonus shares that would have been received by the Participants had the Rights been fully paid ordinary shares in the Company, except in the case that the bonus share issue is in lieu of a dividend payment, in which case no adjustment will apply.  
In the case of general rights issues to Shareholders there will be no adjustment to the Rights although holders of Rights that have been exercised into Shares will be entitled to participate in those general issues on the same terms as all other Shareholders. However, the Board may consider issuing options to Participants:
- iii. of a number up to the number of Shares to which the Participant would have been entitled had the Rights been Shares, and
  - iv. the exercise price of such options will be equal to the amount payable by Shareholders to exercise a right to acquire a Share.
- In the case of an issue of rights to other than to Shareholders there will be no adjustment to the Rights.
- (s) **(Capital Reorganisation):** In the case of other capital reconstructions the Board may make such adjustments to the Rights as it considers appropriate with a view to ensuring that holders of Rights are neither advantaged nor disadvantaged.
- (t) **(Termination of Employment):** If a Participant ceases to be an employee of a Group Company and is not immediately re-employed by a Group Company, all unvested LTI Rights and Service Rights are forfeited and lapse at the date of termination, unless and to the extent otherwise determined by the Board. In exercising its discretion the Board may consider such factors as it deems appropriate, such as whether the Participant has been classified as a good leaver or not. LTI Rights that do not lapse at the termination of employment will continue to be held by Participants with a view to testing for vesting at the end of the Measurement Period. The Board has discretion to determine that any service conditions have been fulfilled at the end of the Measurement Period, regardless of whether or not a Participant remains employed by a Group Company.
- (u) **(Change of Control or Delisting):** In the event of a Change of Control including a takeover, or in the event the Board determines that the Company will be imminently de-listed for reasons other than a Change of Control, then unless the Board exercises its discretion to determine otherwise the Vesting Conditions attached to the LTI Rights at the time of the Application will cease to apply and:
- i. unvested LTI Rights will vest in the same proportion as the elapsed portion of the Measurement Period bears to the full Measurement Period, multiplied by the Target level of vesting for each tranche (100% for binary conditions), as at the date of the Change of Control,
  - ii. any remaining unvested LTI Rights will vest to the extent, if any, determined by the Board having regard to performance and service over the Measurement Period prior to the Change of Control,
  - iii. any unvested LTI Rights that do not vest pursuant to (i) and (ii) will lapse, unless the Board determines that Participants may continue to hold unvested Rights following the Change of Control.
- (v) **(Major return of Capital to Shareholders or Demerger):** In the event that the Board forms the view that a major part of the Company's assets or operations will imminently cease to be owned

by a Group Company due to an intention to sell or separately list those assets or operations, or in the event of a major return of capital to Shareholders;

- i. unvested LTI Rights will vest in the same proportion as the elapsed portion of the Measurement Period bears to the full Measurement Period, multiplied by the Target level of vesting for each tranche (100% for binary conditions), as at the date of the Change of Control, and
- ii. Any remaining LTI Rights will either be allowed to continue, lapse or vest in the sole discretion of the Board. The terms and conditions that apply to the remainder of the Rights that continue, in particular the standards of performance required for vesting, would then be reviewed to account for the Company's changed circumstances. The Board may seek independent advice regarding the application of its discretion in this circumstance.

(w) **(Amendment of Plan)**: The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rules. No amendment to or repeal of the Rules is to reduce the existing rights of any Participant in respect of any accepted Application that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant or where the amendment is introduced primarily:

- viii. for the purpose of complying with or conforming to a present or future State, Territory or Commonwealth legal requirement governing, regulating or effecting the maintenance or operation of the Plan or like plans;
- ix. to correct any manifest error or mistake;
- x. to address possible adverse tax implications for Participants generally or the Company arising from:
  - xi. a ruling of any relevant taxation authority;
  - xii. a change to tax legislation or the application or termination of the legislation or any other statute or law (including an official announcement by any relevant taxation or government authority);
  - xiii. a change in interpretation of tax legislation by a court of competent jurisdiction or by any relevant taxation authority; or
  - xiv. to enable the Company to comply with the Corporations Act or the Listing Rules.