

NOTICE OF ANNUAL GENERAL MEETING



This document constitutes the Notice of Meeting for the 2015 Annual General Meeting of Magontec Limited (ACN 010 441 666).

The thirty second Annual General Meeting of Magontec Limited (ACN 010 441 666) (the “Company”, “Magontec” or “MGL”) will be held in the “Pinaroo 4” room Level 1 of the Grace Hotel 77 York Street (corner York and King Streets) Sydney NSW on Friday 8 May 2015 at 11.00 am (Sydney time). The Annual Report is available for viewing on the Company’s web site at the following web address:
<http://mgl.live.irmau.com/IRM/content/annualreports.html>

The business to be dealt with at the Meeting is:

ORDINARY BUSINESS

ITEM 1: Financial Report, Directors’ Report and Auditor’s Report (Refer “Explanatory Notes” at the foot of this Notice)

Resolution 1 “To receive and consider the Financial Report, including the Directors’ Declaration for the twelve-month reporting period ended 31 December 2014 and the related Directors’ Report and Auditor’s Report thereon.”

ITEM 2: Adoption of the Remuneration Report (advisory only resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

To consider, and if thought fit, pass the following resolution as an advisory only resolution (i.e. non-binding upon Directors):

Resolution 2 “To adopt the Remuneration Report as set out in the Annual Report for the twelve-month reporting period ended 31 December 2014

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by key management personnel or their closely related parties, or votes made by undirected proxies. 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 a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ITEM 3: Election of Director (ordinary resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 3 “That Mr Kang Min Xie, who retires in accordance with clause 12.3(a) of the Constitution of the Company, and being eligible, offers himself to be re-elected as a Non-Executive Director of the Company, effective from the close of the Annual General Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Qinghai Salt Lake Magnesium Limited. 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 a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ITEM 4: Election of Director (ordinary resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 4 “That Mr Zhongjun Li, who retires in accordance with clause 12.3(a) of the Constitution of the Company, and being eligible, offers himself to be re-elected as a Non-Executive Director of the Company, effective from the close of the Annual General Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Mr Zhongjun Li and KWE (HK) Investment Development Co Limited. 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 a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ITEM 5: Approval of Issue of Securities to Executives of the Group (including Messrs Xunyou Tong and Christoph Klein-Schmeink) (ordinary resolution) (Refer to “Explanatory Notes” at the foot of this notice)

Resolution 5 “For the purpose of Listing Rules 10.14 shareholders approve the issue of Securities to Executives of the Company’s Wholly Owned Subsidiaries on the terms and conditions set out in the Explanatory Notes.”

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who is eligible to participate in the issue and any associate of those persons and a director, except one who is ineligible to participate in any employee incentive scheme in relation to the Company. 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

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accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Note: Approval allows acquisitions of securities by a director or directors, and persons connected with them, up to the maximum number specified in the notice of meeting.

ITEM 6: Refresh Approval of additional 10% Placement Facility under Listing Rule 7.1 (special resolution) (Refer to “Explanatory Notes” at the foot of this Notice)

Resolution 6 To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

“That, for the purpose of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of additional Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, for the purpose and on the terms set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 6 by any person who may participate in the issue of Equity Securities under the Additional 10% Placement Facility and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolution 6 by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DETERMINATION OF VOTING ENTITLEMENT

For the purposes of this meeting, all persons who are registered holders of shares in the Company at 7:00pm Sydney time on Wednesday 6 May 2015 will be entitled to vote.

APPOINTING A PROXY

A member entitled to vote may appoint a proxy to attend and vote on behalf of the member. If the member is entitled to cast more than two votes, the member may appoint two proxies to attend and vote instead of the member. Where more than one proxy is appointed, each proxy may be appointed to represent a specified portion of the member’s voting rights. If no such specification is given and two proxies are appointed, each may exercise half the votes to which the member is entitled. A proxy need not be a member. Proxies must be executed in accordance with the instructions in the notes accompanying the proxy form.

To be valid, the signed proxy form (together with an original or certified copy of the power of attorney if applicable) must be:

- Lodged with Boardroom Pty Limited at Level 7, 207 Kent Street, Sydney NSW 2000;
- Delivered by post to Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001; or
- Sent by facsimile to Boardroom Pty Limited on +61 2 9290 9655.

so as to be received by Boardroom Pty Limited by 11:00 am Sydney time on Wednesday 6 May 2015 being not less than 48 hours before the time for holding the meeting.

EXPLANATORY NOTES

ITEM 1: Financial Report and Directors’ Report and Auditor’s Report for the twelve-month reporting period ended 31 December 2014.

The *Corporations Act 2001* (Cth) (**Corporations Act**) requires that the Financial Report, including the Directors’ Declaration for the **twelve-month reporting period ended 31 December 2014** and the related Directors’ Report and Auditors’ Report, be laid before the Annual General Meeting. In addition, the Company’s Constitution provides for such reports and statements to be received and considered at the meeting. None of the *Corporations Act 2001* (Cth), the ASX Listing Rules or the Company’s Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements. However, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

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ITEM 2: Adoption of Remuneration Report for the twelve-month reporting period ended 31 December 2014 (advisory only resolution)

Shareholders are entitled to vote on the question whether the Remuneration Report as contained in the Annual Report **for the twelve-month reporting period ended 31 December 2014** is to be adopted. Shareholders should note, however, that this is an "advisory only" resolution, which does not bind the Directors of the Company.

The Board recommends that shareholders vote in favour of Resolution 2.

ITEM 3: Re-election of Director – Mr Kang Min Xie (ordinary resolution)

Mr Kang Min Xie was elected to the Board of the Company by shareholders as a Non-Executive Director at the Annual General Meeting on 29 November 2012 in accordance with clause 11.1(d) of the Company's then prevailing Constitution.

Under clause 12.3 of the Constitution adopted at the Annual General Meeting held on 29 May 2014 ("the new Constitution"), a director shall not retain office for a period in excess of 3 years or beyond the third annual general meeting following his election (whichever is the longer period), without submitting himself for re-election. As this meeting will be the third annual general meeting since Mr Xie's appointment as a director by shareholders, Mr Xie will retire and stand for re-election at the meeting. Under clause 12.6 (a) of "the new Constitution", the resolution to appoint Mr Xie is not required to be preceded by a shareholder nomination.

The Board (other than Mr Xie) recommends that shareholders vote in favour of Resolution 3.

ITEM 4: Re-election of Director – Mr Zhongjun Li (ordinary resolution)

Mr Zhongjun Li retired and was re-elected to the Board of the Company as a Non-Executive Director by shareholders at the Annual General Meeting on 29 November 2012 in accordance with clause 11.1(g) of the Company's then prevailing Constitution.

Under clause 12.3 of the Constitution adopted at the Annual General Meeting held on 29 May 2014 ("the new Constitution"), a director shall not retain office for a period in excess of 3 years or beyond the third annual general meeting following his election (whichever is the longer period), without submitting himself for re-election. As this meeting will be the third annual general meeting since Mr Li's appointment as a director by shareholders, Mr Li will retire and stand for re-election at the meeting. Under clause 12.6 (a) of "the new Constitution", the resolution to appoint Mr Li is not required to be preceded by a shareholder nomination.

The Board (other than Mr Li) recommends that shareholders vote in favour of Resolution 4.

ITEM 5: Approval of Issue of Securities to Executives of the Group (including Messrs Xunyou Tong and Christoph Klein-Schmeink) (ordinary resolution)

At the 2011 Annual General Meeting of the Company held on 22 November 2011 and in terms of Resolution 8(a) shareholders approved a plan – referred to as the Executives Securities Issue Plan (ESIP) - for the issue of shares to Executives of the Company and its wholly owned subsidiaries. The ESIP provided for three components.

1. Short term rewards.
2. Retention rights scheme – a scheme designed to ensure the retention of five key executives within the Magontec group of companies upon its acquisition by the former Advanced Magnesium Limited. Retention Rights entitlements are equivalent to one-year's salary (prevailing as at the date of the 2011 AGM) for each of these executives. Shares issued under this scheme are linked to the profitability of MGL over the next four years and will be priced at the 10-day VWAP of the Company's shares in the period prior to the date of grant of each award as follows:
 - a minimum award of 10% was made on the day following the 2011 AGM;
 - dependent on profitability of the Company, additional awards will be made on each of 1 July 2012, 1 July 2013, and 1 July 2014 but in any event a minimum award of 10% of the total award will be made on each of these dates; and
 - any residual Retention Rights outstanding on 1 July 2015 will be awarded on that date.
3. Long term incentive scheme.

Table 1 in this note identifies the executives eligible to participate in the ESIP at the time the ESIP was established.

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Table 1 – Eligible Approved Participants in Executives Securities Issue Plan

Executive	Position In Company	Eligibility in Plan			
		2011	2012	2013	2014
Nicholas William Andrews	Executive Chairman	Yes	Yes	Yes	Yes
John David Talbot	CFO and Company Secretary	Yes	Yes	Yes	Yes
Guenter Franke	Chief Operating Officer	Yes	No	No	No
Christoph Klein-Schmeink	President, Magontec Europe & Nth America	Yes	Yes	Yes	Yes
Martin Tauber	Project Manager	Yes	Yes	Yes	Yes
Patrick Look	CFO Magontec GmbH	Yes	Yes	Yes	Yes
Xunyou Tong	President Magontec Asia	Yes	Yes	Yes	Yes

Securities issued to 31 December 2014 are shown in Table 2 in this note.

Table 2 – Shares Issued Under Executives Securities Issue Plan To 31 December 2014

Name	Date of Issue	Price At Which Issued	No. Of Ordinary Shares Issued	Component of ESIP
Nicholas William Andrews	2-Dec-11	\$0.055802	3,584,101	Short term rewards
John David Talbot	2-Dec-11	\$0.055802	3,584,101	Short term rewards
Guenter Franke	2-Dec-11	\$0.055802	536,615	Retention rights scheme
Guenter Franke	17-May-13	\$0.0209	3,096,906	Retention rights scheme
Christoph Klein-Schmeink	2-Dec-11	\$0.055802	280,503	Retention rights scheme
Christoph Klein-Schmeink	8-Dec-11	\$0.055802	7,317	Retention rights scheme
Christoph Klein-Schmeink	4-Dec-12	\$0.034438	853,722	Retention rights scheme
Martin Tauber	2-Dec-11	\$0.055802	283,538	Retention rights scheme
Martin Tauber	4-Dec-12	\$0.034438	841,018	Retention rights scheme
Martin Tauber	1-Jul-13	\$0.0209	885,293	Retention rights scheme
Martin Tauber	29-Oct-14	\$0.0232	681,981	Retention rights scheme
Patrick Look	2-Dec-11	\$0.055802	170,741	Retention rights scheme
Patrick Look	4-Dec-12	\$0.034438	506,445	Retention rights scheme
Xunyou Tong	2-Dec-11	\$0.055802	284,520	Retention rights scheme
Xunyou Tong	4-Dec-12	\$0.034438	888,701	Retention rights scheme
Xunyou Tong	1-Jul-13	\$0.0209	814,594	Retention rights scheme
			17,300,096	

As shown in Table 3 in this note the following ordinary shares were issued under the Retention Rights component of the ESIP on the dates and to the extent shown which require retrospective approval of shareholders for the purposes of Listing Rule 10.14.

Table 3

Name	Position In Company	Amount of Issue	Number of Securities Issued	Issue Price ⁽¹⁾	Date Securities Issued
X. Tong	President Magontec Asia	\$17,025.02	814,594	\$0.0209	1-Jul-13

Notes

1 The issue price was based on 10-day VWAP of the Company's shares in the period prior to the date of issue

As shown in Table 4 in this note it is proposed that the following residual Retention Rights be issued to the extent shown which requires approval by shareholders for the purposes of Listing Rule 10.14.

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Table 4

Name	Position In Company	Maximum Amount of Issue ⁽¹⁾	Securities To Be Issued Not Exceeding ⁽¹⁾	Issue Price	Date Securities To Be Issued
C. Klein-Schmeink	President, Magontec Europe & Nth America	\$115,148	9,211,846	10-day VWAP of the Company's shares in the period prior to the date of issue	The earlier of: a) at the option of Klein-Schmeink, either 30 June 2016 or 30 June 2017; or b) within 5 business days of the date a takeover offer is made on the Company in compliance with the terms of the <i>Corporations Act 2001</i>
X. Tong	President Magontec Asia	\$95,261	7,620,862	10-day VWAP of the Company's shares in the period prior to the date of issue	Within 5 business of the date of approval of issue
		<u>\$210,449</u>	<u>16,832,708</u>		

Notes

1 For the purpose of calculating the maximum number of securities to be issued an issue price of \$0.0125 has been assumed.

Shown in Table 5 in this note it is the proposed Retention Rights to be issued to the extent shown to certain other executives.

Table 5

Name	Position In Company	Maximum Amount of Issue ⁽¹⁾	Securities To Be Issued Not Exceeding ⁽¹⁾	Issue Price	Date Securities To Be Issued
M. Tauber	Project Manager	\$79,110	6,328,787	10-day VWAP of the Company's shares in the period prior to the date of issue	Within 5 business of the date of approval of issue
P. Look	CFO Magontec GmbH	\$68,308	5,464,654	10-day VWAP of the Company's shares in the period prior to the date of issue	The earlier of: a) at the option of Look, either 30 June 2016 or 30 June 2017; or b) within 5 business days of the date a takeover offer is made on the Company in compliance with the terms of the <i>Corporations Act 2001</i>
		<u>\$147,418</u>	<u>11,793,441</u>		

Notes

1 For the purpose of calculating the maximum number of securities to be issued an issue price of \$0.0125 has been assumed.

Details of the issue of the above securities under the ESIP will be published in each annual report of the entity relating to a period in which the securities are issued, and that approval for the issue of securities was obtained under listing rule 10.14.

Any additional persons who become entitled to participate in this scheme after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under listing rule 10.14.

Additional information as required by Listing Rule 10.15A is summarised below

	Under Short Term Rewards	Retention Rights	Long Term Incentive	Total Shares Issued
Securities previously issued	7,168,202	10,131,894	Nil	17,300,096
Loan arrangements associated with acquisition	Nil	Nil	Nil	Nil
Date of issue of securities the subject of this resolution	Nil	As set out in Tables 3, 4 and 5 above, to be no later than 30 June 2017.	Nil	

The Board recommends that shareholders vote in favour of Resolution 5.

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ITEM 6: Refresh Approval of additional 10% Placement Facility under Listing Rule 7.1 (special resolution)

6.1 Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities of up to 10% of its issued ordinary share capital through placements over a 12 month period following the entity's annual general meeting (**Additional 10% Placement Facility**). The Additional 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less, as at the time of the entity's annual general meeting. The Company is an eligible entity as at the time of this Notice of Annual General Meeting and is expected to be an eligible entity as at the time of the Annual General Meeting.

Resolution 6 seeks Shareholder approval to enable the Company to issue Equity Securities under the Additional 10% Placement Facility throughout the 12 months after the Annual General Meeting. The effect of Resolution 6 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the period as set out below.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities that the Company may issue under the Additional 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 8.2(a) of this Notice of Annual General Meeting below). The Company is seeking a mandate to issue securities under the Additional 10% Placement Facility to enable the Company to pursue its growth strategy and to act quickly as potential business opportunities arise.

6.2 Regulatory Requirements

In compliance with the information requirements of Listing Rule 7.3A, Shareholders are advised of the following information:

(a) Minimum Issue Price

Equity securities issued under the Additional 10% Placement Facility must be in the same class as an existing class of quoted Equity Securities of the Company. As at the date of this Notice of Annual General Meeting, the Company has on issue one class of Equity Securities, namely Ordinary Fully Paid Shares.

The issue price of Equity Securities issued under the Additional 10% Placement Facility must not be lower than 75% of the VWAP for securities in the same class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the Equity Securities are issued; or**
- (ii) the date on which the price of Equity Securities is agreed, provided that the issue is thereafter completed within 5 business days.**

(b) Dilution

As at the date of this Notice of Annual General Meeting, the Company has 1,115,725,813 Shares on issue. If Shareholders approve Resolution 6 the Company will have the capacity to issue a maximum of approximately 111,572,581 Equity Securities under the Additional 10% Placement Facility in accordance with Listing Rule 7.1A.

The precise number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the following formula:

(A x D) – E

A is the number of fully paid shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;**
- (b) plus the number of partly paid shares that became fully paid in the 12 months;**
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4;**
- (d) less the number of fully paid shares cancelled in the 12 months.**

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Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the table below to the extent Shareholders do not receive any Shares under such issues. There is a risk that:

- the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new investment,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) **as at the date of this Notice of Annual General Meeting.**

The below table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable "A" in Listing Rule 7.1A.2	Issue price	Dilution		
		\$0.0170 Base Issue Price	\$0.0085 50% decrease in Base Issue Price	\$0.0255 50% increase in Base Issue Price
Current Variable A 1,115,725,813 Shares	Shares issued	111,572,581 New Shares	111,572,581 New Shares	111,572,581 New Shares
	Funds raised	\$1,896,734	\$948,367	\$2,845,101
50% increase in current Variable A 1,673,588,720 Shares	Shares issued	167,358,872 New Shares	167,358,872 New Shares	167,358,872 New Shares
	Funds raised	\$2,845,101	\$1,422,550	\$4,267,651
100% increase in current Variable A 2,231,451,627 Shares	Shares issued	223,145,163 New Shares	223,145,163 New Shares	223,145,163 New Shares
	Funds raised	\$3,793,468	\$1,896,734	\$5,690,202

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the Additional 10% Placement Facility.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.

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4. The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
6. The Base Issue Price is \$0.017, being the closing price of the Shares on ASX on 26 March 2015.

(c) *Details of all issues of equity securities in the 12 months Preceding the Meeting*

Issued To	Date of Issue	No. of Shares Issued	Issue Price	Issued in Terms of
Executive of Magontec Limited (Martin Tauber)	29-Oct-14	681,981	\$0.0232	Under the Company's Executives Securities Issue Plan and in terms of Resolution 10(a) of the 2012 Annual General Meeting.

(d) *Issue Period*

If Shareholders approve Resolution 6, the Company will have a mandate to issue Equity Securities under the Additional 10% Placement Facility under Listing Rule 7.1A from the date of the Annual General Meeting until the earlier of the following to occur:

- i. the date that is 12 months after the date of the Annual General Meeting; and
- ii. the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **Additional 10% Placement Period**).

The Company will only issue Equity Securities under the Additional 10% Placement Facility during the Additional 10% Placement Period. Further, the approval under this Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2, a significant change to the nature or scale of activities; or Listing Rule 11.2 (disposal of main undertaking).

(e) *Purpose of Issues*

The Company may seek to issue the Equity Securities for the following purposes:

- i. non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- ii. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), and/or general working capital.

The Company will provide further information at the time of issue of any Equity Securities under the Additional 10% Placement Facility in compliance with its disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A.

(f) *Allocation Policy*

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the Additional 10% Placement Facility. The identity of the persons to whom Equity Securities will be issued will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issues in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The persons to whom Equity Securities will be issued under the Additional 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new Shareholders.

Further, if the Company is successful in acquiring new investments, it is likely that the persons to whom Equity Securities will be issued under the Additional 10% Placement Facility will be the vendors of the new investments.

The persons to whom Equity Securities will be issued under the Additional 10% Placement Facility will not include related parties of the Company.

(g) *Previous issues of Equity Securities made in the 12 months preceding the Meeting*

The Company obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting on 29 May 2014. However, no securities have been issued in term of that approval. As such there is no requirement to provide information in respect of previous issues of Equity Securities made in the 12 months preceding this current Meeting.

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(h) *Voting exclusion statement*

A voting exclusion statement for Resolution 6 is included in the Notice of Annual General Meeting preceding this Explanatory Statement.

At the date of the Notice of Annual General Meeting, the Company has not approached any particular existing security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. Accordingly, the proposed persons to whom any Equity Securities may be issued under the Additional 10% Placement Facility are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in a possible issue (as is the case in respect of any Equity Securities issued under the Additional 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.

Board Recommendation

The Board believes that the Additional 10% Placement Facility is beneficial for the Company as it will give the Company the flexibility to issue further securities representing up to 10% of the Company's share capital during the next 12 months. Accordingly, the Board unanimously recommend that Shareholders approve Resolution 6.

By order of the board.

A handwritten signature in black ink, appearing to read "J Talbot", written over a horizontal line.

J Talbot

Company Secretary

26 March 2015

Helpline: If you have any questions regarding the meeting or proxy voting, please do not hesitate to contact the Company's share registrar **Boardroom Pty Limited** on 1300 737 760 for Australian shareholders or +61 2 9290 9600 for overseas shareholders.