
CLIME INVESTMENT MANAGEMENT LIMITED
ABN 37 067 185 899

NOTICE OF ANNUAL GENERAL MEETING

Clime Investment Management Limited (“Clime” or the “Company”) gives notice that the Annual General Meeting of Shareholders will be held at:

**2:00pm (AEDT) on Thursday 27 October 2016 at
Level 7, 1 Market Street, Sydney, NSW, 2000**

AGENDA

The Explanatory Statement and proxy form which accompany and form part of this Notice of Meeting describe in more detail the matters to be considered. Please consider this Notice of Meeting, the Explanatory Statement and the proxy form in their entirety.

BUSINESS

Financial Statements and Reports

To receive and consider the financial statements of Clime for the year ended 30 June 2016, together with the Directors’ Report and the Auditor’s Report as set out in the Annual Report.

Note: There is no requirement for Shareholders to approve these reports.

Resolution 1: Remuneration Report

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

“That the Company adopt the Remuneration Report for the year ended 30 June 2016 in accordance with Section 250R(2) of the Corporations Act 2001.”

Note:

1. The vote on this resolution is advisory only and does not bind the Directors or the Company.
2. Clime’s key management personnel and their closely related parties must not cast a vote on the remuneration report unless they are appointed in writing as a proxy for a member eligible to vote on the resolution and that proxy specifies how to vote on the resolution.
3. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote “against” or “abstain” you should mark the relevant box in the attached proxy form.

Resolution 2: Re-election of John Abernethy as Director

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

“That **John Abernethy**, who retires by rotation in accordance with the Company’s Constitution and, being eligible for re-election, be re-elected as a Director.”

Resolution 3: Issue of shares to a Director under employee incentive scheme: John Abernethy

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

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue up to 1,000,000 ordinary shares in the Company to John Abernethy, Executive Director, in accordance with the terms of the Company’s employee incentive scheme and as described in the Explanatory Statement.”

The Company will disregard any votes cast on this resolution by:

- John Abernethy; and
- An Associate of John Abernethy.

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 a direction on the proxy form to vote as the proxy decides.

Resolution 4: Issue of options to Amigo Consulting Pty Limited

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue to Amigo Consulting Pty Limited (ACN 612 112 455), a company associated with Allyn Chant, a Director of the Company, 1,000,000 options to acquire ordinary shares in the Company on the terms set out and described in the Explanatory Statement.”

The Company will disregard any votes cast on this resolution by:

- Allyn Chant; and
- An Associate of Allyn Chant.

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 a direction on the proxy form to vote as the proxy decides.

Resolution 5: Clime Private Share Distribution

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

"On the basis set out in the Explanatory Statement and for all purposes:

- (a) the issued share capital of the Company be reduced, without cancelling any shares, by an amount equal to the market value (as assessed by the Directors of the Company) of all the fully paid ordinary shares in the capital of Clime Private Limited (ACN 614 090 309) (**Clime Private**) with effect as at 7.00pm Australian Eastern Standard Time on the record date set by the Directors of the Company to determine entitlements to the distribution and transfer referred to in paragraph (b) of this resolution (**Record Date**); and
- (b) the reduction be satisfied by the distribution (**Distribution**) and transfer of all the Clime Private shares (**Clime Private Shares**) to holders of ordinary shares in the Company registered as such on the Record Date in the ratio of 1 Clime Private Share for every 1 ordinary share in the Company held as at the Record Date, to be effected in accordance with the Company's Constitution, the Listing Rules and as otherwise determined by the Directors of the Company, with the consequence that each Company Shareholder on the Record Date shall be deemed to have consented to becoming a Clime Private shareholder and being bound by its constitution."

OTHER BUSINESS

In accordance with the Corporations Act 2001, a reasonable opportunity will be given to Shareholders at the meeting to ask questions about, or to make comment on, the management of the Company. Shareholders will have reasonable opportunity to ask the auditor, or their representative, questions relevant to the Company audit and preparation and content of the Independent Auditor's Report.

OTHER INFORMATION

The Explanatory Memorandum accompanies and forms part of this Notice. All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Annual General Meeting should consult their financial or legal adviser for assistance.

VOTING BY PROXY

Any Shareholder of the Company entitled to attend and vote at this Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of that Shareholder.

The Proxy does not need to be a Shareholder of the Company. A Shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each Proxy is appointed to exercise. If no proportion or number is specified, each Proxy may exercise half of the Shareholder's votes.

Proxies must be:

- (a) lodged at the Company's share registry, Boardroom Pty Limited, or
- (b) faxed to the fax number specified below,

not later than 2.00pm (AEDT) on Tuesday 25 October 2016.

Hand deliveries	Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street, Sydney NSW 2000
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Postal deliveries	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001
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Fax number for lodgment	(02) 9290 9655
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PROXY FORM

The proxy form has been enclosed with this Notice. Please read all instructions carefully prior to completing the proxy form.

ENTITLEMENT TO VOTE

In accordance with Section 1074E(2)(g)(i) of the Corporations Act 2001 and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 7.00 pm (AEDT) on Tuesday 25 October 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

By Order of the Board

Richard Proctor
Company Secretary

EXPLANATORY MEMORANDUM

This Explanatory Statement accompanies the notice of an Annual General Meeting of the Company to be held at 2:00pm (AEDT) on Thursday 27 October 2016 at Level 7, 1 Market Street, Sydney, NSW, 2000.

The Explanatory Statement has been prepared to assist Shareholders in determining how to vote on the Resolutions set out in the Notice of Meeting and is intended to be read in conjunction with the Notice of Meeting.

Financial Statements and Reports

Under Section 317 of the Corporations Act 2001 the Company is required to lay the Company's Financial Report, Directors' Report and Auditor's Report (together comprising the Annual Report) before its Shareholders at its Annual General Meeting.

The Annual Financial Report is submitted for Shareholders' consideration and discussion at the Annual General Meeting as required.

Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the Annual Report they wish to discuss. Representatives of the Company's auditor, Pitcher Partners, will be present for discussion purposes on matters of relevance to the audit.

There is no requirement for Shareholders to approve any of these reports.

RESOLUTION 1: Remuneration Report

Resolution 1 provides Shareholders the opportunity to vote on the Company's Remuneration Report. Under Section 250R(2) of the Corporations Act 2001, the Company must put the adoption of its Remuneration Report to the vote at the Annual General Meeting. The Remuneration Report is contained in the Directors' Report (within the Company's Annual Report). This vote is advisory only and does not bind the Directors or the Company.

The Board will consider the outcome of the vote and comments made by Shareholders on the remuneration report at this meeting when reviewing Clime's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of Clime's Directors other than the managing director must stand for election.

Key management personnel (including Directors) and their closely related parties must not cast a vote on the remuneration report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

Clime encourages all Shareholders to cast their votes on this resolution. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

RESOLUTION 2: Re-election of John Abernethy as a Director

Under rule 6.7 of Clime's Constitution, a Director must not hold office after the late of:

- (i) the third Annual General Meeting held after the Director was last appointed or elected; and
- (ii) 3 years after the date on which the Director was last appointed or elected, whichever is the longer.

This is the third Annual General Meeting held since John Abernethy was last elected as a Director of Clime.

Accordingly, Resolution 2 provides for the re-election of John Abernethy as a Director of Clime in accordance with rule 6.7 of Clime's constitution.

Being eligible, John Abernethy offers himself for election. The Directors (excluding John Abernethy) unanimously recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – Issue of shares to Director under employee incentive scheme: John Abernethy*Background*

ASX Listing rule 10.14 states that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of shareholders by ordinary resolution.

The purpose of this Resolution 3 is to have shareholders of the Company approve the proposed issue of shares in the Company to John Abernethy, an Executive Director of the Company on the terms of the current employee incentive scheme operated by the company and approved at the Company's 2007 Annual General Meeting.

The Company's employee incentive scheme has successfully been used to retain and motivate key staff for the past 9 years. The main features of the scheme include that shares are issued at market price and the related loan liability is paid for by staff over a deferred term, usually 3 years.

Maximum number of shares to be offered

The Board of the Company has not yet determined the number of shares to be offered to John Abernethy if shareholder approval is provided at the Annual General Meeting but will be subject to a maximum of 1,000,000 shares in the Company.

Price of shares to be offered

Shares will be offered at the, then current, market price to John Abernethy to participate in the offer, being the volume weighted average market price over the 5 trading days before the date of their issue.

Participation by other Directors

No other Directors of the Company are being invited to participate in the employee incentive scheme at this time and no Directors of the Company have participated in the employee incentive scheme previously.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by:

- John Abernethy; and
- An Associate of John Abernethy.

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 a direction on the proxy form to vote as the proxy decides

Loan terms

The Company will make an interest-free loan to John Abernethy (**participant**) on the terms and conditions set out in the employee incentive scheme rules and such other terms and conditions determined by the Directors and set out in a loan agreement between the Company and John Abernethy. The employee incentive scheme rules and the making of the loans were approved for the purposes of Section 260B(1) of the Corporations Act at the Annual General Meeting of the Company held in 2007.

The loan must be repaid on the earlier of:

- (a) the date specified in the relevant invitation; or
- (b) on demand after the occurrence of an Event of Default.

An Event of Default includes:

- (a) the participant being unable to pay its debts as and when they fall due for payment;
- (b) the participant being declared bankrupt;
- (c) an order for payment being made or judgement being enforced or becoming enforceable against property of the participant;
- (d) the participant materially breaches its obligations under the loan agreement and this breach is unremediable or not remedied within a specified time; and
- (e) the participant ceasing employment with the Company.

John Abernethy will be required to complete a dividend nomination form directing the Company to apply all dividends to repayment of the loan. If John Abernethy ceases to be employed by the Company, the shares held by the participant will be bought back as envisaged under the employee incentive scheme rules.

Date of issue of the shares

It is anticipated that the offer will be made to John Abernethy to participate in the offer of shares in the Company during November 2016 and the shares will be issued by 31 December 2016, in any case no later than 12 months after the meeting. It is noted that the shares will not be issued by the Record Date for the Clime Private share distribution described in Resolution 5 or within 5 trading days of that date and accordingly will not include the rights to participate in that distribution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the options as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of the options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Directors (excluding John Abernethy) unanimously recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – Issue of options to Amigo Consulting Pty Limited

Background

The Board has resolved, subject to obtaining Shareholder approval, to issue 1,000,000 options to Amigo Consulting Pty Limited on the terms and conditions set out below.

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. It is the view of the Directors that the exemptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

A related party for the purposes of ASX Listing Rule 10.11 includes Directors and entities that Directors control. Mr Chant is one of two directors of Amigo Consulting and holds a minority shareholding. Accordingly Mr Chant does not control Amigo Consulting and it is not a related party for the purposes of ASX Listing Rule 10.11. However, the Company is electing to seek Shareholder approval of the issue of options in the interests of good corporate governance.

The Board is also of the view that the issue of the options to Amigo Consulting are reasonable in the circumstances and that the Company and Amigo Consulting are dealing at arm's length.

Amigo Consulting has been engaged by the Company to provide strategic and outcome driven corporate advisory services. The services to be provided by Amigo Consulting relate to:

- advice on the establishment of a retail product platform;
- acquisition target selection and negotiation;
- advice on developing the Stocks in Value business; and
- advice on developing the service offering to clients.

For these services the Company has agreed to pay Amigo Consulting a \$20,000 monthly retainer (for a 12 month period) and an outcome driven incentive in the form of the options. Exercise of the options cannot occur unless and until certain trigger events occur, see Annexure C for the terms of the options.

ASX required information

In accordance with Listing Rule 10.13 the following information is provided in relation to the proposed issue of the options, if approved:

- (a) the options will be issued to Amigo Consulting Pty Limited;
- (b) the maximum number of options that are to be issued are 1,000,000;

- (c) the options will be issued to Amigo Consulting no later than 1 month after the date of this meeting, that is by 27 November 2016. It is noted that the options will not be issued by the Record Date for the Clime Private share distribution described in Resolution 5 and accordingly will not include the rights to participate in that distribution.;
- (d) as mentioned above, a Director of the Company is also a director of and holds a minority shareholding in Amigo Consulting, but does not control Amigo Consulting;
- (e) the options will be granted for nil cash consideration, accordingly no funds will be raised from their issue. However, each option is an option to acquire 1 ordinary share in the company for an exercise price of \$0.50 and accordingly, if all options are exercised the Company will raise \$500,000 from the exercise of the options which will be used for working capital purposes;
- (f) The terms of the issue are set out in Annexure C;
- (g) The Company will disregard any votes cast on this resolution by:
 - a. Allyn Chant; and
 - b. An Associate of Allyn Chant.

However, the Company need not disregard a vote if:

- c. 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
 - d. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; and
- (h) Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Directors (excluding Allyn Chant) unanimously recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – Clime Private Share Distribution

1. Background and reasons for the proposal

The Company, through its wholly owned subsidiary Clime Private, holds approximately **20.9%** ownership of Jasco Holdings Limited (ACN 008 636 520), a leading Australian art, design and craft materials wholesaler and distributor. The Company's ownership in Jasco Holdings was 21.75% at 30 June 2016, however Jasco Holdings undertook a buy back in August 2016 which Clime participated in. This has taken the interest in Jasco Holdings to 20.9%.

Jasco Holdings Limited is an unlisted public company that has been operating for 55 years. The company is a profitable, vertically integrated, arts materials supply company. The two key divisions are retail and wholesale suppliers:

Retail

Eckersley's Art & Craft (Eckersleys) has 26 art supplies stores, four school supplies divisions, picture framing, easel hire and a business supplies division across Australia. Eckersley's provides artists, craft & design enthusiasts with the resources they need. The stores are located in major shopping locations and they supply artists, students and the general public. Eckersleys fastest sales growth channel has been derived from online sales through its website eckersleys.com.au. Eckersleys supplies school children, art college and University students with their "recommended education kits". The bulk of Eckersleys sales are derived from selling products supplied by Jasco wholesale division.

Wholesale

Jasco Pty Ltd is a wholesaler of leading art & craft brands to its retailer clients. With over 100 local and international suppliers and a sales force across Australia, they represent a large range of brands in art supplies, design materials, crafting and more. Their mission is to provide the most innovative and highest quality art and design products; providing retail partners with full category solutions.

The Jasco Group represents some of the world's leading art brands in Australia and New Zealand, including:

Winsor & Newton fine art materials. Liquitex acrylic paint. Conte a Paris high quality crayons, pastel pencils and drawing accessories. In addition to art, design and craft materials, Jasco has a distribution alliance with Pelikan Artline to be the preferred distributor of the entire range of Pelikan Artline brands into the Art & Craft channel. The Pelikan Artline range offers a wide selection of commercial stationery, office equipment and technical drawing products.

The Jasco Group owns its own distribution centres and headquarters based in Sydney and Auckland. Providing national distribution and warehouse capabilities. The main distribution centre is located in St. Mary's, west of Sydney, with 13,000m² of modern facilities.

Clime is proposing a separation of its shareholding in Jasco Holdings Limited via a new subsidiary company Clime Private Limited (**Clime Private**). Shares in Clime Private will then be distributed to shareholders of Clime through the "Demerger". The Demerger will simplify Clime's structure and has the potential to unlock shareholder value. Shareholder value may be enhanced by providing clarity to investors that Clime is a pure fund manager and not an investment company. Following the Demerger Clime will deploy its assets in fee income accretive investments only. Clime will not be seeking any long term passive investments. It will only be looking at opportunities where the management team will be operating the business.

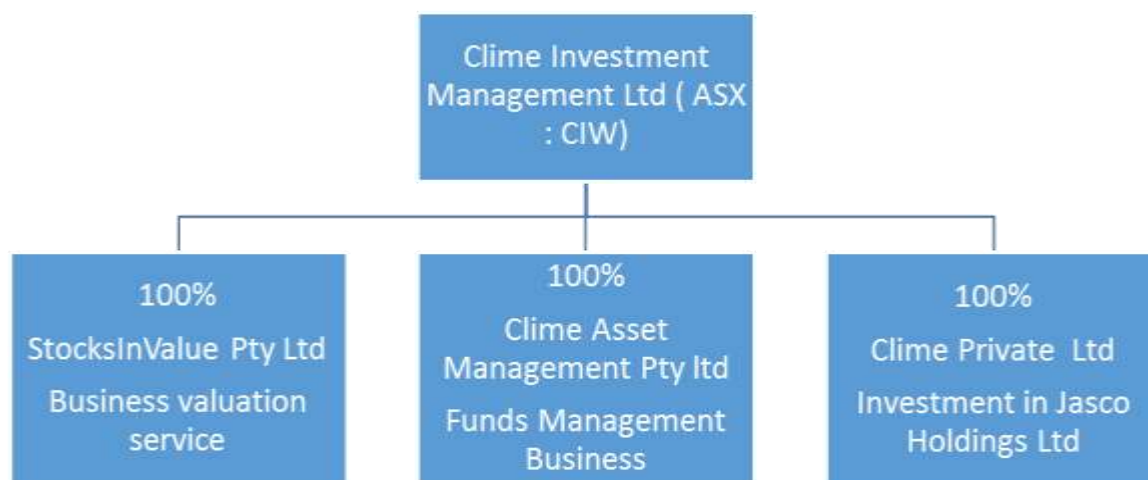
Clime's main strategic intent is to grow funds under management and related revenues. The Demerger simplifies Clime and enables the company to specifically focus on generating value from its core business offering being the distribution of wealth management products and funds management services. Following the Demerger, Clime will purely focus on business growth - both organic and by acquisition and expects to improve its return on equity.

We believe that Clime Private's investment in Jasco will provide direct ownership of a high quality asset which, over a period of time, should provide excellent returns to shareholders. The Board of Clime explored alternatives to the Demerger including seeking to sell the shares in Jasco. However, the Clime management team consider that opportunities today are limited and by shareholders continuing to hold the investment in Jasco for the medium to long term it may provide the opportunity for better returns for shareholders.

Clime Private will begin with a strong balance sheet with no debt and holds an investment in an operating company that has an independent business strategy. Clime understands that Jasco Holdings Limited is intent on its strategy of growing its retail and wholesale supply of high quality art materials to Australian and New Zealand customers. Jasco Holdings Limited has a growing list of high quality brands that it represents and sells direct.

2. Proposed structure

The current company structure of the operating entities in the Clime group is set out below:



Subject to Clime shareholder approval, Clime will distribute all of the shares in Clime Private (**Clime Private Shares**) by effecting an equal reduction of Clime's share capital on the basis of 1 Clime Private Share for every 1 Clime Share held. Shareholders will receive an *in specie* return of capital by way of the distribution of Clime Private Shares in proportion to the number of shares held by Shareholders as at the Record Date. Clime Shareholders will retain direct ownership of Clime and receive direct ownership of Clime Private.

A structure diagram of the proposed arrangements immediately following the demerger is set out below.



It is not intended that Clime will retain a shareholding in Clime Private.

Clime Private will operate as an unlisted public company and has been seeded with an advance of \$50,000 in cash from Clime repayable from distributions that Clime Private may receive from Jasco Holdings Limited.

The advance of working capital for Clime Private by Clime, will assist Clime Private to meet its operational costs before receiving any revenue from its shareholding in Jasco Holdings Limited. For further details about Jasco Holdings Limited see Section 3 below.

3. *Jasco Holdings Limited*

Jasco Holdings Limited: Group entities

Jasco Holdings Limited has the following wholly owned subsidiary companies (together the **Jasco Group**):

Jasco Australasia Pty Limited
Jasco Finance Pty Limited
Jasco Investments Pty Limited
Jasco Pty Limited
Talar Pty Limited
Jasco Holdings (NZ) Limited
Jasco Pty (New Zealand) Limited
Business Aids Pty Limited
CT Hussey & Co Pty Limited
Eckersleys Pty Limited
GMP Australia Pty Limited
Hunter Valley Art Supplies Pty Limited

A brief outline of the two principal operating divisions of Jasco Holdings Limited was set out in Section 1 above.

Jasco Holdings Limited: Shareholding Structure

Clime – through its subsidiary Clime Private 21.75%

Staff, Directors & family members and ex Staff of the Jasco Group – 78.25%

Jasco Holdings Limited's Constitution includes restrictions on the transfer of shares, including pre-emptive rights in favour of the other shareholders and restrictions on transferring shares to competitors, suppliers and customers.

Jasco Holdings Limited: Brands

Jasco represents the world's leading art brands in Australia and New Zealand, including:

- Winsor & Newton: The world's leading brand of fine art materials with an unrivalled reputation for quality & reliability.
- Liquitex: The revolutionary pioneer of acrylics, making major contributions to the evolution of acrylic painting over the past 50 years.
- Conte à Paris: Used by the masters themselves, Conte à Paris high quality crayons, pastel pencils and drawing accessories have enriched art for more than a century.

Jasco represents over 35 quality brands. Recognised brands include the following:





Jasco Holdings Limited Board

Robert Stuart (Managing Director): Mr Stuart commenced working with Jasco in 1983, and has been a director since 1988.

John Abernethy (Non Executive Director): Mr Abernethy has been a director since 1996. Mr Abernethy is also a director of Clime and Clime Private.

Paul Fraser (Director, Company Secretary, CFO): Mr Fraser commenced working with Jasco in 1993, and has been a director since 2013.

Mr Rohan O'Conner (Director, Operations Manager Eckersleys Pty Ltd): Mr O'Conner commenced work with Jasco in 2006 and has been a director since 2014.

Jasco Holdings Limited Profit History

<u>Financial Year</u>	<u>12m to June 2012*</u>	<u>12m to June 2013*</u>	<u>12m to June 2014*</u>	<u>12m to June 2015*</u>	<u>12m to June 2016 **</u>
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Revenue	82,846	83,722	39,935	46,653	44,435
Cost of sales	-39,229	-38,638	-15,554	-15,099	-18,855
Overheads	-39,275	-39,713	-25,823	-26,002	-20,972
Pre tax profit	4,342	5,371	-1,442	5,552	4,608
Tax charge/credit	-1,341	-1,011	-5,965	4,187	-1,371
Post tax profit	3,001	4,360	-7,407	9,739	3,237
Sale of business segment			21,066		
Net result	<u>3,001</u>	<u>4,360</u>	<u>13,659</u>	<u>9,739</u>	<u>3,237</u>

* Per audited accounts

** per management accounts

Jasco Holdings Limited Dividend History

Jasco Holdings Limited has in recent years paid quarterly dividends and there has been special dividends paid in the 2015 & 2016 financial years arising from profits arising on disposal of business units. It is anticipated that dividends will revert to prior levels based on ordinary operations of the business.

<u>Financial Year</u>	<u>12m to June 2012</u>	<u>12m to June 2013</u>	<u>12m to June 2014</u>	<u>12m to June 2015</u>	<u>12m to June 2016</u>
Fully Franked dividends	2.5 cents	4.0 cents	3.5 cents	13 cents	12 cents

Clime does not guarantee and does not know the level and timing of future Jasco Holdings Limited dividend payments.

4. Structure of Clime Private

Clime Private

Clime Private was incorporated on 5 August 2016, ACN 614 090 309. The current Board of Directors of Clime Private is.

Mr. Donald McLay

Director

Experience and expertise

Mr McLay has more than 35 years' experience within financial markets, investment banking and broad business services. He has previously held executive roles with a number of local and overseas investment managers and investment banking organisations, working in London, Singapore, Auckland and Sydney. Don holds a Bachelor of Commerce degree, is a Chartered Accountant, a Chartered Secretary and a Senior Fellow of the Financial Services Institute of Australasia. Don has been a Director of Clime since February 2015, and Chairman since July 2015.

Mr. John Abernethy*Director****Experience and expertise***

Mr. Abernethy has over 30 years' funds management experience in Australia having been General Manager Investments of the NRMA. John holds a Bachelor of Commerce (Economics)/LLB from the University of New South Wales. Mr. Abernethy has been a Director of Clime for over 19 years. Mr Abernethy is also a director of Jasco Holdings Limited.

Mr. Biju Vikraman Bcom, ACA, GradDipACG*Director / Company Secretary****Experience and expertise***

Mr. Vikraman holds a Bachelor of Commerce from the University of Mumbai, India and is an Australian and Indian Chartered Accountant. Mr. Vikraman has over 15 years' experience in audit and finance and has held senior roles with 4 big Accounting Firms and listed entities within Australia, India and Africa. Mr. Vikraman also holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Mr. Biju Vikraman has held the role of Finance Manager of Clime since 2011 and was appointed Joint Company Secretary on 1 June 2015.

Clime Private was incorporated with the same number of shares as Clime currently has on issue so that Shareholders would receive 1 Clime Private Share for each 1 Clime Share they currently hold.

It is intended that Clime Private will be an investment vehicle only whose sole purpose will be to hold shares in Jasco Holdings Limited. Clime Private's only income will be by way of distributions from Jasco Holdings Limited and it is anticipated that its principal costs will be limited to regulatory costs such as annual ASIC filing fees, audit fees and shareholder registry and communication costs. The directors will waive the payment of directors fees. Costs are not anticipated to exceed \$20,000 per annum at present. A pro-forma balance sheet for Clime Private, reflecting the proposed balance sheet of the company post demerger, is attached as Annexure A.

Clime Private, as a public company will be audited each year at 30 June and audited accounts will be distributed to shareholders. In addition the Board will communicate half year results and other important events to shareholders.

Effect on Clime

As at the date of this Notice, Clime had the following securities on issue:

50,396,093 fully paid ordinary shares

The Distribution will have no effect on the total number of Shares on issue in Clime.

Clime Shareholders will maintain their same economic exposure to their indirect holding of shares in Jasco Limited before and after the Distribution occurring.

The Distribution of the Clime Private Shares involves a reduction in Clime's paid up share capital (contributed equity). However, in the opinion of the Directors, this will not materially prejudice the Company's ability to pay its creditors. The Distribution will not involve the payment by the Company of any cash amounts (other than the loan funding provided to Clime Private for Clime Private's short term funding requirements) and, in the opinion of the Directors, the Company will have sufficient cash reserves to pay its creditors after the Distribution.

A pro-forma balance sheet for Clime, reflecting the proposed balance sheet of the company post demerger, is attached as Annexure B.

5. Summary and indicative timetable

Summary

Clime's holding of Jasco Holdings Limited shares will be held through Clime's subsidiary Clime Private, and all of the shares in Clime Private are intended to be distributed, via a pro-rata *in specie* distribution by way of capital reduction to Shareholders on a 1 for 1 basis (**Distribution**). Clime seeks Shareholder approval to enable Clime to reduce its share capital by the distribution of specific assets, being the shares in Clime Private. The Corporations Act and the Listing Rules set out the procedure and timing for a capital reduction. The alteration to the share capital and the Distribution will become effective from the Record Date as described below. If the capital reduction proceeds, Shareholders will receive a pro rata entitlement to the Clime Private Shares and each Shareholder's name will be entered on the register of members of Clime Private with each Clime Shareholder having deemed to have consented to becoming a Clime Private shareholder and being bound by its Constitution. A Shareholder's entitlement to Clime Private Shares will be based on the number of shares held at the Record Date. Shareholders will receive one (1) Clime Private Share for each one (1) Clime Share held at the Record Date. The Company intends to distribute all of the shares in Clime Private to Shareholders under the capital reduction. This will mean that 50,396,093 shares in Clime Private will be distributed to Clime Shareholders in aggregate. If, for any reason, such as Clime buying back some of its shares before the Record Date, the number of shares in Clime and Clime Private are not an equal number as at the Record Date, the number of Clime Private Shares that each Shareholder receives will be in the same proportion as the number of Clime shares bears to the total number of Clime shares then on issue rounded to the nearest whole number.

Your Board considers that the advantages of the reduction of capital and resulting single business focus outweigh the disadvantages. Please refer to the list of advantages and disadvantages of passing the resolution in Section 6.

Other than as Shareholders of Clime or as otherwise set out in this Explanatory Statement, none of the Directors have any interest in the resolution.

Indicative timetable

The following is the indicative timetable set by the Directors in relation to the restructure as approved by ASX:

Event	Date
Shareholder meeting held and ASX announcement of results of meeting	Thursday 27 October 2016
Last day of trading of Clime shares on a "cum" basis	Tuesday 1 November 2016
Trading of Clime shares on an "ex" basis commences	Wednesday 2 November 2016
Record date for Distribution (Record date)	Thursday 3 November 2016
Effect Distribution of shares in Clime Private to Shareholders	Friday 11 November 2016

Following the Distribution, Clime will send to Shareholders statements of their Clime Private holdings and the cost base adjustment to their existing Clime Shares for taxation purposes.

6. Advantages and disadvantages

Advantages

The Demerger of Clime Private is expected to create a transparent valuation for the underlying Jasco Holdings Limited shareholding. This will benefit all Clime Shareholders in terms of the value of both their Clime Shares and Clime Private Shares. The Demerger will simplify Clime's structure and has the potential to unlock shareholder value.

The result of the formation of Clime Private will be two focussed companies. Clime will be a strong funds management group and its strategic priorities will not change. Clime's main strategic intent is to grow funds under management and related revenues. The Demerger simplifies Clime and enables the company to further focus on generating value from its core business, the distribution of wealth management products and funds management services. Following the Demerger, Clime will be better positioned to concentrate and focus on business growth, both organic and by acquisition. With a simpler business and balance sheet Clime intends to increase its return on equity.

Clime Private's investment in Jasco will provide direct ownership of a high quality asset which, over a period of time, could provide excellent returns to shareholders. Clime Private will begin with a strong balance sheet and holds an investment in an operating company that is a market leader in its sector and has an independent business strategy. Clime understands that Jasco Holdings Limited is intent on growing its retail and wholesale supply of high quality art materials to Australian and New Zealand customers.

Disadvantages

The Directors believe that the principal disadvantages of the Distribution are:

- (a) Even though (as discussed below) ASIC has provided technical relief to allow secondary sales to occur, the shares in Clime Private will not have a liquid market and may be difficult to sell.
- (b) There are costs associated with the restructure which will be incurred by Clime.
- (c) There is also a small but identifiable tax risk as set out below.
- (d) Clime will become subject to payment of CGT on the disposal of the Clime Private Shares. However Clime is seeking demerger rollover relief from the ATO.
- (e) The Demerger will result in two separate companies, each with its own running costs and boards, resulting in some additional costs being incurred.
- (f) There is no ready market for the sale of Clime Private Shares. However, Clime Private has made an application to ASIC to rely on the Corporations (Low Volume Financial Markets) Exemption Notice 2003 (**Exemption Notice**) which will facilitate the matching of willing buyers and sellers of Clime Private shares. If ASIC approves Clime Private's application to be covered under the Exemption Notice share transfers will be limited to 100 completed trades that together have a total sale price of \$500,000 in any 12 month period. If ASIC does not approve Clime Private's application Clime Private will explore other alternatives

to assist shareholders to find buyers for their Clime Privates Shares. However, there is no guarantee there will be available buyers for Clime Private Shares.

- (g) As Clime Private's sole anticipated activity is the holding of Jasco Holdings Limited shares, Clime Private will be dependent on receiving regular distributions from Jasco Limited to pay its operating costs and remain viable.

7. Shareholder approval and regulatory aspects

Corporations Act

Under section 256B of the Corporations Act, Clime must not effect a reduction of capital unless it is fair and reasonable to its Shareholders as a whole, does not materially prejudice Clime's ability to pay its creditors, and is approved by Shareholders.

Your Board considers that this Proposal is fair and reasonable to the Shareholders as a whole and does not materially prejudice Clime's ability to pay its creditors. This is because each Clime Shareholder is treated equally and in the same manner since the terms of the reduction of capital are the same for each Shareholder, the distribution is on a pro rata basis, and the proportionate ownership interest of each Shareholder remains the same before and after the capital reduction.

In accordance with the Corporations Act:

- (a) the proposed reduction is an equal reduction and requires approval by an ordinary resolution passed at a general meeting of Clime Shareholders;
- (b) this Explanatory Statement and previous ASX announcements set out all information known to Clime that is material to the decision on how to vote on the Resolution; and
- (c) Clime has lodged with ASIC a copy of this Notice of Meeting and accompanying documentation in substantially the same form as this Notice of Meeting.

Under the Corporations Act, an offer of securities generally requires disclosure to investors through a disclosure document, typically in the form of a prospectus. A vote on the Demerger could be considered to be an offer of securities under the Corporations Act. In addition, the on-sale of shares within 12 months of the issue to a shareholder can also require an accompanying disclosure document. Accordingly, without relief, Clime would be put to considerable expense in preparing prospectus level disclosure of this transaction and shareholders receiving Clime Private Shares would be restricted from selling their shares for 12 months from the issue date. Clime has sought and ASIC has provided technical relief to ensure that the Demerger process does not constitute a breach of the prospectus requirements.

Listing Rule 7.17

Listing Rule 7.17 provides in part that a listed entity, in offering Shareholders an entitlement to the securities, must offer those securities pro rata or in such other way as, in the ASX's opinion, is fair in all the circumstances. In addition, there must be no restriction on the number of securities which a Shareholder holds before this entitlement accrues. The capital reduction satisfies the requirements of Listing Rule 7.17 because the issue of Clime Private shares is being made on the basis of one (1) Clime Private share for every one (1) Clime share held, and there is no restriction on the number of shares a Shareholder must hold before the entitlement to the Clime Private shares accrues.

Effect of Shareholder approval

If the Resolution is approved, Shareholders (as at the Record Date) will receive a pro rata beneficial entitlement to Clime Private shares (1 Clime Private share for every 1 Clime share held). If, for any reason, such as Clime buying back some of its shares before the Record Date, the number of shares in Clime and Clime Private are not an equal number as at the Record Date, the number of Clime Private Shares that each Shareholder receives will be in the same proportion as the number of Clime shares bears to the total number of Clime shares then on issue rounded to the nearest whole number.

The reduction in Clime's share capital and the distribution of Clime Private shares will become effective from the Record Date. Shares in Clime Private are to be held subject to its Constitution which is in the same form as Clime's current Constitution.

The actual dollar value of the proposed return of capital will be an amount equal to the value of the Clime Private shares distributed. Based on the expected balance sheet of Clime Private at the date of the Demerger, it is likely to have a book value in the order of \$7,832,928 (refer Appendix A).

The Board considers the proposed reduction of capital will have no material effect on the interests of Clime Shareholders, except as disclosed in the discussion of the advantages and disadvantages of the reduction set out in Section 6 above.

The proportionate ownership of Shareholders will remain the same both before and after the return of capital (although this may well change in due course).

8. Tax implications

The following is a general summary of the Australian taxation consequences for shareholders who receive Clime Private shares in respect of the Distribution based on the applicable taxation law as at the date of this Explanatory Statement.

Clime is in the process of seeking a Private Binding Ruling from the Australian Taxation Office (ATO) to confirm the taxation implications in respect of the availability of demerger tax relief under Division 125 of the Income Tax Assessment Act 1997. Clime has also asked the ATO to confirm no application of the integrity rule in section 45B of the Income Tax Assessment Act 1936, however this may be the subject of a separate Class Ruling. Clime will update shareholders accordingly in due course.

The following summary only applies to shareholders who hold their shares in Clime on capital account for tax purposes, and not on revenue account. The application of tax legislation can vary according to the individual circumstances of each shareholder. This summary is not intended, and should not be relied upon, as specific taxation advice to any particular shareholder. The comments in this summary are of a general nature only, may not apply to your specific circumstances and cannot be relied upon for accuracy or completeness.

Each shareholder should seek and rely on its own professional taxation advice, specific to its particular circumstances, in relation to the taxation consequences of the proposed transaction. Neither Clime, nor any of its officers or advisers, accepts liability or responsibility with respect to such consequences or the reliance of any shareholder on any part of the following summary.

Australian taxation implications for Shareholders who chose Demerger Relief if Private Binding Ruling application is successful

Shareholders who are residents of Australia and hold their shares on capital account for tax purposes will be eligible to choose Demerger Relief. Broadly, Demerger Relief ensures that any capital gains tax (CGT) consequences from the transaction may be deferred, and that any dividend component of a distribution is not taxed in the hands of the shareholders.

The Distribution is a CGT event for each shareholder. However, a shareholder who chooses Demerger Relief may disregard any capital gain under the Distribution, such that no capital gain or loss will arise on the Distribution.

Each shareholder who is eligible for Demerger Relief must recalculate the cost base and reduced cost base of the shares and the Clime Private shares for CGT purposes. This is done by apportioning the total cost base and reduced cost base of the shares held by that shareholder just before the Distribution between:

- (a) the Clime shares held by that shareholder just after the Demerger; and
- (b) the Clime Private shares distributed to that shareholder.

The apportionment must be done on a reasonable basis, based on the market values of the Clime Shares and the Clime Private shares just after the Demerger (to be advised by Clime once the Distribution is complete), or a reasonable approximation of those market values. These adjustments apply separately to all shareholders who are eligible for demerger roll-over, regardless of whether or not Demerger Relief is chosen.

Clime is organising a market valuation of Jasco Holdings Limited shares to be undertaken. Further information in this regard will be provided to shareholders in due course after the Distribution occurs and following confirmation from the ATO as to the position.

On a future disposal of their Clime Private shares, certain shareholders (such as individuals and complying superannuation funds) may be entitled to a CGT discount if they have held their shares for at least 12 months. For this purpose, shareholders can treat their Clime Private shares as having been acquired on the date that they acquired the corresponding original Clime Shares.

Australian taxation implications for Shareholders who do not choose Demerger Relief

An Australian resident shareholder who does not choose Demerger Relief will have the same tax consequences as a shareholder who chooses Demerger Relief, except that the shareholder may make a capital gain to the extent that the capital (i.e., non-dividend) component of the Distribution (to be advised by Clime once the Distribution is complete) exceeds the shareholder's cost base. Conversely, if the capital component is less than the cost base, then the shareholder's cost base and reduced cost base are reduced by the amount of the capital component.

For the avoidance of doubt, notwithstanding that the shareholder does not choose Demerger Relief:

- (a) the cost base and reduced cost base of the Clime shares and the Clime Private shares must still be recalculated in the manner described above;

- (b) for the purposes of determining eligibility for the CGT discount, each Clime Private share will be treated as having been acquired at the time that the corresponding original share was acquired; and
- (c) to the extent that any part of the Distribution is a dividend, it will not be assessable income or exempt income of the shareholder.

Australian taxation implications for non-resident Shareholders

Shareholders who are not residents of Australia for tax purposes will not be subject to any Australian CGT consequences unless they hold (either alone or together with their associates) 10% or more of the direct participation interests in Clime at the time of the Demerger or for a continuous period of at least 12 months in the 24 months immediately preceding the Distribution. In the event that the non-resident shareholder satisfies the 10% ownership requirement, Australian CGT will apply if at the time of the CGT event the market value of the assets in Clime that are Taxable Australian Real Property (TARP) exceed the market value of the assets that are not TARP. TARP generally includes Australian land interests including Australian mineral rights, but does not include foreign land holdings and foreign mineral rights.

To the extent that a non-resident shareholder holds any shares that meet the above conditions, the shareholder may make a capital gain to the extent that the capital component of the Distribution (to be advised by Clime once the Distribution is complete) exceeds the shareholder's cost base. However, non-resident shareholders cannot choose Demerger Relief. For the avoidance of doubt, notwithstanding that the shareholder cannot choose Demerger Relief:

- (a) the cost base and reduced cost base of the Clime shares and the Clime Private shares must be recalculated in the manner described above; and
- (b) for the purposes of determining eligibility for the CGT discount, each Clime Private share will be treated as having been acquired at the time that the corresponding original share was acquired.

The Distribution will not be subject to dividend withholding tax.

Australian taxation implications if Private Binding Ruling does not confirm availability of Demerger Relief and non-application of Section 45B

Broadly, if Clime proceeds with the Distribution in the absence of Demerger Relief, the following taxation consequences may result:

- (a) Shareholders may make a capital gain to the extent that the capital component of the Distribution exceeds the particular shareholder's cost base (unless the shareholder is a non-resident whose shares do not breach the ownership thresholds described above);
- (b) the cost base and reduced cost base of the Clime shares will be reduced by the Capital Reduction Amount (unless the Commissioner of Taxation makes a determination to treat all or part of the Capital Reduction Amount as an unfranked dividend);
- (c) the cost base and reduced cost base of the Clime Private shares will be equal to the Capital Reduction Amount Distribution;

- (d) the Clime Private shares will be taken to have been acquired by the shareholder at the date of the Distribution for the purposes of determining eligibility for the CGT discount; and
- (e) the excess (if any) of the market value of the Clime Private shares at the time of the Distribution over the Capital Reduction Amount, and (if the Commissioner of Taxation so determines) all or part of the Capital Reduction Amount, may be treated as an unfranked dividend. This amount would be assessable income for Australian resident shareholders or subject to dividend withholding tax for non-resident shareholders (at a rate of 30% on the gross amount, subject to any applicable double taxation agreement).

Taxation implications for the Company

The transfer of shares in Clime Private from Clime to the shareholders in respect of the share capital reduction is not expected to have any CGT implications for Clime.

Stamp duty

There will be no stamp duty payable by shareholders as a result of the receipt of the Clime Private shares.

9. Other

Overseas Shareholders

The Distribution of the Clime Private shares to overseas Shareholders under the reduction of capital will be subject to legal and regulatory requirements in their relevant overseas jurisdictions. If the requirements of any jurisdiction where a Shareholder is resident are held to restrict or prohibit the distribution of securities as proposed or would impose on Clime an obligation to prepare a prospectus or other similar disclosure document or otherwise impose on Clime an undue burden, the Clime Private shares to which the relevant Shareholder is entitled will not in fact be issued to such Shareholders and instead will be sold by Clime on their behalf within one month of the date of the Distribution, in order that Clime will pay the relevant Shareholder a cash equivalent amount, or otherwise Clime will seek to make alternative arrangements with respect to the relevant Shareholder which are reasonable in all the circumstances.

If Clime elects to sell the Clime Private shares on a relevant Shareholder's behalf, Clime will then account to those Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale. As the return of capital is being represented and satisfied by the Distribution and security prices may vary from time to time (assuming a liquid market is available), the net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the reduction of capital.

It will be the responsibility of each Shareholder to comply with the laws to which they are subject in the jurisdictions in which they are resident.

10. Board interests and recommendation

Board Interests

The following table sets out the Directors' interests in shares as at the date of the Notice and the number of Clime Private shares which they (or their associated parties) will receive pursuant to the Distribution, in their capacity as Shareholders, if Shareholder approval of the Resolution is obtained:

	Interest in Shares in Clime Investment Limited (CIW)	Entitlement as a shareholder in CIW, to shares in Clime Private
Donald McLay	6,241,000	6,241,000
John Abernethy	3,610,000	3,610,000
Neil Schafer	548,007	548,007
Allyn Chant	883,600	883,600

Board Recommendation

Your Board is **UNANIMOUSLY IN FAVOUR** of the Demerger and Distribution of Clime Private shares and recommend that Shareholders vote in favour of the resolution as set out in the accompanying Notice of Meeting in order to effect the proposed Distribution for the reasons outline above.

The Chairman of the General Meeting intends to vote undirected proxies **IN FAVOUR** of Resolution 5.

GLOSSARY

The following terms have the following meanings in this Notice of Meeting and Explanatory Statement:

“Amigo Consulting” means Amigo Consulting Pty Limited (ACN 612 112 455).

“ASIC” means the Australian Securities and Investments Commission.

“Associate” has the same meaning as in the Listing Rules.

“ASX” means ASX Limited or the Australian Securities Exchange, as the context requires.

“AEST” means Australian Eastern Standard Time.

“Board” means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors.

“Clime Private” means Clime Private Limited (ACN 614 090 309).

“Company” or **“Clime”** means Clime Investment Management Limited (ABN 37 067 185 899).

“Corporations Act” means the Corporations Act 2001 (Cth).

“Demerger” means the proposed capital reduction under which Clime Shareholders receive shares in Clime Private.

“Director” means a Director of the Company.

“Jasco” means Jasco Holdings Limited (ABN 36 008 636 520).

“Jasco Group” means Jasco and its subsidiaries.

“Listing Rules” means the Listing Rules of the ASX.

“Notice” means the Notice of Meeting accompanying this Explanatory Statement.

“Shareholder” means a Shareholder of the Company.

Enquiries

Shareholders are invited to contact the Company Secretary, Richard Proctor on 02 8917 2142 or email richard@clime.com.au if they have any queries in respect of the matters set out in these documents.

DATED this 26 September 2016 at Sydney.

By order of the Board

Richard Proctor
Company Secretary

Annexure A**Clime Private pro-forma balance sheet**

31 August 2016

Current Assets

Cash at bank	50,000
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Investment in Jasco Holdings Limited	7,832,928
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Total Assets	7,882,928
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Current Liabilities

Loan from Clime Investment Management Limited	(50,000)
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Total Liabilities	<u>(50,000)</u>
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Net assets	<u>\$7,832,928</u>
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Shareholders Equity

Share Capital	<u>\$7,832,928</u>
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Annexure B

Clime pro-forma balance sheet

	30-Jun-16	Jasco buy back*	Clime demerger of Clime Private	30-June-16 Adjusted for demerger and capital return
Cash and Cash Equivalents	\$4,114,062	\$900,000		\$5,014,062
Trade and other Receivables less Payables	-\$857,593			-\$857,593
Listed Investments – Clime Capital Limited	\$4,584,427			\$4,584,427
Unlisted Investments - Managed Funds	\$2,508,591			\$2,508,591
Equity accounted investment – Jasco Holdings Limited	\$8,752,418	-\$919,490	-\$7,832,928	\$0
Other Tangible Assets and Liabilities	-\$3,278,825			-\$3,278,825
Net Tangible Assets	\$15,823,080	-\$19,490	-\$7,832,928	\$7,970,662
Intangibles – Goodwill and Management Contracts	\$6,974,185			\$6,974,185
Deferred tax assets	\$722,147			\$722,147
Total Equity	\$23,519,412	-\$19,490	-\$7,832,928	\$15,666,994

Jasco buy back *

Ownership of Jasco Holdings Ltd was 21.75% at 30 June 2016, however the company had a buy back in August 2016 which Clime participated in. This has taken the interest in Jasco Holdings Limited to 20.9%

Annexure C**Terms of Amigo Consulting options issued by****Clime Investment Management Limited (ACN 067 185 899) (Company)**

1. No monies will be payable for the issue of the options.
2. The options will expire on 1 October 2019 (**expiry date**) and may be exercised at any time upon vesting and prior to the expiry date.
3. The amount payable on exercise of each option is 50 cents, subject to adjustment in accordance with condition 12 (**exercise price**).
4. Vesting
 - (a) 333,333 options vest on the date, if it occurs prior to 30 September 2017, that the Company's securities (CIW) trade on the ASX at or above 75 cents. If this condition is not met the vesting period is extended to 30 September 2019 and vesting will occur if the Company's securities (CIW) trade on the ASX at or above \$1.00 by that extended date;
 - (b) 333,333 options vest on the date that the company completes the purchase or build of a retail platform (defined as a flexible service that enables investors to buy and hold their investments online all in one place, tracking transactions for tax purposes and allowing advisor and or client direction) for client's monies if this occurs before the expiry date;
 - (c) 333,334 options vest if the Company's funds under management attains or exceeds \$1 billion prior to the expiry date.
5. All unvested options will vest in the event of a takeover bid for the Company being received prior to the expiry date at a price at or above 50 cents per share.
6. Subject to conditions 13 and 14, each option is a right in favour of the option holder to subscribe for one ordinary share in the Company (**share**) at the exercise price.
7. The exercise price of the options will be payable in full on exercise.
8. Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by an option certificate and a cheque made payable to the Company for the exercise price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by it.
9. Subject to the relevant vesting conditions being fulfilled, the Company will allot the resultant shares and deliver the holding statement within five business days after the exercise of the option.
10. The options are not transferrable, and no application will be made to the ASX for Official Quotation of the options.
11. There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to shareholders during the currency of the options. Prior to any

new pro-rata issue of securities to shareholders, holders of options (which have vested) will be notified by the Company in accordance with the requirements of the Listing Rules.

12. In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
13. In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue.
14. In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the Listing Rules.
15. There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a bonus issue or a pro rata issue) during the currency of the options.
16. Shares allotted pursuant to an exercise of options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary shares of the Company.
17. In accordance with the Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 2.00pm (AEDT) on Tuesday, 25 October 2016.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities 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.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

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

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **2.00pm (AEDT) on Tuesday, 25 October 2016.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Clime Investment Management Limited

ABN 37 067 185 899

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Clime Investment Management Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the **Annual General Meeting of the Company to be held at Level 7, 1 Market Street, Sydney, NSW 2000 on Thursday, 27 October 2016 at 2:00pm (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chairman authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of this resolution even though the resolution are connected with the remuneration of a member of key management personnel for Clime Investment Management Limited.

The Chairman of the Meeting will vote all undirected proxies in favour of all Resolutions, including Resolution 1. If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution

STEP 2 VOTING DIRECTIONS

* 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 vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr. John Abernethy as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of shares to a Director under employee incentive scheme: John Abernethy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of options to Amigo Consulting Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Clime Private Share Distribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2016