



## **Pacific Star Network Limited**

### **2014 EXTRAORDINARY GENERAL MEETING**

#### **ORDER OF BUSINESS**

##### **Welcome**

Welcome to the Extraordinary General Meeting of Pacific Star Network Limited.

As it has turned 9.30 AM, and I am reliably informed a quorum is present, I declare the meeting open.

##### **Introductions**

I am Andrew Moffat, Chairman of your Company and will chair today's meeting.

With me today are fellow directors' Ron Hall and Gary Pert. Michelle Guthrie is an apology due to her overseas business commitments.

Also accompanying us is CEO Barrie Quick and CFO / Company Secretary Stephen Sweeney.

##### **Format of the Meeting**

Before moving on to the formal part of the meeting, I would first like to briefly outline the manner in which I propose to deal with the business of the day as set out in the agenda, including a number of procedural matters.

Following my brief address, we will provide an overview of the proposed Morrison Media acquisition.

I will then open the floor to any questions on the presentation before finally moving to the formal part of meeting.

## Chairman's Address

### **Proposed Acquisition of Morrison Media**

We recently announced the proposed acquisition of Morrison Media and shareholders are meeting in this forum today to decide on the acquisition and associated equity capital raising.

The purchase price for Morrison Media will be \$10.8 million in cash consideration.

The acquisition is to be funded from internal cash (approx. \$3m), new equity issue of \$5-\$6m and the balance funded from a new bank facility (total funding available at \$8m).

The equity capital raising is being raised in two parts. Firstly a \$4 million placement to sophisticated investors (the "Placement"), including directors and management, and secondly via a share purchase plan ("SPP") which is capped at \$2 million and underwritten to \$1 million. Thus the minimum new equity raising is \$5m. Both the Placement and the SPP are subject to shareholders approving both the acquisition and the associated capital raising resolutions.

This acquisition, should it proceed, will deliver a material step change in your Company's financial performance and earnings per share. The pro forma 2014 Pacific Star Network and Morrison Media merged group ("Merged Group") EBITDA earnings were \$4.1M. This translates to an EBITDA per share of 5.6 cents, reflecting an increase of 56%. Note that this is on the expanded post capital raising equity base (the post issue shares is minimum \$5m maximum \$6m capital raise).

On the basis that the Morrison media acquisition proceeds, our full year earnings guidance, to be provided in February 2015, will reflect this positive step change in earnings.

### **Strategic highlights**

PNW believes there is a gap between small independent content businesses and large media groups. PNW aims to fill this gap by investing in innovative media brands and content-driven businesses.

Morrison Media fits within this strategy and expands PNW's media offering to the advertising market and creates increased scale across the group.

PNW believes that the acquisition of Morrison Media has the opportunity to add a number of positive elements to the PNW business, including:

- expansion of earnings generated from the Morrison Media business;
- improving print circulation and online subscriptions;
- growing online communities;
- diversification in audience and revenue; and
- Addition of complementary staff capability to PNW's existing business.

## Business highlights

- a. Morrison Media is an Australian publisher of consumer sports and lifestyle related titles, both in print and digital formats.
- b. Magazine titles and digital assets have demonstrated strong growth and potential, with highly engaged audiences.
- c. Track record of revenue growth and strong profit margins providing solid cash flow generation.
- d. Potential for broader monetisation opportunities in digital, events and brand extensions.
- e. Experienced publishing management team and digital capability.

## Transaction highlights

- a) Provides PNW with a cornerstone publishing business to leverage into this market segment.
- b) Diversification of audience (away from male) and revenue (away from advertising).
- c) Significant expansion of profit base of existing business.
- d) Addition of complementary staff capability to PNW's existing business.
- e) Opportunity to leverage existing PNW assets.
- f) Limited integration risk given operating as standalone division.

## Conclusion

I will now open the floor to questions.

As there are no further questions, I shall move on to the formal proceedings of the meeting.

## Procedural Matters

At this time, there are a number of formalities which I would like to bring to your attention.

First, I would like to remind you that this is a shareholders' meeting and only shareholders, their attorneys, proxies and authorised company representatives are entitled to speak at this meeting.

Shareholders present in person, or by attorney, or by representative of a corporate shareholder are entitled to vote on a show of hands.

A proxy may vote on a show of hands if he or she is the sole proxy of the relevant shareholder or shareholders and his or her appointment or appointments do not specify different ways to vote on the relevant resolution.

If a proxy is eligible to vote on a show of hands and his or her appointment specifies the way he or she is to vote, then, if the proxy wishes to vote, he or she must vote in the way specified.

I request your co-operation in adhering to these rules.

As we address each resolution it will be displayed clearly on the screen behind me, together with a statement disclosing how the proxy votes received, have been cast.

To the extent that open proxy votes are held by me, as Chairman of the Meeting, those proxies will be cast in favour of the resolution. If there is anyone who, for any reason, is unable to read the resolutions on the screen, please let me know, and I will be pleased to read each resolution as it arises for their benefit.

Additional copies of the Notice of Meeting are also available should you need one.

Finally, as regards to questions, I would ask you to state your name and whether you are a shareholder in your own right or an attorney, proxy or corporate representative of a shareholder.

### Notice Of Meeting

I have been advised by the Company Secretary that the Notice of Meeting has been properly circulated and with your consent I will take the Notice of Meeting as read.

Thank you ladies and gentlemen.

At this juncture I have received confirmation that the presentation materials of today's Extraordinary General Meeting have been lodged with the Australian Securities Exchange in accordance with the Listing Rules.

### Proxies

Proxies have been received from **(29)** shareholders representing **23,229,166** shares, being **(44%)** of the Company's issued capital.

The proxies are available for inspection.

### Item 1: Acquisition of Morrison Media

The first item on today's agenda relates to the acquisition of the Morrison Media business.

*[Pause for discussion]*

I now go to Resolution 1 of the Notice of Extraordinary General Meeting and move the following Resolution:

*'Subject to Resolutions 2, 3 and 4 set out in the notice convening this meeting (Notice of Meeting) being passed, for the purposes of ASX Listing Rule 11.1 and for all other purposes, the shareholders of Pacific Star Network Limited (PNW) approve and agree to:*

- a) the acquisition by PNW of the Frankie Press, Fresh Air and Custom Publishing divisions of the publishing business conducted by Morrison Media Services Pty Ltd ACN 010 542 391 as trustee for the Morrison Discretionary Trust ABN 46 290 674 989 trading as Morrison Media (MM) on the terms and conditions described in the explanatory statement accompanying the Notice of*

Meeting (Explanatory Statement); and

b) the proposed change to the scale of PNW's activities as described in the Explanatory Statement.'

Is there a seconder to the motion?

Thank you Mr \_\_\_\_\_

I confirm that the Company has received the following valid proxy votes (from 29 shareholders) in relation to Resolution 1:

For	7,306,692
Chairman's Discretion	15,910,515
Against	8,434
Abstain	3,525
Excluded	-
<b>Total</b>	<b>23,229,166</b>

Is there any discussion on the motion?

[discussion]

I now formally put the resolution to the meeting.

Those in favour?

Those against?

I declare the motion carried/not carried.

[If NOT CARRIED] The decision has been made to put a poll (see page 7) on this resolution.

The poll will be taken once all of the resolutions contained in the Notice of Meeting have formally been put to the meeting.

## Item 2: Approval of Placement

I now go to Resolution 2 of the Notice of Extraordinary General Meeting and move the motion:

*'Subject to Resolutions 1, 3 and 4 set out in the notice convening this meeting (Notice of Meeting) being passed, that pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, the shareholders of Pacific Star Network Limited (PNW) approve and agree to the issue and allotment of up to 13,333,334 fully paid ordinary shares in the capital of PNW (Shares) to professional and sophisticated investors and senior managers of PNW by way of a placement at an issue price of \$0.30 per Share on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting.'*

Is there a seconder to the motion?

Thank you Mr \_\_\_\_\_

I confirm that the Company has received the following valid proxy votes (from 29 shareholders) in relation to Resolution 2:

For	905,692
Chairman's Discretion	15,909,515
Against	9,434
Abstain	3,525
Excluded	<u>6,401,000</u>
<b>Total</b>	<b>23,229,166</b>

### Item 3: Approval of issue of shares under the placement to a related party

I now go to Resolution 3 of the Notice of Extraordinary General Meeting and move the motion:

*'Subject to Resolutions 1, 2 and 4 set out in the notice convening this meeting (Notice of Meeting) being passed, that pursuant to and in accordance with ASX Listing Rule 10.11 and for all other purposes, the shareholders of Pacific Star Network Limited (PNW) approve and agree to the issue and allotment of up to 1,666,667 fully paid ordinary shares in the capital of PNW (Shares) to Cowoso Capital Pty Ltd as trustee for Cowoso Super Fund by way of a placement at an issue price of \$0.30 per Share on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting.'*

Is there a seconder to the motion?

Thank you Mr \_\_\_\_\_

I confirm that the Company has received the following valid proxy votes (from 29 shareholders) in relation to Resolution 3:

For	7,305,692
Chairman's Discretion	15,910,515
Against	9,434
Abstain	3,525
Excluded	<u>-</u>
<b>Total</b>	<b>23,229,166</b>

### Item 4: Approval of issue of shares under the placement to a related party

I now go to Resolution 4 of the Notice of Extraordinary General Meeting and move the motion:

*'Subject to Resolutions 1, 2 and 3 set out in the notice convening this meeting (Notice of Meeting) being passed, that pursuant to and in accordance with ASX Listing Rule 10.11 and for all other purposes, the shareholders of Pacific Star Network Limited (PNW) approve and agree to the issue and allotment of up to the 'Underwritten SPP Shares' to Rosh Hagiborim Pty Ltd ACN 004 994 227 at the SPP Price on the terms and conditions of the Underwriting Agreement described in the explanatory statement accompanying the Notice of Meeting, where:*

- a) 'Underwriting Agreement' has the meaning given to it in the Notice of Meeting;
- b) 'Underwritten Amount' means \$1,000,000;
- c) 'Underwritten SPP Shares' means that number of fully paid ordinary shares in the capital of PNW (Shares) equal to the Underwritten Amount divided by the SPP Price; and
- d) 'SPP Price means the lesser of:
  - i. \$0.30 per Share; and
  - ii. a 3.33% discount to the five day volume weighted average price of the Shares, traded on ASX up to and including the closing date of the share purchase plan.'

Is there a seconder to the motion?

Thank you Mr \_\_\_\_\_

I confirm that the Company has received the following valid proxy votes (from 29 shareholders) in relation to Resolution 4:

For	7,305,692
Chairman's Discretion	808
Against	9,434
Abstain	3,525
Excluded	<u>15,909,707</u>
<b>Total</b>	<b>23,229,166</b>

IF A POLL IS REQUIRED

#### IF POLL DEMANDED BY CHAIRMAN

The resolution was not CARRIED on a show of hands and I now demand a poll.

You will now be handed a voting paper for the poll. The resolution upon which the poll is being taken is to be set out on the ballot paper by you – that is Resolution #. You should record your vote by placing a cross in either the "For" or "Against" square on the paper.

You should also print on the ballot paper your name, if you are a shareholder, or the name of the shareholder whose proxy, representative or attorney you are. If you hold multiple proxies please state this and we will complete the information from the proxies.

I appoint Computershare as the Returning Officer to conduct the Poll and to report to me the results of the poll.

A Computershare representative will collect your ballot paper.

#### IF POLL IS DEMANDED BY MEMBERS

(A poll may be demanded before or immediately upon the declaration of the result of the show of hands by:

- (i) The Chairman; or
- (ii) at least five shareholders (our constitution states two shareholders as the minimum) present in person or by proxy, attorney or representative; or
- (iii) any one or more shareholders holding not less than 5% of the total voting rights

*of all shareholders having the right to vote on the resolution.)*

Being properly demanded by a member, a poll will take place. *(Check member is entitled).*

You will now be handed a voting paper for the poll. The resolution upon which the poll is being taken is to be set out on the ballot paper by you – that is Resolution #. You should record your vote by placing a cross in either the “For” or “Against” square on the paper.

You should also print on the ballot paper your name, if you are a shareholder, or the name of the shareholder whose proxy, representative or attorney you are. If you hold multiple proxies please state this and we will complete the information from the proxies.

I appoint Computershare, as the Returning Officer to conduct the Poll and to report to me the results of the poll. A Computershare representative will collect your ballot paper.

I suggest that the meeting be adjourned once all the voting papers have been completed until the results of the poll have been tabulated.

Have all persons who intend to vote now voted?

It appears as though the voting process has been completed.

I therefore declare the poll closed and adjourn the meeting until the Returning Officer reports to me the results of the poll.

The results of the poll were as follows:

- In respect of Resolution X:
  - in favour - (\*)
  - against – (\*)
  - Abstained – (\*).

I therefore declare that Resolution X has been/has not been carried.