

30 July 2020

Dear Shareholder,

Salmat Limited (ASX: SLM) Notice of General Meeting - proposed delisting, voluntary winding up and appointment of members' voluntary liquidators

On behalf of the board of directors of Salmat Limited ABN 11 002 724 638 (**Salmat** or the **Company**), I invite you to attend a General Meeting of the Company on Friday 28 August 2020, to enable the shareholders to consider and, if thought fit, to pass resolutions approving the delisting and voluntary winding up of the Company, and the appointment of joint and several liquidators.

Following the sale of the Marketing Solutions business to the IVE Group and the MicroSourcing business to Probe BPO Holdings Pty Ltd, Salmat's Board of Directors considered strategic options for Salmat and sought advice on the best way to return funds to shareholders.

As a result of this process, the Board determined that the best value for all shareholders would be achieved through the return of remaining funds to shareholders via a capital reduction and an orderly winding-up of Salmat (subject to shareholder approvals), in the absence of a superior alternative proposal.

The capital reduction of 66.5 cents per Share was approved at a General Meeting held today (30 July 2020) and it is expected that payment will be made to entitled Shareholders on 12 August 2020.

Salmat now seeks shareholder approval to commence the orderly winding up of the Company, to take effect at the close of the General Meeting. Information on the proposed process is included in the enclosed Explanatory Memorandum, so that you are fully aware of the reasons for the Board's decision before casting your vote on the Resolutions.

Subject to the emergence of a Superior Proposal before the date of the General Meeting, the Board unanimously recommends that you vote in favour of the Resolutions.

The meeting will be held at Cliftons, Level 13, 60 Margaret Street Sydney, beginning at 10am Sydney time. Alternatively, you can join the meeting to listen and ask questions by dialing +61 1800 123 296 – Conference ID 3993066. Please note that additional health and safety procedures will be in place at the venue, including temperature checks and social distancing. Anyone who is unwell or has a fever may be unable to enter the venue. We suggest submitting your vote ahead of the meeting where possible and joining by conference call.

Resolutions

We submit the following resolutions, full details of which are set out in the Explanatory Memorandum, to shareholders for your consideration:

- Approval for the removal of Salmat from the ASX Official List;
- Voluntary Winding Up of Salmat and appointment of Liquidators;
- Authorisation for the Liquidators to compromise debts to the Company and to enter into certain agreements;
- Authorisation for the Liquidators to distribute in specie such assets of the Company as deemed fit (noting that the Directors do not presently expect that this will occur);
- Approval of the future remuneration of the Liquidators; and
- Consent to the destruction of the Company's books and records following deregistration of the Company, subject to ASIC's approval.

The Board of Salmat unanimously recommends that shareholders vote in favour of the Resolutions. Each of the Directors who holds shares in Salmat intend to vote any such shares they hold in favour of the Resolutions, in the absence of a Superior Proposal.

You should read this document in its entirety before deciding how to vote. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional advisers.

Information on voting

If you wish to participate in the meeting you will need to attend in person, or appoint a proxy to act on your behalf.

For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as a holder of shares as at 7:00 pm (Sydney time) on 26 August 2020.

Please find below a Notice of Meeting. You will receive a personalised proxy form and a reply paid envelope. Instructions on how to appoint a proxy are detailed on the back of the proxy form. Please be aware that proxy forms must be received no later than 48 hours prior to the commencement of the meeting in order to be valid for the meeting.

Salmat has provided for electronic lodgement of proxies by its shareholders and encourages you to do so. If you wish to avail yourself of this service and have not already done so, you can do this by visiting www.linkmarketservices.com.au and clicking on 'PROXY VOTING' and then follow the prompts. We recommend that you have your proxy form with you when you log on (this document contains your SRN/HIN reference number which you will need to enter into the Link website).

If your shares are held in a name other than your personal name, you will need to lodge a valid proxy form before the proxy closing time. If a holding is in the name of a company, then a valid Corporate Representative form will allow a holder to attend the meeting and vote on behalf of the company.

If you plan to attend the meeting in person or via conference call, please bring with you suitable identification, your personalised proxy form or evidence of your authority to attend (by proxy or as Corporate Representative). Registration at the meeting will commence at 9.00 am (Sydney time).

We thank you for your continued support and look forward to welcoming you at the meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Mattick', written in a cursive style.

Peter Mattick AM
Chairman

SALMAT LIMITED
ABN 11 002 724 638
(the Company)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the members of Salmat Limited will be held on Friday 28 August 2020 at Level 13, 60 Margaret Street Sydney NSW commencing at 10:00am Sydney time. Registration will open at 9:00am.

Alternatively, you can join the meeting to listen and ask questions by dialing +61 1800 123 296 – Conference ID 3993066.

BUSINESS OF THE MEETING

1. Delisting

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

***Resolution 1:** “That, for the purposes of ASX Listing Rule 17.11 and for all other purposes, approval is given for the removal of Salmat from the ASX Official List.”*

2. Voluntary Winding Up and appointment of Liquidators

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

***Resolution 2:** “That, for the purposes of section 491 of the Corporations Act and all other purposes, the Company be wound up voluntarily and that Shaun Fraser and Jason Preston be appointed joint and several liquidators of the Company.”*

***Resolution 3:** “That so far as is necessary for the beneficial winding up of the Company the Liquidators are hereby authorised, pursuant to subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act, to compromise any debt to the Company greater than the prescribed amount and to enter any agreement on the Company’s behalf involving a term or obligations extending for more than three months.”*

***Resolution 4:** “That the Liquidators are hereby authorised to distribute in specie such assets of the Company as deemed fit.”*

3. Other liquidation matters

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

***Resolution 5:** “That the future remuneration of the Liquidators is determined at a sum equal to the costs of time spent by the liquidators and their partners and staff, calculated at the hourly rates as detailed in the Pre-appointment Proposed Basis of Remuneration Disclosure Statement dated 16 July 2020, up to an amount of \$200,000 (excluding GST)”*

Resolution 6: “That the books and records of the Company may be destroyed following the deregistration of the Company, subject to the consent of ASIC being obtained.”

Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Majority required

For each of Resolutions 1 to 4 to be passed, it must be approved by at least 75% of the votes cast on it as a special resolution. For each of Resolutions 5 and 6 to be passed, it must be approved by a simple majority of more than 50% of the votes cast on it as an ordinary resolution.

The vote for each Resolution will be conducted by poll.

Voting Exclusions

There are no voting exclusions on the Resolutions.

On behalf of the Board

Stephen Bardwell

Company Secretary



30 July 2020

NOTES

A. Eligibility to Vote

For the purpose of determining a person’s entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as at 7.00 p.m. (Sydney time) on 26 August 2020. Please note: the deadline for lodgement of proxy forms is 10.00 a.m. (Sydney time) on this same day.

B. Voting Form

The Voting Form allows shareholders who are not attending the meeting to either lodge their vote directly, or appoint a proxy or corporate representative to vote on their behalf. Where a voting form has been mailed to you, a reply paid envelope has also been included with the Notice of Meeting for return of the Voting Form by post.

C. How to Vote

Direct Voting – complete Section A of the Voting Form

You may vote directly on resolutions considered at the meeting without attending the meeting or appointing a proxy. To vote directly, complete Section A of the Voting Form. You must complete the voting directions for the Resolution by marking “For” or “Against” or “Abstain” for your vote to be counted. If you mark more than one box on an item your vote on that item will be invalid.

If you vote directly, you are entitled to attend the meeting. However your attendance will revoke your direct vote unless you instruct Link Market Services otherwise.

Voting in person

If you are attending the meeting, please bring your personalised Voting Form with you. We ask that you arrive at the venue at least 30 minutes prior to the time designated for the meeting so that we may check your security holding against our register of shareholders and note your attendance. If you do not bring your Voting Form with you, you can still attend the meeting but representatives of Link Market Services will need to verify your identity.

You may still attend the meeting and vote in person even if you have voted directly or appointed a proxy. If you have previously submitted a Voting Form, your attendance will revoke your direct vote (unless you instruct Link Market Services otherwise) or suspend your proxy appointment while you are present at the meeting.

Voting by corporate representative

If a corporate shareholder plans to attend the meeting, it must appoint a person to act as its representative and the appointed person must bring appropriate written evidence of the appointment to the meeting signed in accordance with the corporation’s constitution or in accordance with section 127 of the Corporations Act.

Voting by proxy – complete Section B of the Voting Form

If you are not attending the meeting and are entitled to vote on the resolutions, you may appoint a proxy to attend and vote for you by completing Section B of the Voting Form. A proxy may be an individual or a body corporate. A proxy does not need to be a shareholder of the Company.

Your proxy can be appointed in respect of some or all of your votes. If you are entitled to cast two or more votes at the meeting, you may appoint two proxies, and may specify a proportion or number of your votes that each proxy may exercise on a poll. If you do not specify a proportion or number, each proxy may exercise half of your votes. If you appoint two proxies, neither proxy may vote on a show of hands. An additional Voting Form is available on request from Link Market Services if you wish to appoint two proxies.

Your proxy will also have the right to speak at the meeting and join in a demand for a poll.

You can use the attached Voting Form to appoint a proxy.

You may appoint the Chair of the meeting as your proxy by nominating him in the Voting Form. If you return your Voting Form but do not nominate the identity of your proxy, the Chair of the meeting will automatically be your proxy. If you return your Voting Form but your nominated proxy does not attend the meeting, then the Chair of the meeting will become your proxy by default. For resolutions determined on a poll, if your nominated proxy is either not recorded as attending the meeting, the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as your proxy for the purposes of voting on the

resolution. The Chair of the meeting is required to vote any directed proxies that default to him in these circumstances as directed on the proxy appointment.

Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

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

If such evidence is not received prior to the commencement of the meeting, then the body corporate (through its representative) will not be permitted to act as your proxy.

You can obtain a Letter of Corporate Representation from Link Market services, www.linkmarketservices.com.au

D. How will my proxy vote

You can direct your proxy to vote using the Voting Form.

If you do not mark any of the boxes on a given item, your proxy may vote, or abstain from voting, as he or she chooses.

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 computing the required majority on a poll.

If you mark more than one box on an item your vote on that item will be invalid.

E. Chairman’s voting intentions

If you appoint the Chair of the meeting as your proxy or the Chair of the meeting becomes your proxy by default, and you have not directed how to vote on an item of business, then on a poll for that item, the Chair of the meeting intends to vote all available proxies “for” that item of business, in the absence of a Superior Proposal.

Salmat encourages all shareholders who appoint proxies to direct their proxy on how to vote on each Resolution.

F. Signing

If the shareholder is a corporation, the Voting Form must be signed under the company’s constitution or in accordance with section 127 of the Corporations Act or under the hand of a duly authorised officer of the corporations.

A shareholder which is a corporation having a sole director/secretary must state that fact on the Voting Form.

If the shareholder is a natural person, the Voting Form must be signed by the shareholder or the shareholder’s attorney duly authorised in writing. Where the shares are jointly held, only one of the holders is required to sign the Voting Form.

G. Authorised Officers

If the Voting Form is signed by an attorney or authorised person, a certified copy of the power of attorney or other document signed by or on behalf of the shareholder detailing the person's authority must be provided to the registry at the same time as providing the Voting Form.

H. Voting deadlines

To be effective, all Voting Forms must be lodged no later than 48 hours before the time for the holding of the meeting, which is by 10.00 a.m. (Sydney time) on Friday 28 August 2020 date as follows:

- by mailing it to the share registry of the Company,

Salmat Limited
c/- Link Market Services Limited,
Locked Bag A14,
Sydney South NSW 1235,
Australia

- by facsimile to Link Market Services Limited on +612 9287 0309;
- by going online at www.linkmarketservices.com.au ; login using the holding details as shown on the Proxy Form; Select 'Voting' and follow the prompts to lodge your vote; or
- by hand delivery to:

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Or
Link Market Services
1A Homebush Bay Drive
Rhodes NSW 2138

All enquiries to +61 1300 554 474

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass each of the Resolutions.

1. Background and overview

Salmat was founded in 1979 and evolved from a small letterbox distribution business to an ASX-listed company, working with some of Australia's most recognised and trusted brands. Until 1 January 2020, Salmat operated two key business segments:

i. The Marketing Solutions segment incorporated Australia's leading catalogue distribution network, reaching up to 17 million Australians in seven million homes each week. The Lasoo online catalogue site extended the reach of the printed catalogue, taking shoppers right to the checkout. Sophisticated data and analytics helped to inform highly targeted marketing.

On 23 November 2019, Salmat (together with certain subsidiaries) entered into a sale agreement to sell the Marketing Solutions business to a wholly owned subsidiary of IVE Group Limited. This sale completed on 1 January 2020.

ii. The Managed Services segment provided a wide range of back office solutions, through Salmat's Philippines-based business, MicroSourcing. MicroSourcing made it easy and affordable for businesses to build their own professional teams handling anything from animation or accounting through to technical support and web development.

On 30 December 2019, a wholly owned subsidiary of Salmat entered into an agreement to sell the MicroSourcing business to Probe BPO Holdings Pty Ltd.

Following shareholder approval at a General Meeting held on 21 February 2020, the sale of MicroSourcing completed on 28 February 2020.

In the Explanatory Memorandum for the General Meeting on 21 February 2020, Salmat indicated the intention to delist and return surplus funds to Shareholders, should the MicroSourcing sale be successfully completed.

At the General Meeting held today (30 July 2020), Shareholders approved the return of approximately \$133 million, the majority of funds held by Salmat, to Shareholders by way of a capital reduction.

As Salmat no longer has any business operations and in the absence of a Superior Proposal, the Board has decided that the proposed Liquidation is in the best interests of Shareholders. Therefore, the Board unanimously recommends shareholders vote in favour of the Resolutions to effect the proposed Liquidation.

In summary, the following steps will be taken to effect the Liquidation:

- | | |
|--------|---|
| Step 1 | Salmat will be removed from the ASX Official List (per Resolution 1); Salmat will enter into Voluntary Winding Up and Liquidators will be appointed (per Resolution 2). |
| Step 2 | If there is any cash surplus at the end of the Voluntary Winding Up process, the |

Liquidators will distribute the final cash surplus to the shareholders as a Final Distribution. The Directors currently expect that the Voluntary Winding Up process will take at least 6 months to complete.

Step 3 Salmat will be deregistered 3 months after the Voluntary Winding Up completes.

2. Advantages and disadvantages of Liquidation

The Board has considered a number of options to deliver optimal value to Salmat shareholders and determined to propose the Capital Return in conjunction with the Liquidation. Therefore, in the absence of a Superior Proposal, the Board unanimously recommends Shareholders vote in favour of the Resolutions.

2.1 Reasons to vote in favour of the Resolutions

a) The Board unanimously recommends that you vote in favour of the Resolutions in the absence of a Superior Proposal

Shareholders have already approved the Capital Return of 66.5 cents per share (a total of approximately \$133 million). After this amount has been paid (expected to be 12 August 2020), Salmat will retain approximately \$5 million in cash.

At the end of the Voluntary Winding Up, if there is any cash surplus after the Liquidators have discharged any liabilities and voluntary winding up costs, the remaining cash surplus will be distributed to Shareholders by the Liquidators as the Final Distribution in proportion to the holdings of the Shareholders.

Having regard to the ongoing administrative and management costs associated with maintaining Salmat's corporate structure and its listing on ASX, the Board's opinion is that in the absence of a Superior Proposal, it is in Shareholders' best interests to approve the Liquidation so that the Company can be wound up in an orderly manner and any cash surplus can be distributed to Shareholders.

b) No Superior Proposal has emerged.

The Board sought independent advice from a number of sources on the best options for returning value to Shareholders and determined to propose the Capital Return in conjunction with the Liquidation. No Superior Proposal has been identified or has emerged at this time.

At present, the Board considers that the Liquidation is in the best interests of Shareholders and will bring the most benefit to Shareholders. If a Superior Proposal emerges before the date of the General Meeting, Salmat will inform Shareholders via an ASX announcement and a notification on its website at www.salmat.com.au

d) No Brokerage or stamp duty is payable by Shareholders under any Final Distribution or interim distribution (assuming, as the Directors expect, that any such distribution will be made in cash).

The taxation implications of receipt of any Final Distribution (and any interim distribution) are discussed in section 7.

2.2 Reasons to vote against the Resolutions

a) Uncertainty as to whether a Final Distribution will be made, and its timing and size.

You may not be comfortable with the lack of certainty of whether there will be a Final Distribution, and if there is, the timing and size of it, given this is subject to the determination of the Liquidators.

b) You believe Salmat is better continuing its corporate structure and ASX listing.

You may believe that the continuation of Salmat's corporate structure and listing on ASX would bring better benefits to Shareholders in the long term. However, it should be noted that ASX has confirmed that the quotation of Salmat shares will be suspended at the close of trading on 30 July 2020 and the Directors have no present intention of applying to have Salmat shares reinstated to quotation.

c) You believe that a Superior Proposal may emerge.

You may believe there is a possibility that a Superior Proposal could eventually emerge that offers greater value to you. You should note that the Board has been exploring a number of strategic options but so far none of those have resulted in a proposal which compares favorably with the value achievable under the Capital Return already approved by Shareholders in conjunction with the proposed Liquidation. If before the date of the General Meeting a Superior Proposal emerges, Salmat will inform shareholders via an ASX announcement and a notification on its website at www.salmat.com.au

d) Liquidation of Salmat may not suit an individual's investment portfolio

If the Resolutions are passed and the Liquidation is implemented, Salmat will be removed from the ASX Official List, enter into Voluntary Winding Up and ultimately be deregistered. The shares in Salmat will also cease to be transferable from the time the resolutions are passed, unless the transfer is approved by the Liquidators or the court. The status change of Salmat may not comply with certain requirements under some Shareholders' investment mandates.

3. Details of the Liquidation

The Liquidation process will begin with Salmat being Delisted and entering into a Voluntary Winding Up process. During the Voluntary Winding Up process, the Liquidators will arrange for the payment of any creditors and - subject to compliance with the relevant legal requirements and processes in each relevant jurisdiction and the Liquidators' determination - distribute Salmat's net assets, if any, to Shareholders before Salmat is ultimately deregistered.

3.1 Delisting

Salmat proposes to be Delisted from the ASX Official List after the General Meeting so that once the Liquidation process has begun, Salmat will not continue to incur costs associated with being listed on ASX.

Salmat intends to apply to ASX to be removed from the ASX Official List under ASX Listing Rule 17.11. As is its usual practice, ASX has imposed a requirement under ASX Listing Rule 17.11 and Guidance Note 33 *Removal of Entities From the ASX Official List*, that Salmat obtain shareholder approval to its Delisting.

Resolution 1 seeks the required shareholder approval to the Delisting under and for the purposes of the ASX Listing Rules.

If Resolution 1 is passed, Salmat will be able to proceed with the Delisting and the consequences outlined in section 4.1 will follow.

If Resolution 1 is not passed, Salmat will not be able to proceed with the Delisting and the consequences outlined in section 5 will follow.

a) Reasons for and advantages of Delisting

Once the Liquidation process has begun, the benefit of Salmat being a listed entity will be outweighed by the costs, as Salmat does not have any ongoing business operations. Salmat has completed the sale of all its businesses, and in the opinion of the Board, it would not be appropriate for the Company, having no operations or plans to enter into any new business activity, to maintain its listing on ASX.

Salmat currently incurs various administrative and management costs for Salmat to comply with ASX Listing Rules, fees for ASX clearance and settlement and costs for maintaining staff and other services. As a result of Delisting, Salmat will not be required to continue to pay these costs.

b) Disadvantages of Delisting

Once Salmat is Delisted, the Shares will no longer be freely tradable on ASX. However, it should be noted that ASX has confirmed that the quotation of Salmat shares will in any event be suspended at the close of trading on 30 July 2020 and the Directors have no present intention of applying to have Salmat shares reinstated to quotation.

You should also note the consequences on the transferability of Shares if Resolution 2 is passed and Salmat enters into Voluntary Winding Up (see section 4.2).

The status change of Salmat may also not comply with certain requirements under some Shareholders' investment mandates.

c) In-principle advice from ASX regarding Delisting

Salmat has received in-principle advice from the ASX that, subject to receipt of a formal application for Delisting, ASX would likely remove Salmat from the Official List of ASX, on a date to be decided by ASX in consultation with Salmat, subject to compliance with the following conditions. ASX has confirmed that if approval is given, removal shall take place as soon as practicable after Shareholders approve Resolution 1.

- The request for removal of Salmat from the official list of ASX is approved by a special resolution of Shareholders (which means at least 75% of the votes cast by the Shareholders must be in favour of Resolution 1).
- The notice of meeting seeking shareholder approval for Salmat's removal from the Official List must include a statement, in form and substance satisfactory to ASX setting out:
 - a timetable of key dates, including the time and date at which Salmat will be removed from the Official List if that approval is given;
 - that if Shareholders wish to sell their Shares on ASX, they will need to do so before the Company is removed from the Official List of ASX;

- that the Shares will be suspended from official quotation on the date of despatch of this Notice of Meeting (assuming shareholders have approved the Capital Return) and will remain suspended until Salmat's removal from the Official List; and
- to ASX's satisfaction, information prescribed in section 2.11 of ASX Guidance Note 33.

ASX has reviewed the Notice of Meeting and this Explanatory Memorandum and confirmed that the information contained in them satisfies these conditions. The timetable of key dates is provided in section 8.

- Salmat releases the full terms of ASX's decision upon making a formal application to ASX to remove Salmat from the Official List of ASX.

Salmat intends to submit a formal Delisting application to ASX no later than 13 August 2020 and will inform shareholders via an ASX announcement when this has occurred.

d) Information required to be provided under ASX Guidance Note 33

In accordance with ASX Guidance Note 33, Salmat provides the following information in connection with the Delisting:

- Salmat's reasons for seeking removal from the Official List of ASX are set out in section 3.1(a) above.
- ASX has not imposed any other conditions that it requires to be satisfied before it will act on the request for Delisting other than those set out in section 3.1(c).
- The consequences for Salmat and Shareholders if Salmat is Delisted are set out in section 4.1.
- The advantages and disadvantages of Delisting compared to the advantages and disadvantages of remaining listed on ASX are set out in sections 3.1(a) and (b) above.
- ASX has not applied any voting exclusions in relation to Resolution 1.
- Shareholders should be aware that in addition to the right to participate in and vote at the General Meeting, Shareholders may be entitled to pursue additional remedies in relation to the Delisting, including:
 - Under Part 2F.1 of the Corporations Act, pursuant to which a member of a company may apply to a court to make certain orders if an act or proposed act of the company or a proposed resolution of members is either, (i) contrary to the interests of members as a whole; or (ii) oppressive to, unfairly prejudicial to, or unfairly discriminatory against a member or members whether in that capacity or any other capacity; or
 - Under Part 6.10, Division 2, Subdivision B of the Corporations Act, pursuant to which any person whose interests are affected by circumstances in relation to the affairs of a company may apply to the Takeovers Panel to seek a declaration that those circumstances are "unacceptable circumstances" within the meaning of the Corporations Act.
- Salmat does not intend to offer a buy back or liquidity facility in conjunction with the Delisting.

3.2 Voluntary Winding Up

A voluntary winding up by members is a solvent winding up where shareholders of a company in accordance with the process set out in Part 5.5 of the Corporations Act agree that the company's affairs are finalised and wound up and that its property is distributed. Once the Voluntary Winding Up is approved by Shareholders, a liquidator will need to be appointed to realise any of Salmat's remaining assets, pay any creditors and distribute any proceeds of realisation. Salmat will be deregistered automatically three months after the Voluntary Winding Up process is completed.

a) Appointment of Liquidators

Approval of Resolution 2 by Shareholders is sought to allow Salmat to commence Voluntary Winding Up and to appoint Shaun Fraser and Jason Preston of McGrathNicol as joint and several liquidators of Salmat.

As required by section 491 of the Corporations Act, a voluntary winding up must be approved by a special resolution of the Shareholders. This means at least 75% of the votes cast by the Shareholders must be in favour of Resolution 2 for Salmat to enter into the Voluntary Winding Up process and to appoint Mr Fraser and Mr Preston as the Liquidators.

McGrathNicol has provided the following information about the professional background of the proposed Liquidators. It should be noted that this information was not prepared by Salmat. Salmat and its Directors and officers do not assume any responsibility for the accuracy or completeness of the following information.

Shaun Fraser

Shaun has more than 28 years of experience undertaking complex restructuring and turnaround assignments, capital reorganisations and formal insolvency administrations, including under Chapter 11 of the US Bankruptcy Code. Throughout his career, he has provided expert guidance involving business improvement, strategic planning and working capital management.

Shaun specialises in a range of industries including resources, engineering and construction, property, manufacturing, agribusiness, tourism and hotels, information and communications, and financial services.

As an expert in restructuring, he has helped organisations develop and implement restructuring plans and turnaround assignments. Shaun has partnered with a broad range of businesses on both acquisition and restructuring projects. High profile examples of his experience include advising BHP on its acquisition of Leighton Contracting, advising the board of Norilsk Nickel in negotiating and implementing a capital and operational restructure and acting as the restructuring advisor on several major distressed construction projects.

Jason Preston

Jason has more than 20 years of restructuring and insolvency experience. As a highly regarded specialist he helps businesses facing operational and financial distress.

Jason has led a large number of complex restructuring assignments for prominent listed entities and multi-lender banking syndicates. He also works with boards, directors and senior management to provide strategic and innovative solutions to challenging situations.

In addition, he has substantial formal insolvency experience across a broad range of industries including infrastructure, mining services, property and consumer finance sectors. Examples of high profile assignments include, advising Babcock & Brown on a financial restructure and asset divestment process, advising the Reliance Rail bondholders on debt restructuring and advising the bond insurer of the Cross City Tunnel. Jason has also acted as the administrator of Toys R Us and is the receiver of Quintis Ltd.

Jason has also undertaken a large number of independent business reviews for companies across a range of sectors.

b) **Remuneration to the Liquidators**

It is proposed that the remuneration to the Liquidators is to be calculated on a time basis at the hourly rate as set out in the Pre Appointment Remuneration Disclosure document attached to this Notice of Meeting, up to an amount of \$200,000 (excluding GST). Approval by Shareholders of Resolution 5 is sought to approve these terms.

3.3 **Liquidators' role**

Once the Voluntary Winding Up process has started, the Liquidators will take over from the Board in relation to managing the affairs of Salmat and realising any of Salmat's assets. The Liquidators will arrange for the payment of any creditors and - subject to compliance with the relevant legal requirements and processes in each relevant jurisdiction and the Liquidators' determination - distribute Salmat's net assets, if any, to Shareholders.

If at the end of the Voluntary Winding Up process there is any surplus from the proceeds after payment of the liquidation costs, the Liquidators will distribute that balance to Final Distribution Eligible Shareholders as a Final Distribution. During the Voluntary Winding Up process, the Liquidators may determine it is appropriate to make an interim distribution, however the Directors do not expect that this will occur.

In most cases many powers of the Liquidators may be exercised without any special authority. However if the Shareholders' approval is required, the Liquidators may call a general meeting to obtain any necessary shareholder approval.

If the Voluntary Winding Up continues for more than one year, the Liquidators will need to lodge an annual account with ASIC.

Once the Liquidators have completed the Voluntary Winding Up process, they will lodge an "end of administration return" form with ASIC. Three months after this form is lodged, ASIC will automatically deregister Salmat as a company.

The Directors have proposed the following Resolutions in respect of the Liquidators' role:

a) **Liquidators' power to compromise debts and enter into certain agreements**

Under subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act, a liquidator in a Members' Voluntary Liquidation must obtain the approval of shareholders via special resolution if the liquidator wishes to:

- compromise a debt owed to the company of greater than the prescribed amount (currently \$100,000);
or
- enter into an agreement on the company's behalf which involves obligations extending more than 3 months after the agreement is entered into, even if the term may end or the obligations may be discharged within those 3 months.

If Shareholders approve Resolution 3, the Liquidators will be pre-authorised to do the things set out above. The Directors consider that this will save the Company from incurring the costs of calling and holding further general meetings, in the event the Liquidators believe it is appropriate to pursue such a course of action. On this basis, the Directors consider it is in Shareholders' best interests to approve Resolution 3. If Shareholders

do not approve Resolution 3, then the Liquidators will not be able to take the actions set out above without first obtaining the consent of Shareholders via special resolution.

b) Authorisation of Liquidators to make in specie distributions

Pursuant to section 501 of the Corporations Act, the property of a company, must (subject to preferential payments), on its winding up, be applied in satisfaction of its liabilities equally and, subject to that application, must unless the company's constitution otherwise provides, be distributed among members according to their rights and interests in the company.

If Shareholders approve Resolution 4, the Liquidators will be authorised to make in specie distributions, being a distribution of the property of a company (other than cash) to members.

It should be noted that the Company is not aware that it holds any material assets other than cash, and on this basis, the Directors do not expect that the Liquidators will have any need to make any in specie distribution.

However, the Directors consider that Shareholders approving Resolution 4 will save the Company from incurring the costs of taking steps to convert the assets of the company into cash and/or calling and holding further general meetings, in the event the Liquidators believe it is appropriate to make an in specie distribution. On this basis, the Directors consider it is in Shareholders' best interests to approve Resolution 4. If Shareholders do not approve Resolution 4, then the Liquidators will not be able to make any in specie distribution without first obtaining the consent of Shareholders via special resolution.

c) Consent to Liquidators destroying the Company's books and records following deregistration

Section 70-35 of the Insolvency Practice Schedule (Corporations), being Schedule 2 of the Corporations Act provides that the Liquidators must retain all books of the Company, and of the external administration of the Company that are relevant to the affairs of the Company, and are in the Liquidators' possession or control at the end of the external administration for a period of 5 years from the end of the external administration (**retention period**). However, in the case of a members' voluntary winding up, the books and records may be destroyed within the retention period, as the Company by resolution directs and if ASIC consents to the destruction.

If Shareholders approve Resolution 6, the Liquidators will be able to destroy the books and records, subject to obtaining the approval of ASIC. If Shareholders do not approve Resolution 6, the Liquidators will be required to retain the books and records for a period of 5 years from the date of deregistration.

3.4 Final Distribution

At the end of the Voluntary Winding Up, if there is any surplus cash after the Liquidators have paid all of the liquidation costs, that surplus will be distributed to Salmat's Final Distribution Eligible Shareholders via the Final Distribution in proportion to their holdings.

There is no guarantee that there will be any Final Distribution, because whether there will be any surplus of cash at the end of the Voluntary Winding Up depends on a range of factors, including:

- Whether there will be any currently unanticipated/uncertain liabilities; and
- How long the process will take and how much it will cost.

Shareholders who are on the Salmat register as at the Final Distribution Record Date (which will be determined by the Liquidators) will be eligible to receive payment under the Final Distribution (if any). If there is going to be a Final Distribution, the Liquidators will determine and notify the Final Distribution Eligible shareholders as to when and how it will take place.

4. Consequences if Liquidation proceeds

4.1 Delisting of Salmat

If Resolution 1 is approved by shareholders, it is expected that Salmat will be delisted at the close of trading on 28 August 2020.

Once Salmat is Delisted, Shares will no longer be quoted or traded on the ASX and will only be transferable via off-market private transactions, and assuming that Salmat enters into Voluntary Winding Up, only if permitted by the Liquidators or the court.

During such time that Salmat continues to have 100 or more Shareholders, Salmat will be an unlisted disclosing entity for the purposes of the Corporations Act and will therefore remain subject to the continuous disclosure provisions in section 675 of the Corporations Act, which require an entity to lodge certain material information with ASIC.

Shareholders should note that any further notices by Salmat after it is Delisted will no longer be published on the ASX but such notices will continue to be published on Salmat's website (www.salmat.com.au).

4.2 Voluntary winding up

If Resolution 2 is approved by the shareholders, Salmat will enter into Voluntary Winding Up and the Liquidators will be appointed to deal with Salmat's affairs. See sections 3.2, 3.3 and 3.4 for further details about this process.

On the commencement of the Voluntary Winding Up process, Shareholders will not be able to transfer their Shares unless authorised by the Liquidators or ordered by the court in accordance with section 493A of the Corporations Act.

5. Consequences if Liquidation does not proceed

If Resolution 1 is not approved, Salmat will not be Delisted at the present time.

However, it should be noted that ASX has confirmed that the quotation of Shares will be suspended at the close of trading on 30 July 2020 and the Directors have no present intention of applying to have the Shares reinstated to quotation.

It should be noted that under ASX Listing Rule 17.12, ASX has a broad discretion to remove an entity from the Official List if ASX considers it to be appropriate. ASX's policy is to remove from the Official List:

- an entity that fails to lodge any of the documents referred to in ASX Listing Rule 17.5 (which includes, among items, an annual report, preliminary final report, annual accounts and half yearly accounts) for a continuous period of 1 year after the deadline for lodgement of that document; and
- an entity whose securities have been suspended from quotation for a continuous period of 2 years,

whichever occurs first.

For full details, see section 3.4 of ASX Guidance Note 33. If Salmat is not Delisted, the costs of listing on ASX as set out in section 3.1(a) are expected to continue while Salmat remains listed.

If Resolution 2 is not approved, Salmat will not enter into Voluntary Winding Up and Liquidators will not be appointed. Salmat will continue to exist under the management of its Board and senior management team.

If Liquidation does not proceed, the Board intends that it will seek alternative options in the interests of Shareholders.

6. Financial position of Salmat

Immediately after the payment of the Capital Return, which is expected to occur on 12 August 2020, Salmat is expected to have net cash of approximately \$5 million and net assets of approximately \$4 million. See section 3.4 for information regarding the potential Final Distribution.

7 Tax consequences for shareholders

The following is a general summary of the Australian income tax implications arising for Shareholders as a result of the Liquidation. As this summary is necessarily general in nature, the actual Australian income tax outcomes will depend on a Shareholder's individual circumstances. Therefore, Shareholders should consult with their professional tax advisor regarding their particular circumstances.

This tax summary only addresses the position of Shareholders who are Australian residents for Australian income tax purposes and who hold their Shares on capital account. This tax summary does not address the Australian income tax consequences for Shareholders who:

- are non residents of Australia for Australian income tax purposes;
- hold their Shares on revenue account or as trading stock (such as insurance organisations, superannuation funds or shareholders who trade securities);
- have elected for the Taxation of Financial Arrangement provisions (Division 230 of the *Income Tax Assessment Act 1997* (Cth)) to apply in respect of their Shares; or
- acquired their Shares under any employee share scheme.

This tax summary is based on Australian income tax laws and regulations, interpretations of such laws and regulations, administrative practice and judicial interpretation in force as at the date of this Explanatory Memorandum. It does not address any other Australian taxes.

7.1 Deemed dividend

If the Liquidators make a distribution to Shareholders in the course of the Voluntary Winding Up of Salmat then, to the extent that such a distribution represents income derived by Salmat (whether before or during the Liquidation) other than income that has been properly applied to replace a loss of paid-up share capital, Shareholders should include the distribution in their assessable income as a deemed dividend for the income year in which the distribution is received. "Income" for these purposes has an expanded meaning.

Shareholders should also include in their assessable income for the income year in which such a distribution is received any franking credits attached to the distribution, although Shareholders may be entitled to a tax offset equal to the franking credit of the distribution.

Salmat does not anticipate that any liquidator distributions made to Shareholders would comprise material income amounts that are deemed to be dividends.

In any event, the Liquidators will prepare a distribution statement which will show the franked and unfranked components of the distribution to the extent that it comprises a distribution of income. Shareholders should retain all distribution statements they receive to ensure that these components are correctly disclosed in their tax return.

7.2 Capital gains tax

A distribution from the Liquidators will also have capital gains tax (CGT) consequences for a Shareholder of Salmat at the time that Salmat ceases to exist due to a CGT event which occurs at that time. The full amount of the Liquidators' Final Distribution plus the full amount of any interim distribution (where Salmat ceases to exist within 18 months of the interim distribution being paid - refer below), will constitute capital proceeds from the happening of the CGT event. Accordingly, the Shareholder should make a capital gain or capital loss in the income year in which this CGT event happens depending on whether the amount of the capital proceeds received by the Shareholder is more or less than the Shareholder's CGT cost base in their shares. If the Shareholder has held their Shares for more than 12 months and is an individual, trust or complying superannuation entity, the Shareholder may be eligible to apply the general CGT discount which has the effect of reducing any capital gain (after first applying any current year or carried forward capital losses) by either 50% (for individuals and trusts) or 33 ⅓ % (for complying superannuation entities).

To prevent the duplication of a tax liability, any capital gain made by a Shareholder from the happening of the CGT event is reduced to the extent that the Final Distribution (and if applicable, any interim distribution) is included in the Shareholder's assessable income as a deemed dividend (as discussed above).

The relevant CGT event will happen on the earlier of the date that Salmat is deregistered (which, for a voluntary winding-up, should be three months after the return for the final meeting is lodged by the Liquidators) or the date that the Liquidators issue a written declaration that the Shares are worthless.

For Shareholders who acquired their Shares prior to 20 September 1985, different considerations may apply and they should seek specific advice on the implications of the liquidation for their tax position.

7.2.1 Interim distribution

If the Liquidators make an interim distribution to shareholders and Salmat does not cease to exist within 18 months of the interim distribution, then a CGT event will occur to the extent that the distribution is not included in a Shareholder's assessable income as a deemed dividend (**non-assessable part**). If:

- the amount of the non-assessable part of the distribution is less than or equal to a Shareholder's CGT cost base in the Shares they hold, the Shareholder should reduce the CGT cost base of their Shares by the non-assessable part (but not below nil); or
- the amount of the non-assessable part of the distribution exceeds a Shareholder's CGT cost base in their Shares, the Shareholder should reduce the CGT cost base of their Shares to nil and they should make a capital gain equal to the excess amount. Where the shareholder has held their Shares for more

than 12 months, the Shareholder may be eligible to apply the CGT discount to reduce the capital gain (refer above).

However, if Salmat ceases to exist within 18 months of an interim distribution being paid, then there should not be any CGT consequences for Shareholders upon the making of the interim distribution. Rather, the amount of the interim distribution should be part of the Shareholder's capital proceeds for a CGT event happening when the Shareholder's Shares end upon Salmat being deregistered (discussed above).

The Australian Taxation Office has issued public guidance to the effect that a Shareholder should only apply the CGT consequences outlined above in respect of an interim distribution if the Shareholder is advised in writing by the Liquidators that Salmat will not cease to exist within 18 months of payment of an interim distribution. Shareholders may need to amend their income tax return for the income year in which an interim distribution is made depending on how Shareholders initially treat the receipt of an interim distribution for CGT purposes and when Salmat ceases to exist.

For Shareholders who acquired their Shares prior to 20 September 1985, different considerations may apply and they should seek specific advice on the implications of the liquidation for their tax position.

8 Important dates

Date	Event
Thursday, 30 July 2020	Capital Return approved by Shareholders Despatch of this Notice of Meeting
Close of trading on Thursday, 30 July 2020	Shares to be suspended from quotation
Wednesday, 5 August 2020	Record date for determining entitlements to participate in Capital Return
Wednesday, 12 August 2020	Payment date for Capital Return
10.00 am on Wednesday, 26 August 2020	Latest time and date for receipt of Proxy Form for the General Meeting
7.00 pm on Wednesday, 26 August 2020	Time and date for determining eligibility to vote at the General Meeting
Friday, 28 August 2020	General Meeting to be held at Cliftons, Level 13, 60 Margaret Street Sydney, NSW 2000
If Resolutions are approved by Shareholders at the General Meeting	
Friday, 28 August 2020	Salmat enters into Voluntary Winding Up and Liquidators are appointed No further share transfers are able to be effected without the approval of the Liquidators or the court
Close of trading on Friday, 28 August 2020	Salmat is Delisted
Six months or more longer after Liquidators are appointed	Anticipated completion of Voluntary Winding Up and announcement of Final Distribution (if any)
Three months after completion of Voluntary Winding Up	Anticipated deregistration of Salmat

All dates are indicative only and are subject to change.

All references to time in this document are references to Sydney time.

GLOSSARY

\$ means Australian dollars

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange.

ASX Listing Rules means the listing rules issued by the ASX as at the date of this Notice of Meeting

Board means the board of directors of the Company.

Capital Return means the equal reduction of capital approved by Shareholders in general meeting on 30 July 2020.

Chair means the person chairing the General Meeting.

Company or **Salmat** means Salmat Limited ABN 11 002 724 638.

Corporations Act means the Corporations Act 2001 (Cth).

Delist, Delisted or **Delisting** means to be removed from the ASX Official List.

Directors means each director of the Company.

Explanatory Memorandum means the explanatory memorandum contained in this document.

Final Distribution means the distribution of any surplus of cash by the Liquidators to Final Distribution Eligible Shareholders in proportion to their holdings after the Liquidators have paid off all of Salmat's liabilities and all costs associated with the Liquidation.

Final Distribution Eligible Shareholders means Shareholders who are eligible to receive payment under the Final Distribution, being the Shareholders who are on the register on the Final Distribution Record Date.

Final Distribution Record Date means a date determined by the Liquidators for the purposes of identifying Shareholders who are eligible for the Final Distribution.

General Meeting means the meeting of Shareholders to be held pursuant to the Notice of Meeting.

Liquidation means the proposed liquidation of Salmat as contemplated in this Notice of Meeting, including Delisting of Salmat and the Voluntary Winding Up of Salmat.

Liquidators means, if Resolution 2 is passed at the General Meeting, the joint and several liquidators appointed by Resolution 2 in accordance with section 495 of the Corporations Act.

Notice of Meeting means this document in its entirety, including the notice of general meeting and all notes and attachments.

Proxy Form means the proxy form which accompanies this Notice of Meeting.

Resolution means one of the resolutions set out in the Notice of Meeting, being Resolutions 1 to 6, and **Resolutions** means all of them.

Resolution 1 means the resolution to be determined by the Shareholders at the General Meeting in the following terms:

“That, for the purposes of ASX Listing Rule 17.11 and for all other purposes, approval is given for the removal of Salmat from the ASX Official List.”

Resolution 2 means the resolution to be determined by the Shareholders at the General Meeting in the following terms:

“That, for the purposes of section 491 of the Corporations Act and all other purposes, the Company be wound up voluntarily and that Shaun Fraser and Jason Preston be appointed joint and several liquidators of the Company.”

Resolution 3 means the resolution to be determined by the Shareholders at the General Meeting in the following terms:

“That so far as is necessary for the beneficial winding up of the Company the Liquidators are hereby authorised, pursuant to subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act, to compromise any debt to the Company greater than the prescribed amount and to enter any agreement on the Company’s behalf involving a term or obligations extending for more than three months.”

Resolution 4 means the resolution to be determined by the Shareholders at the General Meeting in the following terms:

“That the Liquidators are hereby authorised to distribute in specie such assets of the Company as deemed fit.”

Resolution 5 means the resolution to be determined by the Shareholders at the General Meeting in the following terms:

“That the future remuneration of the Liquidators is determined at a sum equal to the costs of time spent by the liquidators and their partners and staff, calculated at the hourly rates as detailed in the Pre-appointment Proposed Basis of Remuneration Disclosure Statement dated 16 July 2020, up to an amount of \$200,000 (excluding GST).”

Resolution 6 means the resolution to be determined by the Shareholders at the General Meeting in the following terms:

“That the books and records of the Company may be destroyed following the deregistration of the Company, subject to the consent of ASIC being obtained.”

Share means a fully paid ordinary share in the Company.

Shareholder means members of the Company.

Superior Proposal means a bona fide proposal that the Board, acting reasonably and in good faith, and after taking advice from its legal and financial advisors, determines:

- a) is reasonably capable of being completed taking into account all aspects of the proposal and timing considerations; and
- b) would, if completed substantially in accordance with its terms, be more favourable to Shareholders (as a whole) than the Liquidation.

Voluntary Winding Up means the voluntary winding up of Salmat by the Shareholders under Part 5.5 of the Corporations Act.

Voting Form means the voting form enclosed with this Notice of Meeting and described in item B of the notes to the Notice of Meeting.

Appendix:

- Liquidators' pre appointment remuneration disclosure document.
- Proxy form