



# SUNVEST CORPORATION LIMITED

a.b.n 77 008 132 036

## **ANNUAL GENERAL MEETING      7 November 2018**

### **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum provides an explanation of the items of business to be considered at the Annual General Meeting as set out in the Notice of Meeting which accompanies this Memorandum.

#### **First item of business**

##### *To consider the Annual Report*

Sunvest Corporation Limited has made available to all shareholders the Annual Report for the year ended 30 June 2018.

While considering the financial statements and Annual Report at the meeting shareholders can comment on and ask questions about the Company's performance and financial position.

The Company's Auditor will be present at the Annual General Meeting and shareholders will be given the opportunity to ask the Auditor questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company and the independence of the Auditor.

It is not required and there will not be a formal resolution put to the Meeting in relation to the Annual Report.

#### **Second item of business**

##### **Resolution 1**

##### *To adopt the Remuneration Report for the year ended 30 June 2018*

Shareholders at the Meeting can comment on and ask questions about the Remuneration Report which commences on pages 5 and 6 of the Annual Report. The Corporations Act provides that the vote on the resolution to adopt the Remuneration Report will not bind the Directors or the Company. However, the Directors will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Noting that each Director has a personal interest in his/her own remuneration from the Company, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

#### **Third item of business**

##### **Resolution 2**

##### *Election of a Director – Peter Burrows*

Peter Burrows AO was appointed as a non-executive Director of the Company by the directors on 12 September 2018 and is retiring pursuant to the requirements of the Company's constitution and the ASX Listing Rules which require a director who was appointed by directors to seek election at the next general meeting of members. Peter Burrows is eligible to be elected and offers himself for election.

The Board (other than Peter Burrows) unanimously recommends that shareholders vote in favour of his election.

#### **Fourth item of business**

##### **Resolution 3**

Election of a director - Alex Keach

Alex Keach was appointed as a non-executive Director of the Company by the directors on 12 September 2018 and is retiring pursuant to the requirements of the Company's constitution and the ASX Listing Rules which require a director who was appointed by directors to seek election at the next general meeting of members. Alex Keach is eligible to be elected and offers himself for election.

The Board (other than Alex Keach) unanimously recommends that shareholders vote in favour of his election.

#### **Fifth item of business**

##### **Resolution 4**

Approval of additional capacity to issue shares under ASX Listing Rule 7.1A

##### **General**

Listing Rule 7.1A enables eligible entities to issue that number of securities equal to up to 10% of their issued share capital through placements over 12 months after the annual general meeting (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity. The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue securities under the 10% Placement Facility.

The exact number of securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.3.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by shareholders present and eligible to vote.

##### **Listing Rule 7.1A**

The ability to issue securities under the 10% Placement Facility is subject to shareholder approval by special resolution at an annual general meeting. Any securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of securities of the Company.

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 months after the date of the annual general meeting, a number of securities calculated in accordance with the following formula:

$(A \times D) - E$

where:

A is the number of fully paid ordinary securities on issue in the 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 ASX 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 approval of holders of shares under ASX Listing Rules 7.1 or 7.4. This does not include an issue of fully paid shares under the Company's 15% placement capacity without shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

Note that “A” has the same meaning in the ASX Listing Rule 7.1 when calculating an entity’s 15% placement capacity.

where:

D is 10%

and-

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

If the Company issues any equity securities under the 10% Placement Facility the entity must, pursuant to ASX Listing Rules 7.1A.4 and 3.10.5A:

- (a) give to the ASX a list of the allottees of the equity securities and the number of equity securities to be allotted to each (but this list is not required to be released to the market); and
- (b) disclose to the market the details of the dilution to the existing holders of ordinary securities caused by the issue; where the equity securities are issued for cash consideration, a statement of the reasons why the eligible entity issued the equity securities as a placement rather than as a pro rata issue; the details of any underwriting arrangements and fees payable to the underwriter; and any other fees or costs incurred in connection with the issue.

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

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (b) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of a main undertaking) or such longer period if allowed by ASX.

### **10% Placement Period**

#### **Technical information required by ASX Listing Rule 7.3A**

##### **(a) Minimum price**

Any equity securities issued by the Company under ASX Listing Rule 7.1A can only be issued at a price that is no less than 75% of the VWAP for securities in that class calculated 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 securities are to be issued is agreed; or
- (ii) the date on which the securities are issued if the securities are not issued within five trading days of the date on which the issue price is agreed

##### **(b) Dilution to existing security holders**

If Resolution 4 is approved by shareholders and the Company issues securities under the 10% Placement Facility the existing shareholders economic and voting power in the Company will be diluted as shown in the below table. There is a risk that:

- (i) the market price for securities may be significantly lower on the date of the issue of the securities than on the date of the annual general meeting on 7 November 2018; and
- (ii) the securities may be issued at a price that is at a discount to the market price for the securities on the issue date or the securities are issued as part of consideration for the acquisition of a new business.

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

The table below shows a number of hypothetical scenarios for a 10% placement as required by ASX Listing Rule 7.3A.2 where the number of the Company's shares on issue (variable "A" in the formula in ASX Listing Rule 7.1A.2) has remained current or increased by either 50% or 100% and the share price has decreased by 50%, remained current or increased by 100% based on the closing share price on Friday 28th September 2018.

Number of shares on issue variable "A "	Additional 10% placement shares Issued and funds Raised	\$0.12 issue price at half current market price	\$0.24 issue price at current market price	\$0.48 issue price at double current market price
Current variable "A"	Shares issued	1,215,902	1,215,902	1,215,902
12,159,024	Funds raised	\$145,908	\$291,816	\$583,633
50% increase in current variable "A"	Shares issued	1,823,854	1,823,854	1,823,854
18,238,536	Funds raised	\$218,862	\$437,725	\$875,450
100% increase in current variable "A"	Shares issued	2,431,805	2,431,805	2,431,805
24,318,048	Funds raised	\$291,817	\$583,633	\$1,167,266

The dilution table uses the following assumptions which the Company does not represent will necessarily occur:

- (i) the Company uses the maximum number of securities available under the additional 10% placement;
- (ii) the table shows only the effect of issues of securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;
- (iii) the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This why the voting dilution is shown in each example as 10%;
- (iv) the table does not show an example of dilution that may be caused to a particular shareholder by reason of the placements under ASX Listing Rule 7.1A based on that shareholder's holding at the date of the annual general meeting;
- (v) the issue price at current market price is the closing price on the ASX on Friday 28<sup>th</sup> September 2018.

The Company will only issue and allot the securities during the 10% placement period. The approval under Resolution 4 for the issue of securities will cease to be valid in the event that shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking), or otherwise 12 months after the date of the annual general meeting.

### (c) Purpose of additional placement

The Company may seek to issue securities under the 10% placement for either:

- (i) cash consideration. The Company may use the funds for working capital, towards potential transactions or for other corporate purposes deemed by the board to be in the best interests of the Company; or

- (ii) non-cash consideration for transactions deemed by the board to be in the best interests of the Company. In such circumstances the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with ASX Listing Rule 7.1A.3.

The Company will comply with any disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon the issue of any securities under ASX Listing Rule 7.1A.

**(d) Allocation policy**

The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% placement. The identity of allottees of equity securities will be determined on a case by case basis having regard to factors including but not limited to the following:

- (i) the method of raising funds that are then available to the Company;
- (ii) the effect of the issue of the equity securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from professional and corporate advisers (if applicable)

Allottees under the 10% placement have not been determined as at the date of this Notice of Meeting and may include existing and/or new security holders but cannot include any related parties or associates of a related party of the Company.

**(e) Previous issues of securities**

The Company has not previously obtained shareholder approval to have the additional capacity to issue equity securities under ASX Listing Rule 7.1A.

**(f) Voting exclusion**

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting the Company has not invited and has not determined to invite any particular existing security holder or an identifiable class of existing security holders to participate in an offer under ASX Listing Rule 7.1A. Therefore no existing security holder will be excluded from voting on Resolution 4.

**(g) Directors recommendation**

The board recommends that shareholders vote in favour of Resolution 4.

Shareholders are invited to contact the company secretary, Bruce Burrell, on 0402 841 662, if they have any queries in respect to the matters set out in the Notice of Meeting or Explanatory Memorandum

End of Explanatory Memorandum