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ASX Announcement

3 December 2021

Issue of Performance Rights and Options

Performance Rights

HRL Holdings Limited (ASX:HRL) wishes to advise that it has issued 1,694,549 new performance rights to participants in accordance with the Company's FY2022 Long Term Incentive Plan.

The Company advises that a total of 2,086,339 performance rights issued under the FY2020 and FY2021 Long Term Incentive Plan have now lapsed and have been cancelled as the service conditions for vesting were not achieved.

Further the Company advises that a total of 3,401,410 performance rights issued to the CEO and CFO under the FY2020 and FY2021 Long Term Incentive Plans have now been cancelled and replaced by a new Executive Option Plan (refer details further below).

The impacts on the number of performance rights on issue are outlined in the below table:

	FY2022 LTI Plan	FY2021 LTI Plan	FY2020 LTI Plan
Number of performance rights issued	-	4,088,723	4,880,961
New performance rights issued under the FY2022 LTI plan	1,694,549	-	-
Performance rights lapsed due to service conditions not being	-	(813,060)	(1,273,249)
Cancellation of CEO and CFO performance rights	-	(1,633,394)	(1,768,015)
Total LTI performance rights on issue	1,694,549	1,642,239	1,839,697

A summary of the Performance Rights LTI Plan is included in Appendix 1.

Executive Option Plan

The Company advises that it has issued a total of 15,000,000 options, under a new scheme, to the CEO and CFO in replacement of the previously issued and future performance rights schemes. A summary of the options issued are outlined below:

	First Tranche	Second Tranche	Third Tranche
Number of options - CEO	4,000,000	3,000,000	3,000,000
Number of options - CFO	2,000,000	1,500,000	1,500,000
Grant Date	3/12/2021	3/12/2021	3/12/2021
Exercise Price	\$0.12	\$0.12	\$0.12
Vesting Condition A HRL share price of at least \$0.21 at twenty VWAP Trading Days following the release of the Annual Report for the relevant financial year:	FY2024	FY2025	FY2026
Vesting Condition B Recipient to remain employed with HRL until at least twenty VWAP Trading Days following the release of the Annual Report for the relevant financial year:	FY2024	FY2025	FY2026
Expiry Date	3/12/2026	3/12/2026	3/12/2016

A summary of the Executive Option Plan is included in Appendix 2.

The recipients of the Executive Options are:

	Number of Options	Percentage of Options
Steven Dabelstein - CEO	10,000,000	66.67%
Michael Harvey - CFO	5,000,000	33.33%

Authorised by the Board

Paul Marshall
Company Secretary

Appendix 1 – Summary of Performance Rights LTI Plan

1. The LTI Plan is a long-term incentive scheme aimed at creating a stronger link between an eligible employees' performance and reward whilst increasing Shareholder value in the Company and provides the opportunity for invited key employees to receive shares in the company via Performance Rights.
2. The Board, at their discretion, will invite key employees to participate in the LTI Plan. Awards will be at the sole discretion of the Board.
3. The participant's position within the Company will dictate the quantum of the award which will be based on the size of the business that they are managing and their strategic importance to the business as well to retain scarce skillsets or business contacts.
4. The price used to determine a participant's initial allocation of Performance Rights is normally the weighted average price of Shares during the 20 trading days following the date of announcement of the final full year results immediately preceding issue date.
5. Participation in the LTI Plan will be optional and no discrimination will accrue to invited executives/employees who choose not to participate in the plan.
6. Performance Rights under the LTI Plan will be issued free of charge, and will vest upon the Company meeting certain Earnings per Share Measure (**EPS**), Earnings before Interest, Taxes, Depreciation and Amortization (**EBITDA**), Total Shareholder Return (**TSR**) and Return on Capital Employed (**ROCE**) performance hurdles and will run over a 3 year performance period.
7. The Performance Rights will only vest and become exercisable where the relevant performance hurdles and employment service conditions have been met. The performance hurdles are as follows:

Performance Hurdle	Hurdle requirement	Proportion of Performance Rights that may be exercised if the Performance Hurdle is met
Earnings per Share Measure	Compound annual diluted EPS growth less than 10%	Nil
	Compound annual diluted EPS growth 10% or higher	25% of total grant
Earnings before Interest, Taxes, Depreciation and Amortization	Less than average EBITDA margin of comparator peer companies	Nil
	More than average EBITDA margin of comparator peer companies	25% of total grant
Total Shareholder Return	Below the TSR for ASX Small Ordinaries over the Performance Period	Nil
	Above the TSR for ASX Small Ordinaries over the Performance Period	25% of total grant
Return on Capital Employed	ROCE of less than weighted average cost of capital (WACC) + 2%	Nil
	ROCE of between WACC + 2% and +7%	Straight line vesting of between 0% and 25% of total grant
	ROCE exceeds WACC + 7%	25% of total grant

8. The employment service conditions are as follows:
- (a) should the participant leave or be terminated from the Company during the three year period of the LTI Plan, all unvested Performance Rights will be forfeited;
 - (b) subject to (c) directly below, the participant must be employed on the vesting date (subject to EPS, EBITDA, TSR and ROCE performance criteria being met) to be eligible to exercise their Performance Rights and receive shares under the LTI Plan;
 - (c) (b) above will not apply where termination is due to death or bona fide age or disability retirement, in which case the participant may access their Performance Rights as follows:
 - (1) if terminated within the first year of the LTI - forfeit all Performance Rights;
 - (2) if terminated within second year of the LTI - forfeit two thirds of Performance Rights, with the remaining one third available but dependent upon the calculation at (4) below;
 - (3) if terminated within third year of the LTI - forfeit one third of Performance Rights, with the remaining two thirds available but dependent upon the calculation at (4) below; and
 - (4) the quantity of the remaining proportion that will vest will be calculated based on the average of the previous three years vested plans. Alternatively, eligible participants may choose to wait for the actual scheduled vesting to occur.
 - (d) further exceptions to the above are at the absolute discretion of the Board.
9. At the end of year, participants will be provided with an interim report by 30 September detailing the Company's performance against each hurdle.
10. At the end of the full three-year vesting period, the EPS, EBITDA, TSR and ROCE hurdles will be tested to ascertain whether full or partial vesting has occurred.
11. Participants will be advised of the Company's performance against the hurdles and the number of Performance Rights that will vest accordingly.
12. The vesting date will be 30 September 2024, being three months after the close of the 2023-2024 financial year to allow for testing to occur. To exercise vested Performance Rights participants will need to complete and submit a notice of exercise.
13. Once Performance Rights have been exercised, participants will be allocated Shares by the Company.
14. Participants will be able to sell their vested and exercised shares in accordance with the Company's Securities Trading Policy.
15. Participants will not be entitled to any shareholder benefits such as dividends and voting rights until they have been allocated Shares. Once the Shares have been allocated, the participant will then be entitled to receive dividends and exercise voting rights on the Shares, irrespective of any disposal restrictions.
16. In the event that a bona fide takeover bid for the Company is declared unconditional and the bidder has acquired a relevant interest of at least 50% in the Company's securities, then 50% of all unvested shares in years 1, 2 and 3 of the LTI Plan shall vest automatically.

Appendix 2 – Summary of Executive Option Plan

1.1 Definitions

Change in Control Transaction means:

- (a) the Company entering into a scheme of arrangement with its creditors or members or any class there of pursuant to section 411 of the Corporations Act; or
- (b) any person, who at the Issue Date does not hold more than 50% of the shares in the Company, acquiring more than fifty (50%) percent of the shares in the Company pursuant to a takeover bid conducted in accordance with Chapter 6 of the Corporations Act; or
- (c) if at any time after the date of grant of the Options, any person, who at the Issue Date does not hold more than 50% of the shares in the Company, acquires fifty (50%) percent or more of the Company's shares;

First Tranche Options means 4,000,000 options for the CEO, and 2,000,000 options for the CFO to subscribe for Shares.

Issue Date means 3 December 2021.

Life means, in relation to an Option, the period between grant of the option and its Vesting Date.

Listing Rules means the Listing Rules of the ASX.

Market Price has the meaning given to that term in chapter 19 of the Listing Rules.

Options means the:

- (a) First tranche Options;
- (b) Second Tranche Options; and
- (c) Third Tranche Options.

Option Exercise Price means twelve cents (\$0.12) per Option;

Option Expiry Date means 5 years after the Issue Date.

Option Period means the period between the Issue Date and the Option Expiry Date.

Shares means ordinary shares in the capital of the Company.

Second Tranche Options means 3,000,000 options for the CEO, and 1,500,000 options for the CFO to subscribe for Shares.

Trading Day has the meaning given to that term in the Listing Rules.

Third Tranche Options means 3,000,000 options for the CEO, and 1,500,000 options for the CFO to subscribe for Shares.

Threshold Price means \$0.21.

Vesting Condition means the VWAP of the Shares for the VWAP Period ending on the relevant Vesting Date is equal to or greater than the Threshold Price.

Vesting Date means in respect of the:

- (a) First Tranche Options, the date which is twenty VWAP Trading Days following the date on which the Company releases its Annual Report for the 2024 year;
- (b) Second Tranche Options the date which is twenty VWAP Trading Days following the date on which the Company releases its Annual Report for the 2025 year; and
- (c) Third Tranche Options, the date which is twenty VWAP Trading Days following the date on which the Company releases its Annual Report for the 2026 year;

VWAP means volume weighted average market price as defined in Chapter 19 of the Listing Rules.

VWAP Period means a period of 20 consecutive VWAP Trading Days.

VWAP Trading Day means a Trading Day on which the Company's Shares have actually traded on ASX.

2. Options

2.1 Grant of Options

On the Issue Date, the Company shall grant the Options to the Grantee (or its nominee).

2.2 Option is personal

Each Option:

- (a) shall entitle the Option Holder to subscribe for one (1) share in the Company in accordance with the terms and conditions set out in the Option Deed;

2.3 No money payable

No money is payable by the Grantee in consideration of the grant of any of the Options.

3. Exercise Price

3.1 Amount

Subject to clauses 3.2 and 5, the Options shall be exercisable at the Option Exercise Price.

3.2 Adjustment

The Option Exercise Price at the date of grant of that Option is subject to adjustment as provided in the deed and, whenever an adjustment is effected under the deed, the adjusted amount will become the Option Exercise Price which applies to each Share comprised in that Option unless it is itself adjusted under the deed.

4. Right to Exercise Options

4.1 Entitlement to exercise Options

An Option will only be exercisable by the Grantee if:

- (a) the Grantee remains employed with or engaged by the Company as at the Vesting Date attributable to the relevant Option;

- (b) the relevant Vesting Condition has been satisfied with respect to the relevant Option; and
- (c) it is exercised prior to the relevant Option Expiry Date.

4.2 Lapse

- (a) An Option which has not been exercised as to the whole of the Shares comprised in it on or before the relevant Option Expiry Date lapses at 5.00pm on the relevant Option Expiry Date.
- (b) An Option which is exercised as to the whole of the Shares comprised in it lapses when it is last exercised.
- (c) All Options lapse on the liquidation of the Company.

4.3 Change in Control Transaction

Notwithstanding clause 4.1(b) but subject to clause 4.1(a), on a Change in Control Transaction where the underlying value attributed to each Share is greater than the Vesting Condition calculated by reference to the VWAP Period ending on the Trading Day immediately before the Change in Control Transaction was announced, all Options which are at least one-third through their vesting period will immediately vest and become capable of exercise.

5. Adjustments

5.1 Adjustment for rights issue

If, during the Life of any Option the Company is listed on ASX; and:

- (a) Shares are offered pro rata for subscription by the Company to its shareholders generally by way of a rights issue; and
- (b) the price at which each Share is so offered is less than the Market Price in force on the day of public announcement of the rights issue:
 - (1) the Option Exercise Price applicable to each Share then comprised in an Option shall be reduced by the value of the theoretical rights entitlement per cum rights share and that theoretical rights entitlement per cum rights share shall be taken to have a value calculated by applying the formula:

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

Where:

A is the new subscription price for the Option.

O is the old subscription price for the Option.

E is the number of underlying shares into which one Option is exercisable.

P is the average Market Price per share (weighted by reference to volume) of the underlying shares during the five trading days on the day before the ex rights date or ex entitlements date.

S is the subscription price for a share under the rights issue.

D is the dividend (in the case of a trust, distribution) due but not yet paid on existing underlying shares (except those to be issued under the rights issue).

N is the number of shares with rights or entitlements that must be held to receive a right to one new share.

- (2) the Threshold Price applicable to each Option shall be reduced by the value of the discount calculated by applying the formula:

$$T = O * (1 - E * [(P - S) / P])$$

Where:

T is the new Threshold Price for the Option.

O is the old Threshold Price for the Option.

E is the number of underlying shares into which one Option is exercisable.

P is the average Market Price per share (weighted by reference to volume) of the underlying shares during the five trading days on the day before the ex rights date or ex entitlements date.

S is the subscription price for a share under the rights issue.

5.2 Adjustment for bonus issue

- (a) If, during the Life of any Option, Shares are issued pro rata to the Company's shareholders generally by way of bonus issue (and whether effected by way of a return of capital, declaration of dividend or otherwise), the Grantee will be entitled, on later exercise of that Option as to some or all of the Shares comprised in it, to receive in addition to the Shares in respect of which the Option is exercised an allotment of so many additional shares as would have been issued to a shareholder who, on the date for determining entitlements under the bonus issue, held shares equal in number of the Shares in respect of which the Option is exercised (**Additional Shares**).
- (b) If any impediment or constraint exists under the Corporations Act or any other law in respect of the exercise by the Company of the rights under subclause 5.2(a) which might otherwise prevent the issue of some or all of the Additional Shares, the Company and the Grantee will, if one of them so requests, consult together in good faith with a view to determining whether an alteration should be made to the deed or the terms of any Option in order to remedy or forestall the Grantee being deprived of the benefits of subclause 5.2(a).
- (c) The Additional Shares to which the Grantee becomes entitled will, from the time Shares are issued under the bonus issue and until the Additional Shares are allotted, be regarded as Shares comprised in the relevant Option for the purposes of subsequent applications of subclause 5.2(a) and any adjustments which, after the time just mentioned, are made under clause 5.3 to the number of Shares comprised in an Option must also be made to the Additional Shares as if they were Shares comprised in the Option.

5.3 Adjustment for Reconstruction and other events

- (a) If, during the Life of any Option, Shares are subdivided into Shares of smaller fixed amount or consolidated into Shares of larger fixed amount, the Option is to be taken to comprise so many Shares of the new fixed amount as the subdivision or consolidation would have produced from the Shares comprised in the Option immediately before the subdivision or consolidation had the Shares comprised in the Option been on issue immediately before the subdivision or consolidation and the Subscription Price applicable to each Share of the next fixed amount comprised in the Option and the Threshold Price must be correspondingly adjusted.
- (b) If, during the Life of any Option, the Company makes a return of capital to its shareholders generally, the Subscription Price applicable to each Share comprised in

the Option and the Threshold Price are to be reduced by the amount of the capital returned in respect of each Share.

- (c) If, during the Life of any Option, there occurs any other reconstruction of the capital of the Company affecting issued Shares, the Shares comprised in the Option or the Subscription Price applicable to each such Share or both shall be adjusted in conformity with the reconstruction and so that:

- (1) each benefit, if any, made available to shareholders generally through the reconstruction is made available to the Grantee through the Option; and
- (2) no benefit not made available to shareholders generally through the reconstruction will be made available to the Grantee through the Option,

and the Company and the Grantee will if one of them so requests, consult together in good faith with a view to determining whether an alteration should also be made to the Threshold Price in order to remedy or forestall any results which are inequitable to the Company or the Grantee.

- (d) If the Company is listed on ASX, then, subject to the Listing Rules, where any other reconstruction or alteration occurs in relation to Shares or the Company's share capital or other securities of the Company which, in the reasonable opinion of the Company or the Grantee:

- (1) affects or is likely to affect the position of holders of Shares in a way not contemplated by the deed; or
- (2) produces or may produce in relation to an Option (whether or not then granted) results which are inequitable to the Company or the Grantee,

the Company and the Grantee will, if one of them so requests, consult together in good faith with a view to determining whether an alteration should be made to the deed or the terms of any option or both in order to remedy or forestall the results considered inequitable.

5.4 Cumulation of adjustments

Full effect must be given to clauses 5.1, 5.2 and 5.3 when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect are to reflect in relation to the Shares comprised in an Option the adjustments which on the occasions in question are progressively effected in relation to Shares already on issue.

5.5 Participation in other opportunities

- (a) The Grantee shall not participate in dividends or in bonus issues unless the Options are exercised.
- (b) While the Grantee does not have any participating rights in new issues of securities in the Company during the term of any vested Options held, the Grantee shall be afforded a period of at least 10 Business Days before the record date to determine entitlements to the issue, to exercise the Options and it shall be a condition of the Options that any entitlements to bonus issues of securities are only available to the Grantee in the event of a prior exercise of the Options.

6. Listed securities

6.1 Status of Options

The Options shall be unlisted.