

Prime Financial Group Limited

ACN 009 487 674

NOTICE OF EXTRAORDINARY GENERAL MEETING

Incorporating

EXPLANATORY STATEMENT AND PROXY FORM

DATE AND TIME OF MEETING

Friday 14 July 2017 at 10am AEDT

PLACE OF MEETING

**Prime Financial Group Limited Head Office
Como Office Tower
Level 17, 644 Chapel Street
South Yarra Vic 3141**

Prime Financial Group Limited

(ACN 009 487 674)

(the Company)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Friday 14 July 2017

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of the Company will be held at 10 am AEDT on Friday 14 July 2017, at the Company's Head Office which is located at Como Office Tower, Level 17, 644 Chapel Street, South Yarra, Victoria (**the Meeting**).

The Notes attached to this Notice of Meeting, and the Explanatory Statement that accompanies and forms part of this Notice of Meeting, describe the various matters to be considered. Shareholders should read the documents in full.

Terms used in this Notice of Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary contained in the Explanatory Statement.

AGENDA

PROPOSED RESOLUTIONS

Resolution 1. Approval of Financial Assistance

To consider and, if thought fit, to pass (with or without modification) the following as a **special resolution**:

"That for the purposes of section 260B(2) of the Corporations Act, and for all other purposes, Shareholders approve PABA providing financial assistance in connection with the Acquisition, as described in the Explanatory Statement accompanying this Notice of Meeting."

Resolution 2. Adoption of Performance Rights Plan

To consider and, if thought fit, to pass (with or without modification) the following as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.2 (Exception 9(b)) and sections 200B and 200E of the Corporations Act, and for all other purposes, Shareholders approve the Performance Rights Plan and the issue of Performance Rights under that plan, including the issue of Shares upon vesting of those Performance Rights, on the terms and conditions set out in the Explanatory Statement."

Voting Restriction on Resolution 2

The Company will disregard any votes cast on this Resolution by any Director (except any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company), and any associates of those Directors. However, the Company need 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 proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Furthermore, in accordance with section 250BD of the Corporations Act 2001, a person appointed as a proxy must not, on the basis of that appointment, vote on this Resolution if the person is:

- (a) a member of the Key Management Personnel of the Company; or
- (b) a Closely Related Party of such a member.

However, any of such persons (the **voter**) may cast a vote on this Resolution as a proxy if:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

Resolution 3. Approval of Loan Adjustment (Simon Madder)

To consider and, if thought fit, to pass (with or without modification) the following as an **ordinary resolution**:

"That for the purposes of Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve an adjustment to the terms of a loan provided to Simon Madder in connection with the PFG Employee Share Plan on the terms and conditions as set out in the Explanatory Statement."

Voting Restriction on Resolution 3

In accordance with section 224 of the Corporations Act, the Company will disregard any votes cast for this Resolution by Simon Madder or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of Simon Madder or any of his associates.

In addition, as noted in paragraph 3.9 of the Explanatory Statement, Peter Madder will abstain from voting on this Resolution and the Company will disregard any votes cast by Peter Madder or any of his associates (including Madder Corporate).

Furthermore, in accordance with section 250BD of the Corporations Act 2001, a person appointed as a proxy must not, on the basis of that appointment, vote on this Resolution if the person is:

- (a) a member of the Key Management Personnel of the Company; or
- (b) a Closely Related Party of such a member.

However, any of such persons (the **voter**) may cast a vote on this Resolution as a proxy if:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

Resolution 4. Approval of Loan Adjustment (Madder Corporate Pty Ltd)

To consider and, if thought fit, to pass (with or without modification) the following as an **ordinary resolution**:

"That for the purposes of Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve an adjustment to the terms of a loan provided to Madder Corporate Pty Ltd (an entity controlled by Peter Madder) in connection with the PFG Employee Share Plan on the terms and conditions as set out in the Explanatory Statement."

Voting Restriction on Resolution 4

In accordance with section 224 of the Corporations Act, the Company will disregard any votes cast for this Resolution by Madder Corporate or any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of Madder Corporate or any of its associates.

In addition, as noted in paragraph 3.9 of the Explanatory Statement, Simon Madder will abstain from voting on this Resolution and the Company will disregard any votes cast by Simon Madder or any of his associates.

Furthermore, in accordance with section 250BD of the Corporations Act 2001, a person appointed as a proxy must not, on the basis of that appointment, vote on this Resolution if the person is:

- (a) a member of the Key Management Personnel of the Company; or
- (b) a Closely Related Party of such a member.

However, any of such persons (the **voter**) may cast a vote on this Resolution as a proxy if:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

OTHER BUSINESS

To transact any other business which may be lawfully brought forward.

By the Order of the Board.

A handwritten signature in black ink, appearing to read 'D. Gaskell', written over a horizontal line.

Mr. Dale Gaskell
Company Secretary
9 June 2017

The accompanying Notes and Explanatory Statement form part of the Notice of Meeting.

NOTES

Voting Entitlements

The Board has determined, in accordance with the Company's constitution and the Corporations Act, that a Shareholder's voting entitlements at the Meeting will be taken to be the entitlement of that person shown in the register of Shareholders as at 8:00 pm AEDT on Wednesday 12 July 2017.

Votes Cast by the Chairman of the Meeting

The Company anticipates that Mr Paul Cowan, the Company's independent non-executive Chairman, will be the Chairman of the Meeting.

Mr Cowan is not an "associate" of Simon Madder or Madder Corporate for the purposes of section 224 of the Corporations Act and for voting on Resolutions 2, 3 and 4. Accordingly, the Company will not disregard votes cast on Resolutions 2, 3 and 4 cast by Mr Cowan (subject to the below).

Under section 250BD of the Corporations Act, as a member of the Company's Key Management Personnel Mr Cowan is (along with the other Directors) excluded from voting on Resolutions 2, 3 and 4 as an appointed proxy if he has been appointed by an eligible voter but has not been directed how to vote on those Resolutions. However Mr Cowan is permitted in his capacity of Chairman of the Meeting to vote undirected proxy votes of eligible voters who have:

- (a) appointed, or have deemed to have appointed, the Chairman of the Meeting as their proxy; and
- (b) given the Chairman of the Meeting express authority to vote their undirected votes (even though the Resolutions are connected directly or indirectly with the remuneration of Key Management Personnel of the Company).

If you appoint the Chairman of the Meeting as your proxy, or complete the Proxy Form in such a way that the Chairman is deemed to be your proxy, and you do not direct your proxy on how to vote on Resolutions 2, 3 and 4, then you will be deemed to have given express authority to the Chairman of the Meeting to vote these undirected votes in accordance with his or her intention (even though those Resolutions are connected directly or indirectly with the remuneration of Key Management Personnel of the Company). As noted in paragraphs 2.6 and 3.11 of the Explanatory Statement, the Chairman intends to exercise all undirected proxies in favour of Resolutions 2, 3 and 4.

Proxy Votes Cast by Key Management Personnel

If you appoint a member of the Key Management Personnel or a Closely Related Party (that is not the Chairman) as proxy and do not direct them how to vote on Resolutions 2, 3 or 4, that proxy will be unable to exercise those undirected votes in relation to those Resolutions.

Abstaining Person Will Not Cast Proxy Votes

If you appoint a person as proxy who has indicated they will abstain from voting on any Resolution(s) (as set out in this Notice) and do not direct them how to vote on those Resolution(s), the proxy will not exercise those undirected votes in respect of those Resolution(s).

Corporate Representatives

Any corporation which is a Shareholder of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at the Meeting.

Proxies

If you are unable to attend the Meeting, we encourage you to complete and return the enclosed Proxy Form. All proxies must be received by the Company by no later than 48 hours before the time for holding the Meeting. A Proxy Form should be completed by following the instructions attached to the form (which instructions form part of this Notice of Meeting). The completed Proxy Form may be delivered by mail, in person or by facsimile transmission as follows:

At the Company's share registry:

By mail (reply paid envelope enclosed):
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001;

In person:
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067; or

By facsimile:
Computershare Investor Services Pty Limited
(within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555

Custodian voting – For intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

PRIME FINANCIAL GROUP LIMITED

ACN 009 487 674

(“the Company”)

**EXPLANATORY STATEMENT TO THE NOTICE OF EXTRAORDINARY GENERAL
MEETING TO BE HELD ON 14 JULY 2017**

This Explanatory Statement accompanies the Notice of Meeting that relates to the Meeting to be held at the Company's Head Office on Friday 14 July 2017 at 10 am AEDT. This Explanatory Statement (including the Glossary and Appendix A) forms part of the Notice of Meeting.

Shareholders should read this Explanatory Statement carefully before deciding how to vote on the Resolutions. All shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to sign and return a Proxy Form to the Company in accordance with the instructions provided in the Notice of Meeting.

PROPOSED RESOLUTIONS

1. RESOLUTION 1 - Approval of Financial Assistance

1.1 Background

As announced to the market on 5 August 2016, the Company (through its wholly owned subsidiary Prime Corporate) increased its shareholding in PABA from 40% to approximately 93% (**the Acquisition**). Following completion of the Acquisition, Prime Corporate acquired the balance of the shares in PABA and it now holds 100% of the issued capital.

On completion of the Acquisition PABA became a subsidiary of the Company.

Resolution 1 seeks Shareholder approval under section 260B(2) of the Corporations Act for PABA to provide financial assistance in connection with the Acquisition within the meaning of section 260A of the Corporations Act. An explanation as to why Shareholder approval is required and the advantages and disadvantages associated with PABA providing the financial assistance are set out below.

Resolution 1 is a special resolution and can only be passed if at least 75% of the total votes cast by shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative) are voted in favour of the resolution.

1.2 Restrictions on Companies Giving Financial Assistance

Under section 260A of the Corporations Act, a company is permitted to financially assist a person to acquire shares in itself, or a holding company of the company, only in limited circumstances, including where the financial assistance is approved by shareholders under section 260B of the Corporations Act.

A company may be regarded as providing financial assistance if it furnishes something which is needed in order for a transaction to be carried out, or provides aid or help for the transaction. The expression "financial assistance" has no technical meaning and requires examination of the commercial realities of the relevant transactions.

Financial assistance may be held to have been provided to acquire shares even if the assistance occurs after the completion of the acquisition, provided there is some link between the assistance and the acquisition.

1.3 Shareholder Approval of Financial Assistance

Under section 260B(1) of the Corporations Act, a company is permitted to financially assist a person to acquire shares in itself, or a holding company of the company, if the financial assistance is approved by its shareholders by:

- (a) a special resolution passed at a general meeting of the company, with no votes cast in favour of the resolution by the person acquiring shares or by their associates; or
- (b) a resolution agreed at a general meeting by all ordinary shareholders.

If immediately after the acquisition, the company will be a subsidiary of another domestic corporation that is listed in Australia (**Ultimate Australian Holding Company**), then the financial assistance must also be approved by the shareholders of the Ultimate Australian Holding Company by way of special resolution under section 260B(2) passed in general meeting of that company.

1.4 What is PABA Being Requested To Do?

The Prime Group has access to funding under an existing debt facility with Westpac (**Facility Agreement**). In order to assist with the funding of the Acquisition, the Company used funds drawn under the Facility Agreement.

The Facility Agreement is supported by an interlocking guarantee (**Interlocking Guarantee**) pursuant to which each Prime Group entity guarantees, in favour of Westpac, that the Prime Group will perform its obligations under the Facility Agreement.

The terms of the Facility Agreement require that each Prime Group entity must accede to the Interlocking Guarantee. Accordingly, by virtue of PABA becoming a subsidiary of the Company upon completion of the Acquisition, Westpac now requires PABA to accede to the Interlocking Guarantee.

By acceding to the Interlocking Guarantee, PABA will, among other things, become bound by the terms of the Interlocking Guarantee. This means PABA will be required to:

- (a) provide certain indemnities and undertakings to Westpac (all of which are considered standard in the context of loan facility arrangements); and

- (b) grant security over its assets in favour of Westpac (to secure the performance of its obligations under the Interlocking Guarantee).

In circumstances where Westpac has made funds available to the Company under the Facility Agreement for Prime Corporate to acquire shares in PABA, and PABA subsequently enters into the Interlocking Guarantee, PABA will be deemed to be providing financial assistance to Prime Corporate within the meaning of section 260A of the Corporations Act.

It is proposed that the provision of this financial assistance by PABA be approved by Shareholders in accordance with section 260B(2) of the Corporations Act by passing Resolution 1.

1.5 Effect of Financial Assistance

The substantial effect of the financial assistance is that PABA will be required to guarantee all amounts payable under the Facility Agreement and will be subject to certain representations and undertakings contained within the Interlocking Guarantee and associated security documentation (all of which are considered standard in the context of loan facility arrangements).

The Facility Agreement has a facility limit of \$12 million which, at the date of the Notice of Meeting is drawn to approximately \$7.2 million.

As the Company and other Prime Group entities are already liable for amounts payable under the Facility Agreement, the financial assistance that is to be provided by PABA is unlikely to have any adverse affect on the Company or the Prime Group.

1.6 Advantages of Providing Financial Assistance

It is a requirement of Westpac that all Prime Group entities execute the Interlocking Guarantee, and any failure to do so may constitute "an event of default" under the Facility Agreement. The advantage of passing Resolution 1 is that PABA will be able to accede to the Interlocking Guarantee and therefore the Company and the other Prime Group entities can avoid an event of default occurring.

If an event of default were to occur, Westpac may require the immediate repayment of amounts outstanding under the Facility Agreement. This would require the Company to refinance the Facility Agreement with another lender. If the Company is not able to refinance the Facility Agreement on acceptable terms, it may be required to raise funds to satisfy any outstanding loan repayments by undertaking an equity raising or disposing of one or more of its assets.

1.7 Disadvantages of Providing Financial Assistance

As the Company and the entities within the Prime Group (other than PABA) are already liable for amounts due under the Facility Agreement, the Directors do not believe there are any material disadvantages associated with PABA providing financial assistance in the manner described above.

As noted above, PABA will be impacted if it provides the financial assistance as, by acceding to the Interlocking Guarantee, it will become liable for amounts due under the Facility Agreement in the event any member of the Prime Group defaults in its repayment obligations. PABA's operations will also be restricted by the representations and undertakings it is required to provide pursuant to the Interlocking Guarantee and associated security documentation (all of which are considered standard in the context of loan facility arrangements).

It should be noted that PABA currently has a lending facility in place with Westpac and has granted security in favour of Westpac in relation to that facility. Accordingly, the practical effect of entering into the Interlocking Guarantee is that PABA will increase its existing exposure to Westpac by guaranteeing the performance of the remaining Prime Group entities' obligations under the Facility Agreement.

1.8 Notice to ASIC

As required by section 260B(5) of the Corporations Act, copies of the Notice of Meeting and this Explanatory Statement were lodged with ASIC prior to being sent to shareholders.

1.9 Recommendation

The Directors consider that this Explanatory Statement contains all information known to the Company that would be material to Shareholders in deciding how to vote in respect of Resolution 1, other than information which would be unreasonable to require the Company to include by virtue of having been disclosed to Shareholders previously.

The Board recommends that Shareholders vote in favour of Resolution 1 to approve the giving of financial assistance by PABA as set out above.

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 1.

2. RESOLUTION 2. - Adoption of Performance Rights Plan

2.1 Background

The Remuneration Committee, which is chaired by the Company's non-executive chairman Mr Paul Cowan has, in conjunction with the Remuneration Strategies Group (an independent remuneration consultant), carried out an extensive review of the Company's existing remuneration framework. The purpose of the review was to ensure that the Company has appropriate incentive arrangements in place (that are consistent with current market practices) to effectively attract, retain, reward and motivate its staff in a manner that is aligned with Shareholders.

The outcome of the review is that the Remuneration Committee has made the following recommendations to the Board:

- (a) that certain arrangements in place under the existing PFG Employee Share Plan be restructured;
- (b) that the use of the PFG Employee Share Plan be scaled back; and
- (c) that the Company adopt the Performance Rights Plan as the preferred vehicle for incentivising staff in the future.

The Board has resolved to implement the above recommendations, subject to the receipt of any necessary Shareholder approvals.

The manner in which the existing arrangements under the PFG Employee Share Plan are to be restructured is described in Section 3 below that deals with Resolutions 3 and 4. Details relating to the Performance Rights Plan are set out in the remainder of this Section.

Resolution 2 seeks Shareholder approval for the adoption of the Performance Rights Plan for the purposes of Listing Rule 7.2 (Exception 9(b)) and for the purposes of sections 200B and 200E of the Corporations Act.

2.2 Performance Rights Plan

After exploring a number of potential equity incentive vehicles, it has been determined that a performance rights plan would best serve the Company's objectives moving forward.

In response to the recommendations of the Remuneration Strategies Group, the Board has resolved to adopt the Performance Rights Plan - the key terms and conditions of which are summarised in **Appendix A**.

The purpose of the Performance Rights Plan is to motivate participating staff members by rewarding them upon the achievement of milestones that are linked to the Company's performance.

Under the Performance Rights Plan, participating staff members will be granted Performance Rights which represent a right to be issued Shares at a future point, subject to the satisfaction of vesting conditions. No exercise price will be payable and eligibility to participate in the plan will be at the Board's discretion.

The Board is attracted to the flexible nature of the Performance Rights Plan which will enable the Company to make annual grants to participating staff members.

The number of Performance Rights that may be issued to participants from time to time will be at the Board's discretion and will depend on each participant's level of seniority and/or past performance. The Board intends to regularly consult with external independent remuneration consultants to ensure that grants are made in a manner that is consistent with prevailing market practices.

The Performance Rights will be subject to the satisfaction of challenging vesting conditions that will be linked to the Company's performance. Again, it is proposed that appropriate guidance will be sought from independent remuneration consultants when setting performance hurdles.

It is relevant to note that no Performance Rights will be issued to related parties of the Company (including Directors of the Company) unless Shareholders first approve the issue in accordance with Listing Rule 10.14.

Furthermore, the Board does not intend to issue Performance Rights to parties (related or otherwise) that are participating in the existing PFG Employee Share Plan until after 1 July 2018, and any Performance Rights that may be issued to such participants will not vest until after their associated loan arrangements have terminated (either because the loan has been repaid or cancelled in accordance with its terms).

A copy of the Performance Rights Plan is available for review by Shareholders at the Company's registered office prior to the date of the Meeting. A copy of the Performance Rights Plan will also be sent to Shareholders upon request to the Company Secretary, Dale Gaskell.

2.3 Listing Rule Approval

Under the Listing Rules, a company is not specifically required to seek shareholder approval for the implementation of a performance rights plan for staff. However, Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2 (Exception 9(b)) sets out an exception to Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme, as an exception to Listing Rule 7.1.

If Resolution 2 is passed the Company will be able to issue Performance Rights under the Performance Rights Plan over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period. The approval will extend to any Shares that may be issued upon vesting of the Performance Rights.

It should be noted that the Company intends to comply with ASIC Class Order [C0 14/1000] when implementing the Performance Rights Plan. Among other things, this Class Order limits the number of new Shares that a company may issue in any 3 year period under an employee incentive scheme to 5% of the company's total issued capital (subject to some exceptions).

If Resolution 2 is not passed Performance Rights may still be issued under the Performance Rights Plan, but the issue of those Performance Rights will be counted as part of the 15% limit which would otherwise apply during the applicable 12 month period.

Shareholders should note that no Performance Rights have been issued under the Performance Rights Plan as at the date of the Notice of Meeting.

2.4 Sections 200B and 200E of the Corporations Act

Section 200B of the Corporations Act provides that the Company may only give a person a "benefit" (as defined in the Corporations Act) in connection with their ceasing to hold a "managerial or executive office" (as defined in the Corporations Act) if the giving of the benefit has been approved by Shareholders or an exemption applies. One permissible exemption is where the aggregate benefits do not exceed one year's average base salary.

The term "benefit" in the context of the Performance Rights Plan may include the automatic or accelerated vesting of Performance Rights triggered by retirement from office. As outlined in the summary of the terms of the Performance Rights Plan attached as Appendix A, the Board has the discretion to determine that some or all of any unvested Performance Rights vest early in certain circumstances including upon the death, incapacity, retirement or redundancy of a participant.

If the Board were to exercise its discretion under the rules of the Performance Rights Plan and permit the early vesting of Performance Rights, this may crystallise a termination benefit for the purposes of the Corporations Act. Accordingly, Resolution 2 seeks approval for the purposes of section 200B of the Corporations Act, for any termination benefit that may be provided to a participant under the Performance Rights Plan.

Section 200E of the Corporation Act requires that, when seeking approval for the purposes of section 200B, details of any proposed benefit (including the value of the benefit) must be disclosed.

The precise value of any potential benefits cannot be ascertained at the present time. Nevertheless, the manner in which the value is to be calculated will be directly referable to the number of Performance Rights that vest early upon retirement from office (if any), and the market value of the Shares that are issued upon vesting.

The following matters may be relevant to the Directors at the time they are required to exercise their discretion and accordingly, may have an impact on the value of any potential benefit:

- (a) the performance of the participant and the Company in the period leading up to the participant's retirement;
- (b) the reasons for the participant's retirement;
- (c) the participant's total fixed remuneration at the time grants are made under the Performance Rights Plan and at the time of retirement; and

- (d) the total number of unvested Performance Rights held by the relevant participant at the time of retirement.

If Resolution 2 is approved the Board will be able, where appropriate, to exercise its discretion under the Performance Rights Plan in an equitable manner for all employees. If Resolution 2 is not approved, the value of any benefit associated with the early vesting of Performance Rights upon retirement from office will, in the case of a participant who is affected by the termination benefits laws, be included in any assessment of whether their termination benefits exceed the cap permitted under the Corporations Act.

2.5 Granting of Performance Rights to Related Parties and PFG Employee Share Plan Participants

As noted above, any future issues of Performance Rights under the Performance Rights Plan to a related party (including Directors of the Company) will require additional Shareholder approval under Listing Rule 10.14 at the relevant time. The Company does not propose issuing any Performance Rights to directors prior to 1 July 2018.

Furthermore, the Board does not intend to issue Performance Rights to parties (related or otherwise) that are participating in the existing PFG Employee Share Plan until after 1 July 2018, and any Performance Rights that may be issued to such participants will not vest until after their associated loan arrangements have terminated (either because the loan has been repaid or cancelled in accordance with its terms).

2.6 Recommendation

The non-executive Directors recommend that Shareholders vote in favour of Resolution 2 to approve the Performance Rights Plan for the purposes referred to above. Messrs Simon Madder and Peter Madder, who are both executive directors, have a potential interest in the outcome of this Resolution and therefore do not consider it appropriate to make a recommendation to Shareholders.

The Chairman intends to exercise all undirected proxies in favour of Resolution 2. If the Chairman of the Meeting is appointed as your proxy, or you complete your Proxy Form in such a way that the Chairman is deemed to be your proxy, and you have not specified the way the Chairman is to vote on Resolution 2, by signing and returning the Proxy Form, you will be deemed to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of members of the Key Management Personnel of the Company.

A voting exclusion statement for Resolution 2 is included in the Notice of Meeting.

3. RESOLUTIONS 3 AND 4. - Approval of Loan Adjustments (Simon Madder and Madder Corporate)

3.1 Background

As noted in Section 2 above which deals with Resolution 2, the Remuneration Committee has undertaken a review of the Company's existing remuneration framework in conjunction with the Remuneration Strategies Group (an independent remuneration consultant). The review included an analysis of the effectiveness of the arrangements that are currently in place in relation to the existing PFG Employee Share Plan that was approved at the Company's 2008 Annual General Meeting.

The review concluded that the existing arrangements are failing to deliver the alignment between staff and Shareholders that was envisaged when the PFG Employee Share Plan was established. Accordingly, the Remuneration Committee has recommended to the Board that the existing arrangements be restructured in an equitable manner in respect of all affected participants.

Details relating to the proposed restructure and how it will affect the Company and participants (other than Simon Madder and Madder Corporate) are provided in Section 3.3 below.

Simon Madder is the Managing Director and Chief Executive Officer of the Company. Peter Madder is an Executive Director and the CFO of the Company. Given that Simon Madder and Madder Corporate (an entity controlled by Peter Madder) have received allocations under the PFG Employee Share Plan, any restructure will, if applied equitably, also require their existing arrangements to be adjusted. The arrangements that are in place in relation to Simon Madder and Madder Corporate, as well as the changes that are proposed to be made to those arrangements, are set out in Sections 3.4 – 3.7 below.

While approval is not being sought to implement the restructure in respect of all participants, Resolutions 3 and 4 have been put forward so that Shareholders may approve what is proposed in relation to Simon Madder (Resolution 3) and Madder Corporate (Resolution 4) on the basis that the proposal will involve the giving of a financial benefit to related parties of the Company for the purposes of Chapter 2E of the Corporations Act.

3.2 The Existing PFG Employee Share Plan

The existing PFG Employee Share Plan allows participating staff members to acquire Shares pursuant to a loan scheme.

Under the PFG Employee Share Plan, participants are allocated Shares on the basis that the acquisition cost of the Shares is funded via a non-recourse loan provided by PFG Employee Share Plan Pty Ltd (**the Trustee**) who administers the plan.

If the market value of Shares allocated under the PFG Employee Share Plan increases so that it exceeds the principal and accumulated interest of the loan, then participants will make a gain.

The PFG Employee Share Plan rules are flexible in relation to how offers may be structured.

Loans typically have a 4 year term and Shares are allocated on the basis that they are held by the Trustee and will vest progressively over time. In these circumstances, participants may not deal with the Shares that have been allocated to them until they have vested and the loan amount that is attributable to the shares has been repaid. When a tranche of Shares vests, participants may elect to retain the vested shares provided the election is made within time limits prescribed in the offer document. If they elect to do so, they must repay an amount equal to the loan balance that is outstanding in respect of the vested Shares and, upon payment, the vested Shares are transferred from the Trustee to the participant. If they do not make such an election, then all rights to the Shares that have vested are transferred back to the Trustee and the Shares may be sold or re-allocated by the Trustee and the relevant portion of the loan will be deemed to have been satisfied.

The PFG Employee Share Plan was devised to motivate participants (through the allocation of equity entitlements and participation in the Company's growth) to drive the Company's performance in a way that is clearly aligned with the interests of Shareholders.

3.3 General Restructure of the PFG Employee Share Plan

As noted above, it is proposed that arrangements entered into with a number of participants in the PFG Employee Share Plan be restructured. This Section 3.3 explains how the proposed restructure will affect participants other than Simon Madder and Madder Corporate (refer to Sections 3.4 – 3.7 for an explanation of how the proposed restructure will affect Simon Madder and Madder Corporate).

The proposed restructure will affect Shares that were allocated to staff on 18 April 2013 (**Tranche 1**) and on 16 December 2015 (**Tranche 2**).

The price at which Shares were allocated to participants under Tranche 1 and Tranche 2 was calculated by reference to the acquisition cost of the Shares (which comprise a mixture of Shares issued by the Company to the Trustee and Shares acquired by the Trustee). As a result of the Shares having been acquired in advance of the allocations being made, the allocation prices assigned to both tranches exceeded the market price of the Shares at the time of allocation as follows:

Table: 2

Tranche	Allocation Price Per Share	VWAP* Calculated on the Allocation Date
Tranche 1	19.3 cents	9.72 cents
Tranche 2	16.5 cents	9.90 cents

*Refer to the definition of VWAP in the Glossary for an explanation of how VWAP is calculated.

In the period since the allocation dates, the Company's Share price has failed to reach the designated allocation prices. This remains the case, and it is noted that the VWAP calculated by reference to the calendar month of May 2017 was 12.04 cents per Share.

As a consequence of the disparity between the allocation prices and the current market price of the Shares, the Tranche 1 and Tranche 2 allocations are now clearly 'out of the money'. In these circumstances participants would not be expected to elect to retain Shares upon vesting. Such an outcome is at odds with the objective of the PFG Employee Share Plan, which was designed to incentivise participants by giving them exposure to ownership interests.

It is clear with hindsight that the allocation prices fixed for Tranche 1 and Tranche 2 were too high. The Remuneration Strategies Group (an independent remuneration consultant) has recommended that allocations should be made under the PFG Employee Share Plan at a price that approximates the VWAP calculated at the date of allocation. This allows participants to benefit from any growth in the value of the Shares in the period between the date of allocation and vesting. The Board has adopted this approach in relation to recent allocations that have been made under the PFG Employee Share Plan to new participants.

The Board considers it is in the best interests of the Company to cancel the existing Tranche 1 and Tranche 2 arrangements and make fresh offers to the affected participants without further delay in a manner that is consistent with the recommendations received from the Remuneration Strategies Group.

Accordingly, it is proposed that the arrangements that are currently in place with those participants that received Tranche 1 and Tranche 2 allocations be cancelled (with the exception of the arrangements entered into with Simon Madder and Madder Corporate which are discussed below). While the Board may exercise its discretion in relation to the manner in which individual offers are structured, it is proposed that these participants will be offered the opportunity to participate in the PFG Employee Share Plan on the basis that:

- (a) they will have no further obligations under their existing loan arrangements (which will be cancelled);
- (b) in line with the Remuneration Strategies Group's recommendation, they will be re-offered their original allocations with the allocation price adjusted to a price equal to the VWAP calculated on the day prior to the new offers being made;
- (c) the acquisition cost of the Shares will be funded via a loan provided by the Trustee which will bear interest;
- (d) the Shares will continue to be held by the Trustee until they vest and the loan amount that is attributable to the vested shares has been repaid;
- (e) allocations will progressively vest over a 3 year period;

- (f) given the non-recourse nature of the loans dividends relating to the Shares will, unless the Board determines otherwise, be applied towards reducing the loan balance;
- (g) the loan will continue to be non-recourse in nature which means that, if a participant elects to retain Shares after they have vested, then he or she must repay an amount equal to the amount of the loan that is outstanding in respect of those Shares. If the participant does not make such an election then all rights to the Shares that have vested are transferred back to the Trustee and the Shares may be sold or re-allocated by the Trustee and the relevant portion of the loan cancelled;
- (h) participants will have up until the expiry of the 3 year period to elect whether to retain Shares that have vested.

The practical effect of the proposed restructure is that the existing arrangements will be cancelled and new arrangements will be entered into with a more appropriate allocation price.

Implementing the Remuneration Strategies Group recommendations will result in adjustments being made to the allocation price of approximately 10.6 million PFG Employee Share Plan Shares including Shares allocated to new participants that do not hold Tranche 1 and Tranche 2 allocations (but excluding those Shares held by Simon Madder and Madder Corporate).

3.4 Participation by Simon Madder and Madder Corporate in Tranche 1

Simon Madder and Madder Corporate received the following allocations in conjunction with the Tranche 1 allocation referred to in Section 3.3:

Table: 3

	Tranche Allocation	Allocation Price per Share	VWAP* Calculated on Tranche 1 Allocation Date	Loan Value at Commencement
Simon Madder	6,600,000	19.3 cents	9.72 cents	\$1,273,800
Madder Corporate	3,760,784	19.3 cents	9.72 cents	\$725,831

*Refer to the definition of VWAP in the Glossary for an explanation of how VWAP is calculated.

While the Tranche 1 allocations were made on 18 April 2013, executive service agreements entered into between the Company and Simon Madder (in November 2009) and Madder Corporate (in January 2010) (**Executive Service Agreements**) expressly contemplated that allocations would be made under the PFG Employee Share Plan as follows:

- (a) in the case of Simon Madder - 4,800,000 Shares; and
- (b) in the case of Madder Corporate 3,200,000 Shares.

The balance of the Shares referred to in Table 3 above that are not contemplated in the respective Executive Service Agreements comprise additional allocations made to Simon Madder (1,800,000 Shares) and Madder Corporate (560,784 Shares) recognising service provided in the period between entry into the Executive Service Agreements and the Tranche 1 allocation date.

3.5 Allocation Price Did Not Comply with Executive Service Agreements

The respective Executive Service Agreements that the Company entered into with Simon Madder and Madder Corporate provided that the contemplated allocations would be made at a price equal to the VWAP calculated on the date of allocation. Accordingly, Simon Madder had a contractual entitlement to be allocated 4,800,000 Shares at 9.72 cents and Madder Corporate had a contractual entitlement to be allocated 3,200,000 Shares at 9.72 cents (noting that 9.72 cents represents the VWAP calculated on the date Tranche 1 was allocated).

At the time of the Tranche 1 allocation Simon Madder and Madder Corporate considered it would be inequitable that they be allocated Shares at a price less than the allocation price offered to other participants under the PFG Employee Share Plan. On this basis, both Simon Madder and Madder Corporate agreed to accept all of their Tranche 1 allocations at an allocation price of 19.3 cents per Share.

3.6 Existing ESP Loan Arrangements

Whereas other participants in the PFG Employee Share Plan entered into non-recourse loans with the Trustee to finance the acquisition of their allocated Shares (in the manner described in Section 3.2 above), Simon Madder and Madder Corporate entered into recourse loans in respect of their Tranche 1 allocations (**ESP Loans**). This means that, unlike the other participants, they acquired the Shares that are the subject of their allocations from the Trustee, and are required to repay their ESP Loans in full regardless of whether the Shares appreciate in value.

As noted Table 3 above, Simon Madder entered into an ESP Loan in the amount of \$1,273,800 and Madder Corporate entered into an ESP Loan in the amount of \$725,831 in respect of their Tranche 1 allocations. These loans are interest bearing with interest accruing at 0.75% p.a above the lender's borrower rate as advised by the Trustee from time to time (currently approximately 6% p.a) and provided for an initial 4 year term. Each loan has been extended for an additional 4 year term (in accordance with the terms of the loan agreements) with Simon Madder's ESP Loan repayable on 2 May 2021 and Madder Corporate's ESP Loan repayable on 10 May 2021.

While Simon Madder's ESP Loan is full recourse in nature, the current arrangements provide that prior to the expiry of the loan term Simon Madder may require the Trustee to buy back the Shares that are the subject of his ESP Loan at a price per share that is equal to the greater of:

- (a) 75% of the allocation price;
- (b) the volume weighted average price of a Share during the 30 days immediately preceding the date Simon Madder issues a buy-back notice; and
- (c) an amount determined by an independent expert appointed at the request of Simon Madder (the identity of whom must be agreed to in writing by the Company) as being the reasonable value of the Shares as at the date Simon Madder issues a buy-back notice.

It is proposed that, subject to Resolution 3 being passed and implemented, the variable in paragraph (a) above will be adjusted to reflect an amount equal to 50% of the allocation price.

Peter Madder has not personally guaranteed the repayment of Madder Corporate's ESP Loan. It is proposed however, that subject to Resolution 4 being passed and implemented, Peter Madder will personally guarantee repayment of the Madder Corporate ESP Loan (as adjusted in the manner described below).

3.7 Proposal to Adjust the ESP Loans

In light of the proposal to restructure the arrangements for all recipients of Tranche 1 and Tranche 2 Shares under the PFG Employee Share Plan in the manner described in Section 3.3 above, and based upon the advice of the Remuneration Strategies Group, the Remuneration Committee has recommended to the Board that the ESP Loans provided to Simon Madder and Madder Corporate should also be restructured on a consistent basis. It is therefore proposed that the Company honour the contractual arrangements contained in the Executive Service Agreements, and that the ESP Loans be adjusted retrospectively with effect from the date that they were entered into.

If this recommendation is implemented the Tranche 1 allocations that Simon Madder and Madder Corporate received would be treated as follows:

Table 4

	Tranche 1 Allocation	Adjusted Allocation Price per Share	Adjusted Loan Value from Inception
Simon Madder	6,600,000	As to 4,800,000 Shares 9.72 cents As to 1,800,000 Shares 19.3 cents	\$813,960
Madder Corporate	3,760,784	As to 3,200,000 Shares 9.72 cents As to 560,784 Shares 19.3 cents	\$419,271

As noted in the above Table, it is not proposed that the Shares allocated pursuant to Tranche 1 that were not expressly contemplated by the Executive Service Agreements be subject to any adjustment. It should also be stressed that no further Shares are to be allocated as a consequence of passing either Resolution 3

or 4 and that neither Simon Madder or Madder Corporate will participate in any further allocations under the PFG Employee Share Plan.

The Board considers the proposed adjustments to Simon Madder and Madder Corporate's arrangements to be fair and equitable on the basis that:

- (a) the Remuneration Strategies Group (an independent remuneration consultant) has recommended that allocations should be made under the PFG Employee Share Plan at a price that approximates the VWAP calculated at the date of allocation;
- (b) the Shares allocated to Simon Madder and Madder Corporate were allocated at a significant premium to the VWAP calculated at the date of the Tranche 1 allocation (19.3 cents as opposed to 9.72 cents);
- (c) Simon Madder and Madder Corporate had a contractual entitlement under their respective Executive Service Agreements to receive a large portion of their Tranche 1 allocations at the VWAP calculated at the date of the Tranche 1 allocation;
- (d) Simon Madder and Madder Corporate did not insist upon the Company honouring their contractual entitlements as they considered it inequitable to be allocated Shares at a price that was less than the allocation price to be attributed to other participants under the PFG Employee Share Plan;
- (e) now that it is proposed to cancel the non-recourse loans entered into by other participants, and make new offers in a manner that is consistent with the Remuneration Strategies Group's recommendations (as discussed in Section 3.3 above), it follows that the ESP Loans should be adjusted in a consistent manner. This requires the ESP Loans to be retrospectively adjusted to reflect the adjusted allocation prices set out in Table 4 above.

The Board also considers that harmonising the arrangements that are in place with Simon Madder and Madder Corporate with the arrangements that are to be put in place with the remaining participants in the PFG Employee Share Plan will incentivise Simon Madder and Peter Madder to increase Shareholder value, and reward them in the manner that was envisaged when the PFG Employee Share Plan was originally devised.

Details on the advantages and disadvantages of adjusting the ESP Loans in the manner described above are set out in Section 3.9 below.

3.8 Future Allocations Under PFG Employee Share Plan

Following the proposed restructure of allocations made pursuant to the PFG Employee Share Plan in the manner described in this Explanatory Statement, the Board intends to scale back its use of the PFG Employee Share Plan in favour of utilising the Performance Rights Plan that is the subject of Resolution 2.

For instance, the Board does not intend to make any further allocations under the PFG Employee Share Plan to Directors of the Company or other related parties. Rather, it is envisaged that the plan will be used predominantly to allocate Shares to strategic senior hires. Shares may also be allocated under the PFG Employee Share Plan in the future to existing staff that are promoted to senior managerial positions.

3.9 Chapter 2E of the Corporations Act

For a public company, or an entity the public company controls, to give a financial benefit to a related party of the public company, the public company must:

- (a) obtain approval of the public company's members in the manner set out in sections 217 to 227 of Chapter 2E of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of Chapter 2E of the Corporations Act.

For the purposes of Chapter 2E, Simon Madder and Madder Corporate are each considered to be related parties of the Company. This is due to the fact that Simon Madder is a Director of the Company and Madder Corporate is controlled by Peter Madder who is also a Director of the Company.

Adjusting the ESP Loans in the manner described in Section 3.7 above involves the provision of a financial benefit to Simon Madder and Madder Corporate.

Resolutions 3 and 4 have been put forward so that Shareholders may approve the proposed adjustments to the ESP Loans in relation to Simon Madder (Resolution 3) and Madder Corporate (Resolution 4). The following information is provided to Shareholders in accordance with section 219 of the Corporations Act to enable an assessment of the merits of Resolutions 3 and 4:

- (a) if Resolution 3 is passed by Shareholders it will permit the Company to facilitate the giving of a financial benefit to Simon Madder, who is a Director.
- (b) If Resolution 4 is passed by Shareholders it will permit the Company to facilitate the giving of a financial benefit to Madder Corporate, an entity that is controlled by Peter Madder, who is a Director.

- (c) Passing the Resolutions will lead to the ESP Loans being adjusted retrospectively with effect from the date that they were entered into which would give rise to the following financial benefits:
 - (i) If Resolution 3 is passed by Shareholders, Simon Madder's ESP Loan will be adjusted so that the opening balance is recorded as \$813,960 rather than \$1,273,800. This will not only result in Simon Madder having to repay less principal it will also result in him having to repay less interest throughout the loan period. Whereas the current balance of the ESP Loan (calculated at 31 May 2017) is \$1,622,297, if Resolution 3 is approved the current balance will be adjusted to approximately \$1,036,925. The financial benefit of the adjustment is therefore estimated by the Company to amount to approximately \$585,372 (excluding any future interest savings achieved as a result of reducing the current loan balance).
 - (ii) If Resolution 4 is passed by Shareholders, Madder Corporate's ESP Loan will be adjusted so that the opening balance is recorded as \$419,271 rather than \$725,831. This will not only result in Madder Corporate having to repay less principal it will also result in it having to repay less interest throughout the revised loan period. Whereas the current balance of the ESP Loan (calculated at 31 May 2017) is \$925,367, if Resolution 4 is approved the current balance will be adjusted to approximately \$533,978. The financial benefit of the adjustment is therefore estimated by the Company to amount to approximately \$391,389 (excluding any future interest savings achieved as a result of reducing the current loan balance).
- (d) If the Resolutions are not passed then the ESP Loans will not be adjusted in the manner described above.
- (e) The following information, which considers the potential impact that passing Resolutions 3 and/or 4 will have on the Company, is also relevant to any assessment of the merits of the Resolutions:
 - (i) If Resolutions 3 and/or 4 are passed by Shareholders the Trustee will ultimately receive less money for those Shares allocated to Simon Madder (4,800,000 Shares) and Madder Corporate (3,200,000) that are the subject of the proposed adjustment. As the Company funded these acquisitions via loans to the Trustee this means that, to the extent of the reduction in the ESP Loans, this money will not ultimately be available to the Company for working capital purposes. As noted in paragraph (c) above, if the ESP Loans are adjusted Simon Madder's current loan balance will reduce by approximately \$585,372 and Madder Corporate's loan balance will reduce by approximately \$391,389.
 - (ii) Notwithstanding the above, the Board has received independent accounting advice concerning the effect of the proposed restructure of the PFG Employee Share Plan

(including the adjustments to the ESP Loans) on the financial statements of the Company and based upon this advice:

- (A) there will be no change or reduction in net equity in the Consolidated Statement of Financial Position of the Company; and
 - (B) there is no expense to be written off against the Consolidated Statement of Profit and Loss of the Company.
- (iii) The Board has sought independent specialist tax advice and does not consider that there will be any material taxation consequences or that the Company will be required to forego any benefits (other than described in this Explanatory Memorandum) as a result of adjusting the ESP Loans in the manner described above.
- (iv) If Resolution 3 is passed and implemented then, as noted in Section 3.6 above, Simon Madder has agreed to amend the terms on which he may require the Trustee to buy-back the Shares that are the subject of his ESP Loan so that the maximum buy-back price could potentially be as low as 50% of the adjusted allocation price (as opposed to 75% of the adjusted allocation price which is the current position). Such an adjustment is considered by the Board to be favourable to the Company and may partially offset the financial benefit Simon Madder will receive if Resolution 3 is implemented. If Resolution 3 is not implemented then this adjustment will not be made;
- (v) If Resolution 4 is passed and implemented then Peter Madder has agreed to personally guarantee repayment of Madder Corporate's adjusted ESP Loan (which will supplement the existing security provided by Madder Corporate). If Resolution 4 is not implemented then the Company will not have the benefit of the personal guarantee;
- (vi) While the Board is not on notice of any potential claim, if the ESP Loans are not adjusted in the manner that is proposed, then Simon Madder and Madder Corporate could have a potential claim against the Company considering the circumstances in which they agreed to accept allocations at a price that significantly exceeded what was proposed in their Executive Service Agreements. If Resolutions 3 and 4 are passed then the risk of any such claim would be eliminated.
- (f) Neither the Directors nor the Company are aware of any other information that would reasonably be required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass Resolution 3 and/or 4.
- (g) Mr Paul Cowan and Mr Tim Carroll recommend that the Shareholders vote in favour of Resolutions 3 and 4 on the basis that the proposed adjustment to the ESP Loans is equitable

and, on balance, in the best interest of the Company. This is on the basis that the adjustments:

- (i) reflect the contractual entitlements contained in the Executive Service Agreements;
 - (ii) will result in Simon Madder and Madder Corporate's arrangements being restructured in a manner that is consistent with what has been proposed in relation to other participants in the PFG Employee Share Plan;
 - (iii) will incentivise Simon Madder and Peter Madder to increase Shareholder value; and
 - (iv) will reward them in the manner that was envisaged when the PFG Employee Share Plan was originally devised.
- (h) Simon Madder does not wish to make any recommendation in relation to:
- (i) Resolution 3 on the basis that he has an interest in the outcome of the Resolution; and
 - (ii) Resolution 4 on the basis that he has agreed to abstain from voting on the Resolution.
- (i) Peter Madder does not wish to make any recommendation in relation to:
- (i) Resolution 4 on the basis that he has an interest in the outcome of the Resolution; and
 - (ii) Resolution 3 on the basis that he has agreed to abstain from voting on the Resolution.

3.10 Notice to ASIC

As required by section 218 of the Corporations Act, copies of the Notice of Meeting and this Explanatory Statement were lodged with ASIC at least 14 days prior to being sent to shareholders.

3.11 Recommendation

The Directors (other than Messrs Peter Madder and Simon Madder) recommend that you vote in favour of Resolutions 3 and 4.

The Chairman intends to exercise all undirected proxies in favour of Resolutions 3 and 4. If the Chairman of the Meeting is appointed as your proxy, or you complete your Proxy Form in such a way that the Chairman is deemed to be your proxy, and you have not specified the way the Chairman is to vote on Resolutions 3 or 4, by signing and returning the Proxy Form, you will be deemed to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolutions are connected directly or indirectly with the remuneration of members of the Key Management Personnel of the Company.

A voting exclusion statement for Resolutions 3 and 4 is included in the Notice of Meeting.

4. GLOSSARY

In the Notice of Meeting and this Explanatory Statement (including Appendix A):

\$	means Australian dollars.
Acquisition	has the meaning given to it in Section 1.1 of the Explanatory Statement.
AEDT	means Australian Eastern Daylight Time.
ASX	means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.
Board	means the board of Directors of the Company.
Closely Related Party	has the meaning given to it under section 9 of the Corporations Act.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company and Director means any one of them.
ESP Loan	has the meaning given to it in Section 3.6 of the Explanatory Statement.
Executive Service Agreements	has the meaning given to it in Section 3.4 of the Explanatory Statement.
Explanatory Statement	means this Explanatory Statement accompanying the Notice of Meeting.
Facility Agreement	has the meaning given to it in Section 1.4 of the Explanatory Statement.
Interlocking Guarantee	has the meaning given to it in Section 1.4 of the Explanatory Statement.
Key Management Personnel	means key management personnel of the Company as defined in AASB Standard 124.
Listing Rules	means the Listing Rules of the ASX.

Madder Corporate	means Madder Corporate Pty Ltd, an entity controlled by Peter Madder.
Meeting	means the Extraordinary General Meeting convened by the Notice of Meeting.
PABA	means Prime Accounting & Business Advisory Pty Ltd (formerly known as MPR Group Pty Ltd).
Notice of Meeting	means the notice convening the Meeting that accompanies this Explanatory Statement.
Performance Rights	means the performance rights issued to eligible participants under the Performance Rights Plan.
Performance Rights Plan or Plan	means the employee incentive scheme titled "Prime Financial Group – Performance Rights Plan" the key terms of which are summarised in Appendix A.
PFG Employee Share Plan	means the Company's employee share plan that was approved by Shareholders at the Company's 2008 Annual General Meeting.
Prime Corporate	means Prime Corporate Pty Ltd, a subsidiary of the Company.
Proxy Form	means the proxy form included with the Notice of Meeting.
Prime Group	means the Company and any of its subsidiaries.
Remuneration Committee	means the Company's remuneration committee which is chaired by the non-executive chairman of the Company, Mr Paul Cowan.
Remuneration Strategies Group	means Remuneration Strategies Group Pty Ltd, an independent remuneration consultant.
Shareholders	means the Shareholders of the Company.
Tranche 1 and Tranche 2	have the meaning given in Section 3.3 of the Explanatory Statement.
VWAP	means the volume weighted average price of a Share calculated by reference to the previous full calendar month prior to date of calculation.
Westpac	means Westpac Banking Corporation.

Appendix A – Summary of key terms of the Performance Rights Plan

The key terms of the Plan are as follows:

- (a) The Board may, from time to time, in its absolute discretion, make a written offer to any of the following:
 - (i) An executive Director of any Prime Group entity;
 - (ii) a full or part time employee of any Prime Group entity;
 - (iii) a casual employee or contractor of a Prime Group entity; or
 - (iv) a prospective participant, being a person to whom an offer is made but who can only accept the Offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant under clauses (i), (ii) or (iii) above.

(Eligible Participants).

- (b) Under the Plan the Board may grant Performance Rights to Eligible Participants (or their eligible nominees) with effect from the date determined by the Board, upon the terms set out in the Plan and upon such additional terms and vesting conditions as the Board determines.
- (c) Performance Rights will be granted for nil consideration.
- (d) Eligible Participants must not encumber Performance Rights without the Board's consent.
- (e) The Board will advise each Eligible Participant of the following minimum information regarding the Performance Rights:
 - (i) the maximum number of Performance Rights that the Eligible Participant may apply for, or the formula for determining the number of Performance Rights that may be applied for;
 - (ii) the maximum number of Shares that the Eligible Participant is entitled to be issued on the exercise of each Performance Right or the formula for determining the maximum number of Shares;
 - (iii) any applicable vesting conditions;
 - (iv) when unvested Performance Rights will expire (**Expiry Date**);
 - (v) the date by which an offer must be accepted (**Closing Date**); and

- (vi) any other information required by law or the Listing Rules or considered by the Board to be relevant to the Performance Rights or the Shares to be issued on exercise of the Performance Rights.
- (f) Subject to clause (k) below, a Performance right granted under the Plan will not vest and be exercisable unless the vesting conditions (if any) have been satisfied and the Board has notified the Eligible Participant of that fact.
- (g) The Performance Rights do not entitle holders to participate in new issues of capital, to vote, or to receive dividends (unless and until a Performance Right is exercised and the Participant holds Shares).
- (h) The Board must notify an Eligible Participant in writing within 10 Business Days of becoming aware that any vesting conditions attaching to a Performance Right have been satisfied.
- (i) Subject to the Corporations Act, the Listing Rules and the Plan, the Company must issue to the Participant or his or her personal representative (as the case may be) the number of Shares the Participant is entitled to be issued in respect of vested Performance Rights that are exercised, within 10 business days of the Performance Rights being exercised.
- (j) A Performance Right will lapse upon the earlier to occur of:
 - (i) an unauthorised dealing in, or hedging of, the Performance Right occurring, as governed by the Plan;
 - (ii) a vesting condition in relation to the Performance Right is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to vest the Performance Right in accordance with the Plan;
 - (iii) a vested Performance Right is not exercised within the time limit specified in the Plan;
 - (iv) an Eligible Participant (or, where the participant is a nominee of the Eligible Participant, that Eligible Participant) ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right in accordance with the Plan;
 - (v) the Board deems that a Performance Right lapses due to fraud, dishonestly or other improper behavior of the holder/Eligible Participant in accordance with the Plan;
 - (vi) the Company undergoes a change of control or a winding up resolution or order is made, and the Board does not exercise its discretion to vest the Performance Right in accordance with the Plan; and

- (vii) the Expiry Date of the Performance Right.
- (k) The Board may, in its absolute discretion, by written notice to a participant, resolve to waive any of the vesting conditions applying to the Performance Rights due to:
 - (i) an Eligible Participant or, where the participant is a nominee of an Eligible Participant, that Eligible Participant, ceasing to be an Eligible Participant as a result of:
 - (A) death or total permanent disability; or
 - (B) retirement or redundancy; or
 - (ii) an Eligible Participant or, where the participant is a nominee of an Eligible Participant, that Eligible Participant, suffering severe financial hardship;
 - (iii) the terminal illness of the participant (or Eligible Participant, as applicable) or of an immediate family member of the participant (or Eligible Participant, as applicable);
 - (iv) a change of control occurring or the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.
- (l) Subject to any requirements of the Corporations Act or the Listing Rules, the Board may amend the terms of the Plan and may adjust the terms of a Performance Right (provided it may only do so with the consent of the holder of a Performance Right where the adjustment will have a materially prejudicial effect on the holder).