



## **Notice of Annual General Meeting 2006**

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**Thursday, 2 November 2006  
"Jones and Co. Conference Room"  
Henry Jones Art Hotel  
25 Hunter Street  
Hobart  
Tasmania  
Commencing at 9.00am (Hobart time)**

**NOTE:  
REGISTRATIONS  
COMMENCE AT  
8.30AM**

**THIS IS AN IMPORTANT DOCUMENT. PLEASE READ IT CAREFULLY.**  
IF YOU ARE UNABLE TO ATTEND THE ANNUAL GENERAL MEETING, PLEASE COMPLETE THE PROXY FORM ENCLOSED AND RETURN IT IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT ON THAT FORM.

**2006**

# Notice of Annual General Meeting

Tassal Group Limited



**Notice is hereby given that the third Annual General Meeting of shareholders of Tassal Group Limited ("Tassal" or "the Company") will be held at "Jones & Co. Conference Room", Henry Jones Art Hotel, 25 Hunter Street, Hobart, Tasmania on Thursday, 2 November 2006 commencing at 9.00am (Hobart time) for the purposes of transacting the following business.**

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## **Business:**

### **1. Financial Statements and Reports**

To receive and consider the Annual Financial Report, the Directors' Report and the Independent Audit Report of Tassal and its controlled entities for the financial year ended 30 June 2006.

### **2. Remuneration Report**

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

"That the Remuneration Report for the financial year ended 30 June 2006, (as set out in the Directors' Report) is adopted."

Please note that the vote on this resolution is advisory only, and does not bind the Directors of the Company or the Company.

### **3. Election of Directors**

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

- a. "That Mr Mark Ryan, being a Director of the Company, who retires in accordance with Clause 25.4 of the Company's Constitution and being eligible, is elected a Director."
- b. "That Mr Maurice Van Ryn, being a Director of the Company who retires in accordance with Clause 24.1 of the Company's Constitution and being eligible, is re-elected a Director."
- c. "That Mr John Watson, being a Director of the Company who retires in accordance with Clause 24.1 of the Company's Constitution and being eligible, is re-elected a Director."

### **4. Issue of 400,000 Ordinary Shares Pursuant to Employment Contract of Mr Mark Ryan**

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

"That the grant of 400,000 ordinary shares to Mr Mark Ryan, the Managing Director and Chief Executive Officer of the Company, pursuant to Mr Mark Ryan's Employment Contract with the Company, in the manner set out in the Explanatory Notes accompanying the Notice of Annual General Meeting in which this resolution is set out be approved for all purposes, including for the purposes of ASX Listing Rule 10.14."

## 5. Long Term Incentive Plan

### a. Grant of Performance Rights Pursuant to Long Term Incentive Plan

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

"That, for the purposes of ASX Listing Rule 7.2, approval be given to the issue of securities in the Company, pursuant to and in accordance with the terms of the "Tassal Group Limited Long-Term Incentive Plan" (**Incentive Plan**) established by the Board of Directors of the Company, as amended from time to time, details of which are set out in the Explanatory Notes accompanying the Notice of Annual General Meeting in which this resolution is set out, as exceptions to ASX Listing Rule 7.1, such approval to be effective for a period of 3 years commencing on and from the day following the date of the passing of this resolution."

### b. Grant of 189,264 Performance Rights to Mr Mark Ryan Pursuant to the 2006 Performance Rights Package

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

"That, in connection with the Incentive Plan and for the purposes of ASX Listing Rule 10.14, approval be given to the grant to Mr Mark Ryan, the Managing Director of the Company, of up to a maximum of 189,264 performance rights in accordance with the terms and conditions of the Incentive Plan (each performance right being a right to be allocated one fully paid ordinary share in the capital of the Company subject to the terms and conditions of the Incentive Plan), as more particularly specified in the Explanatory Notes accompanying the Notice of Annual General Meeting in which this resolution is set out."

## By order of the Board



Nick Burrows  
Company Secretary  
29 September 2006

## Explanatory Notes for Shareholders

Additional information concerning the ordinary business is contained in the Explanatory Notes to the Notice of Annual General Meeting, which accompanies and forms part of the Notice of Annual General Meeting. The Notice of Annual General Meeting should be read in conjunction with the Explanatory Notes.

### Eligibility to Vote

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting. The Company's Directors have determined that all shares of the Company that are quoted on ASX at 7.00pm (Hobart time) on Tuesday, 31 October 2006 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

This means that any person registered as the holder of an ordinary share in the capital of the Company at 7.00pm (Hobart time) on Tuesday, 31 October 2006, is entitled to attend and vote at the Annual General Meeting in respect of that share. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the Annual General Meeting.

### Appointing a Proxy

1. If you are entitled to attend and vote at the Annual General Meeting, you have a right to appoint a person to attend and vote for you at the Annual General Meeting as your proxy. To appoint a proxy please complete the enclosed Appointment of Proxy Form. A proxy need not be a shareholder of the Company and may be an individual or a body corporate. A body corporate-appointed proxy may appoint a representative to exercise the powers that the body corporate may exercise as the member's proxy.
2. A shareholder entitled to cast two or more votes is entitled to appoint up to two persons to attend the meeting and vote and may specify the proportion or number of votes each proxy is appointed to exercise. If you wish to appoint two proxies, an additional Appointment of Proxy Form may be obtained by telephoning the Company's share registry on 1300 850 505 or you may copy the Appointment of Proxy Form that accompanies this Notice of Annual General Meeting.

To appoint a second proxy:

- (a) On each of the first Appointment of Proxy Form and the second Appointment of Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) Return both forms together in the **same** envelope.

### Lodging your Proxy Form

Any duly executed Appointment of Proxy Form and the power of attorney (if the proxy form is signed by the appointor's attorney) or other authority under which it is signed or a copy of that power or authority certified as a true copy by statutory declaration **must be received at an address given below no later than 9.00am (Hobart time) on Tuesday, 31 October 2006. Any Appointment of Proxy Form received after that time will not be valid for the scheduled meeting.**

The Appointment of Proxy Form accompanying this Notice of Annual General Meeting may be lodged using the reply paid envelope or:

<b>IN PERSON</b>	Registered Office – 20 Glen Road, Huonville, Tasmania, Australia 7109 Share Registry – Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, Australia 3067
<b>BY MAIL</b>	Registered Office – 20 Glen Road, Huonville, Tasmania, Australia 7109 Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, Australia, 3001
<b>BY FAX</b>	Registered Office - 61 3 6264 7010 Share Registry - 61 3 9473 2555

If you appoint a proxy, you may still attend the meeting. However, your proxy's rights to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the meeting.

### How the Chairman of the Meeting will Vote Undirected Proxies

The Chairman of the Meeting intends to vote undirected proxies in favour of all the resolutions. Tassal encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution.

### Attending the Meeting

If you attend the meeting, please bring your personalised proxy form with you. The bar code at the top of the form will help you to register. If you do not bring your form with you, you will still be able to attend the meeting but representatives from Computershare Investor Services Pty Limited will need to verify your identity.

You will be able to register from 8.30am (Hobart time) on the day of the meeting.

### Corporate Shareholders

Corporate shareholders who wish to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this meeting only or for all meetings of Tassal.

**These Explanatory Notes have been prepared to assist shareholders to understand the business to be put to shareholders at the Annual General Meeting.**

## **1. Consideration of Financial Statements and Other Reports**

In accordance with Section 317 of the Corporations Act 2001, the Financial Report, Directors' Report and Auditor's Report for Tassal for the financial year ended 30 June 2006 will be laid before the Meeting. There is no requirement for shareholders to approve these reports. However, following consideration of the Reports, the Chairman will allow a reasonable opportunity for shareholders to ask questions or make comments about these reports and the management of Tassal.

Further, written questions to the Chairman about the management of Tassal, or to Tassal's auditors about:

- the conduct of the audit;
- the preparation and content of the Independent Audit Report;
- the accounting policies adopted by Tassal in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit

May be submitted to the Company no later than the 5<sup>th</sup> business day before the Annual General Meeting that is on or by Wednesday, 25 October 2006. Questions are to be submitted to:

The Company Secretary  
Tassal Group Limited  
GPO Box 1645  
Hobart Tasmania 7001

Facsimile: (03) 6264 7010  
Email: [tassal@tassal.com.au](mailto:tassal@tassal.com.au)

A list of written questions, if any, submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

## **2. Adoption of Remuneration Report**

The Remuneration Report of the Company for the financial year ended 30 June 2006 is set out in Section 20 of the Directors' Report of Tassal's 2006 Annual Report.

The Remuneration Report:

- Explains the Board's policy for determining the nature and amount of remuneration of Non-executive Directors and senior Executives of the Company;
- Explains the relationship between the Board's remuneration policy and the Company's performance;
- Sets out remuneration details for each Director and the named senior Executives of the Company; and
- Details and explains any performance conditions applicable to the remuneration of senior Executives of the Company.

The Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the Remuneration Report at the meeting. In addition, Section 250R(2) of the Corporations Act 2001 requires that a resolution to adopt the Remuneration Report, be put to the vote. However the vote on this resolution is only advisory and does not bind the Company or its Directors.

While there is no legal requirement to abstain from voting, Tassal believes it appropriate that none of the Directors, the named Executives or their associates should vote on this advisory resolution, except as directed by any proxies.

### **Board Recommendation:**

The Directors recommend that you vote in favour of this advisory resolution.

### 3. Election of Directors

Resolutions 3(a), 3(b) and 3(c) refer to the election of Directors.

Clause 25.4.2 of the Company's Constitution requires that **any** Director appointed by the Directors as an addition to the existing Directors, shall hold office until the next Annual General Meeting and shall then be eligible for election. Mr Mark Ryan, who was appointed by the Directors as a Director of the Company since the last Annual General Meeting, is accordingly seeking election by shareholders as a Director of the Company.

Mr Mark Ryan was also, since the last Annual General Meeting, appointed by the Directors as Managing Director pursuant to clause 26.1.1 of the Constitution. Clause 26.1.2 of the Constitution and ASX Listing Rule 14.4 provide that the requirement that a Director appointed since that last Annual General Meeting by the Directors be re-elected at the next Annual General Meeting does not apply to the position of Managing Director. The effect of clauses 25.4.2 and 26.1.2 of the Constitution and ASX Listing Rule 14.4 is that if Mr Mark Ryan is elected as a Director pursuant to Resolution 3(a), he will not be subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors whilst he remains the Company's Managing Director.

Note that Mr Mark Ryan's position as Chief Executive Officer is independent of the outcome of the vote on Resolution 3(a).

Under Tassal's Constitution, a Director must not hold office without re-election past the third Annual General Meeting following the Director's appointment or three years, whichever is longer. A Director who retires in accordance with these requirements is eligible for re-election. Accordingly, Mr Maurice Van Ryn and Mr John Watson each retire at the end of the meeting and offer themselves for re-election.

A brief description of each candidate follows.

#### **Mr Mark Ryan (B.Com, ACA, Reg.Liq.)**

Mr Ryan is the Managing Director and Chief Executive Officer of the Company. He holds a Bachelor of Commerce, and is both a Chartered Accountant and Registered Liquidator. Mr Ryan also holds Board positions with AFL Tasmania, Salmon Enterprises of Tasmania Pty Ltd (Industry hatchery), and the Food Industry Council of Tasmania as well as a number of other industry related associations.

Mr Ryan has over 18 years experience in the finance and turnaround management sector, with experience gained through PriceWaterhouseCoopers, Arthur Andersen and KordaMentha. Mr Ryan was previously a partner with KordaMentha.

#### **Mr Maurice Van Ryn (B.Bus)**

Mr Van Ryn is the International Business Manager of Bega Cheese. Until early 2005 he was Chief Executive Officer of Bega Cheese, a post which he held for 15 years. Mr Van Ryn is also a Non-executive Director of So Natural Foods Limited and Medical Developments International Limited. Prior to his involvement with Bega Cheese, Mr Van Ryn was employed as Financial Controller in the Brewing Materials Division of Elders IXL Limited for 9 years.

Mr Van Ryn has over 27 years experience in direct management of food companies in the Australian manufacturing sector.

Mr Van Ryn is currently Chairman of the Audit and Risk Committee.

#### **Mr John Watson AM (MAICD)**

Mr Watson is Non-executive Chairman of Incitec Pivot Limited, Chairman of Primesafe and the Co-operative Research Centre for Innovative Dairy Products, a Director of Rural Press Limited, a Councillor of the Royal Agricultural Society of Victoria and a Member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand. Mr Watson is a former Senior Vice President of the National Farmers federation.

Mr Watson has a long history in food and agricultural industries, having served on numerous industry advisory councils, including advisory roles to the Victorian and Commonwealth Governments.

Mr Watson is currently a member of the Audit and Risk Committee.

#### **Board Recommendation:**

The non-candidate Directors unanimously support the election of Mr Mark Ryan and the re-election of Mr Maurice Van Ryn and Mr John Watson and recommend shareholders vote in favour of these ordinary resolutions.

#### 4. Issue of 400,000 Ordinary Shares Pursuant to Employment Contract to Mr Mark Ryan

As disclosed in the Company's 2005 and 2006 Annual Reports, the structure of Mr Mark Ryan's compensation is in accordance with his Employment Contract, with the remuneration package consisting of 4 elements:

- Base salary (fixed);
- Short-term Cash Incentive;
- Long-term Options Incentive; and
- Ordinary Shares Incentive.

Subject to the attainment of specified hurdles in respect of the Company's financial performance, Mr Mark Ryan is contractually entitled to the vesting of 400,000 ordinary shares pursuant to the "Ordinary Shares Incentive" component of his Employment Contract. There is no cost to Mr Mark Ryan on the grant of ordinary shares under the terms of his Employment Contract.

The performance hurdles to be met were in respect of the financial year ended 30 June 2006 were the achievement of "Net Profit After Tax" of \$8,507,244 and "Earnings Per Share" of \$0.0767.

As the performance hurdles have been met, Mr Mark Ryan is entitled to the grant of 400,000 ordinary shares in the Company.

Mr Mark Ryan was appointed a Director of the Company during the current financial year and it is therefore necessary to obtain the approval of the ordinary shareholders for the issue of ordinary shares to him pursuant to the "Ordinary Shares Incentive" component of his Employment Contract.

If the ordinary resolution is passed by shareholders, it is intended that the issue of 400,000 ordinary shares to Mr Mark Ryan will be made by the Company within one month of the date of the passing of that resolution.

#### Voting Exclusion Statement - Resolution 4

Tassal will disregard any vote cast on resolution 4 by Mr Mark Ryan and any of his associates unless the vote is cast by:

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

#### Board Recommendation:

The Directors, other than Mr Mark Ryan, unanimously support the issue of ordinary shares to Mr Mark Ryan and recommend shareholders vote in favour of this ordinary resolution.

#### 5. Long Term Incentive Plan

(Refer to Glossary for an outline of defined terms within the following Explanatory Notes)

##### (a) Grant of Performance Rights Pursuant to Long Term Incentive Plan

Pursuant to ASX Listing Rule 7.1, the Company must not issue, or agree to issue, equity securities that represent more than 15% of its existing share capital in any 12 month period without the prior approval of the Company's shareholders in general meeting.

ASX Listing Rule 7.2 provides an exception to ASX Listing Rule 7.1 in respect of an issue of equity securities under an employee incentive scheme if, within 3 years before the date of the issue, the holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1 and the notice of meeting includes certain specified information.

Although the maximum number of shares in the Company which may be issued in any 12 month period pursuant to the Incentive Plan will not exceed 15% of the issued share capital of the Company, the Board believes that it is preferable for the Company to exclude from the 15%/12 month rule calculation provided in ASX Listing Rule 7.1, all securities issued in the Company pursuant to the Incentive Plan for the 3 year period following the date of the Annual General Meeting.

This will provide the Company with greater flexibility to make further issues of securities in the Company without including the securities issued pursuant to the Incentive Plan in relation to the 15%/12 month rule calculation under ASX Listing Rule 7.1.

The Incentive Plan is intended to support the achievement of the Company's business strategy by linking executive rewards to improvements in the financial performance and value of the Company and aligning the interests of executives with shareholders.

In order to achieve these aims, Eligible Employees of the Company will be granted Performance Rights. Participants will receive one Share for each Performance Right granted for which performance conditions specified by the Board (**Performance Conditions**) are satisfied within set performance periods (**Performance Periods**).

In accordance with ASX Listing Rule 7.2 (Exception 9(b)), the terms and conditions of the Incentive Plan are summarised below.

### **Eligibility**

The Board may in its absolute discretion make an Offer to an Eligible Employee on the terms and conditions determined by the Board.

### **Performance Conditions**

The Board may in its absolute discretion in relation to an Offer to be made to an Eligible Employee prescribe the Performance Conditions that must be satisfied as a condition for a Participant to be allocated a Share in respect of a Performance Right and the Performance Period over which the Performance Conditions must be satisfied.

### **Offer to participate in the Incentive Plan**

An Offer to an Eligible Employee must be in writing and must specify:

- the date of the Offer;
- the maximum number of Performance Rights which the Eligible Employee may apply for;
- the amount (if any) payable for some or all of the Performance Rights and the Shares allocated in respect of the Performance Rights. Unless the Board determines otherwise, Performance Rights will be granted and Shares will be allocated for no cash consideration;
- the Performance Conditions (if any) applicable to some or all of the Performance Rights;
- the Performance Period (if any) applicable to some or all of the Performance Rights;
- any other terms and conditions relating to the Offer which in the opinion of the Board are fair and reasonable but not inconsistent with the Plan Rules;
- the minimum holding periods (if any) in relation to any or all of the Shares to be allocated; and
- the time and date by which the relevant application form must be received by the Company.

### **Application by Eligible Employee**

In order to apply for Performance Rights and become a Participant under the Incentive Plan, an Eligible Employee must complete and sign the application form accompanying the Offer and return it to the Company by the time and date specified in the Offer.

By completing and signing the application form, an Eligible Employee agrees to participate in the Incentive Plan and to be bound by the Plan Rules and, if Shares are allocated to the Participant under the Plan Rules, the Company's Constitution.

### **Allocation**

If the Performance Conditions applicable to Performance Rights held by a Participant are satisfied in whole or in part over the Performance Period applicable to those Performance Rights, the Company must allocate to the Participant the number of Shares to which the Participant is entitled under the terms of the Offer, by issuing that number of new Shares or procuring that the Plan Administrator acquires that number of existing Shares.

It is the Company's present intention that any Shares allocated to a Participant will be new Shares issued to the Participant.

New Shares allocated to a Participant are issued to the Participant and registered in the name of that Participant but will be subject to a Holding Lock to ensure that the Shares are held in the Incentive Plan subject to the Plan Rules. The Participant will be the beneficial owner of the Shares.

Shares which are allocated will remain in the Incentive Plan until they are released following the submission by a Participant of a Notice of Withdrawal which is approved by the Company, the occurrence of certain Capital Events, cessation of employment with the Company or the 10<sup>th</sup> anniversary of the Start Date in respect of the relevant Performance Rights.

### **Consideration**

A Participant is not liable to make any payment on the allocation of Shares.

### **Lapse of Performance Rights**

If the Performance Conditions applicable to Performance Rights held by a Participant are not satisfied over the Performance Period applicable to those Performance Rights, those Performance Rights will lapse and the Participant will be treated as having never held any right or interest in those Performance Rights.

### **Change of Control**

Subject to the absolute discretion of the Board to determine otherwise, if a Capital Event (eg. change of control in the Company) or other similar event occurs before the end of a Performance Period, a Participant will be allocated Shares for the Performance Rights they hold in relation to that Performance Period on a pro-rata basis according to the proportion of the Performance Period completed as at the date of the Capital Event, subject to satisfaction of the relevant Performance Conditions.

### **Cessation of Employment**

Where a Participant ceases to be employed by the Company prior to the completion of a Performance Period for a reason other than a Qualifying Reason, any Performance Rights held by the Participant to which that Performance Period applies will lapse and the Participant will be treated as having never held any right or interest in those Performance Rights.

Where a Participant ceases to be employed by the Company for a Qualifying Reason prior to the completion of a Performance Period but within the first twelve months of a Performance Period, any Performance Rights held by the Participant to which that Performance Period applies will lapse and the Participant will be treated as having never held any right or interest in those Performance Rights.

Subject to the absolute discretion of the Board to determine otherwise, where a Participant ceases to be an employee of the Company for a Qualifying Reason prior to the completion of a Performance Period but after the first 12 months of a Performance Period, that Participant will be allocated Shares for the Performance Rights they hold in relation to that Performance Period on a pro-rata basis according to the proportion of the Performance Period completed as at the cessation date, subject to satisfaction of the relevant Performance Conditions.

### **Maximum Number of Shares**

Shares must not be issued pursuant to the Incentive Plan if the number of Shares to be issued when aggregated with:

- the number of Shares that would be issued if each outstanding Offer to employees or Directors of the Company were accepted; and
- the number of Shares issued during the previous 5 years to employees or Directors of the Company pursuant to the Incentive Plan or any other employee share or option scheme, would exceed 5% of the total number of issued Shares as at the time of the Offer.

### **Disposal Restrictions**

A Participant must not sell, transfer, mortgage, charge or otherwise dispose of, deal with or encumber any Performance Right or any Share held by them under the Incentive Plan unless the Participant to whom the Share has been allocated has submitted a Notice of Withdrawal and such notice has been approved by the Company. A breach by the Participant of this obligation will cause the Performance Rights granted to the Participant to lapse immediately.

A Notice of Withdrawal may be submitted following the earlier of the time the Participant receives written consent from the Board to a request made by the Participant to the Board for the sale or transfer of Shares under the Incentive Plan (which consent will not be unreasonably withheld) and a Capital Event.

Further, a Participant must not enter into any contract, scheme or arrangement to manage the risk of a price change or the timing, likelihood or manner of vesting in or with respect to any Performance Right or Share held by them under the Incentive Plan unless this has been approved by the Company. A breach by the Participant of this obligation will cause the Performance Rights granted to the Participant to lapse immediately.

### **Reorganisation of Capital**

In the event of any reconstruction of the issued share capital of the Company, the number of Performance Rights held by each Participant will be adjusted in accordance with the ASX Listing Rules.

### **Ranking of Shares**

Shares allocated pursuant to the Incentive Plan rank equally with all other existing Shares in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

### **Quotation of Shares**

The Company must apply to the ASX within the period applicable under the ASX Listing Rules for all Shares issued by the Company pursuant to the Incentive Plan to be quoted on the ASX.

### **Forfeiture of Performance Rights and Shares**

All Performance Rights will lapse and all Shares held by a Participant in the Incentive Plan will be forfeited if:

- the Participant is dismissed for cause;
- in the Board's reasonable opinion, the Participant acts fraudulently or dishonestly, is in serious breach of duty to the Company or commits any act of harassment or discrimination; or
- in the Board's reasonable opinion, the Participant has brought the Company into disrepute.

### **Administration of the Incentive Plan**

The Board will administer the Incentive Plan and may delegate to any one or more persons (for such period and on such conditions as it may determine) the exercise of any of its powers or discretions arising under the Incentive Plan.

Except as otherwise expressly provided in the Plan Rules, the Board has absolute and unfettered discretion in the exercise of any of its powers or discretions under the Plan Rules and to act or refrain from acting under the Plan Rules or in connection with the Incentive Plan.

### ***Amendments to the Incentive Plan***

The Board may at any time amend all or any of the provisions of the Incentive Plan and the terms and conditions of an Offer, subject to the proviso that no amendment may be made without the consent of 75% of all Participants if the amendment would prejudicially affect the rights of the Participants.

However, and notwithstanding the above proviso, the Board may unilaterally make an amendment to the Incentive Plan primarily for the purpose of complying with present or future law, to correct any manifest error or mistake, to take into consideration possible adverse tax implications in respect of the Incentive Plan or to enable the Company to comply with the ASX Listing Rules or instruments of relief issued by the Australian Securities and Investments Commission from time to time relating to employee share schemes.

### ***Termination***

The Company may, at any time by written instrument or by resolution of the Board, terminate the Incentive Plan in whole or in part in respect of some or all of the Eligible Employees without any liability whatsoever on the Company, subject to the proviso that the Company may not so terminate the Incentive Plan if to do so would prejudicially affect the existing rights of Participants and Shares held on behalf of Participants under the Plan Rules.

### **Voting Exclusion Statement - Resolution 5 (a)**

In accordance with the ASX Listing Rules, any vote cast in respect of Resolution 5(a) by any Director of the Company eligible to participate in the Incentive Scheme (being Mr Mark Ryan, Managing Director), or any associate of such a Director, will be disregarded.

However, the Company will not disregard a vote if:

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

### **Board Recommendation:**

The Directors, other than Mr Mark Ryan, recommend shareholders vote in favour of this ordinary resolution.

### **(b) Grant of 189,264 Performance Rights to Mr Mark Ryan Pursuant to the 2006 Performance Rights Package**

Under the Incentive Plan, the Company may offer Performance Rights to executives, including Mr Mark Ryan, the Managing Director of the Company. The Company has invited Mr Mark Ryan to participate in the Incentive Plan by offering the 2006 Performance Rights Package to Mr Mark Ryan. The offer of the 2006 Performance Rights Package to Mr Mark Ryan is subject to shareholder approval at this Annual General Meeting.

As a listed public company may only issue equity securities to a related party (which includes a Director) if the approval of shareholders is obtained, shareholders are required to approve the offer of the 2006 Performance Rights Package and the grant of the Performance Rights to Mr Mark Ryan pursuant to ASX Listing Rule 10.14.

A summary of the terms and conditions of the Incentive Plan is set out in the section of these Explanatory Notes relating to Resolution 5(a).

In accordance with the requirements of ASX Listing Rule 10.15A, the information set out below is provided in relation to the offer of the 2006 Performance Rights Package and the proposed grant of Performance Rights to Mr Mark Ryan under the 2006 Performance Rights Package.

### ***Maximum Number of Performance Rights***

The maximum number of Performance Rights which may be granted to Mr Mark Ryan under the 2006 Performance Rights Package is 189,264. The number of Performance Rights which may be granted to Mr Mark Ryan under the 2006 Performance Rights Package has been determined by dividing the annual long-term incentive component of Mr Mark Ryan's remuneration (ie. 50% of Mr Mark Ryan's total fixed remuneration of \$420,000, being \$210,000) by the average volume weighted closing price of Shares over the 5 trading days prior to the Start Date of 1 July 2006 (ie. \$1.109562). There is no monetary consideration payable by Mr Mark Ryan in respect of the proposed grant of Performance Rights to Mr Mark Ryan under the 2006 Performance Rights Package.

### ***Mr Mark Ryan – The only person referred to in ASX Listing Rule 10.14***

Mr Mark Ryan is the only person referred to in ASX Listing Rule 10.14 who is entitled to participate in the Incentive Plan. All other Eligible Employees under the Incentive Plan are not Directors of the Company, or associates of Directors of the Company.

**Details of Performance Rights granted to be published in each Annual Report**

Details of any Performance Rights granted under the Incentive Plan will be published in each annual report of the Company relating to the relevant period in which the Performance Rights have been granted, and that approval for the grant of the Performance Rights was obtained under ASX Listing Rule 10.14.

**Additional persons becoming entitled to participate in the Incentive Plan**

Any additional persons who become entitled to participate in the Incentive Plan after Resolution 5(b) is approved and who were not named in the Notice of Annual General Meeting will not participate in the Incentive Plan until approval is obtained under ASX Listing Rule 10.14.

**The date by which the Company will grant the Performance Rights**

The date by which the Company will grant Performance Rights to Mr Mark Ryan pursuant to the 2006 Performance Rights Package must be no later than 3 years after the date of the Annual General Meeting at which Resolution 5(b) is passed. The Company will comply with this requirement.

**Vesting**

In respect of the grant of Performance Rights pursuant to the 2006 Performance Rights Package, 1 Share will be allocated for each Performance Right granted for which the Performance Conditions are satisfied within the Performance Period.

**Performance Conditions**

The Board has resolved that, in respect of the 2006 Performance Rights Package, there will be 2 Performance Conditions which determine the vesting of a maximum of 50% of the Performance Rights respectively. These Performance Conditions relate to relative Total Shareholder Return (TSR) and the Company’s earnings per share (EPS).

**TSR Performance Condition**

The TSR Performance Condition will be assessed for a period of 3 years from the Start Date (ie. the period commencing on 1 July 2006 and ending on 30 June 2009) and is calculated on the basis of the Company’s relative TSR ranking at the end of that period (using the average closing Share price over the 3 month period prior to that date) in comparison with the TSR performance of a comparator group of companies over the same period. The percentage of TSR Performance Rights which vest depends upon the percentile ranking of the Company’s TSR in comparison to the TSR performance of entities in a comparator group over the same period.

The Company’s TSR will be compared to the TSR of entities that were in the S&P/ASX 300 index at the start of the Performance Period (ie. 1 July 2006). TSR is the change in a company’s total shareholder return (basically, share price plus dividends on the assumption that all dividends are reinvested, together with any other shareholder returns) over the Performance Period. Therefore, TSR reflects the change in shareholder value over the Performance Period.

Performance Rights subject to the TSR Performance Condition will not vest unless the Company’s TSR over the Performance Period is at least equal to the TSR of the company which is at the median of the comparator group of companies ranked by their TSR performance. If the Company’s TSR is at the 50th percentile, 50% of the Performance Rights subject to the TSR Performance Condition (ie. 25% of the total number of Performance Rights to be granted to Mr Mark Ryan under the 2006 Performance Rights Package) will vest.

All of the Performance Rights subject to the TSR Performance Condition (ie. 50% of the total number of Performance Rights to be granted to Mr Mark Ryan under the 2006 Performance Rights Package) will vest if the Company’s TSR over the Performance Period is equal to or greater than the TSR of the company which is at the 75th percentile of the comparator group of companies ranked by their TSR performance.

The proportion of the Performance Rights subject to the TSR Performance Condition that vest between the 50th and 75th percentiles increases by 2% for each 1 percentile increase in the Company’s TSR performance.

The vesting scale for the Performance Rights subject to the TSR Performance Condition is summarised in the following table:

<b>Percentile ranking of the Company at the end of the Performance Period</b>	<b>Percentage of Performance Rights subject to the TSR Performance Condition that vest</b>
Below 50 <sup>th</sup> percentile	No Performance Rights vest
50 <sup>th</sup> percentile	50% of TSR Performance Rights vest (ie. 25% of the total number of Performance Rights granted to Mr Mark Ryan)
51 <sup>st</sup> percentile to 74 <sup>th</sup> percentile	50% of TSR Performance Rights vest (ie. 25% of the total number of Performance Rights granted to Mr Mark Ryan) plus an additional 2% of TSR Performance Rights which vest (ie. 1% of the total number of Performance Rights granted to Mr Mark Ryan) for each percentile increase above the 50 <sup>th</sup> percentile
75 <sup>th</sup> percentile or above	100% of TSR Performance Rights vest (ie. 50% of the total number of Performance Rights granted to Mr Mark Ryan)

As an example, if Mr Mark Ryan is granted 189,264 Performance Rights under the 2006 Performance Rights Package, 94,632 of those Performance Rights will be subject to the TSR Performance Condition. If the Company is ranked in the 60<sup>th</sup> percentile at the end of the Performance Period, 70% of Mr Mark Ryan's TSR Performance Rights will vest. In this example that equates to 66,242 Shares, with the remaining 28,390 Performance Rights subject to the TSR Performance Condition lapsing.

**EPS Performance Condition**

The EPS Performance Condition is dependent upon the average compound growth rate in the Company's EPS (expressed as a percentage) over the 3 year period commencing on the Start Date. Accordingly, in respect of the 2006 Performance Rights Package, EPS growth will be measured over the financial years ending 30 June 2007, 30 June 2008 and 30 June 2009, compared with the EPS result for the Company for the financial year ended 30 June 2006.

No EPS Performance Rights will vest unless the EPS growth rate of the Company over the Performance Period is at least 30%.

50% of the Performance Rights subject to the EPS Performance Condition (ie. 25% of the total number of Performance Rights to be granted to Mr Mark Ryan under the 2006 Performance Rights Package) will vest if the EPS growth rate of the Company over the Performance Period is 30%.

All of the Performance Rights subject to the EPS Performance Condition (ie. 50% of the total number of Performance Rights to be granted to Mr Mark Ryan under the 2006 Performance Rights Package) will vest if the EPS growth rate of the Company over the Performance Period is greater than or equal to 35%.

The proportion of the Performance Rights subject to the EPS Performance Condition that vest will increase on a straight-line basis for an EPS growth rate of between 30% and 35% so that the number of EPS Performance Rights that vest increases by an additional 10% for each additional 1% increase in the Company's EPS growth rate.

The vesting scale for the Performance Rights subject to the EPS Performance Condition is summarised in the following table:

<b>Average compound annual growth in the Company's EPS over the Performance Period</b>	<b>Percentage of Performance Rights subject to the EPS Performance Condition that vest</b>
Less than 30%	No Performance Rights vest
30%	50%
31%	60%
32%	70%
33%	80%
34%	90%
35%	100%

As an example, if Mr Mark Ryan is granted 189,264 Performance Rights under the 2006 Performance Rights Package, 94,632 of those Performance Rights will be subject to the EPS Performance Condition. If the average annual growth in the Company's EPS over the Performance Period is 31% at the end of the Performance Period, 60% of Mr Mark Ryan's EPS Performance Rights will vest. In this example that equates to 56,779 Shares, with the remaining 37,853 Performance Rights subject to the EPS Performance Condition lapsing.

**Voting Exclusion Statement – Resolution 5(b)**

In accordance with the ASX Listing Rules, any vote cast in respect of Resolution 5(b) by Mr Mark Ryan, or any of his associates, will be disregarded.

However, the Company will not disregard a vote if:

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

**Board Recommendation:**

The Directors, other than Mr Mark Ryan, unanimously support the issue of Performance Rights to Mr Mark Ryan pursuant to the Long Term Incentive Plan, and recommend shareholders vote in favour of this ordinary resolution.

## **Glossary of Terms – Long Term Incentive Plan**

Unless the context otherwise requires, the following terms have these meanings:

**2006 Performance Rights Package** means the Performance Rights offered by the Company to Mr Mark Ryan in respect of the year 2006.

**Board** means the Board of Directors of the Company.

**Capital Event** means any of the following:

- (a) if a person acquires a relevant interest (within the meaning of section 608 of the *Corporations Act 2001*) in more than 50% of the Shares in the Company as a result of a takeover bid;
- (b) if a person acquires a relevant interest (within the meaning of section 608 of the *Corporations Act 2001*) in more than 50% of the Shares in the Company through a scheme of arrangement; or
- (c) any other similar event (including, but not limited to, a merger of the Company with another company) which the Board determines, in its absolute discretion, to be a Capital Event.

**Company** means Tassal Group Limited ACN 106 067 270.

**Eligible Employee** means, in relation to an Offer, an Employee who is invited by the Board to participate in the Incentive Plan.

**Employee** means a full time or part time employee of the Company (including any Director of the Company holding salaried employment).

**EPS** means earnings per share.

**EPS Performance Condition** means the Performance Condition which is calculated by comparing the average compound growth rate in the Company's EPS (expressed as a percentage) over the Performance Period with the EPS result for the Company for the 12 months ending on the day immediately preceding the relevant Start Date.

**EPS Performance Rights** means those Performance Rights the vesting of which is dependent upon the satisfaction of the EPS Performance Condition.

**Holding Lock** has the meaning given to that term in the ASX Listing Rules.

**Incentive Plan** means the Tassal Group Limited Long-Term Incentive Plan established by the Board as amended from time to time.

**Notice of Withdrawal** means a request for permission to withdraw a specified number of allocated Shares from the Incentive Plan submitted by a Participant to the Company in respect of Shares that have been acquired on behalf of that Participant.

**Offer** means an invitation to an Eligible Employee to apply for Performance Rights under the terms of the Incentive Plan.

**Participant** means an Eligible Employee whose application to participate in the Incentive Plan has been accepted by the Board, and to whom Performance Rights have been granted.

**Performance Conditions** means, in relation to a Performance Right, the performance conditions prescribed by the Board. In respect of the 2006 Performance Rights Package, the Board has resolved that there will be 2 Performance Conditions, namely the TSR Performance Condition and the EPS Performance Condition.

**Performance Period** means, in relation to a Performance Right, the period of time prescribed by the Board. In respect of the 2006 Performance Rights Package, the Board has resolved that the Performance Period commences on 1 July 2006 and ends on 30 June 2009.

**Performance Right** means a right to be allocated a Share under the Incentive Plan.

**Plan Administrator** means the person selected by the Board to carry out the day to day administration of the Incentive Plan and to perform the functions allocated to that role.

**Plan Rules** means the rules of the Incentive Plan as amended from time to time.

**Qualifying Reason** means:

- (a) the retirement, redundancy, death or total and permanent disability of a Participant as determined by the Board in its absolute discretion; or
- (b) any other reason as determined by the Board in its absolute discretion.

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

**Start Date** means the date of commencement of a Performance Period. In respect of the 2006 Performance Rights Package, the Board has resolved that the Start Date is 1 July 2006.

**Tassal** means Tassal Group Limited ACN 106 067 270.

**TSR** means total shareholder return.

**TSR Performance Condition** means the Performance Condition which is calculated on the basis of the Company's relative TSR ranking at the end of a Performance Period (using the average closing Share price over the 3 month period prior to that date) in comparison with the TSR performance of a comparator group of companies over the same period.

**TSR Performance Rights** means those Performance Rights the vesting of which is dependent upon the satisfaction of the TSR Performance Condition.

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