



A1 INVESTMENTS & RESOURCES LTD

(ACN 109 330 949)

NOTICE OF MEETING OF NOTEHOLDERS AND EXPLANATORY STATEMENT

Meeting of Noteholders to be held at
Suite 606 37 Bligh Street, Sydney NSW 2000
on 10 September 2014
commencing at 10:00am

IMPORTANT

This Notice of Meeting of Noteholders and Explanatory Statement is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, it is recommended you consult your professional adviser immediately.

A1 INVESTMENTS & RESOURCES LTD
(ACN 109 330 949)

26 August 2014

Dear Noteholder

A Convertible Notes Trust Deed dated 17 July 2007 (**Convertible Notes Trust Deed**) entered into between A1 Investments & Resources Ltd ACN 109 330 949 (**Company**) and Australian Executor Trustees Limited ACN 007 869 794 (**Trustee**), as amended by deed on 18 August 2010, on 28 August 2012, and on 1 April 2014 has now been in operation for seven years. The Company wishes to amend the terms of the Notes so that following the amendment, the Noteholders will have, at their discretion, the opportunity to elect to receive the Company's shares in PAFtec Pty Limited (ACN 150 214 636) (**PAFtec**) at a price of 30 cents per share instead of receiving the Company's shares at on 30 September 2014, the maturity date of the Notes (**Maturity Date**) on a pro-rata basis.

The Company has previously made a long term investment in PAFtec, a company which has undertaken extensive research into and development of personal respirators which are required in many industrial applications. The Company has monitored PAFtec closely and has participated in past management assessments of PAFtec.

The Company has been disappointed in the performance of PAFtec in so far as there has been a delay in bringing the company to a position of listing or sale to a larger entity, which would have allowed early investors such as the Company, to realise their investment. The Company has encouraged PAFtec to pursue revenue and sales which have been disappointing. Therefore, if the opportunity arises to sell the Company's shares in PAFtec at a favourable price, the Company would do so.

The Company is of the opinion that a sale price of 30 cents per share is an appropriate price for the Company to sell down all or part of its investment in PAFtec. However, in order for the Company to transfer its shares in PAFtec to Noteholders who elect to take such stock rather than receiving shares in the Company at the Maturity Date, the Noteholders must first agree to vary the Convertible Notes Trust Deed and Terms of Issue of Convertible Notes to provide for such an outcome.

The Company has received an indication from one large Noteholder that the Noteholder would prefer to receive PAFtec shares on the maturity of the Notes rather than shares in the Company if that option was available. The Company considers that other Noteholders may also prefer to receive PAFtec shares on the maturity of the Notes rather than shares in the Company.

The Company currently has 3,016,845 PAFtec shares with a book value of \$603,369, which equates to \$0.20 per PAFtec share. PAFtec is currently an unlisted, proprietary company and the Company considers that it is unlikely that PAFtec will be listed or sold to a third party in the immediate future.

Further, the Company considers that there is no ready market for PAFtec shares at this time and therefore, any reasonable offer from a potential buyer of the Company's shares in PAFtec should be considered. The Company has therefore determined that subject to the approval of the shareholders and the Noteholders, it will make its shares in PAFtec available to Noteholders such that Noteholders may elect to wholly or partially redeem their Notes for PAFtec shares instead of shares in the Company at the Maturity Date on a pro rata basis.

The Company also notes the following.

- a) Any option given to Noteholders to redeem their Notes for PAFtec shares (in place of shares in the Company) will be dependent on:

- a. the consent of PAFtec and the pre-emptive rights of existing PAFtec shareholders; and
 - b. the Company holding sufficient PAFtec shares at the Maturity Date.
- b) If the amount of Noteholder requests to redeem their Notes for PAFtec shares instead of shares in the Company on the Maturity Date exceeds the value of the Company's shares in PAFtec, Noteholders will receive a pro rata amount of PAFtec shares with the balance in ordinary shares in the Company at the issue price set out in the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes, being a price of VWAP less 10% for the 15 trading days prior to the conversion.
- c) Noteholders must advise the Company of their request to redeem their Notes for PAFtec shares instead of shares in the Company on the Maturity Date on or before 10am, 20 September 2014.
- d) A notional sale of PAFtec shares to a Noteholder will then take place on 30 September 2014 subject to the pre-emptive rights of existing PAFtec shareholders. If PAFtec shareholders exercise their pre-emptive rights to acquire the Company's PAFtec shares, then the Company's PAFtec shares will be sold to the existing shareholders of PAFtec and the Noteholders will be issued shares in the Company as if they had been issued on the Maturity Date in accordance with the terms of the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes.
- e) If the shareholders in the Company and Noteholders pass resolutions to provide Noteholders with the opportunity to receive PAFtec shares in place of shares in the Company on the Maturity Date, and the Noteholders elect to receive PAFtec shares, then the number of ordinary shares in the Company to be issued at the Maturity Date will be reduced.
- f) If the Noteholders elect to receive PAFtec shares instead of shares in the Company on the Maturity Date, then the Company may hold no shares in PAFtec from the Maturity Date.
- g) If the number of Noteholder requests to redeem their Notes for PAFtec shares instead of shares in the Company on the Maturity Date results in there being more than 50 shareholders in PAFtec, the Company understands that PAFtec will take steps to convert PAFtec to a public company. However, the Company has no ability to force PAFtec to take this action. *Noteholders should do their own due diligence as to the possible effects of there being more than 50 shareholders in PAFtec following the conversion of the Notes.*
- h) If a Noteholder does not choose to redeem their Notes for shares in PAFtec, they will receive shares in the Company at the Maturity Date at the issue price set out in the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes, being a price of VWAP less 10% for the 15 trading days prior to the conversion.

The Trustee has not performed any due diligence on the value of PAFtec shares or the financial health of PAFtec. Neither the Company nor the Trustee make a recommendation one way or the other in relation to whether or not a Noteholder should elect to redeem their Notes for PAFtec shares at the Maturity Date rather than receiving shares in the Company.

Noteholders should do their own due diligence of the value of PAFtec shares and the financial health of PAFtec generally. Each Noteholder should make their own decision as to the appropriateness of electing to redeem their Notes for shares in PAFtec in place of receiving shares in the Company at the Maturity Date and should take their own advice on the effect on their investment if, following conversion of the Notes, there are more than 50 shareholders in PAFtec.

The implementation of this proposal will require amendment to the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes. You are being asked to consider a Special

Resolution to approve these amendments to the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes.

Enclosed for your consideration is a Notice of Meeting of Noteholders, together with an Explanatory Statement and a proxy form for the forthcoming meeting of Noteholders to be held on 10 September 2014 at Suite 606, 37 Bligh Street, Sydney NSW 2000 commencing at 10 am. The Notice of Meeting and Explanatory Statement contain the information you need to make an informed decision about how to vote.

I recommend that you carefully read the Notice of Meeting of Noteholders and the Explanatory Statement.

The Company urges you to participate in the meeting by either attending or voting at the meeting personally or by completing the proxy form and returning it A1 Investments & Resources Ltd in accordance with the instructions.

The Board of the Company recommends you vote in favour of the change, however, the Board makes no recommendation as to whether or not a Noteholder should elect to receive PAFtec shares instead of shares in the Company on the Maturity Date of the Notes. .

If you have any questions after reading this information, please do not hesitate to contact Charlie Nakamura on (02) 9114 6888 during normal business hours. Thank you for your ongoing support.

Yours sincerely,



Charlie Nakamura
Chief Executive Officer

A1 INVESTMENTS & RESOURCES LTD
(ACN 109 330 949)

NOTICE OF MEETING OF NOTEHOLDERS

NOTICE is given that a Meeting of Noteholders of A1 Investments & Resources Ltd ("**the Company**") will be held at 10am on 10 September 2014 at Suite 606, 37 Bligh Street, Sydney NSW 2000.

The Explanatory Statement, which forms part of this Notice of Meeting of Noteholders, describes in more detail the matter to be considered at the Meeting of Noteholders.

AGENDA

1. Approval of amendments to the Convertible Notes Trust Deed

To consider and, if thought fit, pass the following Special Resolution:

"That, pursuant to clause 16.2 of the Convertible Notes Trust Deed, and for all other purposes, the Company and Australian Executor Trustees Limited ACN 007 869 794 (**Trustee**) be authorised to amend the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes in the manner set out in the Annexure to the Notice of Meeting of Noteholders."

By order of the Board



Charlie Nakamura

Dated: 26 August 2014

VOTING BY PROXY

If you wish to vote on the Special Resolution set out in this notice, you should either attend the meeting in person, or appoint a proxy or proxies to attend on your behalf. A body corporate may appoint a representative to attend in accordance with the Corporations Act 2001. In relation to the appointment of proxies, refer to the notes on proxies immediately following the Proxy Form.

NOTEHOLDERS WHO ARE ENTITLED TO VOTE

For the purposes of this meeting and in accordance with regulation 7.11.37 of the Corporations Regulations 2001, the directors of the Company have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of Noteholders as at 10:00am (Sydney time) on 8 September 2014.

EXPLANATORY STATEMENT

Capitalised terms in this Explanatory Statement have the same meaning as in the Convertible Notes Trust Deed dated 17 January 2007, as amended by deed on 18 August 2010, 28 August 2012 and 1 April 2014.

1. THE CURRENT POSITION

As at 11 August 2014 the following Notes are on issue:

ASX Code	Number of Notes	Number of Noteholders	Principal sum outstanding
AYIG	2,292,354	99	2,292,354

Current terms of Notes:

- (a) Face Value: \$1.00 each;
- (b) Maturity Date: 30 September 2014;
- (c) Interest Rate: 12% per annum, payable half yearly;
- (d) Conversion Ratio: 1 / (90% times VWAP).
- (e) ASX listed under ASX code AYIG

2. THE PROPOSAL

2.1 Summary of the proposed amendment

The Company is seeking the approval of Noteholders to change the terms of the Notes on the following terms (**Converting Notes**):

- To provide Noteholders' with the opportunity to elect to redeem their Notes for the Company's shares in PAFtec Australia Pty Ltd (ACN 146 453 554) (**PAFtec**) at a price of 30 cents per share instead of receiving shares in the Company at the issue price set out in the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes on the Maturity Date, subject to the pre-emptive rights of existing PAFtec shareholders.
- If the amount of Noteholder elections to redeem their Notes for PAFtec shares exceeds the value of the Company's shares in PAFtec, then subject to the pre-emptive rights of the existing shareholders in PAFtec, Noteholders will receive a pro rata amount of PAFtec shares and the balance due in ordinary shares in the Company at the issue price set out in the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes, being a price of VWAP less 10% for the 15 trading days prior to the conversion.
- The resolution provides that Noteholders must advise the Company of their intention to request to redeem their Notes for PAFtec shares instead of shares in the Company on the Maturity Date on or before 10am 20 September 2014.
- A notional sale of PAFtec shares to a Noteholder will then take place on 30

September 2014 subject to the pre-emptive rights of existing PAFtec shareholders.

- **If PAFtec shareholders exercise their pre-emptive rights to acquire the Company's PAFtec shares, then the Company's PAFtec shares will be sold to the existing shareholders of PAFtec and the Noteholders will be issued shares in the Company as if they had been issued on the Maturity Date in accordance with the terms of the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes.**
- Noteholders should be aware that PAFtec is currently a proprietary company and as such is limited to a total of 50 shareholders (excluding employee shareholders). If the number of Noteholder requests to redeem their Notes for PAFtec shares instead of shares in the Company on the Maturity Date results in there being more than 50 shareholders in PAFtec, the PAFtec board has indicated that it will take steps to convert PAFtec to a public company. **However, the Company has no ability to force PAFtec to take this action. Noteholders should do their own due diligence as to the possible effects of there being more than 50 shareholders in PAFtec following the conversion of the Notes.**
- Noteholders who wish to elect to redeem their Notes for shares in PAFtec instead of shares in the Company on the Maturity Date, must complete the form provided and return it to the Company by 20 September 2014.
- If the total number of PAFtec shares to be issued to the Noteholder is not a whole number, then the shares will be rounded to the closest whole number, and that number of PAFtec shares will be issued to the Noteholders.
- Noteholders who do not elect to receive shares in PAFtec at the Maturity Date will have their Notes automatically converted into shares in the Company on the Maturity Date in accordance with the terms of the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes.
- An amendment to make it clear that the Trustee has no liability in respect of the Notes, the PAFtec shares or the shares in the Company once the Notes are converted to shares in the Company or PAFtec shares.

2.2 Reasons for the proposed amendments

One large Noteholder has expressed a desire to redeem their Notes for shares in PAFtec at a price of \$0.30 per PAFtec share, rather than to receive shares in the Company at the Maturity Date. As a result, the Company has determined that, subject to all relevant approvals being obtained, it wishes to provide Noteholders with the opportunity to elect redeem their Notes for the Company's shares in PAFtec on the above terms, rather than redeem their Notes for shares in the Company on the Maturity Date. Therefore, subject to approval by shareholders and the subsequent approval by Noteholders to amend the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes, Noteholders will be given the opportunity to elect to wholly or partially redeem their Notes for the Company's shares in PAFtec on a pro rata basis.

The Company considers that the proposed amendment is an additional opportunity for the Noteholders to take shares in PAFtec instead of shares in the Company.

2.3 Consequences of the adoption or failure to adopt the proposed amendments

The adoption of the proposed amendments to the terms of the Notes would provide all

the Noteholders the opportunity to take shares in PAFtec instead of shares in the Company. The Company considers that the adoption of the proposed amendment is not prejudicial to the interests of Noteholders.

Neither the Company nor the Trustee are make any recommendation in relation to an election by a Noteholder to receive PAFtec shares rather than shares in the Company upon maturity of the Notes. It is solely a decision for the Noteholder to determine if the Noteholder wishes to elect to receive PAFtec shares. The Company approves that Noteholders be given the opportunity to make such an election, but it is solely a matter for each Noteholder to determine if they prefer the PAFtec shares over shares in the Company.

A failure to adopt the proposed amendment would mean that all Noteholders will receive shares in the Company at the Maturity Date in accordance with the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes. .

In accordance with the provision of the Convertible Notes Trust Deed, the Company seeks the approval of the Noteholders for the amendment of the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes.

3. TAXATION CONSEQUENCES

The proposed amendment does not change the taxation treatment of the Notes.

4. THE APPROVAL PROCESS

Pursuant to Clause 16.2 of the Convertible Notes Trust Deed, the Company and the Trustee may also agree to any alteration or addition to the Convertible Notes Trust Deed, if the amendment is authorised by a Special Resolution of the Noteholders passed at a meeting held pursuant to the provisions contained in Schedule 2 of the Convertible Notes Trust Deed.

The resolution to be considered at this meeting of Noteholders is a “Special Resolution”, pursuant to clause 16.2 of the Convertible Notes Trust Deed. A “Special Resolution” is a resolution passed on a poll at a meeting duly held in accordance with the Meeting Provisions by a majority consisting of Noteholders representing more than 75% of the Principle Amount of the Notes held by Noteholders who are present at the meeting in person, by attorney, b proxy or by representative.

If the Special Resolution is passed by the requisite majority, the Company and the Trustee will sign a deed giving effect to the amendments pursuant to Clause 16.3 of the Convertible Notes Trust Deed.

5. NOTICE OF SPECIAL RESOLUTION

If the Special Resolution is passed, Noteholders will be informed shortly after the meeting.

6. BOARD’S RECOMMENDATION

The Board recommends that the Noteholders vote in favour of the Special Resolution to amend the Convertible Notes Trust Deed and the Terms of Issue of Convertible Notes, however, the Board makes no recommendation as to whether or not a Noteholder should elect to convert their Notes to shares in PAFtec rather than shares in the Company if the Special Resolution is approved

7. RESPONSIBILITY STATEMENT

The Trustee does not make any representation as to the truth or accuracy of the contents of this Notice of Meeting and Explanatory Statement other than the parts which refer directly to the Trustee.

The Trustee does not make any representation regarding or accepting any responsibility for any statements or omissions in or from any other parts of this Notice of Meeting and Explanatory Statement. Other than the parts of this Notice of Meeting and Explanatory Statement which refer directly to the Trustee or which refer to the provisions of the Convertible Notes Trust Deed, the Trustee has relied upon the Company for the accuracy of the contents of this Notice of Meeting and Explanatory Statement.

The Trustee does not make any representations as to any particular return.

8. ANY QUESTIONS?

If you have any questions after reading this information, please do not hesitate to contact Charlie Nakamura on (02) 9114 6888 of the Company during business hours.

AMENDMENTS TO THE CONVERTIBLE NOTES TRUST DEED

Clause / Schedule	Amendment
<p>Schedule 1 Clause 1.1 New Definitions</p>	<p>The following additional definitions are added to clause 1.1:</p> <p>Election Date means 10am 20 September 2014</p> <p>Existing PAFtec Shareholder means a person holding PAFtec Shares as at the Maturity Date.</p> <p>PAFtec Conversion Notice means a notice from a Noteholder to the Company that it requires the Company to convert the number of Notes specified in the notice into PAFtec Shares in such a form as the Board may from time to time approve and in accordance with clause 4.3.</p> <p>PAFtec Conversion Price means \$0.30 per share</p> <p>PAFtec Conversion Right means a Noteholder's right to convert their Notes into PAFtec Shares in accordance with clause 4.2.</p> <p>PAFtec Shares means ordinary shares in PAFtec Pty Limited (ACN150 214 636)</p> <p>Pre-Emptive Rights of Existing PAFtec Shareholders means the process set out in Annexure A being a copy of 'Clause 3.1, Clause 4, Clause 6, Clause 7 and Clause 8 of Schedule A of the PAFtec constitution' which the Company must follow before selling the Company's PAFtec Shares to a Noteholder.</p>
<p>Schedule 1 Clause 4.2</p>	<p>Delete and replace with the following:</p> <p>4.2 Event Conversion Right</p> <p>(a) Subject to these Conditions, a Noteholder has the right to:</p> <p style="padding-left: 40px;">(i) convert all or some of their Notes (and if some, in multiples of 1,000 Notes) into Shares, calculated by multiplying the number of Notes by the Conversion Ratio, by delivering a Conversion Notice to the Note Registry in the following circumstances:</p> <p style="padding-left: 80px;">A. at least 15 Business Days prior to the Maturity Date; or</p> <p style="padding-left: 80px;">B. during the period of 60 calendar days after the date of an Early Redemption Notice issued by the Company; or</p> <p style="padding-left: 40px;">(ii) redeem all or some of their Notes as PAFtec Shares, calculated by multiplying the number of Notes by the PAFtec Conversion Price, by delivering a PAFtec Conversion Notice to the Note Registry on or before the Election Date.</p> <p>(b) Subject to these Conditions, if a Noteholder exercises their Conversion Right or their Event Conversion Right,</p>

	<p>the conversion of the Notes will occur on the Conversion Date, in accordance with clause 4.4.</p> <p>(c) Subject to these Conditions, if a Noteholder exercises their PAFtec Conversion Right, the conversion of the Notes will occur on the Conversion Date, in accordance with clause 4.5.</p> <p>(d) The Company will pay the Noteholder on the Conversion Date any interest that is accrued and unpaid on the Note up to but excluding the Conversion Date.</p>
Schedule 1 Clause 4.3 Conversion Notice	<p>Delete and replace with the following:</p> <p>4.3 Conversion Notices and PAFtec Conversion Notices</p> <p>(e) The Company will, on request by a Noteholder to the Note Registry, procure that the Noteholder is sent a pro-forma Conversion Notice or pro-forma PAFtec Conversion Notice.</p> <p>(f) A Noteholder cannot withdraw a Conversion Notice or PAFtec Conversion Notice delivered to the Company without the consent in writing of the Company.</p> <p>(g) Not less than 25 Business Days prior to the Maturity Date, the Company must send to Noteholders a notice notifying them of the Maturity Date together with a pro forma Conversion Notice and a pro-forma PAFtec Conversion Notice.</p>
Schedule 1, Clause 4.4 Method of Conversion	<p>Rename this clause as follows:</p> <p>4.4 Method of conversion of Notes into Shares</p>
Schedule 1, Clause 4.5 Method of conversion of Notes into PAFtec Shares	<p>The following additional clause is added:</p> <p>4.5 Method of conversion of Notes into PAFtec Shares</p> <p>(a) Subject to clause 4.5(b), upon receipt of a PAFtec Conversion Notice from a Noteholder:</p> <p>(i) the Company will redeem each of the Notes which are being converted to PAFtec Shares for the Redemption Amount on the Conversion Date; and</p> <p>(ii) the Holder of the Notes which are being converted irrevocably and unconditionally directs</p>

	<p>the Company to apply the whole of the Redemption Amount to subscribe for the number of PAFtec Shares to which the Noteholder is entitled under clause 4.2 (as adjusted in accordance with these Conditions).</p> <p>(b) Any conversion of Notes into PAFtec shares are subject to the Pre-Emptive Rights of Existing PAFtec Shareholders.</p> <p>(c) The Company must within 3 Business Days following the end of the period during which an Existing PAFtec Shareholder may exercise their Pre-Emptive Rights of Existing PAFtec Shareholders, issue PAFtec Shares and or Shares in accordance with this clause in respect of converted Notes. Any such issue will have effect and will be deemed to have been made on the Conversion Date.</p> <p>(d) If the total number of PAFtec Shares to be issued to the Noteholder on conversion is not a whole number, then the number of PAFtec Shares will be rounded up or down to the closest whole number, and that number of PAFtec shares will be issued to the Noteholders.</p> <p>(e) If the Company receives PAFtec Conversion Notices applying for PAFtec Shares in a value in excess of the value of the PAFtec Shares owned by the Company at the Maturity Date, the Noteholders will receive a pro rata amount of PAFtec Shares and any balance of the Redemption Amount will be converted to Shares.</p> <p>(f) For the avoidance of doubt, if the Existing PAFtec Shareholders exercise the Pre-Emptive Rights of Existing PAFtec Shareholders, there will be no PAFtec Shares available to Noteholders and the Redemption Amount will be converted to Shares in accordance with clause 4.4.</p> <p>(g) The issue of the PAFtec Shares (and / or the Shares) as a result of the conversion of the Notes in accordance with this clause, will be treated for all purposes as full repayment of the Redemption Amount payable with respect to such Notes and the obligations of the Company and the Trustee in relation to the Notes will immediately cease, except in respect of any obligation or liability which has arisen on or before the Conversion Date.</p>
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PROXY FORM
FAX (02) 9232 8883

To: A1 Investments & Resources Ltd
Suite 606, 37 Bligh Street
Sydney NSW 2000

Attn: Company Secretary

Noteholder	
	<i>(full name of Noteholder - please print)</i>
	<i>(address)</i>
Appoints	
	<i>(name, or office held, of Proxy - please print)</i>
	<i>(address)</i>

or failing such appointment or the absence of that person, **the Chair of the Meeting**, as my/our Proxy to vote for me on my/our behalf (with discretion as to any business not referred to below) at the Noteholders Meeting of the Company to be held on 10am 10 September 2014, and at any adjournment of that meeting.

(Voting instructions to be indicated by a tick ☒ in the appropriate box. If no instruction is given the Proxy may vote as that person thinks fit, or abstain.)

ORDINARY BUSINESS
FOR
AGAINST
ABSTAIN

1. Approval of the amendment of the Convertible
Notes Trust Deed

☐
☐
☐

If you do not wish to direct your Proxy how to vote, please place a mark in the following box:

- ☐ By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy vote even if he has an interest in the outcome of the resolution and votes cast by him other than as a Proxy will be disregarded because of that interest. The Chairman of the Meeting intends to vote undirected proxies in favour of the Resolution.

SIGNATURE(S) / EXECUTION

Individual/Sole director/Sole secretary

Director/Secretary

Note: Please read under "VOTING BY PROXY", at the end of the Notice of Noteholders Meeting, as to completion and lodgement of this Proxy Form.

VOTING BY PROXY

- (a) (right to attend): Each Noteholder (whether it received notice of the meeting or not) may attend, speak and vote at a meeting either personally or through its representative or proxy appointed and notified to the Company. The Company Secretary will act on matters relating to collection of proxy forms and counting of proxy votes.
- (b) (right to appoint): A Noteholder that is a body corporate may authorise a person to act as its representative at a specified meeting, or at meetings generally, of Noteholders. Each Noteholder (whether or not a body corporate) has the right to appoint, by an instrument, a proxy to attend, speak and vote on the Noteholder's behalf at a meeting.
- (c) (who may be a representative or proxy): A representative or proxy need not be a Noteholder.
- (d) (signature(s) of individuals): In the case of Noteholders who are individuals, the Proxy Form must be signed:
 - (i) if the Notes are held by one individual, by that Noteholder;
 - (ii) if the Notes are held in joint names, by any one of them.
- (e) (signatures on behalf of companies): In the case of Noteholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole company secretary, by that director (and stating that fact next to, or under, the signature on the Proxy Form);
 - (ii) in the case of any other company, by either 2 directors or a director and company secretary.

The use of the common seal of the company, in addition to those required signatures, is optional.

- (f) (other authorised persons): If the person signing the Proxy Form is doing so under power of attorney, or is an officer or other representative of a company outside of (e) above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy Form, must be received by the Company by the time and at the place in (g) below.
- (g) (lodgement place and deadline): A Proxy Form accompanies this Notice. To be effective, Proxy Forms (duly completed and signed) must be received by the Company Secretary:
 - (i) at A1 Investments & Resources Ltd, Suite 606, 37 Bligh Street Sydney NSW 2000; or
 - (ii) **by facsimile on (02) 9232 8883**

(marked to the attention of Mr Charlie Nakamura) no later than 48 hours before the time for the holding of the meeting. Please use the enclosed envelope to return your Proxy Form to reach the Company by or before 10am (Sydney time) on 8 September 2014.

Annexure A - Pre-Emptive Rights of Existing PAFtec Shareholders

This annexure is a true copy of Clause 3, Clause 4, Clause 6, Clause 7 and Clause 8 of Schedule A of the PAFtec constitution' and sets out the process which the Company must follow before selling the Company's PAFtec Shares to a Noteholder.

In this Annexure A a reference to 'Company' means PAFtec Pty Limited ACN 150 214 636 and not a reference to 'A1 Investments & Resources Ltd ACN 109 330 949' and reference to 'this Constitution' means the constitution of the Company.

In addition, in this **Annexure A** the following defined terms have the following meaning:

Board means the current board of directors of the Company.

Business Day means a day which is not a Saturday, Sunday or bank or public holiday in Sydney, New South Wales, Australia;

Director means a person appointed or elected as a director in accordance with [this] Constitution and includes any alternate director duly acting as a director and, where the context permits, a sole director.

Dispose means any dealing with a share, including but not limited to, a sale, transfer, assignment, trust, encumbrance, option, swap, any alienation of all or part of the rights attaching to a share or interest in a share;

Member means a person recorded as a security holder in the Members' register.

Special Directors' Resolution means a resolution (whether by meeting or circular resolution) approved by more than 75% of those Directors present (by any means) and who are not disqualified from voting on that resolution.

3. DISPOSAL OF SHARES - GENERAL

3.1 A Member may Dispose of Securities if:

- (a) the transferee is, and for so long as it remains, an Associated Entity of the Member; or
- (b) all other Members give prior written approval; or
- (c) the sale is conducted in accordance with the provisions of **clause 4**.

4. DISPOSAL OF SHARES – PRE-EMPTION

4.1 A Member (**Selling Member**) may Dispose of some or all of its shares if the Disposal is a sale conducted in accordance with the provisions of this **clause 4** unless the provisions of **clause 4.17** or **clause 6** apply and subject to the requirements under **clause 7**.

4.2 If the Selling Member wishes to sell its shares (other than in a manner contemplated by **clauses 3.1(a)** or **clause 3.1(b)**) it must first give to the Members (**Remaining Members**)

and the Company notice in writing of such wish (a **Notice of Sale**) specifying:

- (a) the number of shares the Selling Member wishes to sell (**Sale Shares**);
- (b) the sale price per Sale Share in Australian dollars (**Sale Price**);
- (c) the name of the proposed buyer of the Sale Shares or details of the marketing strategy if a proposed buyer is not identified;
- (d) any other terms of the proposed Disposal; and
- (e) a statement to the effect that the Remaining Members have an option to purchase all of the Sale Shares on the terms set out in the Notice of Sale if the Remaining Members comply with **clauses 4.5 to 4.10**.

- 4.3 All Sale Shares offered by the Selling Member in accordance with **clause 4.2**, must be offered to the Remaining Members in proportion to the existing Shares held by the ' Remaining Members (or as close as possible to such proportion).
- 4.4 Each Notice of Sale will be deemed to appoint the Company as agent of the Selling Member in relation to the sale of the Sale Shares in accordance with the rights of pre-emption contained in this **clause 4** at the Sale Price. The Company is entitled to exercise its powers under this **clause** notwithstanding the exercise of the power may constitute a conflict of interest or duty and the Selling Member must ratify any exercise of these powers by the Company.
- 4.5 On receipt of a Notice of Sale, the Company must immediately give to the Remaining Members a written notice informing each Remaining Member of the number of Sale Shares to which the Remaining Member is entitled and the day (being 3 Business Days after the date of despatch of the notice to the Remaining Member) by which the right to acquire all or some of the Sale Shares may be exercised (**Initial Option Period**) and which, if not exercised, will result in the Remaining Member being deemed to have declined the right to acquire all or some of the Sale Shares.
- 4.6 If, by the expiry of the Initial Option Period, any Remaining Member is not willing to take up all or any of the Sale Shares offered to it (the aggregate of all such Sale Shares being **Unallocated Sale Shares**), the Company must promptly offer the Unallocated Sale Shares by notice in writing to those Remaining Members who wish to purchase further Sale Shares in the proportion that their then existing shareholding bears to the total shareholding of such Members and so on until disposal of all Sale Shares.
- 4.7 The written notice given by the Company in accordance with **clause 4.6** must nominate the date (being 2 Business Days after the date of despatch of the notice) by which the right to acquire all, or some of, those remaining Sale Shares may be exercised (**Secondary Option Period**) and if not exercised by the expiry of the Secondary Option Period will be deemed to have been declined.
- 4.8 After receipt of replies from all of the Remaining Members in accordance with **clauses**

4.5 and **4.6** and the expiry of the Secondary Option Period or the expiry of the Initial Option Period, the Sale Shares will be allocated to those Remaining Members willing to purchase the Sale Shares in accordance with the Notices of Sale (**Acceptors**) and, if more than one, then in the proportion that the number of Sale Shares held by each Acceptor bears to the total number of Shares held by all Acceptors.

- 4.9 The contract formed between the Selling Member and the Acceptors will be subject to the terms and conditions of this **clause 4 (Sale Contract)**.
- 4.10 Settlement of any Sale Contract must occur within 3 Business Days after the expiry of the Secondary Option Period or, if there is no Secondary Option period, within 3 Business Days after the expiry of the Initial Option Period, whereon:
- (a) the Selling Member must deliver to the Acceptors share certificates for the Sale Shares together with share transfers or other transfer documents duly executed by the Selling Member in favour of the Acceptors; and
 - (b) the Acceptors must pay in cash or by bank cheque to the Selling Member an amount equal to the Sale Price multiplied by the number of Sale Shares purchased by the Acceptors.
- 4.11 If the Remaining Members do not exercise their right to acquire in respect of all or part of the Sale Shares, then, subject to **clauses 4.15** and **4.16**, the Selling Member may sell the remaining Sale Shares to a buyer nominated by the Selling Member (**Proposed Buyer**) within 30 days after the Option Periods expire.
- 4.12 Within 3 Business Days of the Selling Member nominating the Proposed Buyer, the Selling Member must provide notice in writing to the Board outlining the identity of the Proposed Buyer (**Proposed Buyer Notice**).
- 4.13 Within 5 Business Days following receipt of the Proposed Buyer Notice, the Board, on behalf of the Company, may, by notice in writing to the Selling Member:
- (a) approve the sale to the Proposed Buyer;
 - (b) refuse the sale to the Proposed Buyer; or
 - (c) require the Selling Member to procure an alternative Proposed Buyer.
- 4.14 In the event that an alternative Proposed Buyer is prevented by the Board from purchasing the remaining Sale Shares pursuant to the process outlined in **clause 4.13(c)** the Board, on behalf of the Company, may refuse the sale of the remaining Sale Shares unless the Selling Member procures sale of the remaining Sale Shares to a Remaining Member, subject to **clauses 4.15** and **4.16**, and in accordance with the process set out in this **clause 4**.
- 4.15 The Selling Member must not sell the Sale Shares to the Proposed Buyer:

- (a) for a purchase price less than the Sale Price; or
- (b) on terms more beneficial to the buyer than those set out in the Notice of Sale.

4.16 If the Selling Member does not sell the Sale Shares to the Proposed Buyer within the time set out in **clause 4.11** it may not sell those Sale Shares without complying again with this **clause 4**.

4.17 The notice periods and acceptance of offer periods in this **clause 4** may be reduced to a shorter period or waived by all Members entitled to receive notice or entitled to accept and offer (as the case may be).

6. DISPOSAL OF SHARES – DRAG ALONG

6.1 If one or more other Members Who, in aggregate, hold 55% or more of the issued shares (together in this **clause** the **Selling Members**) have received an offer from an independent third party to acquire all of the Selling Members' shares, then the Selling Members have an option (the **Drag Along Option**) to require all of the other Members (in this **clause** the **Remaining Members**) to sell their shares to that third party.

6.2 The Selling Members may exercise the Drag Along Option by giving a notice (a **Drag Along Notice**) in writing to that effect to the Remaining Members specifying that the Remaining Members are required to sell their shares to the third party.

6.3 A Drag Along Notice (and all obligations under that notice) will lapse if for any reason the Selling Members do not, prior to or simultaneously with the transfer of Shares by the Remaining Members to the third party, transfer the Sale Shares to the third party.

6.11.4 On the exercise of the Drag Along Option by the Selling Members, the Remaining Members must sell their shares to the third party at the price per share to be paid to the Selling Members and otherwise on the same terms applicable to the sale by the Selling Members to the third party.

6.5 Completion of the sale of the shares held by the Remaining Members must occur at the same time as the sale by the Selling Members.

7. DISPOSAL OF SHARES – OTHER EVENTS

7.1 Subject to **clause 7.2**, a Member (**Affected Member**) will be deemed to have given a Notice of Sale under **clause 4** offering to sell all of its shares and the procedure in **clause 4** must be followed where one or more of the following events occurs (each a **Relevant Event**) :

- (a) the Affected Member is or becomes bankrupt or insolvent;
- (b) a change in Control occurs in respect of the Affected Member; or
- (c) the employment of the Affected Member or its Related Employee terminates.

- 7.2 The Notice of Sale will be deemed to have been given on the date on which the Company notifies each Member of the Company's computation of the Fair Value (in accordance with **clause 8**) of those shares of the Affected Member.
- 7.3 Where a Notice of Sale is deemed to be given under **clause 7.1** the price specified in the Notice of Sale for the purpose of **clause 4.2(b)** for the Affected Member's Sale Shares will be the Fair Value of those Sale Shares.
- 7.4 Where a Notice of Sale is deemed to be given under **clause 7.1** and the Remaining Members do not exercise their options in respect of the Affected Member's Sale Shares then, subject to **clauses 4.15** and **4.16** the Affected Member is entitled to retain such of those of the Sale Shares that have not been acquired by the Remaining Members.
- 7.5 Terms used in this **clause 7**, which are defined in **clause 4**, have the meaning given to them in that clause.

8. FAIR VALUE

- 8.1 The fair value of a Sale Share will be defined and calculated as follows:
- 8.2 On receipt of a notice from the Company seeking a calculation of the fair value of the Sale Shares, the Board must within 10 days of the date of the Notice of Sale (**Initial Period**), endeavour to agree the fair value of a Sale Share by Special Director's Resolution.
- 8.3 If, by the end of the Initial Period, the Board is unable to agree the fair value of a Sale Shares, the Board must, within 30 days of the end of the Initial Period, appoint an accountant of not less than 10 years standing with experience in the valuation of companies to determine the value of the Sale Shares as at the month end immediately preceding the date of receipt of the Notice of Sale.
- 8.4 If the Board cannot agree on a suitable appointee to undertake the valuation, within 30 days of the date of receipt of the Notice of Sale, the President of the Institute of Chartered Accountants, at the request of any Director, will appoint the valuer on behalf of, and at the cost of, the Company.
- 8.5 The valuer must be instructed to determine the fair value of the Sale Shares on the following bases:
- (a) on a going concern basis and including an allowance for goodwill;
 - (b) having regard to the business of the Company and its future prospects;
 - (c) as between willing but not anxious sellers and buyers;
 - (d) having no regard to the fact that a minority or majority (that is, controlling) interest may result from a sale;

- (e) by applying valuation principles generally accepted in relation to the valuation of shares;
- (f) by the valuer otherwise adopting any procedure he or she thinks appropriate for determining the fair value of the Sale Shares.

8.6 The Company must ensure that the valuer is given:

- (a) access to the books of account and other records of the Company for the purpose of inspection and review; and
- (b) all reasonable assistance required by the valuer during such inspection and review; and
- (c) access to the auditor that undertook the last audit of the Company, subject to their compliance with any reasonable requirements imposed by the auditor.

8.7 Once appointed, the valuer must complete his or her valuation within 30 days of the date of their appointment and notify the Company in writing of his or her determination.

8.8 The share value determined by the valuer will constitute the 'Fair Value' per Sale Share.

8.9 The determination of the Fair Value of the Shares by the valuer will be final and binding on all Members concerned. .