

**Clime Capital Limited
(ACN 106 282 777)**

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of Clime Capital Limited (**Clime**) will be held at:

Date: **Thursday 11th October 2018**

Time: **10.30 am (AEDT)**

Venue: **Green Room, Wesley Conference Centre, 220 Pitt Street, Sydney, NSW 2000**

Business

Financial Statements and Reports

To receive and consider the Company's annual financial report, including the directors' report and audit report for the year ended 30 June 2018.

1. Remuneration report

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

"That the Company adopt the remuneration report for the year ended 30 June 2018 in accordance with Section 250R(2) of the Corporations Act."

Notes:

- (a) The vote on this resolution is advisory only and does not bind the Directors or the Company.
- (b) Clime's key management personnel and their closely related parties must not cast a vote on the remuneration report unless they are appointed in writing as a proxy for a member eligible to vote on the resolution and that proxy specifies how to vote on the resolution.
- (c) The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

2. Re-election of Mr. John Abernethy as a Director

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

"That Mr. John Abernethy, who retires by rotation in accordance with the Company's constitution and, being eligible for re-election, be re-elected as a Director of the Company."

Without limitation, rule 6.7 of the Company's constitution is relevant to this resolution.

Clime Capital Limited

Level 7, 1 Market Street, Sydney NSW 2000 Australia | PO Box Q1286 Queen Victoria Building NSW 1230
ABN 99 106 282 777 P 02 8917 2100 F 02 8917 2155 W www.climecapital.com.au

3. Re-election of Mr. Anthony Golowenko as a Director

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

“That Mr. Anthony Golowenko, who was appointed since the last general meeting and who retires in accordance with the Company’s constitution and, being eligible for re-election, be re-elected as a Director.”

Without limitation, rule 6.2 of the Company’s constitution is relevant to this resolution.

4. Approval of additional placement capacity under Listing Rule 7.1A

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

“That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Shares of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum”.

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by:

- any person who is expected to participate in the 10% Placement Facility;
- a person who might obtain a material benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares; and
- any Associate of the above person or persons.

However, the Company will not disregard a vote if:

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

5. Approval of amendment of Investment Management Agreement (IMA)

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

“That the amendment of the IMA by the replacement of the performance fee effective as at 1 January 2019 as described in the accompanying Explanatory Memorandum is approved.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this resolution by:

- the Investment Manager and any Associate of the Investment Manager; and
- any person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any Associate of that person (or those persons).

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Should Resolution 5 be approved, the Company and the Investment Manager have agreed to the following:

- Any accrued performance fees as at 31 December 2018 under the current formula will be paid to 50% and the balance waived.

Other business

To consider any other business that may lawfully be brought forward in accordance with the constitution of the Company or the law.

Other information

An Explanatory Memorandum accompanies and forms part of this notice of Annual General Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Voting by proxy

Any Shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder.

The proxy does not need to be a Shareholder of the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

Proxies must be:

- (a) lodged at the Company's share registry, Boardroom Pty Limited, or
- (b) faxed to the fax number specified below,

not later than 10.30am (AEDT) on Tuesday 9th October 2018.

Address (hand deliveries): Boardroom Pty Limited,
Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000

Address (postal deliveries): Boardroom Pty Limited, GPO Box 3993, Sydney, NSW 2001

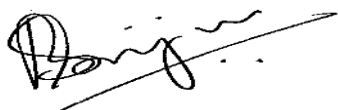
Fax number for lodgement: (02) 9290 9655

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

Entitlement to vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 7.00pm (AEDT) on Tuesday 9th October 2018. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'Biju', with a long horizontal line extending to the right.

Biju Vikraman
Company Secretary

10 September 2018

**Clime Capital Limited
(ACN 106 282 777)**

Explanatory Memorandum

This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders of Clime Capital Limited (**Clime**) at the 2018 Annual General Meeting to be held commencing at 10.30 am (AEDT) on Thursday 11th October 2018 at Green Room, Wesley Conference Centre, 220 Pitt Street, Sydney.

The Explanatory Memorandum has been prepared to assist Shareholders in determining how to vote on the Resolutions set out in the Notice of Meeting and should be read in conjunction with the Notice of Meeting.

Financial statements and reports

Under Section 317 of the Corporations Act, Clime is required to lay its annual financial report, Directors' report and remuneration report before its Shareholders at its annual general meeting. The annual financial report is submitted for Shareholders' consideration and discussion at the annual general meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss.

Representatives of Clime's auditor, Pitcher Partners, will be present for discussion purposes on matters of relevance to the audit.

There is no requirement for Shareholders to approve any of these reports.

Resolution 1 - Remuneration report

Resolution 1 provides Shareholders the opportunity to vote on Clime's remuneration report. The remuneration report is contained in the directors' report. Under Section 250R(2) of the Corporations Act, Clime must put the adoption of its remuneration report to a vote at its Annual General Meeting.

This vote is advisory only and does not bind the Directors or Clime.

The Board will consider the outcome of the vote and comments made by Shareholders on the remuneration report at this meeting when reviewing Clime's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of Clime's Directors other than the managing director must stand for election.

Key management personnel (including Directors) and their closely related parties must not cast a vote on the remuneration report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

Clime encourages all Shareholders to cast their votes on this resolution. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

Resolution 2 - Re-election of Mr. John Abernethy as a Director

Under rule 6.7 of Clime's constitution, a Director must not hold office after the later of:

- (i) the third Annual General Meeting held after the Director was last appointed or elected; and
- (ii) 3 years after the date on which the Director was last appointed or elected, whichever is the longer.

This is the third Annual General Meeting held since John Abernethy was last elected as a Director of Clime.

Mr. John Abernethy was appointed director on 31 July 2009. Mr. Abernethy has over 35 years' funds management experience in Australia having been General Manager Investments of the NRMA. John holds a Bachelor of Commerce (Economics)/LLB from the University of New South Wales.

Special responsibilities: Member of Remuneration and Nomination Committees.

Resolution 2 provides for the re-election of Mr. John Abernethy as Director of Clime in accordance with rule 6.7 of Clime's constitution. Being eligible, John Abernethy offers himself for re-election.

The Directors (excluding Mr. John Abernethy) unanimously recommend that Shareholders vote in favour of Resolution 2.

The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

Resolution 3 - Re-election of Mr. Anthony Golowenko as a Director

Under rule 6.2 of Clime's constitution the Directors may at any time appoint another director. Any director so appointed holds office only until the end of the next following general meeting and is eligible for re-election at that meeting.

Resolution 3 provides for the re-election of Mr. Anthony Golowenko as Director of Clime in accordance with rule 6.2 of Clime's constitution.

The Directors (excluding Mr. Anthony Golowenko) unanimously recommend that Shareholders vote in favour of Resolution 3.

The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

Resolution 4 - Approval of additional placement capacity under Listing Rule 7.1A**4.1 Background**

Listing Rule 7.1A enables an eligible entity to issue up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (AGM) (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is currently an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Shares under the 10% Placement Facility. The exact number of Shares that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 4.2(c) below).

4.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Shares under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an AGM, requiring 75% of the votes cast by eligible Shareholders present and voting at the Annual General Meeting in order to be passed.

(b) Shares

Any Equity Securities under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this Notice, the Company has two classes of quoted securities on issue, being quoted Shares (ASX Code: CAM), and quoted convertible notes expiring on 30 November 2021 (ASX Code: CAMG).

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of Shares on issue 12 months before the date of issue or agreement:

- I. plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- II. plus the number of partly paid shares that became fully paid in the 12 months;
- III. plus the number of fully paid Shares issued in the 12 months with shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- IV. less the number of fully paid Shares cancelled in the 12 months.

D is 10%;

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Shares under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

As at 31 August 2018, the Company had 89,135,965 Shares on issue and 22,280,162 quoted convertible notes on issue. 91,364,364 quoted shares will be on issue after the 1 for 40 bonus issue on 24 September 2018 (as announced on 17 July 2018) assuming that there are no further Share buy-backs and no convertible notes are converted into Shares between 1 September 2018 and 24 September 2018.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 4.2(c) above).

(e) Minimum Issue Price

The issue price of Shares issued under Listing Rule 7.1A must be not less than 75% of the Volume Weighted Average Price (VWAP) of Shares over the 15 Trading Days (on which trades in that class were recorded) immediately before:

- I. the date on which the price at which the Shares are to be issued is agreed; or
- II. if the Shares are not issued within five Trading Days of the date in paragraph (e)(i) above, the date on which the Shares are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of the following:

- I. the date that is 12 months after the date of the AGM at which the approval is obtained; or
- II. the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

4.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue Shares under Listing Rule 7.1A during the 10% Placement Period in addition to the Company's 15% placement capacity under Listing Rule 7.1.

4.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Shares will be issued at an issue price of not less than 75% of the VWAP for the Company's Shares over the 15 Trading Days (on which trades in that class were recorded) immediately before:
 - I. the date on which the price at which the Shares are to be issued is agreed; or
 - II. if the Shares are not issued within five Trading Days of the date in paragraph (i) above, the date on which the Shares are issued.
- (b) If Resolution 4 is approved by Shareholders and the Company issues Shares under the 10% Placement Facility, the existing Shareholders face the risk of economic and voting dilution as a

result of the issue of Shares which are the subject of this Resolution, to the extent that such Shares are issued, including the risk that:

- I. the market price for the Company's Shares may be significantly lower on the date of the issue of the Shares than as at the date of this Notice; and
- II. the Shares may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date or the Shares are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Shares.

The table below shows the dilution of existing Shareholders on the basis of the current market price of the Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- I. two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer), or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- II. two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.4675 50% decrease in Current Market Price	\$0.935 Current Market Price	\$1.87 100% increase in Current Market Price
Current Variable A 91,364,364 Shares	10% voting dilution	9,136,436 Shares		
	Funds raised	\$4,271,284	\$8,542,568	\$17,085,135
50% increase in current Variable A 137,046,546 Shares	10% voting dilution	13,704,654 Shares		
	Funds raised	\$6,406,926	\$12,813,851	\$25,627,703
100% increase in current Variable A 182,728,728 Shares	10% voting dilution	18,272,872 Shares		
	Funds raised	\$8,542,568	\$17,085,135	\$34,170,271

The table has been prepared based on the following assumptions:

- I. The number of Shares on issue are 91,364,364 (post bonus issue) (Current Variable "A")
 - II. The Company issues the maximum number of Shares available under the 10% Placement Facility.
 - III. No convertible securities are converted into Shares before the date of the issue of the Shares. Please note that the Company currently has 22,280,162 convertible notes on issue. No Shares are bought back before the date of the issue of the Shares. Please note that the Company currently has an on-market buy-back in place.
 - IV. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - V. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of this Meeting.
 - VI. The table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - VII. The current market price is \$0.935 per Share, being the closing price of Shares on the ASX on 31 August 2018.
- (c) The Company will only issue and allot the Shares during the 10% Placement Period. The approval under Resolution 4 for the issue of the Shares will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Shares for the following purposes:
- I. for cash consideration, in which case the Company may use the funds raised towards making (or to securing the right to make) one or more investments and/or to further its existing projects; and/or general working capital; so that the Company has the necessary working capital and flexibility to consider, and if thought fit, to put it in a stronger position to make (or to secure the right to make) one or more investments and/or to further its existing projects; or
 - II. non-cash consideration for the acquisition of (or securing the right to make acquisitions of) companies, businesses, new projects and investments or to further its existing projects. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Shares under the 10% Placement Facility.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Shares will be determined on a case-by-case basis having regard to factors including but not limited to the following:
- I. the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing Shareholders can participate;
 - II. the effect of the issue of Shares on the control of the Company;

- III. the financial situation and solvency of the Company; and
- IV. advice from corporate, financial and broking advisers (if applicable).
- (g) The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not a related party or an Associate of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (h) Information required under Listing Rule 7.3A.6:

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 16 November 2017.

Equity Securities issued in 12 months prior to the Annual General Meeting on 11 October 2018	25,351,071
Percentage previous issues represent of total number of Equity Securities on issue at commencement of the 12 month period prior to the 11 October 2018 AGM	28.25%

For each issue of Equity Securities in the 12 months prior to the Annual General Meeting on 11 October 2018, the following information is provided:

Date of issue:	27 October 2017
Number issued:	213,454
Class/Type of equity security:	Ordinary
Summary of terms:	Fully paid ordinary shares listed on ASX and ranking equally with all other shares on issue
Names of persons who received securities or basis on which those persons was determined:	Shareholder who made an election under the Company's Dividend Reinvestment Plan
Price:	86.08 cents
Discount to market price (if any):	Nil
For non-cash issues	
Non-cash consideration paid:	Issued under the Company's DRP - \$183,750 based on DRP price
Current value of non-cash consideration:	\$199,579*

* based on the closing price of the Company's Shares on the ASX on 31 August 2018 (\$0.935)

Date of issue:	14 December 2017
Number issued:	22,280,162
Class/Type of equity security:	Convertible notes (Notes) convertible on a 1 for 1 basis to ordinary shares
Summary of terms:	The Notes on conversion will be fully paid ordinary shares listed on ASX and rank equally with all other ordinary shares on issue. The Notes are unsecured, with a fixed interest rate of 6.25% per annum and redeemable on 30 November 2021, if not converted in to ordinary shares by that date.
Names of persons who received securities or basis on which those persons was determined:	Shareholder who held ordinary shares on the record date of 23 November 2017.
Price:	96 cents per Note
Discount to market price (if any):	Nil
For cash issues	
Total cash consideration received:	\$20,874,242 (net of raising costs)
Amount of cash consideration spent:	\$20,874,242
Use of cash consideration:	General investment purposes
Intended use for remaining amount of cash (if any):	N/A

Date of issue:	25 January 2018
Number issued:	208,368
Class/Type of equity security:	Ordinary
Summary of terms:	Fully paid ordinary shares listed on ASX and ranking equally with all other shares on issue
Names of persons who received securities or basis on which those persons was determined:	Shareholder who made an election under the Company's Dividend Reinvestment Plan
Price:	89.05 cents
Discount to market price (if any):	Nil
For non-cash issues	
Non-cash consideration paid:	Issued under the Company's DRP - \$185,546 based on DRP price
Current value of non-cash consideration:	\$194,824*

* based on the closing price of the Company's Shares on the ASX on 31 August 2018 (\$0.935)

Date of issue:	27 April 2018
Number issued:	211,788
Class/Type of equity security:	Ordinary
Summary of terms:	Fully paid ordinary shares listed on ASX and ranking equally with all other shares on issue
Names of persons who received securities or basis on which those persons was determined:	Shareholder who made an election under the Company's Dividend Reinvestment Plan
Price:	86 cents
Discount to market price (if any):	Nil
For non-cash issues	
Non-cash consideration paid:	Issued under the Company's DRP - \$182,143 based on DRP price
Current value of non-cash consideration:	\$198,022*

* based on the closing price of the Company's Shares on the ASX on 31 August 2018 (\$0.935)

Date of issue:	27 July 2018
Number issued:	208,900
Class/Type of equity security:	Ordinary
Summary of terms:	Fully paid ordinary shares listed on ASX and ranking equally with all other shares on issue
Names of persons who received securities or basis on which those persons was determined:	Shareholder who made an election under the Company's Dividend Reinvestment Plan
Price:	85.43 cents
Discount to market price (if any):	Nil
For non-cash issues	
Non-cash consideration paid:	Issued under the Company's DRP - \$178,472 based on DRP price
Current value of non-cash consideration:	\$195,322*

* based on the closing price of the Company's Shares on the ASX on 31 August 2018 (\$0.935)

Date of issue:	24 September 2018
Number issued:	2,228,399
Class/Type of equity security:	Ordinary
Summary of terms:	1 for 40 bonus share issue as announced on 17 July 2018. The bonus shares will be fully paid ordinary shares listed on ASX and rank equally with all other ordinary Shares on issue.
Names of persons who received securities or basis on which those persons was determined:	Shareholder who held ordinary shares on the record date of 10 September 2018.
Price:	Nil
Discount to market price (if any):	Nil
For non-cash issues	
Non-cash consideration paid:	Nil
Current value of non-cash consideration:	\$2,083,553*

* based on the closing price of the Company's Shares on the ASX on 31 August 2018 (\$0.935)

(i) A voting exclusion statement for Resolution 4 is included in the Notice of Meeting.

4.5 Directors' Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 4.

The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

5. Resolution 5 – Approval of amendment of investment management agreement (IMA)

5.1 Background

The Company proposes to amend the current IMA to replace the current performance fee with the performance fee described in this section, effective as at 1 January 2019. Since the IMA was first executed in 2003, the portfolio of the Company has changed considerably, and the current performance fee is accordingly less suitable than it originally was for the remuneration of the Investment Manager for the management of the Company. Previously, the portfolio of the Company primarily consisted of listed securities, and accordingly, a market-based performance hurdle was more appropriate. However, now that the portfolio contains other asset classes such as International securities and syndicated unlisted property and income securities, it is more appropriate that the performance hurdle has an absolute return basis. The Board therefore considers it appropriate to replace the current performance fee with the performance fee described in this section to better align the Investment Manager's remuneration with the performance of the current composition of the portfolio.

Should Resolution 5 be approved, the Company and the Investment Manager have agreed to the following:

- Any accrued performance fees as at 31 December 2018 under the current formula will be paid to 50% and the balance waived.

The performance fee for this period would be calculated in accordance with the current performance fee contained in the IMA. The new performance fee calculation would only take effect from 1 January 2019.

The proposed performance fee is calculated with reference to CPI and is subject to a High Water Mark requirement (which is reset on 31 December 2021 and every 3 years thereafter). The details of the calculation methodology and the hurdles are set out below. The NAV per Share (calculated monthly) includes an accrual for an estimate of the performance fee that would be payable if it were the end of a Calculation Period.

By contrast, the current performance fee payable to the Investment Manager is 20% of the outperformance of the Company's portfolio with reference to the All Ordinaries Accumulation Index published by the ASX. Please see Section 9.4 of the Company's prospectus dated 9 December 2003 for a full description of the current performance fee, a copy of which can be obtained free of charge on the Company's website.

No performance fees were paid to the Investment Manager in relation to the financial years ended on 30 June 2017 and 2018 under the current performance fee methodology.

The first Calculation Period for the proposed performance fee would be the period commencing on 1 January 2019 and ending on 30 June 2019. Calculation Periods after the first Calculation Period would be each half year period ending on 31 December or 30 June.

Performance fees are in addition to the management fees. Under the IMA, the Company must pay to the Investment Manager or as it directs a monthly management fee payable in arrears equal to 0.08334% of the value of the Portfolio calculated on the last Business Day of each month.

5.2 Proposed performance fee – calculation methodology

The Fund's total return per Share (**Total Return**) is the dollar movement in its pre-tax NAV per Share during the Calculation Period (adjusted for any income or capital distributions and before any accrued performance fees during that Calculation Period). Adjustments will be made for any corporate taxes paid, capital re-organisations such as Share divisions or consolidations. For the purpose of calculating the performance fee, 'pre-tax NAV' means the value of the portfolio less accrued management fees plus any corporate taxes paid during the Calculation Period. Calculation Periods end on 30 June and 31 December of each year. The first Calculation Period is from 1 January 2019 to 30 June 2019.

The Fund's excess return per Share (**Excess Return**) is its Total Return less the Return Hurdle, expressed in dollar terms. The Return Hurdle is CPI as at the first Business Day of the Calculation Period plus 6%, pro-rated for the number of days in the Calculation Period.

The performance fee per Share is 20% of the Excess Return (exclusive of GST). The total performance fee is the performance fee per Share multiplied by the number of Shares on issue at the end of the Calculation Period.

The Investment Manager will only be entitled to a performance fee where the pre-tax NAV per Share at the end of the Calculation Period exceeds the applicable High Water Mark. The High Water Mark is the pre-tax NAV per Share at the end of the most recent Calculation Period for which the Investment Manager was entitled to a performance fee, adjusted for any intervening income or capital distribution, and reset to the, then current, pre-tax NAV per Share, on 31 December 2021 and every 3 years thereafter. For the first Calculation Period, the High Water Mark is the pre-tax NAV at 1 January 2019.

If a portion of the Excess Return relates to the Share value growth below the, then current, High Water Mark, the performance fee is not payable on that portion of the Excess Return but is payable on the Excess Return above the, then current, High Water Mark.

The auditor has the power to determine the correct calculation of the performance fee.

Worked out examples

The examples below illustrate the performance fees that would be payable to the Investment Manager for 6 months to 30 June 2019 under 4 different performance scenarios based on the following assumptions:

- the starting balance of the portfolio at 31 December 2018 is pre-tax net asset value of \$90 million;
- CPI at 31 December 2018 is 2%; and
- there are no dividends, buybacks or income taxes paid during the period from the portfolio.

Examples of performance over 6 months	NAV at 31 December 2018	NAV at 30 June 2019	CPI + 6% Return Hurdle (CPI assumed at 2%)	CAM Performance	CAM Outperformance	Performance fees charging basis	Performance fee charged
Example of strong outperformance	\$90 million	\$98.1 million	CPI + 6% = 8% (4% over 6 months)	+9%	+5%	\$4.5 million (\$90 million * 5%)	\$0.9 million 20% of \$4.5 million
Example of outperformance	\$90 million	\$95.4 million	CPI + 6% = 8% (4% over 6 months)	+6%	+2%	\$1.8 million (\$90 million * 2%)	\$0.36 million 20% of \$1.8 million
Example of positive performance under Return Hurdle	\$90 million	\$92.7 million	CPI + 6% = 8% (4% over 6 months)	+3%	-1%	As the performance is lower than the CPI + 6% Return Hurdle, no performance fee payable	\$Nil
Example of underperformance	\$90 million	\$88.2 million	CPI + 6% = 8% (4% over 6 months)	-2%	-4%	As the performance is lower than the CPI + 6% Return Hurdle, no performance fee payable	\$Nil

5.3 Directors' Recommendation

The Directors unanimously recommend Shareholders vote in favour of Resolution 5.

The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote “against” or “abstain” you should mark the relevant box in the attached proxy form.

5.4 Voting Exclusion Statement

A voting exclusion statement for Resolution 5 is included in the Notice of Meeting.

Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

10% Placement Facility means the ability under Listing Rule 7.1A for Clime (an eligible entity) to issue up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting.

10% Placement Period means the period in which the 10% Placement Capacity under Resolution 4 may be utilised as described in Resolution 4.

ASX means ASX Limited.

Associate means an associate as defined in the Listing Rules.

Board means the board of directors of the Company.

Clime means Clime Capital Limited (ACN 106 282 777)

Company means Clime.

CPI means the trimmed mean consumer price index published on the Reserve Bank of Australia website.

Director means a director of the Company.

Equity Security means an equity security as defined in the Listing Rules.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice of Meeting.

IMA means the management agreement between the Company and the Manager dated 12 November 2003 for the management of the Company.

Investment Manager means Clime Asset Management Pty Limited (ACN 098 420 770).

Listing Rules means the listing rules of the ASX Limited.

Meeting means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on Thursday **11th October 2018**.

Notice means this notice of annual general meeting dated 10 September 2018 and accompanying Explanatory Memorandum.

Share means an ordinary share in the capital of the Company.

Shareholder means a holder of a Share.



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:30am (AEDT) on Tuesday 9 October 2018.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the 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.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting **10:30am (AEDT) on Tuesday 9 October 2018.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged in the following method:

- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Clime Capital Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Green Room, Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000 on Thursday, 11 October 2018 at 10:30am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To Re-elect Mr John Abernethy as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To Re-elect Mr Anthony Golowenko as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of additional placement capacity under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of amendment to Investment Management Agreement (IMA)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2018