



Alliance Aviation Services Limited
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18th August 2020

Alliance Aviation Services Limited (ASX Code: **AQZ**)

Annual General Meeting

The Annual General Meeting (**AGM**) for Alliance Aviation Services Limited (**Alliance** or **the Company**) is to be held at 10:00am (AEST) on **Wednesday, 16th September 2020** at Brisbane Airport Conference Centre, Ibis Hotel, 2 Dryandra Road, Brisbane Airport, Brisbane, Queensland and online at <https://agmlive.link/AQZ20> for those shareholders who wish to participate online.

In response to Government restrictions and the potential health risks arising from the coronavirus (COVID-19) pandemic, this year the Company is holding a hybrid Annual General Meeting to give shareholders the ability to participate in the Annual General Meeting online.

The safety of our employees, shareholders and community is paramount. The Company will comply with government restrictions in place at the time of the Annual General Meeting. The Company may be required to limit the number of shareholders permitted to enter the venue on the day of the Annual General Meeting to comply with social distancing requirements.

The online platform will allow shareholders to view the Annual General Meeting, ask questions during the meeting, and vote during the meeting. Further details on how to participate online will be published on the Company's website.

Even if you plan to attend the Annual General Meeting in person or online, we encourage you to submit a directed proxy vote as early as possible so that your vote will be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the AGM that prevents you from attending online, or if the Company is required to restrict the number of shareholders permitted to attend in-person). Shareholders can lodge their proxy online at www.linkmarketservices.com.au or complete and return a hard-copy proxy form by **10:00am (AEST) on Monday, 14th September 2020**. Proxy forms can be obtained by contacting Link Market Services.

In the event that it is necessary for the Company to give further updates, information will be provided on the Company's website and lodged with the Australian Securities Exchange (**ASX**).

Yours faithfully,

Marc Devine
Company Secretary

Alliance Aviation Services Limited

ACN 153 361 525
ASX code AQZ

Notice of Annual General Meeting

Notice is hereby given that the 2020 Annual General Meeting (**AGM**) of Alliance Aviation Services Limited (the **Company**) will be held as a hybrid meeting as follows:

Date: Wednesday, 16th September 2020
Time: 10:00am (AEST)
Venue: Brisbane Airport Conference Centre
Ibis Hotel
2 Dryandra Road
Brisbane Airport, Queensland
Online: <https://agmlive.link/AQZ20>

An Explanatory Memorandum containing information relating to each of the Resolutions to be put to the Meeting accompanies and forms part of this Notice.

Items of Business

Item 1. Consideration of Reports

To receive and consider the Financial Report for the year ended 30 June 2020 and the reports of the Directors and the independent Auditor as set out in the 2020 Annual Report.

Item 2. Re-election of Directors – Stephen Padgett, OAM & Lee Schofield

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

2.1 *“That Mr Stephen Padgett, OAM, who retires by rotation under rule 8.1(f) of the Company’s constitution, and being eligible, is re-elected as a Director of the Company.*

2.2 *“That Mr Lee Schofield, who retires by rotation under rule 8.1(f) of the Company’s constitution, and being eligible, is re-elected as a Director of the Company.”*

Item 3. Adoption of Remuneration Report

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

“That the Remuneration Report for the financial year ended 30 June 2020 be adopted.”

Note: the vote on this resolution is advisory only and does not bind the Directors of the Company. A voting exclusion applies to this resolution (see section Voting Exclusion section of the notes in relation to voting).

Item 4. Approval of issue of securities under the Long Term Incentive Plan to Mr Scott McMillan

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

“That approval be given for the purpose of ASX Listing Rule 10.14 and all other purposes, for the grant of 39,770 performance rights to the Managing Director, Scott McMillan, and the issue of Shares on the vesting of the performance rights, pursuant to the Company’s Performance Incentive Plan and on the terms set out in the Explanatory Memorandum accompanying this notice.”

Note: A voting exclusion applies to this resolution (see Voting Exclusion section of the notes in relation to voting).

Item 5. Approval of issue of securities under the Long Term Incentive Plan to Mr Lee Schofield

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

“That approval be given for the purpose of ASX Listing Rule 10.14 and all other purposes, for the grant of 29,061 performance rights to the Executive Director, Lee Schofield, and the issue of Shares on the vesting of the performance rights, pursuant to the Company’s Performance Incentive Plan and on the terms set out in the Explanatory Memorandum accompanying this notice.”

Note: A voting exclusion applies to this resolution (see Voting Exclusion section of the notes in relation to voting).

Item 6 Ratification of share issue to refresh placement capacity

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

“That approval be given to ratify the issue of 19,092,975 fully paid ordinary shares in the Company which were issued pursuant to the institutional placement announced by the Company to the ASX on 11 June 2020 for the purposes of ASX Listing Rule 7.4 and for all other purposes.”

Note: A voting exclusion applies to this resolution (see Voting Exclusion section of the notes in relation to voting).

Item 7 Re-insertion of the proportional takeover approval provision

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

“That the proportional takeover provisions contained in Rule 6 of the Company’s Constitution be re-inserted for a further 3 years with effect from the date of the meeting.”

The notes relating to voting and Explanatory Memorandum form part of this Notice of Annual General Meeting.

By Order of the Board

Marc Robert Devine
Company Secretary

18th August 2020

Notes relating to voting

Entitlement to Attend and Vote

In accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) the Company's Directors have determined that persons who are registered holders of shares in the Company at **7:00pm (Australian Eastern Standard Time) on Monday 14th September 2020** will be entitled to attend and vote at the Annual General Meeting as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

If more than one joint holder of shares is present at the Annual General Meeting (whether personally, online, or by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

All items of business set out in the Notice of Meeting will be decided by way of a poll. On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

Voting Exclusions

Item 3 – Adoption of Remuneration Report

The Company will disregard any votes cast on Resolution 3:

- by or on behalf of a member of the Company's key management personnel (**KMP**) whose remuneration details are disclosed in the Company's Remuneration Report for the year ended 30 June 2020 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as a proxy for a person entitled to vote on resolution 3:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Annual General Meeting pursuant to an express authorisation to exercise the proxy even though resolution 3 is connected with the remuneration of the KMP.

Item 4 and 5 – Approval of issue of securities under the Long Term Incentive Plan to Mr Scott McMillan and Lee Schofield

The Company will disregard any votes cast on Resolutions 4 and 5:

- in favour of either resolution by or on behalf of Mr McMillan or Mr Schofield, or any of their associates, regardless of the capacity in which the vote is cast; or
- as proxy by a person who is a member of the Company's KMP on the date of the meeting or their closely related parties,

unless the vote is cast on Resolution 4 or 5:

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

Item 6 Ratification of share issue to refresh placement capacity

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of any person who participated in the issue of ordinary fully paid shares in the Company under the institutional placement the subject of Resolution 6 or is a counterparty to the agreement being approved, or any of their associates, unless the vote is cast on Resolution 6:

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

Attending the Meeting

Attending online

Shareholders can watch and participate in the Annual General Meeting virtually via:

- Computer – by entering the following URL in your browser <https://agmlive.link/AQZ20>. The Meeting will be viewable from desktops and laptops.

To participate and vote online, we recommend logging into the online platform at least 15 minutes prior to the scheduled start time for the Meeting using the instructions below.

Enter <https://agmlive.link/AQZ20> into a web browser on your computer or online device:

- Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) printed at the top of your voting Form; and
- Proxyholders will need their proxy code which Link Market Services will provide via email no later than 48 hours prior to the Meeting.

Further information on how to participate virtually is set out in the Online Platform Guide at <https://www.allianceairlines.com.au/investor-centre/investor-centre>.

Attending in-person

Shareholders who are attending in-person are requested to bring their personalised Voting Form with them as it will help in registering attendance at the meeting.

If Shareholders are not able to present their Voting Forms prior to the meeting they will still be able to attend the meeting but will need to be able to verify their identity. Registration will commence from 9.00am (Australian Eastern Standard Time) on the day of the meeting.

The Company may be required to restrict the number of shareholders that are permitted to enter the venue due to social distancing requirements in force at the time of the Annual General Meeting.

Technical difficulties when attending online

Technical difficulties may arise during the course of the online meeting. The Chairman has discretion as to whether and how the online meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chairman will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where he considers it appropriate, the Chairman may continue to hold the online meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

For this reason, shareholders are encouraged to lodge a proxy by **10.00am (Australian Eastern Standard Time) Monday, 14th September 2020** even if they plan to attend the Annual General Meeting online.

Proxies

A Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate.

If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative.

If such evidence is not received at least 48 hours before the meeting by **10.00am (Australian Eastern Standard Time) Monday, 14th September 2020**, then the body corporate (through its representative) will not be permitted to act as a proxy.

A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received at the Company's corporate registry:

By post: Alliance Aviation Services Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235
Australia

Or by facsimile: 02 9287 0309

Or online via: www.linkmarketservices.com.au

Or by hand: Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138
Australia

by no later than 10.00am (Australian Eastern Standard Time) on Monday, 14th September 2020.

If a Shareholder appoints a proxy they may also still attend the meeting. The appointment of the proxy is not revoked by a Shareholder attending and taking part in the meeting, but if the Shareholder also votes on a resolution, the proxy is not entitled to vote on that same resolution.

The Chairman of the meeting intends to vote all available proxies in favour of all of the proposed resolutions.

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.

Unless the Chairman of the Annual General Meeting is your proxy, members of the Company's KMP (which includes each of the Directors) will not be able to vote as proxy on resolutions 3, 4 and 5 unless you direct them how to vote. If you intend to appoint any of those persons as your proxy, you should ensure that you direct that person how to vote on resolutions 3, 4 and 5.

If you intend to appoint the Chairman of the Annual General Meeting as your proxy, you can direct the Chairman how to vote by marking the boxes for the relevant resolution (for example, if you wish to vote "for", "against" or to "abstain" from voting). However, if you do not mark a box next to resolutions 3, 4 or 5, then by signing and submitting the proxy form, you will be expressly authorising the Chairman to vote as he see fit in respect of resolutions 3, 4 and 5 even though it is connected with the remuneration of the Company's KMP.

All resolutions will be decided on a poll. On a poll, if:

- a shareholder has appointed a proxy (other than the Chairman of the Annual General Meeting) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and

- that shareholder's proxy is either not recorded as attending the Annual General Meeting or does not vote on the resolution,

the Chairman of the Annual General Meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the shareholder for the purposes of voting on that resolution and must vote in accordance with the written direction of that shareholder.

All Shareholders will have the opportunity to ask questions at the meeting.

Attorneys

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the meeting. An attorney may but need not be a member of the Company.

An attorney may not vote at the meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for proxy forms.

Alliance Aviation Services Limited

ACN 153 361 525

ASX code AQZ

2020 Annual General Meeting (AGM)

Explanatory Memorandum to Shareholders

This Explanatory Memorandum to Shareholders forms part of the Notice of Annual General Meeting (the **Meeting**) and is intended to provide Shareholders with an explanation of the business of the Meeting and proposed resolutions.

The Directors of the Company recommend that Shareholders read this Explanatory Memorandum before determining how to vote on a resolution.

Items of Business

Item 1. Consideration of Reports and Accounts

As required by section 317 of the Corporations Act 2001, the Financial Report, Directors' Report and Auditor's Report of the Company for the financial period ended 30 June 2020 will be laid before the Company at the Meeting.

Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders on the reports. However, a reasonable opportunity will be provided at the Meeting for Shareholders as a whole to ask questions about and make comments on the reports and on the performance and management of the Company.

Representatives of the Company's auditor, PwC, will be present and a reasonable opportunity will also be given to shareholders as a whole at the Meeting to ask the PwC questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report and 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.

Shareholders can access a copy of the 2020 Annual Report on the Company's website at <https://www.allianceairlines.com.au/investor-centre/investor-centre>.

Item 2. Re-election of Directors

2.1 Re-election of Stephen Padgett

Pursuant to rule 8.1 of the Company's constitution, Mr Stephen Padgett, OAM, being a Director of the Company, retires by way of rotation and, being eligible offers himself for re-election as a Director.

Mr Stephen Padgett, OAM, is a non-executive director and has been on the Board and Chairman of Alliance Aviation Services Limited since its listing in 2011.

Steve Padgett has been in aviation for over 50 years, learning to fly at age 16 after winning a RAAF Flying Scholarship.

Steve has held a Commercial Pilot Licence, a Flight Instructor Rating with endorsements on Cessna Citation Business Jets. Steve launched his own company, Aeromil, in 1980 in Sydney and, in 1995, moved Aeromil to Queensland's Sunshine Coast, which was the catalyst for the development of Sunshine Express Airlines in 1998 and the formation of Alliance Airlines in 2002 with Steve Padgett as Chairman.

In 2015, the Aeromil Group of Companies was acquired by Hawker Pacific, with Steve appointed Deputy Chairman of Hawker Pacific Australia.

Steve is a Life Member of the Regional Aviation Association of Australia (RAAA). He is Chairman of the Australian Aviation Hall of Fame and, more recently, was invited to become a Member of the National Council of the Australian Air Force Cadets.

Steve Padgett is recognised as a leader in the aviation industry in the Asia-Pacific region and has been acknowledged by his peers as one of the region's Top 10 people of influence. In 2019 Steve was awarded the Order of Australia in the Queen's Birthday Honours list for his service to aviation. Steve does not hold any other material directorships.

As Steve Padgett is a substantial shareholder of the Company, the Board considers that he is not independent.

Recommendation - The Board (with Mr Padgett, OAM, abstaining) unanimously recommends that Shareholders vote in favour of the re-election of Stephen Padgett, OAM.

2.2 Re-election of Lee Schofield

Mr Lee Schofield, has been on the Board of Alliance Aviation Services Limited since May 2015. Lee is the Chief Executive Officer and an Executive Director of the Company.

Lee commenced his career working as a solicitor in a boutique Sydney law firm, where he acquired a broad experience in corporate, commercial and transport matters. Lee subsequently spent many years working for an international aircraft leasing company where he gathered extensive experience managing aircraft leasing, sale and financing transactions throughout the world and was part of the team that implemented an aircraft trading joint venture with investment bank Goldman Sachs.

After a period as the head of Asia/Pacific for the joint venture he then made the transition to airline operations as a member of executive team at an Australian based airline prior to joining Alliance in June 2012. Lee does not hold any other material directorships.

As Lee Schofield is an executive director of the Company, the Board considers that he is not independent.

Recommendation - The Board (with Mr Schofield, abstaining) unanimously recommends that Shareholders vote in favour of the re-election of Lee Schofield.

Item 3. Adoption of Remuneration Report

Section 250R(2) of the Corporations Act requires that the Remuneration Report of the Company for the financial year ended 30 June 2020 be laid before the Company at the Meeting and a resolution that it be adopted be put to a vote.

Although there is a requirement for a formal resolution on this Item by operation of section 250R(3) of the Corporations Act, the outcome of the resolution is advisory only and does not bind the Directors or the Company, however, the Company takes the views of the Shareholders on this point seriously, particularly when developing future remuneration policies.

The Remuneration Report is set out on pages 10 to 21 of the Company's Annual Report dated 30 June 2020. The Annual Report is available on the Company's website www.allianceairlines.com.au.

The Company's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced executive management team with the necessary skills required to lead the Company in achieving its business and strategic objectives whilst protecting the interests of Shareholders.

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable;
- aligned to the Company's strategic and business objectives and the creation of Shareholder value;
- transparent and easily understood; and
- acceptable to Shareholders.

The Board considers that the remuneration policies adopted by the Company, as outlined in the Remuneration Report, are appropriately structured to provide rewards commensurate with the Company's performance.

For voting exclusions applicable to this resolution please refer to the "Notes and additional information for Shareholders" section on pages 4 to 8 of the Notice of Meeting.

The Chairman of the meeting intends to vote all available proxies in favour of the adoption of the Remuneration Report.

Recommendation - The Board unanimously recommends that Shareholders vote in favour of the adoption of the Remuneration Report.

Items 4 & 5. Approval of issue of securities under the Performance Incentive Plan to Mr Scott McMillan and Mr Lee Schofield

ASX Listing Rule 10.14 requires that shareholder approval be obtained for a Director to acquire securities under an employee incentive scheme. Under the Performance Incentive

Plan, the Company grants eligible executives rights to acquire fully-paid ordinary shares in the Company if vesting conditions are satisfied (**performance rights**).

Accordingly, approval is being sought to allow the Company to grant Mr Scott McMillan, the Company's Managing Director, and Mr Lee Schofield, Executive Director, performance rights as the equity component of their financial year 2021 Performance Incentive and to provide the Company with the flexibility to either issue new shares or to purchase shares on-market for allocation to Mr McMillan and Mr Schofield upon vesting of the performance rights, in accordance with the Performance Incentive Plan and terms of offer, which are outlined below. If either Resolution 4 or Resolution 5 is not passed, the Board will consider alternative arrangements to appropriately remunerate and incentivise Mr McMillan and Mr Schofield, including a cash-based incentive.

Performance Incentive Plan

The purpose of the Performance Incentive Plan is to attract, retain and reward high performing executives. The Plan combines the features of a short-term incentive (STI) and a long-term incentive (LTI) and ensures alignment with longer term business strategy.

After determining to cancel the LTI under the Performance Incentive Plan for FY2020, the Board has determined to resume the Performance Incentive Plan for FY2021. An executive's performance is assessed over a 12 month period from 1 July 2020 to 30 June 2021 (the short-term element) and equity is delivered over a 3-year period (the long-term element). The 2021 Performance Incentive is an at-risk component of the Managing Director's and Executive Director's remuneration package, tested against key performance measures, and the delivery of equity under the Performance Incentive Plan ensures executives' interests are aligned with the long term interests of the Group and its shareholders

Cancellation of the 2020 Performance Incentive

During the COVID-19 pandemic the Company implemented a number of cost control measures to preserve cash flow, support its balance sheet and ensure ongoing profitability. This included cancelling the management LTI for FY2020.

Details of the cancellation are outlined in the Company's FY2020 Remuneration Report. According to AASB 2 the full value of the rights are required to be disclosed in the year of cancellation and this is reflected in the statutory remuneration table on page 17 of the Company's FY2020 Remuneration Report. However, KMP are not entitled to any FY2020 performance rights.

The Board has reviewed the remuneration for executives for FY2021 and determined that it is appropriate to provide a 2021 LTI under the Performance Incentive Plan in order to continue to incentivise management and ensure alignment with longer term business strategy.

Key terms of the 2021 Performance Incentive

Mr Scott McMillan, the Managing Director, and Mr Schofield, Executive Director, have the opportunity to receive a 2021 Performance Incentive up to the value of 50% of their fixed annual remuneration (**FAR**). Subject to satisfaction of the vesting conditions outlined below, 50% of the Performance Incentive will be delivered via a grant of performance rights and 50% by way of a cash bonus.

Subject to receipt of Shareholder approval, the Board intends to grant the performance rights shortly after the Meeting and in any event, no later than 12 months after the date of the Meeting.

It is proposed that Mr McMillan be granted **39,770** performance rights, which has been determined by dividing his maximum 2021 Performance Incentive opportunity (i.e. 50%] of Mr McMillan's FAR equalling **\$565,201**) by 2 (because performance rights represent 50% of the Performance Incentive) and then dividing that by the volume weighted average price (**VWAP**) of the Company's shares over the five business days from 6 August 2020 following the release of the Company's results (being **\$3.5529**) to give the total maximum number of performance rights to be granted.

It is proposed that Mr Schofield be granted **29,061** performance rights, which has been determined by dividing his maximum 2021 Performance Incentive opportunity (i.e. 50% of Mr Schofield's FAR equalling **\$413,007**) by 2 (because performance rights represent 50% of the Performance Incentive)] then dividing that by the VWAP of the Company's shares over the five business days from 6 August 2020 following the release of the Company's results (being **\$3.5529**) to give the total maximum number of performance rights to be granted.

As the performance rights will form part of the Managing Director's and Executive Director's remuneration, there is no price paid or payable on issue of performance rights or allocation of shares.

The Company delivers the 2021 Performance Incentive partly in the form of performance rights because they create share price alignment between the Managing Director and Executive Director and shareholders but do not provide the full benefits of share ownership (such as dividend and voting rights) unless the performance rights vest.

The Board considers that the Performance Incentive currently in place is appropriately structured to provide incentives commensurate with the Company's performance. The Board will continue to review both internal and external factors related to the Performance Incentive Plan to ensure its alignment with the Company's remuneration principles.

Vesting conditions

The performance rights vest subject to the satisfaction of performance and service conditions described below.

Performance conditions: performance rights are subject to satisfaction of a scorecard of key performance indicators (**KPIs**) set by the Board. The scorecard of KPIs for Mr McMillan and Mr Schofield consist of a majority of financial metrics (i.e. more than 50%) with the balance consisting of safety, on time performance and other non-financial metrics. The KPIs will be assessed over a 12 month performance period from 1 July 2020 to 30 June 2021.

Performance against the KPIs will be assessed by the Board after the financial accounts for the relevant financial year have been audited (expected to be in August 2021). Following the assessment, the Board approves the payment of the cash component (if any) and confirms the number of performance rights that have become 'qualified' performance rights. If, for example, 60% of the performance rights become qualified, it is considered that the executive has performed 'at target'. If 100% of the performance rights are determined to be 'qualified'

then the executive has met 'stretch' performance and exceeded expectations. Any performance rights that do not become 'qualified' will immediately lapse.

Service conditions: once the performance rights become performance 'qualified', on assessment against the KPIs, vesting of those qualified performance rights is based on service i.e. for performance rights to vest the executive must remain continuously employed by the Group at each vesting date. The vesting schedule is as follows:

- 50% of the 'qualified' performance rights will vest on the later of 15th August 2022 or the date on which the Company's FY22 Financial Statements are released to the ASX.
- 50% of the 'qualified' performance rights will vest on the later of 15th August 2023 or the date on which the Company's FY23 Financial Statements are released to the ASX.

Vesting of performance rights and dealing restrictions

On vesting, each performance rights entitles the executive to receive a fully-paid ordinary share in the Company. The Board retains discretion to make a cash equivalent payment in lieu of an allocation of shares.

Prior to vesting, performance rights do not entitle the executive to any dividends or voting rights. [The executives must not sell, transfer, encumber, hedge or otherwise deal with performance rights]. Upon vesting of performance rights, Mr McMillan and Mr Schofield will be free to deal with any shares allocated to them on vesting of the performance rights, subject to the requirements of the Company's Securities Dealing Policy.

Cessation of employment

Unless the Board determines otherwise, where Mr McMillan or Mr Schofield ceases to be an employee of the Group by reason of resignation or is terminated for cause, all unvested performance rights will lapse.

In all other circumstances (including genuine retirement, redundancy, death, total and permanent disability, or termination by mutual agreement), all unvested performance rights will remain on foot and be subject to the original terms of offer, as though the individual had not ceased employment, unless the Board determines otherwise.

Change of control and takeover event

If a change of control event occurs (including a takeover event or any other transaction, event or state of affairs that, in the Board's opinion, is likely to result in a change in the control of the Company) the Board may decide that some or all of the unvested Rights will vest, lapse or remain on foot. Where only some of the performance rights vest, the remainder will immediately lapse. In determining whether to exercise its discretion, the Board will have regard to any circumstances it considers appropriate.

If an actual change of control of the Company occurs before the Board has exercised its discretion, all unvested Rights will vest and be automatically exercised. The Board retains the discretion to determine a different treatment.

Malus and clawback

The Board has broad “malus” and “clawback” powers to determine that performance rights lapse, any shares allocated on vesting are forfeited, in certain circumstances. For example, in the case of fraud or dishonesty or where the executive has done an act which has brought the Company or the Group into disrepute.

Other information required by ASX Listing Rule 10.15

- Mr McMillan’s total current remuneration package is \$847,802, comprising \$565,201 as FAR (inclusive of superannuation) and \$282,601 as performance incentives (based on maximum opportunity). Mr Schofield’s total current remuneration package is \$619,511, comprising \$413,007 as FAR (inclusive of superannuation) and \$206,504 as performance incentives (based on maximum opportunity). Shareholders are referred to the FY2020 Remuneration Report for further details of Mr McMillan’s and Mr Schofield’s remuneration.
- **537,519** performance rights have been granted to Mr McMillan and **268,555** performance rights have been granted to Mr Schofield under the Performance Incentive Plan in prior years. These performance rights and shares were granted to Mr McMillan and Mr Schofield for no cost. Approval is currently not required in respect of any other participants under the Performance Incentive Plan.
- There have been no loans granted to Mr McMillan or Mr Schofield in relation to the acquisition of these performance rights or shares under the Performance Incentive Plan.
- Details of any shares issued under the Performance Incentive Plan will be published in the Company’s Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Performance Incentive Plan after this resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14.
- Voting exclusions apply to Resolution 4 and 5. Please refer to the “Notes and additional information for Shareholders” section on pages 4 to 8 of the Notice of Meeting.

Recommendation - The Board (excluding Mr McMillan and Mr Schofield) recommends that Shareholders vote in favour of Resolution 4 and Resolution 5.

Item 6. Ratification of share issue to refresh placement capacity

On 11 June 2020 (**Agreement to Issue Date**), the Company announced a fully underwritten \$91.9 million institutional placement of new fully paid ordinary shares in the Company to eligible investors (the **Placement**).

On 18 June 2020 (**Issue Date**), the Company issued 31,140,000 fully paid ordinary shares of the Company (**Shares**) pursuant to the Placement (**Issue**).

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the number of fully paid ordinary securities it had on issue at the start of that period.

ASX’s *Class Waiver Decision – Temporary Extra Placement Capacity* temporarily increases the limit on placements without shareholder approval from 15% to 25% under Listing Rule

7.1 (Temporary Extra Placement Capacity Waiver). A company may utilise the Temporary Extra Placement Capacity Waiver to make a single placement of fully paid ordinary securities only. The Company Placement was undertaken in accordance with the Temporary Extra Placement Capacity Waiver and resulted in approximately 24.4% of Alliance’s existing share capital being issued.

The Issue did not fit within any of the exceptions to ASX Listing Rule 7.1. As it has not yet been approved by the Company’s shareholders, the Issue used up all of the Company’s 15% limit under ASX Listing Rule 7.1. This reduces the Company’s capacity to issue further equity securities without shareholder approval under ASX Listing Rule 7.1 for the 12-month period following the Agreement to Issue Date.

ASX Listing Rule 7.4 allows the shareholders of a listed company to approve/ratify an issue of equity securities after it has been made. If they do so, the issue is taken to have been approved under Listing Rule 7.1 and does not reduce the company’s capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain flexibility to issue additional equity securities in the 12-month period following the Agreement to Issue Date without having to obtain shareholder approval within the 15% annual limit for such issues under ASX Listing Rule 7.1.

To this end, this resolution seeks shareholder approval to ratify the Issue under and for the purposes of ASX Listing Rule 7.4.

If this resolution is passed, the Issue will be excluded in calculating the Company’s 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities it can issue without shareholder approval over the 12-month period following the Agreement to Issue Date.

If this resolution is not passed, the Issue will be included in calculating the Company’s 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the Agreement to Issue Date.

Information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the proposed approval of the Issue:

Number of shares issued for which approval is sought	19,092,975 Shares, equal to 15%
Issue price of Shares	\$2.95 per share
Date of issue	18 June 2020
Names of the persons to whom the Company issued the shares or the basis on which those persons were determined	The shares were issued pursuant to an institutional placement to existing institutional investors.
Purpose of the issue	The purpose of the Placement was to provide funding to support Alliance’s growth strategy, which includes identifying and evaluating the potential expansion opportunities that have arisen as a result of the COVID-19 pandemic.

Recommendation

The Board recommends that shareholders vote **in favour** of this resolution.

Item 7. Re-insertion of proportional takeover approval provisions

The provisions relating to proportional takeover bids contained in Rule 6 of the Company's constitution are designed to assist shareholders to receive proper value for their shares if a proportional takeover bid is made for the Company.

Under the Corporations Act, these provisions must be renewed every three years or they will cease to have effect. These provisions have not been renewed and have ceased to have effect and must be re-inserted at this Annual General Meeting in order to apply to any future proportional takeover offers.

If these provisions are approved by shareholders at the meeting, they will be in exactly the same terms as the previous provisions and will operate for three years. A copy of the Company's current constitution is available on the Company's website at <https://www.allianceairlines.com.au/investor-centre/corporate-governance>.

Statement under the Corporations Act

The Corporations Act requires that the following information be provided to Shareholders when they are considering insertion of proportional takeover provisions in a constitution.

Effect

A proportional takeover offer is where an offer is made to each shareholder for a proportion of that shareholder's shares, and not for the shareholder's entire shareholding. The provisions of the Company's constitution state that, if a proportional takeover bid is made, the Directors must ensure that shareholders vote on a resolution to approve the bid more than 14 days before the bid period closes (or such later date as is approved by the Australian Securities and Investments Commission).

The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote, but the bidder and its associates are not allowed to vote.

If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's constitution.

The Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on. However, if the resolution is not voted on, the bid will be taken to have been approved.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for 3 years after approval. The provisions may be renewed, but only by a special resolution.

Reasons for proposing the resolution

If the proportional takeover approval provision is not in the constitution, a proportional takeover bid may enable control of the Company to pass without shareholders having the opportunity to sell all of their shares to the bidder.

Shareholders may therefore be exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares. The proposed proportional takeover provisions decrease this risk because they allow shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

Review of proportional takeover provisions

While proportional takeover approval provisions have previously been in force under the Company's constitution, there have been no full or proportional takeover bids for the Company. Therefore, there is no example against which to review the advantages or disadvantages of the provisions for the Directors and the shareholders.

The Directors are not aware of any potential takeover that has been discouraged by Rule 6 of the Company's constitution.

Potential advantages and disadvantages

The Directors consider that the re-insertion of the proportional takeover approval provisions has no potential advantages or disadvantages for them. They remain free to make a recommendation as to whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover approval provisions for shareholders of the Company are:

- shareholders have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- the provisions may help shareholders avoid being locked in as a minority;
- the bargaining power of shareholders is increased (this may help ensure that any partial offer is adequately priced); and
- knowing the view of the majority of shareholders may help each individual shareholder assess the likely outcome of the proportional takeover bid and to decide whether to accept or reject that offer.

The potential disadvantages for shareholders of the Company include:

- proportional takeover bids for shares in the Company may be discouraged;
- shareholders may lose an opportunity of selling some of their shares at a premium; and
- the chance of a proportional takeover bid being successful may be reduced.

The Board considers that the potential advantages for shareholders of the proportional takeover approval provisions outweigh the potential disadvantages. In particular, shareholders as a whole are able to decide whether or not a proportional takeover bid is successful.

No knowledge of any acquisition proposals

At the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Recommendation

The Board unanimously recommends that shareholders vote in favour of this resolution.