

HRL Holdings Ltd ACN 120 896 371

Notice of Extraordinary General Meeting and Explanatory
Memorandum

Date of Meeting: 25 February 2015

Time of Meeting: 10:00am (Brisbane time)

Place of Meeting: HopgoodGanim
Level 7 Waterfront Place
1 Eagle Street, Brisbane Qld 4000

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of Shareholders of HRL Holdings Ltd ACN 120 896 371 (**HRL** or the **Company**) will be held at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000, on 25 February 2015 at 10.00am (Brisbane time).

Agenda

Ordinary business

Resolution 1 – Change in Nature and Scale of Activities

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*"That, subject to the passing of Resolutions 2 to 5 (inclusive) for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to acquire all of the issued capital of Precise Consulting and Laboratory Limited (NZ Company No. 3772580) (**Precise Consulting**) from the existing shareholders of Precise Consulting, Andre Lee Halkyard and Donna Louise Firth (**Vendors**) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice and to consequently make a significant change in the nature and scale of the Company's activities."*

Voting exclusion statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- the Vendors and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 1 is passed; and
- any associate of either the Vendors or any persons who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 1 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as 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 the direction on the proxy form to vote as the proxy decides.

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Resolution 2 – Approval of the Precise Consulting Acquisition

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That, subject to the passing of Resolutions 1, 3, 4 and 5, for the purpose of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to proceed with the Share Sale Agreement between the Company, the Vendors and Precise Consulting entered into on 23 December 2014 (**Share Sale Agreement**) pursuant to which the Company will acquire all of the issued capital of Precise Consulting on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”*

Voting exclusion statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- the Vendors and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 2 is passed; and
- any associate of either the Vendors or any persons who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 2 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as 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 the direction on the proxy form to vote as the proxy decides.

Resolution 3 – Consolidation of Capital

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

*“That, subject to the passing of Resolutions 1, 2, 4 and 5, in accordance with section 254H of the Corporations Act 2001 (Cth) (**Corporations Act**), the Company’s Constitution and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis that:*

- every 13 Shares in the Company be consolidated into 1 Share;*
- every 13 Options be consolidated into 1 Option with the exercise price per Option amended in inverse proportion to that ratio; and*
- where this consolidation results in a fraction of a security being held, the Directors be authorised to round that fraction up to the nearest whole security*

on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.

*(the **Consolidation**)”*

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Resolution 4 – Approval to issue Shares pursuant to Capital Raising

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

“That, subject to the passing of Resolutions 1 ,2, 3 and 5, pursuant to Listing Rule 7.1 and for all other purposes, approval is given for the Company to carry out the Capital Raising and issue and allot up to 23,076,924 Shares on a post-Consolidation basis at a post-Consolidation issue price of \$0.065 on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice ”

Voting exclusion statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- the Vendors, a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 4 is passed; and
- any associate of either the Vendors, a person who may participate in the proposed issue or any persons who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary securities, if Resolution 4 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as 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 the direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approval for Directors to apply for Shares under the Capital Raising

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

“That, subject to the passing of Resolutions 1 to 4 (inclusive), pursuant to Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue and allot up to 9,575,626 Shares (on a post-Consolidation basis) to the Directors (and/or their nominees) out of the Shares that may be issued pursuant to Resolution 4 on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice.”

Voting exclusion statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by:

- the Directors; and
- any associate of any the Directors.

However, the Company need not disregard a vote if:

- it is cast by a person as 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 the direction on the proxy form to vote as the proxy decides.

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Special Business

Nil

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the Board

Paul Marshall
Company Secretary
27 January 2015

1. Introduction

This Explanatory Memorandum is provided to Shareholders of HRL Holdings Ltd ACN 120 896 371 (**HRL** or the **Company**) to explain the Resolutions to be put to Shareholders at the Extraordinary General Meeting (**Resolutions**) to be held at the offices of HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000 on 25 February 2015 commencing at 10:00am (Brisbane time).

This Explanatory Memorandum provides a comprehensive outline of the Precise Consulting Acquisition and includes all information required to be provided to Shareholders under the Corporations Act and the ASX Listing Rules, and specifically outlines the legal and regulatory requirements in relation to each Resolution.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in Section 8.

2. Resolution 1 - Change in Nature and Scale of Activities

2.1 General

Resolution 1 seeks Shareholder approval for a change to the nature and scale of the Company's activities which will result from the Precise Consulting Acquisition.

The Precise Consulting Acquisition is the subject of a separate resolution and accordingly, a detailed description of the Precise Consulting Acquisition is set out below in section 3 of the Explanatory Statement.

Resolution 1 is conditional on Resolutions 2 to 5 (inclusive) in this Notice of Meeting being approved. As such, if any of the Resolutions are not passed, then all of the Resolutions will be taken to have been rejected by Shareholders.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings and any further information that ASX requests;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the Notice of Meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the Official List of ASX.

Upon receiving details of the Precise Consulting Acquisition, ASX have formed the view that the Transaction produces a change to the nature and scale of the Company's activities and as such, the Company is required to:

- (a) obtain Shareholder approval; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval pursuant to Resolution 1 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

2.3 Application to the Official List

On 15 September 2014 the Company announced the completion of the acquisition of OCTIEF Pty Ltd ACN 163 772 478 (**OCTIEF**). This transaction saw the Company acquire all of the issued capital of OCTIEF from the OCTIEF Vendors (**OCT Acquisition**).

ASX have advised that the Precise Consulting Acquisition is to be considered in aggregate with the previously completed OCT Acquisition, when determining the impact the Transaction will have on the nature and scale of the Company's activities.

ASX have determined that the combination of these transactions produces an effect on the Company which amounts to a significant change in the nature and scale of its current business activities, which are the operation of OCTIEF together with geothermal exploration activities. Consequently, the combined effect of the two acquisitions has triggered the application of Chapter 11 of the ASX Listing Rules.

Pursuant to Chapter 11 of the ASX Listing Rules, ASX has advised the Company that the Company must:

- (a) obtain Shareholder approval for the purposes of Listing rule 11.1.2, and
- (b) re-comply with Chapters 1 and 2 of the ASX Listing Rules, pursuant to Listing Rule 11.1.3.

In accordance with the rules of admission, HRL is required to satisfy a number of conditions. As such, subject to Shareholders passing the Resolutions, in order to meet the requirements of Chapters 1 and 2 of the Listing Rules and be re-admitted to the Official List, the Company intends to:

- (a) lodge the Prospectus pursuant to section 710 of the Corporations Act, pursuant to which the Company intends to undertake the Capital Raising to raise up to \$1.5 million. Further details of the Capital Raising are outlined in section 5 below; and
- (b) undertake a consolidation of its Share capital. Further details of the Consolidation are outlined in section 4 below.

The Company's Shares will be placed in a trading halt from the commencement of trading on the date of the Shareholder's meeting, pending the outcome of the EGM. Should Shareholders approve the Resolutions at the EGM, the Company's Shares will subsequently be placed in suspension pending the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company's Shares will remain suspended from Official Quotation until the ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

In relation to the change to the Company's nature and scale of activities, re-complying with Chapters 1 and 2 of the Listing Rules will enable the Company to continue the expansion of its operations to create a conglomerate entity which is multi-faceted in nature. The management of the Company will continue to evaluate acquisition opportunities of low cost, high quality businesses in the future/

2.4 Timetable

The timetable below provides expected timing for completion of the Precise Consulting Acquisition and for the matters contemplated by the Resolutions, subject to compliance with all regulatory and statutory requirements.

The Company notes that the dates outlined on the next page are indicative only and subject to a number of factors which are outside the control of the Company and as such may change without notice.

Proposed Timetable

Event	Date
Notice of Meeting sent to Shareholders (announcement of Capital Raising and Consolidation)	27 January 2015
Lodge Prospectus (lodge Appendix 3B)	6 February 2015
Capital Raising opens (despatch of offer document and application forms)	6 February 2015
General Meeting to consider the Resolutions	25 February 2015
Suspension of trading in the Company's securities	25 February 2015
Notification to ASX of results of General Meeting	25 February 2015
Consolidation commences	26 February 2015
Capital Raising closes	27 February 2015
Consolidation completes	10 March 2015
Issue of Shares under Prospectus on a post-Consolidation basis	19 March 2015*
Completion of Precise Consulting Acquisition	20 March 2015*
Expected date for re-quotation of the Company's shares on the ASX (subject to satisfaction of Chapters 1 and 2 of ASX Listing Rules)	This is to be determined by and in consultation with ASX on approval of the Company's re-compliance with Chapters 1 and 2 of the Listing Rules

* dates are dependent upon completion of the Capital Raising, and as such, satisfaction of all conditions precedent of the Capital Raising, which includes ASX providing the Conditional Approval. We note however the proposed dates are merely indicative and subject to a number of factors outside the control of the Company.

3. Resolution 2 - The Precise Consulting Acquisition

3.1 Precise Consulting Acquisition

As announced via the ASX market platform on 24 December 2014, the Company has entered into an agreement (**Share Sale Agreement**) to purchase all of the shares in Precise Consulting and Laboratory Limited Company Number 3772580 (**Precise Consulting**) from Andre Lee Halkyard and Donna Louise Frith (**Vendors**), the sole shareholders of Precise Consulting.

In consideration for all of the shares in Precise Consulting, the Company will pay a maximum purchase price of NZD\$7,500,000 to the Vendors (**Purchase Price**). The Purchase Price will be paid as follows:

- (a) partial payment on completion of the Precise Consulting Acquisition of NZD\$5,000,000 in cash; and
- (b) earn-out consideration of up to NZD\$2,500,000, also payable in cash.

The amount of earn out consideration will be calculated based on Precise Consulting's earnings before interest and taxes (**EBIT**) for the year 1 January 2015 to 1 December 2015. The earn-out consideration to be paid to the Vendors will be calculated as follows:

EBIT	Earn Out Consideration
Less than \$1.9 million	Nil
\$1.9 – 2.1 million	\$700,000
\$2.1m to \$2.3 million	\$1,300,000
\$2.3m to \$2.5 million	\$1,900,000
More than \$2.5 million	\$2,500,000

As the Purchase Price for the acquisition of the Precise Consulting shares will be paid solely in cash consideration, the Precise Consulting Acquisition will not have any direct impact on the current issued capital of the Company and therefore, will not subsequently cause any dilutionary effect to Shareholders. However, in order to complete the Precise Consulting Acquisition, the Company will undertake the Capital Raising, which will dilute existing Shareholders. Details of the impact of the Capital Raising on the Shareholders is set out in Schedule 1 of this Explanatory Memorandum.

As outlined in paragraph 3.4(a)(11), completion of the Share Sale Agreement is conditional upon, amongst other things, the Company receiving satisfactory finance. In order to partially fund the payment of the Purchase Price, the Company has received an indicative loan offer from the Company's bankers with respect to a facility of up to \$3,500,000. Formal approval and loan documentation has yet to be provided by the bank. One of the covenants of the indicative loan offer is that the Company undertake and complete a raising of at least \$1,000,000, which the Company intends to fulfil by undertaking the Capital Raising. For completeness, it is noted that the letter of intended offer identifies other covenants, as well as security interests required and general terms which are standard in nature in regard to a transaction of this kind.

The timing and completion of the Precise Consulting Acquisition will depend on the satisfaction of the conditions precedent, as set out in paragraph 3.4(a) of this Explanatory Memorandum, which in some cases are not within the control of the Company. If the conditions precedent are not satisfied or waived by the agreed date, either party may elect to not proceed with the Precise Consulting Acquisition.

The purpose of Resolution 2 is to seek approval of the Precise Consulting Acquisition.

3.2 **About Precise Consulting**

Operating out of New Zealand, Precise Consulting offers a number of services to assist companies with the identification and remediation of risks posed to health and safety of both humans and the environment.

Precise Consulting was incorporated on 5 April 2012 and carries out analysis and studies of contaminated land, including soil sampling to identify asbestos, asbestos auditing and building contamination assessment. These studies are carried out in laboratories accredited by IANZ, which is part of the Testing Laboratory Registration Council and New Zealand's premier accreditation body.

Precise Consulting offers a number of specialised environmental services, including the identification, monitoring and testing of asbestos materials and other occupational hygiene issues.

Additionally, Precise Consulting assess the risk associated with a material based on its type, as well as assists companies with employing effective control measures to prevent the spread of asbestos fibres from asbestos removals. In providing such services, Precise Consulting perform contaminated land analysis, soil sampling, dust monitoring and general consultations which addresses indoor air quality, diesel particulate and mould.

3.3 **Overview of Combined Group**

OCTIEF and Precise Consulting both provide a similar suite of asbestos related services to clients and utilise similar systems. The Combined Group will look to share resources across both Australia and New Zealand to maximize the Combined Group's efficiency and revenue. Similarly, the combined expanded geographic presence will lead to a larger pool for new recruitment.

To date, Precise Consulting has been largely focused on laboratory work. Other services that OCTIEF currently provide are also in demand and the Combined Group will explore the potential to expand the suite of services offered in the Christchurch market.

The Combined Group will investigate organic growth options through both the expansion into new geographic areas in Australia and New Zealand, as well as aiming to increase market share in its existing locations.

Due to the moratorium currently in place on onshore gas exploration in Victoria, HRL is currently not able to pursue drilling programmes on its Geothermal Exploration Permits in the Otway Sedimentary Basin of Victoria. HRL will therefore not focus any further resources on its geothermal assets until it is satisfied that the projects are capable of becoming commercially viable in consideration of the legal and regulatory regime.

The management of the Company will continue to evaluate acquisition opportunities of low cost, high quality business in the future. Re-complying with Chapters 1 and 2 of the Listing Rules will enable the Company to continue the expansion of its operations to create a conglomerate entity which is multi-faceted in nature.

3.4 **Key Elements of the Proposed Transaction**

The Precise Consulting Acquisition contemplates the following key commercial terms:

(a) **Conditions Precedent**

The completion of the Precise Consulting Acquisition is subject to a number of conditions precedent, including:

- (1) consents to the “change of control” contemplated by the Precise Consulting Acquisition under the Share Sale Agreement being obtained in respect of all Authorisations and Leasehold Properties, as defined in the Share Sale Agreement, on terms and conditions satisfactory to HRL;
- (2) obtaining any statutory approvals required by either New Zealand or Australia in respect of the Transaction on terms and conditions acceptable to HRL;
- (3) no material adverse change happening prior to completion of the Share Sale Agreement;
- (4) Precise Consulting obtaining all necessary releases of the shares, companies and assets from any security;
- (5) receipt by HRL in writing on terms acceptable to HRL of consents from counterparties to material contracts to the proposed change of control and other transactions contemplated by the Share Sale Agreement;
- (6) the parties taking reasonable steps to identify and agree that any and all parties that have been granted guarantees by Precise Consulting and the parties taking reasonable steps to ensure that releases of such guarantees are provided prior to or on completion with Precise Consulting to be satisfied in its entire discretion with the position obtained on completion of the Share Sale Agreement;
- (7) Precise Consulting providing a guarantee to the payment of the earn out consideration contemplated in the Share Sale Agreement;
- (8) receipt by HRL of interim financial statements;
- (9) approval from the Board of HRL to the terms and conditions of the Share Sale Agreement;
- (10) approval by Ordinary resolution from the Shareholders of the HRL to HRL entering into and completing the Transaction or any other approvals or conditions required by ASX in relation to the Transaction; and
- (11) obtaining finance on terms satisfactory to HRL for the Transaction.

(b) **Board Composition**

Upon completion of the Precise Consulting Acquisition, Mr Andre Halkyard (BSc (App. Science) Asbestos A Class Assessor) will be engaged as the General Manager of Precise Consulting for a minimum period of three (3) years. It is not intended that any changes be made to the HRL Board as a result of the Precise Consulting Acquisition.

Mr Halkyard has an array of experience in occupational hygiene within the building industry including asbestos, lead-based paint and polychlorinated biphenyl (**PCB**). Furthermore, he is an approved identifier for asbestos air monitoring with Proficiency Testing Australia (**PTA**) and is an approved asbestos assessor within all states of Australia. Coupled with this technical experience, Andre has also had exposure to the planning and execution of numerous large programs detailing HAZMAT.

3.5 **Pro-forma Financial Position of the Company**

Schedule 2 contains a pro-forma statement of the financial position of the Company following completion of the Precise Consulting Acquisition and the Capital Raising.

The Pro-Forma Balance Sheet has been derived from the historical Balance Sheet as at 31 December 2014 adjusted for the following transactions as if they had occurred at 31 December 2014 (pro-forma transactions):

- (a) the issue of approximately 23,076,924 Shares at the price of \$0.065 per Share to raise approximately \$1,500,000 cash before expenses of the Capital Raising.
- (b) total costs expected to be incurred in connection with the Capital Raising of approximately \$120,000;
- (c) total costs expected to be incurred in connection with the Precise Consulting Acquisition of approximately \$80,000;
- (d) the effects of the Precise Consulting Acquisition as described in Section 3.1, including provision for the estimated earn-out consideration of \$1,300,000 NZD; and
- (e) the drawdown of \$3,500,000 of bank debt.

The Company will provide more comprehensive reviewed accounts along with an Independent Limited Assurance Report in the Prospectus which will be lodged on or about 6 February 2015. The Directors are of the view that as at the date of this Notice of Meeting, all material information which is known to the Directors at this time, pending receipt of the reviewed accounts, is included in this Notice of Meeting and Explanatory Memorandum

3.6 **Advantages of the Precise Consulting Acquisition**

The Precise Consulting Acquisition offers Shareholders:

- (a) the opportunity to become Shareholders in a larger business;
- (b) greater market capitalisation that may provide for greater liquidity of security trading;
- (c) immediate exposure and access to the New Zealand market, in particular the Christchurch and wider Canterbury areas;
- (d) ensures value is retained by seeking to continue to develop other aspects of the Company's assets and expanding its business, importantly, while the moratorium is in place in relation to its geothermal permits and until further consideration is afforded to this issue by the incoming Victorian Government;
- (e) Precise Consulting is an IANZ accredited laboratory and employs a number of IANZ accredited staff - a significant barrier to entry for potential competitors. IANZ is part of the Testing Laboratory Registration Council and New Zealand's premier accreditation body;
- (f) OCTIEF, a wholly owned Subsidiary of HRL provides a similar suite of services to Precise Consulting. With Christchurch's historically low unemployment rate providing an impediment to Precise Consulting's growth through lack of access to suitable staff, there may exist the ability to share resources with Australia to maximise the Company's efficiency and revenue;
- (g) to date Precise Consulting has been largely focused on laboratory work. Other additional services that OCTIEF currently provide are also in demand and there exists the potential to expand the number of services offered in the Christchurch market;

- (h) the current General Manager of Precise Consulting, Mr Andre Halkyard will remain engaged as the General Manager for a minimum period of three (3) years. Andre has an array of experience in occupational hygiene within the building industry, including asbestos, lead-based paint and PCB. Furthermore he is an approved identifier for asbestos air monitoring with PTA and is an approved asbestos assessor within all states of Australia;
- (i) the earn-out component of the Purchase Price has been structured to safeguard that HRL pays around three (3) times Precise Consulting's EBIT for the 2015 calendar year, representing a very attractive purchase price; and
- (j) as the Purchase Price for the acquisition of the Precise Consulting shares will be paid solely in cash consideration, the Precise Consulting Acquisition will not have any impact on the current issued capital of the Company and therefore, will not subsequently cause any dilutionary effect to Shareholders (However it is noted that the Capital Raising will have a dilutionary effect).

3.7 Disadvantages of the Acquisition

- (a) The Directors consider the following non-exhaustive list of disadvantages may be relevant to a Shareholders decision on how to vote on the proposed Resolutions:
 - (1) HRL has incurred transaction costs as a result of the Precise Consulting Acquisition and associated due diligence activities;
 - (2) HRL currently has limited management resources and their focus will be split between both Australia and New Zealand operations moving forward;
 - (3) the acquisition will primarily be funded by debt finance and HRL as a result will incur interest and other finance costs; and
 - (4) the dilution to existing Shareholders as a result of the Capital Raising which is required to complete the Transaction.
- (b) There are other risks associated with the Precise Consulting Acquisition, some of which are set out in paragraph 3.8 below.

3.8 Risk factors

Shareholders should be aware that if the proposed Precise Consulting Acquisition is approved, the Company will be subject to various risk factors. Based on the information available, a list of the identified major risk factors is set out below. The following list is not exhaustive:

- (a) **Precise Consulting Acquisition Risks:**
 - (1) The Company will be changing the nature of its activities to include becoming a conglomerate entity which is multi-faceted in nature as opposed to solely undertaking geothermal exploration or clean energy industry operations, which may not be consistent with the objectives of all Shareholders.
 - (2) Precise Consulting is a relatively immature business and may not continue to experience its current level of growth going forward.
 - (3) Precise Consulting's ongoing IANZ accreditation is reliant on the Company and its staff maintaining best practice.
 - (4) Precise Consulting is largely focused on the Christchurch region and the associated rebuild program. A withdrawal of support by the New Zealand Government for the rebuild would significantly impact Precise Consulting's business.

- (5) The acquisition will primarily be funded by debt finance, exposing the Combined Group to enhanced interest rate and liquidity risks.
- (6) Precise Consulting's revenue is generated in NZD, exposing the Combined Group to foreign exchange risk.

(b) **Risks relating to the change in nature and scale of activities**

There are risks associated with a change in the nature of the Company's activities and associated with its proposed business and assets.

The acquisition of Precise Consulting constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for reinstatement of its Shares to trading on the ASX.

Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(c) **Risks relating to the Company's operations and assets**

- (1) Both OCTIEF and Precise Consulting are relatively immature businesses and may not experience the current level of growth going forward.
- (2) Both OCTIEF and Precise Consulting's ongoing laboratory and staff accreditations are reliant on the Company and its staff maintaining best practice.
- (3) Precise Consulting is largely focused on the Christchurch region and the associated rebuild program. A withdrawal of support by the New Zealand Government for the rebuild would significantly impact Precise Consulting's business.
- (4) The Precise Consulting Acquisition will primarily be funded by debt finance, exposing the Combined Group to enhanced interest rates and liquidity risks.

(d) **Financing, future capital needs and additional funding risk**

The Combined Group's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to the Combined Group on favourable terms, or at all. If adequate funds are not available on acceptable terms, the Combined Group may not be able to take advantage of opportunities or otherwise respond to competitive pressures. If the Company raises additional funds through the issue of equity securities, this may dilute to the holdings of existing Shareholders.

(e) **Foreign exchange exposure**

The Combined Group's future revenues and expenses will be denominated in Australian dollars and New Zealand dollars. Although the Combined Group has taken certain steps from an operational perspective to help mitigate foreign currency fluctuations, there is no assurance that these steps are, or will continue to be, effective. The Combined Group does not currently have any foreign currency or hedging arrangements in place. Accordingly, the inability of the Combined Group to obtain or to put in place effective arrangements, such as hedges, could materially increase exposure to fluctuations in the value of the New Zealand dollar relative to the

Australian dollar. This could adversely affect the Combined Group's financial position and operating results.

(f) **General risks**

(1) General economic and political risks

Changes in the general economic and political climate in Australia, New Zealand and on a global basis could impact on economic growth, commodity prices, interest rates, the rate of inflation, taxation and tariff laws and domestic security which may affect the value and viability of any mining service activities that may be conducted by the Company.

(2) Competition risk

The Company's current and future potential competitors include companies with substantially greater resources. The Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's growth prospects, operating results and financial performance.

(3) Insurance risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not partially covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with operational and contract services is not always available and where available, the cost can be prohibitive.

To mitigate these risks, the Company will seek to include provisions limiting its liability under each relevant contract it enters into as part of its operations.

(4) Market risk

Share market conditions may affect the value of the Company's quoted Shares, regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook; interest rates and inflation rates;
- (B) currency fluctuations; commodity price fluctuations;
- (C) changes in investor sentiment toward particular market sectors;
- (D) the demand for, and supply of, capital; or
- (E) terrorism and other hostilities.

(5) Government

Government action or policy change in Australia, and any country the Company provides services to, particularly in relation to lands and infrastructure, compliance with environmental regulations, taxation and royalties, may adversely affect the Company's operations and financial performance.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

4. Resolution 3 - Share Consolidation

Section 254(H) of the Corporations Act enables the Company by Ordinary resolution to convert all or any of its Shares into a smaller number.

4.1 Effect of Share Consolidation

Under Resolution 3, it is proposed that the Company consolidate all of its 1,009,142,649 existing issued Shares¹ on the basis that every 13 Shares be consolidated into 1 Share. Fractions of a Share will be rounded up to the next whole share.

It is proposed in accordance with the Timetable, that the Consolidation conclude on or about 10 March 2015.

If the Consolidation is approved by Shareholders at the EGM, each Shareholder will still (subject only to the rounding up of fractions) hold the same proportion of the Company's issued share capital as held prior to the Consolidation. All existing rights attaching to the Shares held by Shareholders set out in the Constitution of the Company will not be affected.

Having regard to the existing Share capital of 1,009,142,649 Shares in the Company,² the Consolidation will result in the total number of issued Shares decreasing from 1,009,142,649 Shares to approximately 77,626,358 Shares. Upon completion of the Capital Raising, it is expected that the Company have a total issued capital of 100,703,281 Shares, as outlined in Table 1 of Schedule 1.

The Consolidation will also result in the total number of Options on issue in the Company reducing from 21,000,000 to 1,615,385, as outlined in Table 2 of Schedule 1.

4.2 Reason for Share Consolidation

As identified in paragraph 2.3 above, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules for admission to the Official List, pending approval of the Resolutions by Shareholders.

Following the Consolidation, the expected Share price of the Company's Shares which will be re-admitted to quotation, assuming the Company re-complies in all respects with Chapters 1 and 2 of the Listing Rules, will be less than 20 cents, but the latest issue price under the Capital Raising will not be less than 2 cents.³ In addition the Consolidation will allow the Company to restructure its issued capital to a number of shares relative to its current market capitalisation.

Shareholders should note that whilst theoretically a consolidation of the number of shares on issue should increase the market price per share traded on ASX, having regard to the current prevailing market price, the market price for the Company's Shares following Consolidation may be higher or lower than the theoretical post-consolidated share price.

¹ & ² This Share capital figure of 1,009,142,649 assume the Milestone 1 Shares as approved at the EGM of the Company on 15 September 2014 are issued and no other securities are issued prior to completion of the Precise Consulting Acquisition.

³ It is noted that there can be no guarantee that the adjustment to the market price of the Company's Shares upon consolidation will be directly proportional to the Consolidation ratio.

4.3 Effective date of the proposal

Under the Corporations Act, the Company can act on the Resolution as at 5.00pm (Brisbane time) on or about 10 March 2015.

4.4 Taxation considerations

It is generally expected that there will not be any Australian income tax consequences for Shareholders arising from the Share Consolidation.

However, Shareholders, as a matter of prudence, ought to seek their own independent expert taxation advice in respect of their own taxation position in relation to the proposed Share Consolidation.

The Directors consider that the proposed Share Consolidation will not affect the Company's taxation position.

4.5 Impact on Creditors

The Directors of the Company consider that the proposed Share Consolidation will not prejudice the Company's ability to pay its creditors.

4.6 Option holders

Option holders are not financially affected by this proposal. In a proportional sense, their economic interest in the Company will be exactly the same as it was prior to any approval of the Share Consolidation.

However, any Shareholder who is also an Option holder should note that under the terms of existing options on issue and the Listing Rules, if the Share Consolidation is approved, the number of options on issue held by an Option holder will be decreased on a 1:13 basis and the exercise price for each of the options on issue will increase from \$0.04 to \$0.52, as outlined in Table 2 in Schedule 1.

4.7 Holding statements

All holding statements for the previously quoted Shares and Options will cease to have effect from on or about 10 March 2015, being the date of the Consolidation. The holding statements will evidence entitlement to a certain number of Shares or Options on a post-Consolidation basis.

New holding statements will be issued to Shareholders and Option holders in accordance with the timetable outlined below.

4.8 Indicative Timetable of Share Consolidation

Event	Date
General Meeting to consider the Resolutions	25 February 2015
Notification to ASX of results of General Meeting	25 February 2015
Last day for trading in pre-reorganised securities if the details of holdings were to change as a result of the reorganisation	26 February 2015
Trading in Shares on a Post Consolidation deferred settlement basis would ordinarily occur	27 February 2015
Last day to register transfers on a pre-Consolidation basis	3 March 2015
Securities registered on a post-Consolidation basis	4 March 2015
Issue Date – dispatch of new holding statements for consolidated shares	On or about 10 March 2015
Company's Shares begin trading post-Consolidation. ⁴	To be confirmed by and in consultation with ASX upon meeting the conditions of re-admission to the Official List

Please note that the above timetable is indicative only and subject to compliance with ASX Listing Rules, may be changed by the Company. The Directors of the Company reserve the right to amend the timetable without notice. Any such change will be announced to ASX.

5. Resolution 4 – Approval of Capital Raising

5.1 General

Resolution 4 seeks Shareholder approval for the Company to undertake the Capital Raising and allot and issue up to a maximum of 23,076,924 Shares on a post-Consolidation basis at an issue price of \$0.065 to raise up to \$1.5 million pursuant to the Prospectus lodged in accordance with section 710 of the Corporations Act.

Shareholder approval is sought pursuant to Listing Rule 7.1, which states that a company must not, without the approval of holders of securities in the company or subject to the application of any other exception, issue, or agree to issue, more securities in any 12 month period than that amount which represents 15% of the number of securities on issue at the commencement of that 12 month period.

5.2 Re-Compliance with Chapters 1 and 2

As previously identified, the Company will seek to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules for admission to the Official List, pending approval of the Resolutions by Shareholders. In re-complying with Chapters 1 and 2 of the ASX Listing Rules, Listing Rule 1.1 Condition 3 requires a company to issue and lodge a prospectus with ASIC. The Prospectus issued by the Company is therefore a re-compliance Prospectus for the purposes of Chapters 1 and 2 of the Listing Rules.

On 24 December 2014 the Company previously announced that it would satisfy this condition by way of a rights issue for existing shareholders as well as a general public offer. Unfortunately, due to timing constraints and regulatory requirements, the Company was required to remove the rights issue component from the current offer, making the offer under the Prospectus a public offer only.

⁴ Note however that this is dependent upon the outcome of the Company's re-compliance with Chapters 1 and 2 and re-quotation of its Shares on the Official List.

Having said this, the Company strongly encourages all Shareholders to participate in the proposed offer and notes that it has and still retains the support of its Major Shareholders, two of which are associated as Directors of the Company who, subject to Resolution 5 being passed, intend to apply for Shares under the public offer.⁵

As the Company is required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules for admission to the Official List, it will be required to show that it has not less than 350 Shareholders who each hold a minimum parcel of Shares worth at least \$2,000. The Capital Raising is intended to enable the Company to satisfy this criteria.

Listing Rule 2.1 outlines the conditions that must be satisfied for quotation of the main class of securities of an entity seeking admission to the Official List. Condition 2 specifies that the issue or sale price of the securities be at least 20 cents (**20 Cent Rule**). Similarly, Condition 11 of Listing Rule 1.1 provides that any options on issue must be exercisable for at least 20 cents.

5.3 Waiver Application

Under Guidance Note 12 of the ASX Listing Rules, a Company may be granted relief from the 20 cent rule by ASX in certain circumstances. This includes where:

- (a) *the issue price or sale price for any securities being issued or sold as part of, or in conjunction with, the transaction:*
 - (1) *is not less than two (2) cents each; and*
 - (2) *is specifically approved by security holders as part of the approval(s) obtained under Listing Rule 11.1.2; and*
- (b) *ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 Condition 1 and 12.5, being that the Company has an appropriate structure for a listing entity.*

It is generally accepted that the issue price for the purposes of the 20 cent rule is the price at which an associated capital raising is undertaken when a re-compliance listing is in progress.

The Company therefore applied for and has been granted a waiver of Listing Rule 2.1 Condition 2⁶ to allow the Company to issue Shares under the Prospectus at a minimum price of 6.5 cents. Resolution 4 also specifically seeks approval from Shareholders as to the issue price of the Company's Shares under the Capital Raising. Accordingly, the issue price of the Company's securities meet the 20 Cent Rule and therefore, Listing Rule 2.1 Condition 2.

5.4 Conditions Precedent

Completion of the Capital Raising will be subject to the following conditions precedent:

- (a) Shareholders approving all of the Resolutions; and
- (b) the Share Consolidation being completed; and

⁵ Darren Anderson and Julie Anderson as trustees for the DG & JE Anderson Family Trust, an entity associated with Darren Anderson and Tulla Property Partners Pty Ltd ACN 126 992 103 as trustees for the Tulla Property Partners Trust, an entity associated with Kevin Maloney.

⁶Guidance Note 12 provides that if a company is required to re-comply with Chapters 1 and 2 of the Listing Rules, ASX will not apply Listing Rule 1.1 Condition 11 in respect of the company's existing options. As such, the Company has not sought a waiver in relation to the application of Listing Rule 1.1 Condition 11. The effect of the Consolidation to the Company's existing options is outlined in Table 2 and 4 above.

- (c) conditional approval being given to the Company by ASX in relation to the quotation of its securities on the Official List upon complying with Chapters 1 and 2 of the Listing Rules.

If the conditions precedent outlined in paragraph 5.4 above are not met, the Company will not proceed with the Capital Raising and will repay all application monies received, without interest and in accordance with the Corporations Act.

5.5 Pro- forma Capital Structure of Company

The capital structure of the Company following completion of the Capital Raising and Consolidation is as summarised in Tables 1 to 4 in Schedule 1 of this Explanatory Memorandum.

5.6 Use of Funds

The Company intends to use the funds from the Capital Raising as follows:

- (a) to partly assist in acquiring Precise Consulting;
- (b) to provide working capital for the future operations of HRL, including Precise Consulting and OCTIEF; and
- (c) to fund costs of undertaking the Capital Raising.

This is a statement of the current intentions as at the date of this Notice and is subject to change due to intervening events. Further details on the use of funds will be set out in the Prospectus that will be issued in relation to the Capital Raising.

5.7 Issue Date of Shares under Capital Raising

The Shares under the Capital Raising will be issued no later than 2 months after the date of the meeting (or such later date to the extent permitted by an ASX waiver or modification of the ASX Listing Rules) and it is intended that the Shares will be issued as soon as practicable after all conditions have been satisfied.

6. Resolution 5 – Approval for Directors to apply for Shares under the Capital Raising

6.1 Background

Subject to the passing of Resolutions 1 to 4 (inclusive), Resolution 5 seeks Shareholder approval to permit the Company to issue up to 9,575,626 Shares in the Company under the Capital Raising (and therefore on a post-Consolidation basis) to the Directors or their nominees. The maximum amount of Shares to be issued and allotted to the Directors under the Capital Raising forms part of the maximum number of Shares which Shareholder approval is sought pursuant to Resolution 4, being up to 23,076,924 Shares.

In the event that the Capital Raising is oversubscribed, the number of Shares which are issued to the Directors will be reduced proportionately to that of all applicants of the Capital Raising in accordance with the allocation and distribution policies that the Company will set out in its Prospectus.

As the Directors are related parties of the Company, Resolution 5 seeks Shareholder approval pursuant to Listing Rule 10.11. Shareholder approval is not being sought pursuant to section 208 of the Corporations Act, as the issue of the Shares to Directors under the Capital Raising will be made on “arms length terms”, being on the same terms as offered to the public generally and as such, falls within the exception to obtaining Shareholder approval outlined in section 210 of the Corporations Act.

6.2 Listing Rule 10.11

Listing Rule 10.11 provides a number of circumstances as to when shareholder approval is required for an issue of shares to certain parties. This includes a related party, an associate of a related party, and any person whose relationship to the entity or a related party is such that the transaction should be approved by shareholders. A “related party” for the purposes of the Listing Rules is defined widely and includes a director of the public company or an entity controlled by a director of the public company. For completeness, we note that Exception 14 of Listing Rule 7.2 states that approval pursuant to Listing Rule 7.1 is not required if shareholder approval is obtained under 10.11.

(a) Terms and Conditions of issue of Shares to Directors under Resolution 5

The issue of 9,575,626 Shares to Directors under the Capital Raising will be on the same terms and conditions as those outlined in Resolution 4 of this Notice and Explanatory Memorandum. As such, Shareholder approval has not been sought pursuant to section 208 of the Corporations Act as the Shares are being issued to the Directors under the Capital Raising on “arms length terms”, that is, terms which are no more favourable to the general public.

It is important to note the following in relation to the proposed issue of Shares to the Directors under the Capital Raising, for the purposes of Listing Rule 10.13:

- (1) the combined maximum number of Shares proposed to be issued to the Directors is 9,575,626, which would raise a maximum of approximately \$622,416 at an issue price of \$0.065;
- (2) the issue price of the Shares to be issued to the Directors will be the same as the Shares issued pursuant to the Capital Raising, being \$0.065 per Share upon receiving Shareholder approval to this issue price pursuant to Resolution 4;
- (3) the Shares will be issued within one (1) month of the date of the Meeting, and as soon as practicable after all conditions of the Capital Raising have been satisfied (or such further time as permitted by ASX);

- (4) the rights attaching to the Shares to be issued to the Directors are identical in all respects to the existing ordinary Shares on issue in the Company under the Prospectus;
 - (5) the intended use of the funds raised by the issue of the Shares under the Capital Raising are outlined in paragraph 5.6;
- (b) Impact on Director's relevant interest in the Company

Details of the relevant interest of the Directors respectively, together with the interests of their associated entities (where applicable) in the Company and the maximum number of Shares to be issued to each Director under the Capital Raising are set out in the table below.⁷ Please note that these figures are based on the issue of the maximum number of 9,575,626 Shares, and the on the assumption that the Capital Raising is fully subscribed of the Company as a result of the Capital Raising.

Director	Current number of Shares held	Current Relevant Interest in the Company	Number of Shares held upon completion of the Capital Raising	Relevant Interest in the Company upon completion of Capital Raising
Darren Anderson	96,226,307	9.54%%	9,602,512	9.54%
Kevin Maloney	288,678,920	28.61%	28,807,537	28.61%
Mark Elliott	31,832,228	3.15%	3,179,568	3.15%
John Taylor	2,000,000	0.20%	199,582	0.20%

The Company believes that all information required pursuant to Listing Rule 10.13 is contained in the Notice of Meeting and this Explanatory Memorandum.

⁷ The maximum number of Shares to be issued to each Director is subject to any requirement under the Corporations Act that may be triggered by the Directors taking up Shares under the Capital Raising.

7. Additional Information

7.1 Conditionality of Resolutions

All of the Resolutions are each conditional upon the passing of each other, so that each will not have effect unless and until the other is passed.

7.2 Plans for the Company if the Resolutions are passed

In the event that all of the Resolutions are approved by Shareholders, the Company will comprise the combined business operations of HRL and Precise Consulting upon completion of the Share Sale Agreement. The Company may decide to continue geothermal exploration and production, specifically, but not limited to, its current Geothermal Exploration Permits in the Otway Basin, as well as the continued operation of the services of OCTIEF.

7.3 The Company will continue to be named HRL Holdings Ltd

There is currently no proposal or intention to transfer or otherwise deal with the current assets of the Company, nor are there any proposed changes to the present employee arrangements of the Company, other than the changes to the management as contemplated by the Share Sale Agreement and as outlined above in paragraph 3.4(b). There are also no intentions to significantly change the financial policies of the Company.

7.4 Plans for the Company if the Resolutions are not passed

In the event that the Resolutions are not approved, the Company will not proceed with the Precise Consulting Acquisition and as such, subject to final Board approval, may not continue with its application for re-admission to the Official List.

The Company may also continue the development of its existing geothermal projects in Victoria.

7.5 Director recommendations

The Board considers that the Precise Consulting Acquisition will complement its existing operations, whilst giving the Company a suitable robustness of scale and breadth of operation.

All of the current Directors are independent of the Precise Consulting Acquisition. The Directors consider that the Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of all of the Resolutions. Each of the Directors intend to vote their Shares in favour of each of the Resolutions.

Each Director also intends to subscribe for shares as outlined in section 6.2(b).

8. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

ASIC means the Australian Securities & Investments Commission;

ASX means the ASX Limited;

Board means the board of Directors;

Capital Raising means the raising to be carried out by the Company pursuant to an offer of Shares to the public under the Prospectus;

Closely Related Party has the meaning ascribed to it under the Corporations Act;

Combined Group means the Company and its Subsidiaries, which include OCTIEF and, upon completion of the Transaction, Precise Consulting;

Consolidation means the consolidation of the issued securities of the Company existing at the date of this Notice on a one (1) for 12 basis (rounded up to the nearest whole number), in accordance with the terms and conditions set out in the Notice and Explanatory Memorandum;

Constitution means the Company's constitution;

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

Directors means the board of directors of the Company as at the date of the Notice of Meeting;

Explanatory Memorandum means the explanatory memorandum accompanying this Notice;

Key Management Personnel has the meaning ascribed to it under the Corporations Act;

Listing Rules means the official listing rules of the ASX as amended from time to time;

Major Shareholders means Craig Anderson and Amanda Anderson as trustees for the CA & AM Anderson Family Trust, Greg Anderson and Nancy Anderson as trustees for the GJ & NJ Anderson Family Trust, Tulla Property Partners Pty Ltd ACN 126 992 103 as trustees for the Tulla Property Partners Trust, and Darren Anderson and Julie Anderson as trustees for the DG & JE Anderson Family Trust.

Meeting or EGM means the Extraordinary General Meeting of the Company's Shareholders to be held on Wednesday 25 February 2015 as convened by the accompanying Notice of Meeting;

Milestone 1 means OCTIEF achieving revenue for the 6 months to 31 December 2014 which equals or exceeds \$1.75 million;

Milestone 1 Shares means the 160,377,178 Shares (on a Pre Consolidation basis) to be issued to the OCTIEF Vendors in accordance with the OCTIEF Acquisition upon OCTIEF achieving Milestone 1 by 31 December 2014;

Milestone 3 means OCTIEF achieving revenue for the 12 months to 30 June 2015 which equals or exceeds \$4.25 million;

Milestone 3 Shares means the 64,150,871 Shares to be issued to the OCTIEF Vendors in accordance with the OCTIEF Acquisition upon OCTIEF achieving Milestone 3 by 30 June 2015 which, if Milestone 3 is met, will be consolidated prior to issue on the same terms and

conditions as the Consolidation, including a consolidation ratio of 1:13, resulting in the issue of 5,345,906 Shares in full and final satisfaction of the Milestone 3 Share issue;

Non-Associated Shareholders means the holders of the Shares whose votes are not to be disregarded on Resolutions 1, 2 and 4;

Notice of Meeting or Notice means the notice of meeting giving notice to Shareholders of the Meeting, accompanying this Explanatory Memorandum;

NZ means New Zealand;

NZD means New Zealand dollars;

OCTIEF means OCTIEF Pty Ltd ACN 163 772 478;

OCT Acquisition means the acquisition of all the issued capital of OCTIEF from the OCTIEF Vendors, announced to the market on 21 July 2014, approved by Shareholders on 15 September 2014 and completed on 15 September 2014.

OCTIEF Vendors means each of:

- (a) Craig Anderson and Amanda Anderson as trustees for the CA & AM Anderson Family Trust;
- (b) Greg Anderson and Nancy Anderson as trustees for the GJ & NJ Anderson Family Trust;
- (c) Tulla Property Partners Pty Ltd ACN 126 992 103 as trustees for the Tulla Property Partners Trust; and
- (d) Darren Anderson and Julie Anderson as trustees for the DG & JE Anderson Family Trust.

Official List means the official list of entities that ASX has admitted and not removed;

Options means options on issue in the Company;

Ordinary Resolution means a Resolution passed by more than 50% of the votes cast at a general meeting of shareholders.

Precise Consulting means Precise Consulting and Laboratory Limited (NZ company no. 3772580);

Precise Consulting Acquisition or Transaction means the transactions contemplated by the Share Sale Agreement;

Prospectus means a prospectus to be issued by the Company pursuant to section 710 of the Corporations Act and in order to meeting Listing Rule 1.1 Condition 3 for the purposes of being re-admitted to the Official List.

Resolution means a resolution set out in the Notice of Meeting;

Share Sale Agreement means the Share Sale Agreement dated 23 December 2014 between the Company, the Vendors and Precise Consulting for the acquisition of the total issued capital in Precise Consulting from the Vendors by the Company;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholder(s) means a holder of Shares in the Company;

Subsidiaries has the meaning given to that term in the Corporations Act; and

Vendors means Andre Lee Halkyard and Donna Louise Firth.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Paul Marshall (Company Secretary):

GPO Box 216
Brisbane QLD 4001
Telephone: 07 3149 2113
Fax: 07 3212 9201
Email: paul.marshall@hrlholdings.com

Schedule 1

The figures in the below Tables assume that the Capital Raising is fully subscribed and that at the time of determining entitlements, the Milestone 1 Shares as approved at the EGM of the Company on 15 September 2014 are issued and no other securities are issued prior to completion of the Precise Consulting Acquisition.

Table 1 Fully Paid Ordinary Shares in the Company

Capital Structure	Shares
Shares currently on issue and Milestone 1 Shares to be issued	1,009,142,649
Consolidation of Capital (at 1:13)	77,626,358
Issue of Shares under the Capital Raising (post Consolidation)	23,076,924
Total Shares on issue upon completion of Capital Raising	100,703,281

Table 2 Options on Issue in the Company

Capital Structure	Options
Options currently on issue	21,000,000
Total Options on issue post Consolidation Issue	1,615,385

The effect of the Consolidation on the exercise price of the Company's options is outlined in Table 3 below (ignoring the effect of fractional entitlements):

Table 3 Exercise Price of Options post-Consolidation

Options	Pre Consolidation		Post Consolidation	
	Exercise Price	Number	Exercise Price	Number
30 November 2015	\$0.04	21,000,000	\$0.52	1,615,385

Performance Shares

In consideration for the OCT Acquisition, HRL has to issue Shares to the OCT Vendors in three tranches upon the satisfaction of certain milestones (**Milestone Shares**) by OCTIEF. All Milestone Shares were approved by Shareholders at the general meeting of the Company on 15 September 2015.

There are approximately 225 million Milestone Shares in the Company, which are to be issued in accordance with the table below in relation to the OCTIEF Acquisition, as approved by Shareholders on 15 September 2014. The Milestone Shares in relation to Milestone 1 and Milestone 3 still remain to convert to Shares upon achievement of the respective milestone, as outlined in the following table.

Milestones		Milestone Shares	Date to be achieved
1.	OCT achieving revenue for the 6 months to 31 December 2014 which equals or exceeds \$1.75 million.	160,377,178, being 25% of the total consideration for the Transaction.	31 December 2014
2.	OCT establishing a laboratory in Darwin.	96,226,306, being 15% of the total consideration for the Transaction.	31 December 2014 (these share were issued on 13 November 2014)
3.	OCT achieving a revenue for the 12 months to 30 June 2015 which equals or exceeds \$4.25 million.	64,150,871, being 10% of the total consideration for the Transaction.	30 June 2015
Total Milestone Shares		320,754,355	

The Company's current capital structure calculations include the issue of 160,377,178 Shares (on a pre-Consolidation Issue basis) to the vendors of OCTIEF due to the satisfaction of Milestone 1 as contemplated by the OCTIEF Acquisition. It is expected that these Shares will be issued prior to completion of the Share Sale Agreement and the Capital Raising.

Furthermore, the issue of the 64,150,871 Shares (on a pre-Consolidation Issue basis) under the OCTIEF Acquisition are expected to be issued upon the satisfaction of Milestone 3, which, at the latest, must be met by 30 June 2015. It is not expected that these Shares would be issued prior to completion of the Share Sale Agreement. Additionally, the Company and vendors of OCTIEF have agreed to and executed a deed of variation to amend the OCTIEF Acquisition agreement. The deed of variation provides that if the Consolidation receives Shareholder approval, and the Consolidation is effected, upon Milestone 3 being achieved, the Company will apply the same conversion formula, (1:13) to the Milestone 3 Shares so that it will be required to issue to the vendors of OCTIEF 4,934,683 Shares in full and final satisfaction of the issue of Milestone 3 Shares.

Restricted Securities

All of the Shares issued in accordance with the OCTIEF Acquisition are subject to voluntary escrow for a period of 12 months from the date of issue.

There are limited circumstances in which the restrictions will be released, namely:

- (a) a takeover bid is made in respect of the Company by a person other than the restricted party, provided that the securities must continue to be subject to the restrictions if the bid does not become unconditional; or
- (b) a scheme of arrangement is implemented in respect of the Company under the Corporations Act with a view to the person other than the restricted party acquiring all of the issued share capital of the Company.

In aggregate, 577,357,840 Shares (on a pre-Consolidation basis) held by the OCTIEF Vendors are subject to voluntary restriction arrangements. On completion of the Capital Raising this will represent approximately 45.74% of all the Shares then on issue.

Explanatory Memorandum

Schedule 2

31 December 2014	HRL Historical Balance Sheet	HRL Capital Issue	Precise Consulting Historical Balance Sheet	Impact of Acquisition	Combined Entity Pro-Forma Balance Sheet
	\$	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	1,762,349	1,380,000	376,216	(1,454,532)	2,064,032
Trade and other receivables	469,999	-	478,693	(235,909)	712,784
Other current assets	43,750	-	-	-	43,750
TOTAL CURRENT ASSETS	2,276,098	1,380,000	854,909	(1,690,441)	2,820,566
NON-CURRENT ASSETS					
Plant and equipment	194,898	-	98,369	-	293,267
Deferred tax assets	55,173	-	-	-	55,173
Intangibles	306,619	-	-	6,643,000	6,949,619
TOTAL NON-CURRENT ASSETS	556,690	-	98,369	6,643,000	7,928,059
TOTAL ASSETS	2,832,788	1,380,000	953,278	4,952,559	10,118,625
CURRENT LIABILITIES					
Trade and other payables	465,930	-	198,771	-	664,701
Short-term provisions	54,257	-	22,764	-	77,021
Income tax payable	40,167	-	206,550	-	246,717
Interest bearing liabilities	-	-	-	799,082	799,082
TOTAL CURRENT LIABILITIES	560,354	-	428,085	799,082	1,787,521
NON-CURRENT LIABILITIES					
Trade and other payables	-	-	-	1,242,592	1,242,592
Deferred tax liabilities	-	-	-	815,159	815,159
Interest bearing liabilities	-	-	-	2,700,918	2,700,918
TOTAL NON-CURRENT LIABILITIES	-	-	-	4,758,669	4,758,669
TOTAL LIABILITIES	560,354	-	428,085	5,557,751	6,546,190
NET ASSETS	2,272,434	1,380,000	525,193	(605,192)	3,572,435
EQUITY					
Contribution Equity	2,983,021	1,380,000	96	(96)	4,363,021
Reserves	6,307	-	-	-	6,307
Accumulated (losses)/profits	(716,894)	-	525,097	(605,096)	(796,893)
TOTAL EQUITY	2,272,434	1,380,000	525,193	(605,192)	3,572,435



HRL Holdings Limited
ACN 120 896 371

LODGE YOUR VOTE

By mail:
HRL Holdings Limited
GPO Box 216
Brisbane QLD 4001
Australia

By fax: +61 7 3212 9201

All enquiries to: Telephone: +61 7 3149 2113



X99999999999

PROXY FORM

I/We being a member(s) of HRL Holdings Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box) OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:00am (Brisbane time) on Wednesday, 25 February 2015 at HopgoodGanim, Level 7 Waterfront Place, 1 Eagle Street, Brisbane Qld 4000 (the Meeting)** and at any postponement or adjournment of the Meeting.

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.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

	For	Against	Abstain*		For	Against	Abstain*
Resolution 1 Change in Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 4 Approval of Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Approval of the Precise Consulting Acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 5 Approval for the Company to issue Shares under the Capital Raising to the Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

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

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

HRL PRX501A



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

Default to Chairman of the Meeting

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted as set out in this Proxy Form.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Brisbane time) on Monday, 23 February 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.



by mail:

HRL Holdings Limited
GPO Box 216
Brisbane QLD 4001
Australia



by fax:

+61 7 3212 9201



by hand:

delivering it to HRL Holdings Limited, Level 9, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.
This will assist in registering your attendance.