
KATANA CAPITAL LIMITED

ACN 116 054 301

NOTICE OF ANNUAL GENERAL MEETING

TIME: 4pm WST

DATE: 24 November 2015

PLACE: The Quadrant Building
Boardroom
1 William Street
Perth WA 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9220 9888.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 4pm on 24 November 2015 at:

Level 9, The Quadrant Building, boardroom, 1 William Street, Perth WA 6000

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5pm WST on 22 November 2015.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2015."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

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

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR PETER WALLACE

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

"That, for the purpose of clause 5 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Peter Wallace, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

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

"That subject to and conditional upon the Company being an Eligible Entity for the purposes of Listing Rule 7.1A on the date of this AGM, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 4 – APPROVAL TO AMEND MANAGEMENT AGREEMENT

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

"That the Company be granted Shareholder approval to amend the Management Agreement on the terms and conditions set out in the Explanatory Statement."

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by Giuliano Sala Tenna, Katana Asset Management or a nominee of these entities and any of their associates. 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.

Dated: 23 October 2015

By order of the Board

Gabriel Chiappini
Company Secretary

EXPLANATORY STATEMENT

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

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <http://www.katanacapital.com.au>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

Proxy	Directions given	No directions given
Key Management Personnel ¹	Vote as directed	Unable to vote ³
Chair ²	Vote as directed	Able to vote at discretion of Proxy ⁴
Other	Vote as directed	Able to vote at discretion of Proxy

Notes:

¹ Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.

² Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).

³ Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

⁴ The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR PETER WALLACE

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer.

Clause 5 of the Constitution provides that:

- 5.1 At each annual general meeting of the Company one third of the directors for that time being or, if their number is not 3 or a multiple of 3, then the number nearest but not exceeding one third, retire from office but no director may retain office for more than 3 years without submitting himself or herself for re-election even though the submission results in more than one third of the directors retiring from office;
- 5.2 The director or directors to retire at an annual general meeting are those who have been longest in office since their election;
- 5.3 As between or among 2 or more directors who became directors on the same day, the director or directors to retire are determined by lot unless they otherwise agree between or among themselves;

- 5.4 A retiring director is eligible for re-election without the necessity of giving any previous notice of his or her intention to submit himself or herself for re-election.
- 5.5 Unless the directors decide to reduce the number of directors in office the Company at any annual general meeting at which any director retires may fill the vacated office by re-electing the retiring director or electing some other qualified person.
- 5.6 If at the annual general meeting the vacated office is not filled, the retiring director, if willing and not disqualified, must be treated as re-elected unless the directors decide to reduce the number of directors in office or a resolution for the re-election of that director is put and lost.
- 5.7 A Managing Director appointed under rule 23 (or if there is more than 1 Managing Director at the same time, the one appointed first), is not subject to retirement by rotation and is not taken into account in determining the rotation of retirement of directors.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Peter Wallace, the Director longest in office since his last election, retires by rotation and seeks re-election.

Mr Wallace was appointed to the Board on 19 September 2005. Mr Wallace has had 45 years in the Banking and Finance industry with experience gained in all aspects of debt and equity raising. Past Executive positions held include COO of a major Regional Bank as well as Chief Credit Officer and other General Management roles. Most recently as Head of Corporate Advisory for Bell Potter Securities Ltd, Mr Wallace directed the capital raisings for several large Public companies as well as providing a variety of Corporate Advisory services to a wide range of companies, both private and publicly owned. During the past four years Mr Wallace has also served as a director of the following other listed companies:

- Neptune Marine Services Limited - appointed 8 July 2011
- Goldfields Money Ltd - appointed 7 August 2014

The board of Katana Capital endorses the re-election of Mr Wallace and considers Mr Wallace to be an independent director.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES

4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in section 4.2 below).

The effect of Resolution 3 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

4.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$36,098,719.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has 2 classes of Equity Securities on issue, being the Shares (ASX Code: KAT) and the bonus options due to expire March 2016 (ASX Code: KATO).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$(A \times D) - E$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (A) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (B) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
 - (D) less the number of Shares cancelled in the previous 12 months.

- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

4.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 4.3(i)(A), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.4000 50% decrease in Issue Price	\$0.8000 Issue Price	\$1.200 50% increase in Issue Price
45,123,399 (Current)	Shares issued	4,512,340 Shares	4,512,340 Shares	4,512,340 Shares
	Funds raised	\$1,804,936	\$3,609,872	\$5,414,808
67,685,099 (50% increase)	Shares issued	6,768,510 Shares	6,768,510 Shares	6,768,510 Shares
	Funds raised	\$2,707,404	\$5,414,808	\$8,122,212
90,246,798 (100% increase)	Shares issued	9,024,680 Shares	9,024,680 Shares	9,024,680 Shares
	Funds raised	\$3,609,872	\$7,219,744	\$10,829,616

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 45,123,399 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 23 October 2015.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for increasing the size of the Company's investment portfolio (including expenses associated with such an acquisition), expansion and continuing to grow its assets under management and general working capital; or
- (ii) as non-cash consideration for potential acquisition of new resources, assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 21 November 2013 (**Previous Approval**).

The Company has issued 3,299,638 Shares pursuant to the Previous Approval (note that this was more than 12 months prior to the Meeting).

During the 12 month period preceding the date of the Meeting, being on and from 19 November 2014, the Company issued 330,489 Shares and 45,706,657 Options which represents approximately 100% of the total diluted number of Equity Securities on issue in the Company on 24 November 2014, which was 45,706,657 Shares.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 1.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

4.4 **Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

5. **RESOLUTION 4 - APPROVAL TO AMEND MANAGEMENT AGREEMENT**

5.1 **Background**

The Company's current Management Agreement commenced on 23 December 2005 and was for an initial period of 10 years. Pursuant to the terms of the Management Agreement, it will renew for an additional period of 5 years (**Renewal**) upon the following conditions:

- (a) the Renewal is approved by Shareholders, such approval being sought by this Resolution;
- (b) the Fund Manager is not in breach of the Management Agreement; and
- (c) the Fund Manager has not, in the reasonable opinion of the Board, materially breached the Management Agreement during the initial term of the Management Agreement.

The Board confirms to Shareholders that:

- (d) the Fund Manager is not in breach of the Management Agreement; and
- (e) the Fund Manager has not, in the reasonable opinion of the Board, materially breached the Management Agreement during the initial term of the Management Agreement.

5.2 Reasons for seeking the Renewal

The Company has agreed, subject to obtaining Shareholder approval, to the Renewal of the Management Agreement and is of the opinion that the Renewal should be granted for the following reasons:

- (a) to allow the Fund Manager to continue to invest and grow the funds and to operate over a sufficient period that allows it to demonstrate its investment skills;
- (b) the Fund Manager's investment strategy involves considering smaller capitalisation stocks. This process can often extend beyond the initial 10 year period. These investments are also often impacted by low liquidity and hence need to be held for extended periods to achieve the desired investment outcome; and
- (c) the Company may be adversely impacted by adopting a new fund manager with a new investment strategy that may take a longer period to be implemented.

5.3 The Management Agreement

The Management Agreement is between the Fund Manager and the Company and records the terms and conditions on which the Fund Manager is appointed as manager to invest and manage the portfolio allocated under the Management Agreement. A copy of the amended Management Agreement with the Renewal is **attached** to this Notice as Annexure 1.

The Fund Manager is unrelated to the Company apart from a 3% equity share held by Giuliano Sala Tenna, a Company director. This equity share may entitle Mr Sala Tenna to indirectly receive distributions from the Fund Manager as a result of contributions to the Fund Manager's overall portfolio, which includes the Management Agreement. However, the Directors (apart from Mr Sala Tenna) have resolved that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Renewal as any financial benefit received by Mr Sala Tenna from the Management Agreement has been negotiated on an arm's length basis.

The material terms of the Management Agreement are:

- (a) the Management Agreement will be extended for a period of 5 years and following the expiration of this period, will be extended for a further period of 5 years if the Fund Manager and the Company agree to this extension and the conditions in 5.1(b) and 5.1(c) are satisfied;
- (b) the Fund Manager may only end the Management Agreement if it has given at least 3 months notice of this termination,
- (c) the Management Agreement will be ended on 3 months' notice after an ordinary resolution is passed to terminate it and should this occur, the Fund Manager may appoint and assign its rights under the Agreement,

to a replacement fund manager during this 3 month notice period and the replacement fund manager will be appointed for and be subject to the termination clauses following the initial term under the Management Agreement;

(d) the Fund Manager will have the following powers under the Management Agreement:

- (i) investigation of, negotiation for, acquisition of, or disposal of any investment or proposed investment;
- (ii) to sell, realise or deal with all or any investments or to vary, convert, exchange or add other investments in lieu of those investments;
- (iii) retain or sell any Securities or other property received on behalf of the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company;
- (iv) to sell all or some of the rights to subscribe for new Securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for Securities or to subscribe for Securities pursuant to those rights; and
- (v) to make or redeem any mortgage, loan or other security;

(e) the following investments will be permitted:

- (i) listed securities;
- (ii) rights to subscribe for or convert to listed securities (whether or not such rights are tradeable on a securities exchange);
- (iii) any securities which the Fund Manager reasonably expects will be quoted on the ASX within a 24 month period from the date of investment;
- (iv) listed securities for the purpose of short selling;
- (v) warrants or options to purchase any investment and warrants or options to sell any investment;
- (vi) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- (vii) deposits with any bank or corporation declared to be an authorised dealer in the short-term money market;
- (viii) debentures, unsecured notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness issued by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or any Australian government authority, or a corporation of at

least an investment grade credit rating granted by a recognised credit rating agency in Australia;

- (ix) units or other interest in cash management trusts;
 - (x) underwriting or sub-underwriting of securities as and where permitted by Relevant Law; and
 - (xi) any other investment, or investment of a particular kind, approved by the Board in writing as and where permitted by the Fund Manager's Australian Financial Services Licence;
- (f) A valuation of the Company's managed portfolio must be provided to the Company at the end of each month or as requested by the Board;
- (g) the Fund Manager will receive a management fee of 1%pa of the portfolio value and a performance fee of 15%pa according to the following formula:

$$BA = (FV - IV) - (IV \times \frac{FI - II}{II})$$

Where:

BA is a dollar value and is the amount to be used in calculating the Performance Fee;

FV is the Portfolio Value on the last Business Day of the relevant period less the cost of interest on borrowings during the relevant period;

IV is the Portfolio Value on the last Business Day of the preceding Performance Calculation Period less the cost of interest in borrowings during the preceding Performance Calculation Period;

FI is the level of the All Ordinaries Index on the last Business Day of that Performance Calculation Period; and

II is the All Ordinaries Index calculated on the last Business Day of the preceding Performance Calculation Period.

- (h) the Company is liable for reasonable fees incurred by the Fund Manager in connection with the management of the Company's portfolio pursuant to the Management Agreement;
- (i) the Company will indemnify the Fund Manager for any losses or liabilities reasonably incurred in connection with the management of the Company portfolio, unless such loss or liability is caused by any negligence, default, fraud or dishonesty of the Fund Manager, its officers, employees or supervised agents;
- (j) the Management Agreement may be terminated by the Fund Manager for the failure to make payment, the Company entering into some form of external administration or otherwise on the occurrence of events usual for an agreement of this nature
- (k) the Management Agreement may be terminated by the Company for any acts of dishonesty, fraud or otherwise on the occurrence of events usual for an agreement of this nature;

- (l) without prior approval from the Board, the Fund Manager must not act as a fund manager for another listed investment company; and
- (m) the Management Agreement may only be materially varied as agreed between the parties and subject to shareholder approval

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section [insert] of the Explanatory Statement.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Katana Capital Limited (ACN 116 054 301).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Fund Manager means Katana Asset Management (formerly Classic Capital Limited Pty Ltd).

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Management Agreement means

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2015.

Renewal means as defined in clause 5.1.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the calculation in section [insert] of the Explanatory Statement.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 19 NOVEMBER 2014

Date	Quantity ⁶	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 28 November 2014 Appendix 3B – 7 November 2014	45,706,657	Quoted Options ³ Exercise price=\$1.00 Expiry: 1/3/16	All shareholders on an entitlement ratio of 1 bonus option for every 1 Ordinary Share held pursuant to Prospectus dated 6 November 2014.	Nil – free option on record date 14 November 2014	No funds raised through the issue of the Bonus Options Current value ⁵ = \$0.001 per option
Issue – 23 February 2015-09-18 Appendix 3B – 27 February 2015	330,489	Shares ²	Shareholders as part of Dividend Reinvestment Plan	Deemed issue price of \$0.90285 (discount of 4.6621%)	Dividend reinvestment plan Value: \$298,381.99 Use of funds: No funds raised, shares issued as part of dividend distribution

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: KAT (terms are set out in the Constitution).
3. Quoted Options, exercisable at \$1.00 each, on or before 1 March 2016 ASX Code: KATO
4. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
5. In respect of quoted Equity Securities the value is based on the closing price of the Options (\$0.001) as the context requires on the ASX on the trading day prior to the date of this Notice
6. A total of 960,747 shares were cancelled by the company in the past 12 months.

└ 000001 000 KAT
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 728 207
(outside Australia) +61 3 9946 4446

Proxy Form

XX

 **For your vote to be effective it must be received by 4:00pm (WST) Sunday, 22 November 2015**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View the Annual Report, 24 hours a day, 7 days a week:

www.katanacapital.com.au

Update your securityholder information:

www.investorcentre.com

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Katana Capital Ltd hereby appoint

☐ the Chairman of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Katana Capital Ltd to be held at The Quadrant Building, Boardroom, 1 William Street, Perth, Western Australia on Tuesday, 24 November 2015 at 4:00pm (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolution: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director – Mr Peter Wallace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to Amend Management Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

KATANA CAPITAL LTD
ACN 116 054 301
(Company)

and

KATANA ASSET MANAGEMENT
ACN 106 327 495
(Manager)

MANAGEMENT AGREEMENT

THIS AGREEMENT is made the

day of

2015

BETWEEN:

KATANA CAPITAL LTD (ACN 116 054 301) of AMP Building, Level 16, 140 St Georges Tce Perth Western Australia 6000 (**Company**);

AND

KATANA ASSET MANAGEMENT LIMITED (ACN 106 327 495) of AMP Building, Level 16, 140 St Georges Tce Perth Western Australia 6000 (**Manager**).

RECITALS:

- A. The Manager employs skilled and competent staff capable of managing the Portfolio on behalf of the Company.
- B. This Agreement records the terms and conditions of the engagement of the Manager by the Company to manage the Portfolio on and from the Commencement Date.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

Accounting Standards means the accounting standards published by the Australian Accounting Standards Board from time to time.

AFSL means an Australian Financial Services Licence issued by the ASIC to the Manager under the Corporations Act.

Agreement means the agreement constituted by this document and includes the recitals.

AIPS means the Australian Investment Performance Standards (the Australian Version of the Global Investment Performance Standards) published or endorsed by the Investment and Financial Services Association from time to time or, if no longer published or endorsed, other guidelines for portfolio valuation and performance calculations generally accepted in Australia as agreed by the Company and the Manager.

All Ordinaries Index means the All Ordinaries index published by ASX from time to time or, if no longer published, a comparable published market indicator agreed by the Company and the Manager.

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

Auditor means the auditor of the Company from time to time.

Board means the board of directors of the Company from time to time.

Business Day means a day that is not a Saturday, Sunday or public holiday in Western Australia.

Change of Control means if any person or group of persons acting in concert:

- (a) own, either legally or beneficially and either directly or indirectly, in aggregate more than 40% of the issued share capital of the Manager or have the right to cast 40% or more of the votes capable of being cast in general meetings of the Manager;
- (b) have the right or ability to control, either directly or indirectly, the affairs or the composition of the majority of the board of directors (or equivalent of it) of the Manager or the power to direct the management and policies of the Manager; or
- (c) have the right or ability to "control" (as such term is defined in Section 50AA of the Corporations Act) the Manager,

howsoever such circumstances arise.

Commencement Date means the date of satisfaction of the Conditions Precedent.

Conditions Precedent means as defined in clause 2.1.

Confidential Information has the meaning given to that term in clause 3.

Corporations Act means the Corporations Act 2001 (Cth).

Independent Accountant means one of Ernst and Young, KPMG or PricewaterhouseCoopers as agreed by the Company and the Manager or failing agreement determined by the President for the time being of the Institute of Chartered Accountants in Australia, WA Branch.

Key Persons means Romano Anthony Sala Tenna and Bradley John Shallard.

Listed Securities means Securities in a class which:

- (a) are admitted to quotation on ASX;
- (b) in the reasonable opinion of the Manager, are likely to be admitted to quotation on ASX within a period of twelve (12) months from the date of the investment in those Securities; or
- (c) are admitted to quotation on any other securities exchange approved by the Board in writing.

Listing Rules means the ASX Listing Rules as amended from time to time.

Mandate means the guidelines for management of the Portfolio as set out in Annexure "A" to this Agreement as amended by written agreement between the Company and the Manager from time to time.

Official List means the Official List of the ASX.

Party means a party to this Agreement and **Parties** has a corresponding meaning.

Performance Calculation Period means:

- (a) initially, the period from the Commencement Date to 30 June 2006;
- (b) for each subsequent period, the period from the first day after the preceding Performance Calculation Period to 30 June of the following year; and
- (c) if this Agreement is terminated, the period from the first day after the preceding Performance Calculation Period to the date the Agreement is terminated.

Portfolio means the portfolio of cash and investments allocated to the Manager by the Company from time to time, to be invested and managed by the Manager pursuant to this Agreement.

Portfolio Return, for a period, means the percentage return on capital for that period calculated in accordance with the following formula:

$$PR(\%) = \frac{PV_1 - PV_0}{PV_0} \times 100$$

where:

PR = the Portfolio Return;

PV₁ = the Portfolio Value at the end of the period;

PV₀ = the Portfolio Value at the commencement of the period.

In calculation of the Portfolio Return for a period, changes in the value of the Portfolio as a result of the issue of Securities by the Company, capital reductions by the Company, share buy-backs by the Company, the distribution of dividends by the Company, or the withdrawal of funds from the Portfolio by the Company to pay any tax, Management Fee, Performance Fee or other operating expense (excluding transaction brokerage) will be disregarded or adjusted for that period.

Portfolio Value means the value of the Portfolio (which for the avoidance of doubt includes Securities the purchase of which has been funded by debt) before any provision for tax.

Prospectus means the prospectus proposed to be issued by the Company on or about 11 November 2005 and any subsequent prospectus or other disclosure document issued by the Company from time to time.

Relevant Law means all laws, regulations, securities licensing requirements, AFSL licence conditions, industry standards, codes of practice and conditions, including but not limited to the *Corporations Act 2001* to which the Manager and the Portfolio are subject from time to time in each jurisdiction in which the Manager conducts its securities investment business in relation to the Portfolio.

Securities means:

- (a) securities within the meaning given to that expression by Section 92(1) of the Corporations Act;
- (b) options over unissued securities;

- (c) renounceable or non-renounceable rights to subscribe for securities; and
- (d) a financial product within the meaning given to that expression by Division 3 of Part 7.1 of the Corporations Act,

but excludes any financial product(s) not authorised by the Manager's AFSL.

Shareholder means a holder of a Share.

Shares means the shares on issue in the Company from time to time.

Term means the term of the appointment of the Manager pursuant to clause 3.1 commencing on the Commencement Date and continuing until termination pursuant to clauses 3.2 or 16.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) an obligation or liability assumed by, or a right conferred on, 2 or more parties binds or benefits all of them jointly and each of them severally;
- (c) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (e) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (h) reference to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Agreement and a reference to this Agreement includes any schedule, exhibit or annexure to this Agreement;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) no rule of construction will apply to a clause to the disadvantage of a Party merely because that Party put forward the clause or would otherwise benefit from it; and
- (k) a reference to **\$** or **dollar** is to Australian currency.

2. CONDITION PRECEDENT

2.1 Conditions Precedent

The appointment of the Manager to manage the Portfolio in accordance with clause 3.1 of this Agreement is subject to and conditional upon:

- (a) the Company preparing a Prospectus to raise a minimum of \$18,000,000 (**Capital Raising**), lodging the Prospectus with the ASIC and completing the Capital Raising; and
- (b) the Company obtaining from ASX all required waivers of the Listing Rules, including (without limitation) Listing Rule 15.16,

(**Conditions Precedent**).

2.2 Satisfaction

If the conditions precedent set out in clause 2.1 are not satisfied within three (3) months of the date of this Agreement or such later date as agreed by the Parties, this Agreement shall be deemed to be at an end and of no force or effect with none of the Parties being subject to any of the obligations contained in this Agreement and with no Party having any liability to the other or claiming any rights of law or equity against the other Party.

3. APPOINTMENT OF MANAGER

3.1 The Appointment

With effect on and from the Commencement Date, the Company appoints the Manager to invest and manage the Portfolio on behalf of the Company upon the terms and conditions contained in this Agreement and the Manager accepts such appointment.

3.2 Term

Subject to the provisions for termination contained in this Agreement, the appointment of the Manager pursuant to this Agreement shall be for an initial term of ten (10) years commencing on the Commencement Date (**Initial Term**).

3.3 Extension of Term

This Agreement shall be extended at the end of the Initial Term and the end of each subsequent term, for a further period of five (5) years if each of the following conditions is satisfied:

- (a) the Company and Manager agree to the extension;
- (b) the Manager is not in breach of this Agreement;
- (c) the Manager has not in the reasonable opinion of the Board materially breached this Agreement during the Initial Term; and
- (d) the Company has obtained from ASX all required waivers of the Listing Rules, including (without limitation) Listing Rule 15.16.

4. POWERS OF THE MANAGER

4.1 Manager's powers

The Manager must exercise its powers in accordance with and subject to the provisions of this Agreement including, without limitation, clauses 4.2 and 4.3.

4.2 Company instructions

- (a) The Company may, at any time in any of the circumstances set out in clause 4.2(b), instruct the Manager or vary any decision of the Manager in the performance of the Manager's responsibilities and obligations under this Agreement including, without limiting the generality of this clause, issuing instructions in respect of voting rights attached to Securities in the Portfolio. In those circumstances the Company has the sole responsibility for the consequences of that instruction or variation. However, the Manager may complete any transaction already commenced provided it does not act contrary to any reasonable direction by the Company. The Manager need not comply with any instruction which it is aware it will cause a breach of a Relevant Law.
- (b) The circumstances are:
 - (i) the Manager is in breach of this Agreement; or
 - (ii) any of the circumstances set out in clause 17.1.

4.3 Restrictions on powers

The Manager must not, without the prior consent of the Company:

- (a) delegate any of its discretionary management powers under this Agreement;
- (b) acquire any new investment or sell or otherwise dispose of any investment or otherwise deal with the Portfolio;
- (c) charge or encumber in any way (other than as arises by lien in the ordinary course of business or statutory charge) any asset in the Portfolio;
- (d) engage in securities lending in relation to the Portfolio;
- (e) enter into any contract in relation to the Portfolio, either as principal or agent; or
- (f) do any other thing in relation to the Portfolio or the Company as the Company may give notice of to the Manager from time to time,

other than in accordance with the Mandate.

4.4 Further powers of Manager

Subject to the terms of this Agreement including without limitation clauses 4.1-4.3 and the Mandate, the Manager may manage the Portfolio in its discretion and do all things reasonably necessary or desirable in relation to the management of the Portfolio, including, without limitation:

- (a) investigation of, negotiation for, acquisition of, or disposal of any investment or proposed investment;
- (b) to sell, realise or deal with all or any investments or to vary, convert, exchange or add other investments in lieu of those investments;
- (c) if any investment is redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to invest any of those monies;
- (d) retain or sell any Securities or other property received on behalf of the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company;
- (e) to sell all or some of the rights to subscribe for new Securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for Securities or to subscribe for Securities pursuant to those rights; and
- (f) to make or redeem any mortgage, loan or other security.

4.5 Property held by Manager

The Manager acknowledges and agrees with the Company that:

- (a) all assets held by the Manager on behalf of the Company from time to time, including but not limited to the Portfolio (together the **Assets**), will at all times remain the property of the Company and at no time will the Manager obtain any proprietary beneficial interest in the Assets;
- (b) it will hold the Assets for the use and benefit of the Company in accordance with the terms of this Agreement and will use its best endeavours to preserve and augment the Assets; and
- (c) it will not, unless permitted by the Board or the Mandate:
 - (i) mortgage, pledge, charge, encumber or permit a lien (other than a lien arising by operation of law) to arise over any of the Assets, or
 - (ii) dispose of any of the Assets other than in the ordinary course of business and in accordance with the provisions of this Agreement.

5. PERMITTED INVESTMENTS

- (a) The Manager may undertake investments permitted by the Mandate (or other written guidelines issued by the Company from time to time) on behalf of the Company without the prior approval of the Board. Written approval of the Board is required prior to making an investment which is not permitted by the Mandate or any other written guidelines issued by the Company from time to time.

- (b) Without limiting clause 5(a) and subject to Relevant Law, the conditions of the AFSL and the terms of this Agreement, the Parties agree and acknowledge that the Manager has the authority of the Board to invest in the types of investments set out in the Mandate in accordance with the Mandate.

6. VALUATIONS AND REPORTING

6.1 Monthly Valuations

- (a) The Manager must arrange for the Portfolio Value to be calculated as at the last Business Day of each month (or at such more frequent times as requested by the Board) and provide the calculations to the Company as soon as practicable after such calculations are made.
- (b) The Manager must provide valuations under clause 6.1(a) in the form prescribed by the Company from time to time.

6.2 Basis of Valuation

For the purposes of calculating the Portfolio Value in accordance with clause 6.1, the Manager must use generally accepted valuation principles consistently applied and apply the principles set out below:

- (a) If Listed Securities are quoted on ASX (or other recognised stock exchange), they must be valued at market value as quoted on ASX (or other recognised stock exchange); and
- (b) Securities not listed on a recognised stock exchange must be valued at their fair market value.

For the avoidance of doubt, market values are calculated in accordance with the AIPS unless otherwise required by the Accounting Standards, the Listing Rules or any Relevant Law.

6.3 Disclosure and Reporting

The Manager must provide to the Company all information regarding the Portfolio, in such form and at such times as is reasonably required by the Company, to enable the Company to comply with its disclosure and reporting obligations under the Listing Rules and Relevant Law, including without limitation:

- (a) Listing Rule 4.10.20; and
- (b) Chapter 2M of the Corporations Act.

6.4 Adoption by Company

Any valuation or report provided by the Manager pursuant to clauses 6.1-6.3 will only be regarded as agreed by the Company for the purpose of this Agreement when the Company adopts the valuation or report.

6.5 Company may Obtain Independent Valuation

Without limiting clause 6.4, the Company may at any time require an independent valuation or report by a suitably qualified expert and adopt such valuation or report in place of any valuation or report provided to it by the Manager.

7. MANAGER TIME AND EXCLUSIVITY

7.1 Manager to act in accordance with Mandate

The Portfolio will be managed in accordance with the Mandate and the Manager shall act in accordance with this Agreement.

7.2 Manager to devote time

Throughout the Term, the Manager shall procure that its employees and personnel devote such time and attention to the performance of the duties as Manager as shall be necessary and as the Company shall require from time to time for the purpose of fulfilling its obligations under this Agreement.

7.3 Exclusivity

- (a) The Manager must not, and must procure that the Key Persons do not, without the prior written consent of the Company (which may be withheld in its absolute discretion) at any time during the Term act as a manager for a listed investment company (other than the Company).
- (b) Clause 7.3(a) applies to each of the Manager and each Key Person acting:
 - (i) either alone or in partnership or association with another person;
 - (ii) as principal, agent, representative, director, officer, employee or trustee; or
 - (iii) as controlling member, shareholder, debenture holder, note holder or holder of any other security.

8. MANAGER'S OBLIGATIONS

The Manager must:

- (a) perform all of its obligations under this Agreement:
 - (i) in accordance with Relevant Law and the terms of its AFSL;
 - (ii) in accordance with the lawful instructions and reasonable directions of the Company in relation to the Manager's responsibilities under this Agreement;
 - (iii) in accordance with the investment strategy of the Company from time to time;
 - (iv) in good faith, honestly, and with the degree of professional care, diligence and skill a reasonable person in the Manager's position would exercise in accordance with the terms of this Agreement
 - (v) in accordance with generally accepted industry practices appropriate to the activities undertaken;
- (b) keep the Portfolio under review and confer at regular intervals with the Company regarding the investment and management of the Portfolio;

- (c) maintain adequate records and accounts of all transactions, all assets comprised in the Portfolio, valuations of the Portfolio, and such matters as may reasonably be required by the Company from time to time, in accordance with generally accepted accounting principles in Australia (consistently applied), and retain such records and accounts for not less than 7 years;
- (d) maintain appropriate and adequate compliance arrangements;
- (e) maintain adequate risk management objectives, policies and procedures in respect of the Manager's management systems (including but not limited to information processing, compliance and auditing systems) to minimise the risk of loss to the Portfolio arising from inadequate systems, systems failure, fraud or failure to comply with the policies and procedures;
- (f) undertake reasonable efforts to deal with the Portfolio in a manner which has regard to any taxation considerations the Company may notify to the Manager;
- (g) comply fully with Relevant Law;
- (h) notify the Company of any breach of this Agreement as soon as reasonably practicable after becoming aware of the breach and the proposed action to be taken to rectify the breach if rectification is possible;
- (i) advise the Company as soon as reasonably practicable (but, in any event, within 24 hours) after becoming aware of any event (including but not limited to, any change in the Manager's operations):
 - (i) which has or may have a significant adverse effect on the financial position of the Portfolio;
 - (ii) which adversely affects the ability of the Manager to perform its obligations under this Agreement;
 - (iii) that it should reasonably be expected to know may cause the Company to breach any Company disclosure document or cause any statement included in a Company disclosure document to become false or misleading or likely to mislead or deceive, or cause the Company to have to issue a supplemental or amending disclosure document so far as the disclosure document relates to the Manager and the Portfolio;
 - (iv) which causes a breach of any Relevant Law; or
 - (v) relating to the Manager or the Portfolio which the Manager considers that the Company should be aware of in discharging its responsibilities in respect of the Portfolio; and
- (j) at its own expense maintain adequate fidelity, electronic, computer crime and professional indemnity insurance in relation to its business and provide such information and verification as the Company at any time may reasonably require.

9. MANAGEMENT FEE

The Company must, during the Term, pay to the Manager a monthly management fee equal to 0.083333% of the Portfolio Value calculated at the end of the month in accordance with clause 6 (**Management Fee**). The Management Fee shall be paid to the Manager quarterly in arrears within twenty (20) days of the end of each quarter.

10. PERFORMANCE FEE

- (a) Subject to this clause 10, the Company must, during the Term, pay to the Manager a fee (**Performance Fee**) in respect of each Performance Calculation Period of 15% of BA, where BA is calculated in accordance with the following formula:

$$BA = (FV - IV) - (IV \times \frac{FI - II}{II})$$

Where:

BA is a dollar value and is the amount to be used in calculating the Performance Fee;

FV is the Portfolio Value on the last Business Day of the Performance Calculation Period less the cost of interest on borrowings during the Performance Calculation Period;

IV is the Portfolio Value on the last Business Day of the preceding Performance Calculation Period less the cost of interest on borrowings during the preceding Performance Calculation Period;

FI is the level of the All Ordinaries Index on the last Business Day of that Performance Calculation Period; and

II is the All Ordinaries Index calculated on the last Business Day of the preceding Performance Calculation Period.

- (b) If, in the calculation referred to in clause 10(a):
- (i) FV is less than IV, no Performance Fee is payable in respect of that Performance Calculation Period;
 - (ii) BA is a negative number, no Performance Fee is payable in respect of that Performance Calculation Period; and
 - (iii) FI is less than II, BA is to be the amount calculated as FV – IV.
- (c) In calculation of the Performance Fee for a Performance Calculation Period, changes in the value of the Portfolio as a result of the issue of Securities by the Company, capital reductions by the Company, share buy-backs by the Company, the distribution of dividends by the Company, or the withdrawal of funds from the Portfolio by the Company to pay any tax, Management Fee, Performance Fee or other operating expense (excluding transaction brokerage) will be disregarded or adjusted for that Performance Calculation Period.

- (d) Where the ASX or equivalent stock exchange ceases to publish the All Ordinaries Index, then the published index which most closely resembles it must be used for the purposes of calculating the Performance Fee.
- (e) The Performance Fee will be paid by the Company to the Manager within 3 months of the provision of the Auditor's certification under clause 10(f).
- (f) The Auditor must certify the correct calculation of the Performance Fee prior to payment to the Manager and the decision of the Auditor will be final and binding on the Parties.

11. EXPENSES

- (a) Subject to clause 11(b), the Company is liable for and must pay out of its assets or reimburse the Manager for the following fees, costs and expenses properly incurred by the Manager in connection with the management of the Portfolio in accordance with the terms of this Agreement:
 - (i) fees payable to any securities exchange, the ASIC or other regulatory body;
 - (ii) all costs, stamp duty, bank account debits tax and legal fees and other duties, taxes, fees, disbursements and expenses, commissions and brokerage incurred by the Company or the Manager in connection with:
 - (A) the acquisition and negotiation of any investment or proposed investment;
 - (B) any sale or proposed sale, transfer, exchange, replacement or other dealing or proposed dealing with or disposal or proposed disposal of any investment;
 - (C) the receipt of income or other entitlements from the investments of the Portfolio; or
 - (D) the engagement of a custodian to hold any investment on behalf of the Company;
 - (iii) outgoings in relation to the Portfolio such as rates, levies, duties, taxes and insurance premiums (but excluding those levied on or applying to the Manager);
 - (iv) fees directly relating to the accounting and administration of the Company or the Portfolio, including but not limited to, accounting fees, audit fees and company secretarial fees (but excluding fees relating to the accounting and administration of the Manager);
 - (v) all costs which relate to the establishment of the Company or the Portfolio, including, without limitation, printing and legal costs in relation to the Prospectus, experts' reports and due diligence;
 - (vi) with the prior approval of the Company (which the Company may not unreasonably withhold), any fees which relate to compliance with the Corporations Act and other regulations,

including but not limited to, legal fees and compliance audit fees;

(vii) with the prior approval of the Company (which the Company may not unreasonably withhold):

(A) any travel and accommodation expenses incurred by the Manager in the performance of its obligations under this Agreement; and

(B) the payment of the fees of any research provider, analyst or expert engaged by the Manager to assist it in the performance of its obligations under this Agreement,

which when aggregated with all other expenses or fees incurred under this clause 11(a)(vii) in any financial year would exceed 0.25% of the Portfolio Value determined in accordance with clause 6 as at the last Business Day of the previous financial year (provided that with respect to the period from the Commencement Date to the end of the first financial year during the Term, the Portfolio Value for the purpose of this clause 11(a)(vii) will be determined as at the date of listing of the Company on the official list of the ASX).

(b) The expenses of the Manager payable by the Company do not include expenses incurred in respect of the Manager's:

(i) internal compliance processes and policies;

(ii) administration;

(iii) compliance with the AFSL;

(iv) overheads and operating costs including, without limitation, office expenses and remuneration payable to officers and employees of the Manager; and

(v) insurance.

(c) The parties will agree an annual budget for expenses prior to the commencement of each financial year during the Term.

12. CONFIDENTIAL INFORMATION

12.1 Manager to maintain records

For record purposes, the Manager will establish independent files for the Company containing correspondence, records and information relating to the Company.

12.2 Company to have access to records

The Manager agrees that the Company and the Auditor shall have full access to and may reasonably require copies upon reasonable notice of all records, correspondence and information within the Manager's possession or under its control relating to the Company. Without limiting the foregoing, the Manager will ensure that such access includes any records, correspondence or information

relating to the Company whether located at the Manager's business premises or any other premises.

12.3 Manager has no proprietary interest in records

The Manager shall not be entitled to any proprietary interest in any records, information, patentable rights or plans acquired by it in performing services under this Agreement but shall hold the same for the Company absolutely, subject only to any lien to which it is entitled for unpaid fees. For the avoidance of doubt, intellectual property acquired by the Manager will remain the property of the Manager.

12.4 Maintenance of confidential information

The Manager agrees and warrants that it will require any third party who has been given access, or shall be given access to any Confidential Information relating to the Company, to maintain that information in the strictest confidence and, to the extent requested by the Company, to procure that any third parties enter into confidentiality agreements with the Company on terms satisfactory to the Company in its reasonable discretion.

13. INDEMNITY

13.1 Company Indemnity

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses incurred in connection with the Manager or any of its officers, employees or supervised agents acting in accordance with this Agreement or on account of any bona fide investment decision made by the Manager or its officers or supervised agents in accordance with this Agreement except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers, employees or supervised agents, or is incurred in breach of this Agreement.

13.2 Manager Indemnity

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with any breach by the Manager of this Agreement or any negligence, default, fraud or dishonesty of the Manager or its officers, employees or supervised agents.

13.3 Survival of clause

The provisions of this clause 13 shall survive termination of this Agreement as well as completion of any services performed under this Agreement.

14. INSURANCE

14.1 Manager to maintain insurance

The Manager shall procure and maintain throughout the Term at its own cost and expense all insurances required to maintain the Manager's AFSL in good standing and otherwise reasonably required in connection with the performance of its obligations under this Agreement.

14.2 Required insurance

Without limiting clause 14.1, the Manager must at all times during the Term maintain the insurances set out in clause 8(j).

14.3 Policies to be in Manager's name

Each policy of insurance procured as a result of clause 14.1 and 14.2 shall be maintained in the name of the Manager, unless co-insurance policies are required by the Company.

14.4 Waiver of rights of subrogation

Each policy of insurance shall to the extent possible include a waiver by the insurer by rights of subrogation any insured party may have against any other insured party under the policy and an obligation on the insurer to give to the Company at least 30 day's prior written notice of alteration to or cancellation or lapse of any policy.

14.5 Insurers to be acceptable

All insurances pursuant to this clause 14 shall be effected with insurers approved by the Company on terms and conditions acceptable to the Company and the Manager shall upon request provide the Company with a copy of each policy, and any certificate of currency required by the Company from time to time.

15. OTHER ACTIVITIES OF MANAGER

Nothing contained in this Agreement shall prevent or be deemed to prevent the Manager from providing or agreeing to provide the same or similar services to any other person or entity as it agrees to provide to the Company except to the extent that the provision of services by the Manager to any other person or entity, in the reasonable opinion of the Company, conflicts with the management of the Portfolio pursuant to the terms of this Agreement.

16. MANAGER'S REPRESENTATIONS AND WARRANTIES

The Manager represents and warrants to the Company that:

- (a) it has the skill, facilities, capacity and staff necessary to perform its obligations under this Agreement;
- (b) sufficient competent staff experienced in funds management and all associated processes will have charge at all times of, and will supervise closely the performance of, the Manager's obligations under this Agreement in relation to the Portfolio;
- (c) it holds the AFSL and any other licences it requires under applicable laws including without limitation the Relevant Law under which it is permitted to perform all activities relevant to its powers and duties under this Agreement;
- (d) it has, and will at all times maintain, adequate fidelity, electronic, computer crime and professional indemnity insurance in relation to its business; and

- (e) it has entered into an executive service agreement with each of the Key Persons for a term of not less than 5 years from the date of this Agreement.

17. TERMINATION

17.1 Termination by Company

This Agreement may be terminated immediately by the Company if at any time during the Term:

- (a) the Manager or any of its directors or servants are found guilty of grave misconduct in relation to the affairs of the Company;
- (b) the Manager's AFSL is suspended or cancelled at any time for any reason;
- (c) the Manager commits a fundamental default or breach of its obligations under this Agreement or is in breach of any conditions of its AFSL and such default or breach is not remedied within thirty (30) days after the Company has notified the Manager in writing to remedy that default or breach;
- (d) the Manager enters into liquidation (except voluntary liquidation for the purpose of reconstruction);
- (e) a receiver or receiver and manager is appointed to the whole or part of the undertaking of the Manager;
- (f) a Change in Control of the Manager occurs without the Manager obtaining at least 30 days prior written consent from the Company;
- (g) the Manager is guilty of any gross default, breach, non-observance or non-performance of any of the terms and conditions contained in this Agreement;
- (h) The Manager fails to remedy a breach of this Agreement within the time period reasonably specified in a notice from the Company requiring it to do so;
- (i) the Manager persistently fails to ensure that investments made on behalf of the Company are consistent with the investment strategy applicable to the Company at the time the relevant investment is made; or
- (j) the Manager is not lawfully able to continue to provide services to the Company pursuant to the terms of this Agreement.

17.2 Termination by Manager

This Agreement may be terminated by the Manager by giving three (3) months written notice to the Company of its intention to terminate if:

- (a) at any time during the Term:
 - (i) the Company fails to make payment of the remuneration in accordance with clauses 9 and 10 and the failure continues for twenty one (21) days from the delivery of a written notice by the Manager to the Company requesting payment;

- (ii) the Company enters into liquidation (except voluntary liquidation for the purpose of reconstruction);
 - (iii) the Company is guilty of any gross default, breach, non-observance or non-performance of any of the terms and conditions contained in this Agreement; or
 - (iv) a receiver or receiver and manager is appointed to the whole or part of the undertakings of the Company; or
- (b) such notice is given not less than two (2) years after the Commencement Date.

17.3 Termination by shareholder resolution

If this Agreement continues past the Initial Term, it will be terminated on three months' notice after Shareholders pass an ordinary resolution to terminate it.

18. CONSEQUENCES OF TERMINATION

- (a) On termination of this Agreement, however occurring, the Manager will immediately deliver up to the Company all property belonging to the Company or any of its related bodies corporate which is in its or any of its employees or agents possession.
- (b) In addition to clause 18(a), should this Agreement be terminated in accordance with clause 17.3, then:
 - (i) the Manager may appoint a replacement manager, provided such appointment takes place within the 3 months' notice period, whereupon the Manager will assign all its rights, title and interest in and to the Agreement to the replacement manager provided the replacement manager:
 - (A) holds a valid and current AFSL;
 - (B) agrees that the Initial Term and termination following the Initial Term for the replacement manager is in line with what is set out in the Agreement;
 - (C) undertakes to the Company to comply with all the obligations imposed on the Manager under the Agreement; and
 - (D) if appointed as a result of the removal of the Manager for a default or breach, rectifies the breach or default within 30 days of their appointment.

The effect of the assignment of the Agreement is that the Agreement will be novated for the benefit of the replacement manager on the terms of the Agreement and the Company is deemed to have consented to that assignment;

- (ii) the Company may terminate the Agreement if a replacement manager has not been appointed within the 3 months' notice period; and

- (iii) if the replacement manager, having been appointed in accordance with the procedure above is itself removed, the replacement manager:
 - (A) does not have the right to assign any of its rights, title and interest in and to the Agreement to a further replacement manager; and
 - (B) the Company may terminate the Agreement within the 3 months' notice period.

19. ASSIGNMENT

19.1 Assignment to Third Party

The Manager may with the prior written consent of the Company (which may not be unreasonably withheld or delayed) assign all right, title and interest in this Agreement to a consenting third party (**Assignee**) if the Assignee:

- (a) holds an AFSL permitting it to perform all obligations of the Manager under this Agreement;
- (b) has substantial funds (being not less than the greater of \$10 million or 20% of the Portfolio Value at the time of the proposed assignment) currently under management;
- (c) has produced an average return on capital for its funds under management for the five (5) immediately preceding twelve-month periods which is greater than the average percentage increase in the All Ordinaries Index for those five (5) twelve-month periods; and
- (d) executes a deed of assignment or novation agreeing to be bound by the terms of this Agreement as if it were the Manager.

19.2 Key Person

- (a) In the event that one of the Key Persons is unable to remain as a responsible officer of the Manager by reason of:
 - (i) death;
 - (ii) total and permanent disability;
 - (iii) ASIC directing that Key Person be removed as a responsible officer of the Manager; or
 - (iv) any other change of life circumstance,

the Manager shall, provided the Manager is not in breach of this Agreement, be given six (6) months (or such lesser period as may be prescribed by Relevant Law or the AFSL) to replace the Key Person with another person consented to by the Company. Consent must not be unreasonably withheld or delayed by the Company if the replacement nominated by the Manager is competent to carry out the Manager's obligations under this Agreement and ASIC amends the AFSL to include, or issues a new AFSL including, the nominated replacement as a named key person and responsible officer of the Manager.

- (b) If no replacement person is appointed in accordance with clause 19.2(a) within six (6) months (or such lesser period as may be prescribed by Relevant Law or the AFSL) of the Key Person becoming unable to remain as a responsible officer of the Manager, the Company may terminate this Agreement forthwith by written notice to the Manager.
- (c) In the event that both of the Key Persons are unable to remain as responsible officers of the Manager through:
 - (i) death; or
 - (ii) total permanent disability,the Board may immediately appoint an interim manager to manage the Portfolio and the Manager shall appoint an Independent Accountant to put to tender the rights of the Manager under this Agreement to a third party deemed suitable under clause 18.1, with the proceeds from the sale of the rights being split equally amongst the Manager's shareholders or estate(s) thereof.
- (d) If no third party has been appointed in accordance with clause 19.2(c) within six (6) months (or such lesser period as may be prescribed by Relevant Law or the AFSL) of both Key Persons becoming unable to remain as responsible officers of the Manager, the Company may terminate this Agreement forthwith by written notice to the Manager.

20. GST

20.1 Meaning of "GST"

In this clause, GST means the imposition of a goods and services tax, value added tax or other tax of similar nature which becomes law in Australia and is payable in respect of monies paid pursuant to or relating to this Agreement including without limitation the rent, fees, damages, for breach or otherwise or reimbursement of costs.

20.2 Company to pay GST

The Company must pay to the Manager in addition to any other monies payable under this Agreement all GST payable by the Manager under this Agreement (if any). The amount of GST payable as notified by the Manager to the Company will, in the absence of manifest error, be conclusive evidence of the amount of GST payable.

20.3 Manager to provide tax invoice

As soon as practicable after the end of every month, the Manager will send the Company such documentation as may be required by the GST legislation evidencing the amount of GST to be paid by the Manager in respect of such monies.

20.4 Payments exclusive of GST

The Parties expressly agree that the monies payable under this Agreement have been ascertained independently of and do not include a component of GST.

21. NOTICES

21.1 Requirements for Notice

Each notice authorised or required to be given to a Party shall be in writing and may be delivered personally or sent by properly addressed and prepaid mail or facsimile in each case addressed to the Party at its address set out in clause 21.2, or as the case may be to such other address as it may from time to time notify to the other Party pursuant to clause 21.3.

21.2 Address of Parties

The initial address of the Parties shall be as follows:

In the case of the Manager:

Katana Asset Management
AMP Building
Level 16, 140 St Georges Tce
PERTH WA 6000
Facsimile: INT + 618 9220 9820
Attention: The Company Secretary

In the case of the Company:

Katana Capital Limited
AMP Building
Level 16, 140 St Georges Tce
PERTH WA 6000
Facsimile: INT + 618 9220 9820
Attention: The Company Secretary

21.3 Change of Address

Each Party may from time to time change its address by giving notice pursuant to clause 21.1 to the other Party.

21.4 Receipt of Notice

Any notice given pursuant to clause 21.1 will be conclusively deemed to have been received:

- (a) in the case of personal delivery, on the actual day of delivery if delivered prior to 5 pm (Perth time) on a Business Day or on the next following Business Day if delivered after 5 pm (Perth time) on a Business Day or on a day other than a Business Day;
- (b) if sent by mail, on the second clear Business Day after the day of posting; or
- (c) if sent by facsimile, on the day the facsimile was sent by clear transmission.

22. JOINT DIRECTORS AND EMPLOYEES

Nothing contained in this Agreement shall prevent or be deemed to prevent directors and employees of a Party continuing as directors of the other Party.

23. DISPUTE RESOLUTION

23.1 Notice of dispute

If a dispute arises in connection with this Agreement, a Party to the dispute must give to the other Party to the dispute notice specifying the dispute and requiring its resolution under this clause 22.

23.2 Submission to mediation

If the dispute is not resolved within 7 days after the notice of dispute is given to the other Party (**Notice Period**), the dispute is by this clause submitted to mediation. The mediation must be conducted in Perth. The Institute of Arbitrators Australia Rules for the Mediation of Commercial Disputes as amended by this clause apply to the mediation, except where they conflict with this clause.

23.3 Appointment of mediator

If the Parties have not agreed upon the mediator and the mediator's remuneration within 7 days after the Notice Period:

- (a) the mediator is the person appointed by; and
- (b) the remuneration of the mediator is the amount or rate determined by, the President of the Western Australian Law Society or the President's nominee, acting on the request of either Party to the dispute.

23.4 Referral to the court

If the dispute is not resolved within 28 days after the appointment of the mediator, any Party may then, but not earlier, commence proceedings in any court of competent jurisdiction.

23.5 No prohibition on injunctive relief

This clause 23 does not prevent either Party from obtaining any injunctive, declaratory or other interlocutory relief from a court, which may be urgently required.

24. FURTHER ASSURANCE

Each party shall sign, execute and do all deeds, acts, documents and things as may reasonably be required by the other party to effectively carry out and give effect to the terms and intentions of this Agreement.

25. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the law from time to time in the State of Western Australia and the Parties agree to submit to the non-exclusive jurisdiction of the courts of Western Australia and the courts which hear appeals therefrom.

26. VARIATION

No modification or alteration of the terms of this Agreement shall be binding unless made in writing dated subsequent to the date of this Agreement and duly executed by the Parties.

27. COSTS

27.1 Stamp Duty

All stamp duty assessed on or in respect of this Agreement shall be paid by the Company.

27.2 Legal Costs

Each Party shall bear their own legal costs of and incidental to the preparation, negotiation and execution of this Agreement.

28. MISCELLANEOUS

28.1 Severance

If any provision of this Agreement is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of separate enforcement without regard to the invalid provision, shall be and continue to be valid and forceful in accordance with their terms.

28.2 Entire Agreement

This Agreement shall constitute the sole understanding of the Parties with respect to the subject matter and replaces all other agreements with respect thereto.

28.3 Counterparts

This Agreement may be executed in any number of counterparts (including by way of facsimile) each of which shall be deemed for all purposes to be an original and all such counterparts taken together shall be deemed to constitute one and the same instrument.

28.4 Time

Time shall be of the essence in this Agreement in all respects.

EXECUTED by the parties as an Agreement.

EXECUTED BY)
KATANA CAPITAL LTD)
ACN 116 054 301)
in accordance with the Corporations Act:)

Director

Director

Director/Secretary

EXECUTED BY)
KATANA ASSET MANAGEMENT LIMITED)
ACN 106 327 495)
in accordance with the Corporations Act:)
)

Director

Director/Secretary

Annexure "A"

Mandate

Funds to Be Managed

The Company will allocate the Portfolio to be managed by the Manager. Any increase or decrease in the Portfolio caused by the Company, such as additional investment from capital raisings or deductions to pay expenses (such as management fees and operating expenses), taxes or dividends will be treated as capital adjustments.

Investment Objectives

The Portfolio will be managed with the following objectives:

- a) to achieve a pre tax and pre expense return which outperforms the ASX All Ordinaries Index; and
- b) the preservation of capital invested.

Permitted Investments

The permitted investments are:

- a) Listed Securities;
- b) rights to subscribe for or convert to Listed Securities (whether or not such rights are tradeable on a securities exchange);
- c) any securities which the Manager reasonably expects will be quoted on the ASX within a 24 month period from the date of investment;
- d) Listed Securities for the purpose of short selling;
- e) warrants or options to purchase any investment and warrants or options to sell any investment permitted pursuant to clause 5(a);
- f) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- g) deposits with any bank or corporation declared to be an authorised dealer in the short-term money market;
- h) debentures, unsecured notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness issued by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or any Australian government authority, or a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- i) units or other interest in cash management trusts;
- j) underwriting or sub-underwriting of Securities as and where permitted by Relevant Law; and

- k) any other investment, or investment of a particular kind, approved by the Board in writing as and where permitted by the Manager's AFSL.

Risk Control and Diversification

The following risk control features will apply to the Portfolio:

- The Portfolio may comprise Securities in up to 80 companies from time to time. The Company anticipates that it will hold (after a period of time) Securities in 20-60 companies.
- No investment may represent more than 10.0% of the issued Securities of a company at the time of investment.
- Total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Company after tax (**NTA Post Tax**).

Not more than 40% of the Portfolio's total cumulative gearing may be provided by way of short selling, options, warrants and other derivative based financial instruments.

Not more than 60% of the Portfolio's total cumulative gearing may be provided by way of a margin loan facility. Should a suitable margin lending provider who will lend up to 60% of the Portfolio's total cumulative gearing not be found then the lower amount will apply as provided by the margin lending provider's credit approval process.

Any gearing by way of a margin loan facility will be subject to the terms and conditions of the Company's facility agreement with the margin lending provider including any required investment or stock selection approvals.

For example:

\$1 of NTA Post Tax may provide for up to

\$0.50 total cumulative gearing of which

\$0.20 may be provided by way of derivative based financial instruments / short selling, and

\$0.30 may be provided by way of a margin loan facility.

- For the avoidance of doubt, the maximum leverage that the Manager can employ in the Portfolio is \$0.50 of debt for every \$1 of equity, or 50% debt. Short positions will be accounted for as debt.
- The Manager will adhere to the following parameters on a per stock basis, unless the prior approval of the Board is received to do otherwise:

Size of Company	Minimum	Benchmark	Maximum
ASX S&P Top 20	1%	5%	12.5%

Size of Company	Minimum	Benchmark	Maximum
ASX S&P Top 100 / Cash Hybrids	1%	3%	10%
ASX S&P Top 500	No Minimum	2%	7.5%
Outside of ASX S&P 500 / Other Instruments	No Minimum	1%	5%

Asset allocation

The Manager may form views of the following major exogenous determinants affecting the performance of the Portfolio and may re-weight the Portfolio accordingly from time to time:

- a) global economy;
- b) Australian economy;
- c) sectors within the Australian market;
- d) phase of the interest rate cycle;
- e) state of the property market (eg comparative investment merit); and
- f) economic cycle.

Purchase levels and controls

The Manager will establish and maintain appropriate internal guidelines and policies to control:

- a) the initial investment process;
- b) profit-taking; and
- c) implementing a stop loss.