

14 October 2016

Dear Shareholder,

On behalf of the Directors of Xenith IP Group Limited (**Xenith IP**), I am pleased to invite you to attend the 2016 Annual General Meeting (**AGM**) of Xenith IP. Enclosed is the Notice of Meeting setting out the business of the AGM.

Xenith IP's 2016 AGM will be held on Friday, 18 November 2016 commencing at 2.00pm (Sydney time) at Dexus Place, Level 5, 1 Margaret Street, Sydney NSW.

If you are attending the AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to attend the AGM, I encourage you to complete and return the enclosed Proxy Form no later than 2.00pm (Sydney time) on Wednesday, 16 November 2016 in one of the ways specified in the Notice of Meeting and Proxy Form.

I also encourage you to read the enclosed Notice of Meeting (including the Explanatory Memoranda) and the Proxy Form and consider directing your proxy how to vote in each resolution by marking either the "for" box, the "against" box or the "abstain" box on the Proxy Form.

Subject to the abstentions noted in the Explanatory Memoranda, the Directors of Xenith IP unanimously recommend that shareholders of Xenith IP (**Shareholders**) vote in favour of all resolutions.

Following the conclusion of the AGM, you are welcome to join the Board and Management for light refreshments.

Thank you for your continued support of Xenith IP and I look forward to your attendance and the opportunity to meet with you.

Yours faithfully,



Sibylle Krieger
Chair
Xenith IP Group Limited



Notice of Annual
General Meeting
2016

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XENITH IP GROUP LIMITED

NOTICE OF ANNUAL GENERAL MEETING

ABN 88 607 873 209

Notice is given that the 2016 Annual General Meeting (**AGM** or **Meeting**) of Shareholders of Xenith IP Group Limited (**Xenith IP** or **Company**) will be held as follows:

Date: Friday, 18 November 2016

Time: 2.00pm (Sydney time)

Venue: Dexus Place, Level 5, 1 Margaret Street, Sydney NSW

The Explanatory Memoranda forming part of this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memoranda, Entitlement to Attend and Vote section and Proxy Form are part of this Notice of Meeting. The Explanatory Memoranda are the General Explanatory Memorandum and the Financial Assistance Explanatory Memorandum.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 30 June 2016 (the Reports).

All Shareholders can view the Annual Report which contains the Financial Report for the year ended 30 June 2016 on the Company's website at www.xenithip.com

B. QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chair will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chair will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Auditor's Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chair will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of relevant written questions submitted by Shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the Meeting.

C. ITEMS FOR APPROVAL

Resolution 1. Re-election of Director – Andrew Harrison

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

"That Andrew Harrison, who retires in accordance with clause 3.6 of the Company's Constitution and being eligible for re-election, is re-elected as a Director of the Company."

Resolution 2. Remuneration Report

To consider and, if thought fit, pass the following as an advisory resolution of the Company:

“That the Company’s Remuneration Report for the financial year ended 30 June 2016, as set out in the Directors’ Report, is adopted.”

The Remuneration Report is contained in the 2016 Annual Report (available at www.xenithip.com). Please note that, in accordance with section 250R(3) of the Corporations Act 2001 (Cth) (the **Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 2 must not be cast (in any capacity) by, or on behalf of, the following persons:

- (a) a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2016 Remuneration Report; or
- (b) a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 2 as a proxy, if the vote is not cast on behalf of a person described above and either:

- (a) the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- (b) the vote is cast by the chair of the Meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

“Key management personnel” and “closely related party” have the same meaning as set out in the Corporations Act 2001 (Cth).

Resolution 3. Appointment of Grant Thornton Audit Pty Limited as Auditor

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

“That, in accordance with section 327B(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, Grant Thornton Audit Pty Limited, having been nominated by a Shareholder and consented in writing to act in the capacity of Auditor, be appointed as the Auditor of Xenith IP Group Limited.”

Resolution 4. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A

To consider and, if thought fit, pass the following as a special resolution of the Company:

“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, the Shareholders of the Company approve the issue of equity securities up to 10% of the issued capital of Xenith IP Group Limited (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the General Explanatory Memorandum which forms part of the Notice of Meeting.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by a person who may participate in the 10% placement facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of shares, if this resolution is passed and any associates of those persons. As at the date of this Notice of Meeting, there are no potential allottees to whom shares may be issued under this resolution. On that basis, no Shareholders are currently excluded from voting.

However, the Company need not disregard a vote cast on Resolution 4 if:

- (a) 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
- (b) 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. Approval of Financial Assistance in Relation to the Acquisition of Watermark

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

“That for the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided by Watermark Australasia Pty Ltd ACN 070 020 629, Watermark Advisory Services Pty Ltd ACN 159 478 841, Watermark Intellectual Property Lawyers Pty Ltd ACN 119 957 443 and WUT1 Co Pty Ltd ACN 614 214 390 in connection with the acquisition of each by Watermark Holdings Pty Ltd ACN 614 262 627 which is a wholly-owned subsidiary of the Company, as described in the Financial Assistance Explanatory Memorandum which forms part of the Notice of Meeting.”

BY ORDER OF THE BOARD



Lesley Kennedy
Company Secretary

14 October 2016

ENTITLEMENT TO ATTEND AND VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (Sydney time) on Wednesday, 16 November 2016 will be entitled to attend and vote at the AGM as a Shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of Proxy

If you are a Shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 (Cth) (the **Act**) to exercise its powers as proxy at the AGM.

A proxy need not be a Shareholder of the Company.

A Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 2.00pm (Sydney time) on Wednesday, 16 November 2016. Proxies must be received before that time by one of the following methods:

By post: Computershare Investor Services Pty Limited
 GPO Box 242
 Melbourne VIC 3001
 Australia

By facsimile: 1800 783 447 (within Australia)
 +61 3 9473 2555 (outside of Australia)

By delivery in person: Level 4
 60 Carrington Street
 Sydney NSW 2000

Online: www.investorvote.com.au (for Shareholders)
 www.intermediaryonline.com (Intermediary Online subscribers only)

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 2.00pm (Sydney time) on Wednesday, 16 November 2016, being 48 hours before the AGM.

Corporate Representatives

A body corporate that is a Shareholder, or that has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the body corporate's representative.

A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online www.investorcentre.com under the help tab, "Printable Forms".

IMPORTANT: If you appoint the Chair of the Meeting as your proxy, or the Chair becomes your proxy by default, and you do not direct your proxy how to vote on Resolution 2, then by submitting the proxy form you will be expressly authorising the Chair to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

SHAREHOLDER QUESTIONS

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please email any questions to Lesley Kennedy, CFO and Company Secretary at lesleykennedy@xenithip.com

To allow time to collate questions and prepare answers, please submit any questions by 5.00pm (Sydney time) on Friday, 11 November 2016. Questions will be collated and, during the AGM, the Chair will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to Shareholders.

ENCLOSURES

Enclosed are the following documents:

- Proxy Form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on Xenith IP's share registry's website at www.investorcentre.com.au to ensure the timely and cost effective receipt of your proxy; and
- a reply paid envelope for you to return your proxy form.

GENERAL EXPLANATORY MEMORANDUM

This General Explanatory Memorandum has been prepared for the information of Shareholders of the Company (**Shareholders**) in relation to the business to be conducted at the Company's AGM to be held on Friday, 18 November 2016.

The purpose of this General Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions.

Subject to the abstentions noted below, the Directors unanimously recommend Shareholders vote in favour of all Resolutions. The Chair of the Meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions 1 and 3 are ordinary resolutions, which require a simple majority of votes cast by Shareholders present and entitled to vote on the resolution. Resolution 2, relating to the Remuneration Report, is advisory and does not bind the Directors or the Company. Resolutions 4 and 5 are to be voted on as a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

Resolution 1. Re-election of Director – Andrew Harrison

Andrew Harrison was appointed as an independent Non-Executive Director of the Company on 1 October 2015 pursuant to clause 3.4 of the Constitution and is Chair of the Audit and Risk Committee. In accordance with clause 3.6 of the Constitution, Andrew Harrison retires from office at the conclusion of the AGM and is eligible for election as a Director of the Company.

Andrew is an experienced company director, previous ASX100 CFO, and corporate adviser. Andrew is currently non-executive director and chairs the Audit Committees of Burson Group Limited (ASX: BAP), Estia Health Limited (ASX: EHE), IVE Group Limited (ASX: IGL), WiseTech Global Limited (ASX: WTC) and Ingogo Limited.

He has held executive and non-executive directorships in public and private companies, and has been CFO for a number of companies including Seven Group Holdings (ASX: SVW), Alesco Limited, Hanson Australia Limited in Australia, and Landis+Gyr in Europe and the US. Having advised on and completed numerous mergers, trade sales and capital raisings, Andrew has particular expertise in structuring debt and equity transactions, corporate consolidations and repositioning strategies, multijurisdictional governance, reporting and compliance.

In the earlier stages of his career Andrew was an investment banker at Gresham Partners (Sydney) and Chase Manhattan Bank (New York) and originally trained as a Chartered Accountant at Ernst and Young (Sydney and London).

The Directors, with Andrew Harrison abstaining, unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 2. Remuneration Report

Section 250R(2) of the Act requires that the section of the Directors' Report dealing with the remuneration of directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of Shareholders for adoption by way of a non-binding vote.

Broadly, the Remuneration Report details the Remuneration Policy (the Policy) for the Company and:

- explains the structure of and rationale behind the Company's remuneration practices and the link between the remuneration of executives and the Company's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and
- discusses the relationship between the Policy and Company performance.

Shareholders can view the full Remuneration Report in the Annual Report which is available on Xenith IP's website at www.xenithip.com.

Following consideration of the Remuneration Report, the Chair of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this resolution is advisory only and does not bind the Directors of the Company. However the Board will take the outcome of the vote into account in setting remuneration policy for future years.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

Resolution 3. Appointment of Grant Thornton Audit Pty Limited as Auditor

Grant Thornton Audit Pty Limited has held the office of auditor since 1 October 2015. Under section 327A(2) of the Act, Grant Thornton Audit Pty Limited holds office until the Company's first AGM. Thereafter, section 327B(1)(a) of the Act requires Xenith IP to appoint an auditor at its first AGM. Grant Thornton Audit Pty Limited has given, and has not withdrawn, its consent to act as external auditor of Grant Thornton Audit Pty Limited.

In accordance with section 328B(1) of the Act, notice in writing nominating Grant Thornton Audit Pty Limited as auditor has been given to the Company by a Shareholder. A copy of this notice is contained in Attachment A to this Notice.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 4. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A

ASX Listing Rule 7.1A enables mid to small cap listed companies to seek shareholder approval by special resolution to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue by way of placement over a 12 month period (**10% Placement Facility**). This is in addition to the existing 15% placement capacity permitted by ASX Listing Rule 7.1.

A company is eligible to seek shareholder approval for this additional placement capacity if it satisfies both of the following criteria at the date of the AGM:

- (a) it has a market capitalisation of \$300 million or less; and
- (b) it is not included in the S&P/ASX 300 Index.

The Company currently satisfies both the above criteria, and it is anticipated that it will satisfy both these criteria at the date of the AGM.

Accordingly, Resolution 4 is seeking approval of ordinary Shareholders by special resolution for the issue of such number of equity securities as calculated under the formula in ASX Listing Rule 7.1A.2, at an issue price as permitted by ASX Listing Rule 7.1A.3 to such persons as the Board may determine, on the terms as described in this Explanatory Memorandum.

At the date of the Meeting, it is anticipated that the Company will have on issue 38,107,678 fully paid ordinary shares and, subject to approval of the resolutions being considered at the Company's General Meeting on 6 October 2016, a capacity to issue 5,716,151 equity securities under ASX Listing Rule 7.1 and, if Resolution 4 was approved, the Company would have capacity to issue 3,810,767 equity securities under ASX Listing Rule 7.1A.

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

The effect of Resolution 4 will be to allow the Directors to issue equity securities under ASX Listing Rule 7.1A during a 10% placement period, without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Information required by ASX Listing Rule 7.3A

For the purposes of ASX Listing Rule 7.3A, the following information is provided:

- The minimum price at which the equity securities will be issued will be no less than 75% of the volume weighted average price for ordinary shares calculated over the 15 trading days on which trades are recorded immediately before:
 - (a) the date on which the price at which the shares are to be issued is agreed; or
 - (b) if the shares are not issued within 5 trading days of the date in paragraph a, the date on which the shares are issued.
- If Resolution 4 is approved by Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing ordinary Shareholders face the risk of economic and voting dilution as a result of the issue of equity securities which are the subject of this Resolution, to the extent that such equity securities are issued, including:
 - (a) the market price of equity securities may be significantly lower on the issue date than on the date on which this approval is being sought; and
 - (b) the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

- The following table gives examples of the potential dilution of existing ordinary Shareholders on the basis of the market price of shares at 16 September 2016 and the number of ordinary securities for variable “A”, calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of the Meeting (on the assumption that the resolutions being considered at the Company’s General Meeting on 6 October are approved and relevant shares issued).

The 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 ASX 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 100% as against the current market price.

No. of Shares on Issue ¹	Dilution			
	Issue price (per Share)	\$1.66 50% decrease in Issue Price	\$3.32 Issue Price	\$6.64 100% increase in Issue Price
38,107,678 (Current)	Shares issued	3,810,768	3,810,768	3,810,768
	Funds raised	\$6,325,875	\$12,651,749	\$25,303,498
57,161,517 (50% increase)	Shares issued	5,716,152	5,716,152	5,716,152
	Funds raised	\$9,488,812	\$18,977,624	\$37,955,247
76,215,356 (100% increase)	Shares issued	7,621,536	7,621,536	7,621,536
	Funds raised	\$12,651,749	\$25,303,498	\$50,606,996

- The table has been prepared on the following assumptions:
 - Resolution 4 is approved;
 - The two resolutions being considered at the Company’s General Meeting on 6 October 2016 are approved and an additional 2,856,821 shares are issued and the issue of 2,064,634 shares on 29 August 2016 is ratified.
 - the Company issues the maximum number of equity securities available under the 10% Placement Facility in ASX Listing Rule 7.1A;
 - no performance rights in ordinary shares are exercised before the date of issue of ordinary shares under ASX Listing Rule 7.1A;
 - 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 10% Placement Facility, based on that Shareholder’s holding at the date of the AGM;
 - the table shows only the effect of issues of equity securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;
 - the issue of equity securities under the 10% Placement Facility consists only of shares; and
 - the issue price is \$3.32 per share², being the closing price of the shares on ASX on 16 September 2016.
- If any of the shares being approved by this Resolution are issued, they will be issued during the placement period, that is, within 12 months of the date of the AGM (i.e. by 18 November 2017) and the approval being sought under Resolution 4 will cease to be valid if ordinary Shareholders approve a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) prior to 18 November 2017.

¹ Variable “A” in Listing Rule 7.1A.2

² Closing price on 16 September 2016 was \$3.32 per share.

- The Company may seek to issue the equity securities for the following purposes:
 - (a) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued development of the Company's current assets and/or general working capital; or
 - (b) non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.
- The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any equity securities.
- The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of allottees of any equity securities that may be issued (subject to Shareholder approval of Resolution 4) have not been determined as at the date of this Notice, but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties or associates of the Company. Any potential allottees will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:
 - (a) the methods of raising funds available to the Company (including but not limited to, rights issue or other issues in which existing security holders can participate), while balancing interest from potential allottees with the interests of existing Shareholders;
 - (b) the effect of the issue of equity securities on the control of the Company and balancing the interests of existing Shareholders. Allocation will be subject to takeover thresholds;
 - (c) the financial situation and solvency of the Company and its need for working capital at any given time; and
 - (d) advice from corporate, financial and broking advisors (if applicable).
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting. Potential allottees under the 10% Placement Facility (should it be approved) have not been identified as at the date of this Notice, but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties or associates of the Company.

Resolution 4 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 5. Approval of Financial Assistance in relation to the Acquisition of Watermark

This Notice of Meeting includes a Financial Assistance Explanatory Memorandum which outlines the nature of proposed financial assistance under section 260A of the *Corporations Act 2001* (Cth) to be given by Watermark Australasia Pty Ltd ACN 070 020 629, Watermark Advisory Services Pty Ltd ACN 159 478 841, Watermark Intellectual Property Lawyers Pty Ltd ACN 119 957 443 and WUT1 Co Pty Ltd ACN 614 214 390 in connection with the acquisition of each by Watermark Holdings Pty Ltd ACN 614 262 627 which is a wholly-owned subsidiary of the Company.

The financial assistance must be approved by a special resolution of the Company.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

FINANCIAL ASSISTANCE EXPLANATORY MEMORANDUM

This Financial Assistance Explanatory Memorandum has been prepared in connection with Resolution 5, proposed to be passed as a special resolution of Xenith IP Group Limited ACN 607 873 209 (**Parent**) pursuant to section 260B(2) of the *Corporations Act 2001* (Cth) (the **Corporations Act**) to approve the giving by:

- Watermark Australasia Pty Ltd ACN 070 020 629 (**WA**);
- Watermark Advisory Services Pty Ltd ACN 159 478 841 (**WAS**);
- WUT1 Co Pty Ltd ACN 614 214 390 (**WCo**);
- Watermark Intellectual Property Lawyers Pty Ltd ACN 119 957 443 (**WIPL**),

each as subsidiaries of the Parent (**each a Target**), of financial assistance within the meaning of section 260A of the Corporations Act and in connection with resolutions of each of WA, WAS, WCo and WIPL to approve the financial assistance (each a **Financial Assistance Resolution**).

1. BACKGROUND TO THE REQUIREMENT FOR FINANCIAL ASSISTANCE RESOLUTION

1.1 Restrictions on companies giving financial assistance

Under section 260A(1) of the Corporations Act a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company only if:

- (a) giving the assistance does not materially prejudice:
 - (i) the interests of the company or its shareholders; or
 - (ii) the company's ability to pay its creditors; or
- (b) the assistance is approved by shareholders under section 260B of the Corporations Act (as to which see clause 1.2 below); or
- (c) the assistance is exempted under section 260C of the Corporations Act.

1.2 Shareholder approval of financial assistance

For a company to financially assist a person to acquire shares (or units of shares) in itself or a company of which it is a subsidiary, section 260B(1) of the Corporations Act states that the financial assistance must be approved by its shareholders by:

- (a) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

If the company will be a subsidiary of a listed domestic corporation (**Listed Australian Holding Company**) immediately after the acquisition, then section 260B(2) requires that the financial assistance must also be approved by a special resolution passed at a general meeting of that Listed Australian Holding Company.

1.3 Approval under section 260B(1) and section 260B(2)

The purpose of this Explanatory Memorandum is to explain in further detail the proposed Financial Assistance Resolution set out in the Notice which must be passed under section 260B(1) and section 260B(2) of the Corporations Act to enable the giving of the financial assistance in connection with the Acquisition (as described below).

2. THE ACQUISITION AND DESCRIPTION OF INVOLVED COMPANIES

2.1 The Acquisition

Watermark Holdings Pty Ltd ACN 614 262 627 (**Bidco**) is a wholly-owned subsidiary of the Parent.

Under the terms of a share sale agreement dated 22 August 2016 between Bidco, the parties listed in the Schedule to this Explanatory Memorandum and the Parent, Bidco agreed to acquire the entire issued share capital of each Target (**the Acquisition**).

Accordingly on completion of the Acquisition, each Target will be a wholly-owned subsidiary of Bidco which is a wholly-owned subsidiary of the Parent.

The Parent is listed and is a domestic corporation which is not itself a subsidiary of another domestic corporation.

2.2 Resolution required in connection with the Financial Assistance

Each Target must have the financial assistance outlined in this Explanatory Memorandum approved by a resolution agreed to, at a general meeting, by all its ordinary Shareholders in accordance with section 260B(1)(b) of the Corporations Act.

Since the Parent is a Listed Australian Holding Company the financial assistance outlined in this Explanatory Memorandum must be approved by a special resolution at a general meeting of the Parent in accordance with section 260B(2) of the Corporations Act.

3. RELEVANT FINANCIAL ACCOMMODATION

3.1 General

On 12 October 2015 the Parent, Shelston IP Pty Ltd, Shelston IP Lawyers Pty Limited and Xenith IP Services Pty Limited (each a **Borrower**) entered into a Senior Facility Agreement (**SFA**) with Australia and New Zealand Banking Group Limited (the **Lender**) with drawings to be used for purposes including funding certain acquisitions.

Following completion of the Acquisition, as required by the Lender, each Target will become an additional guarantor and will be required to provide security as outlined below.

3.2 SFA

(a) Facility limits and terms

The SFA is comprised of Facility A, Facility B and Transactional Facility.

Facility A has a limit of \$6,000,000 and a term ending on 12 October 2018.

Facility B has a limit of \$4,000,000 and a term ending on 12 October 2018.

Transactional Facility comprising facilities totalling \$1,500,000.

Amounts repaid under each Facility may be redrawn during the term of the facility.

(b) Purpose

Facility A can be used for various purposes including funding acquisitions. Facility B can be used for funding working capital and general corporate purposes. The Transactional Facility can be used for transactional purposes.

(c) Other general terms

The SFA includes events of default, review events, undertakings, representations and warranties from the borrowers and guarantors consistent with a facility of this nature or as required by the Lender due to the particular circumstances of this transaction. The undertakings include:

- (i) a negative pledge;
- (ii) undertakings not to acquire or dispose of assets;
- (iii) undertakings not to incur financial obligations;
- (iv) undertakings not to make distributions to shareholders;
- (v) undertakings to use proceeds of insurance claims, disposals of assets, free cash flows and equity raisings to prepay amounts under the facilities; and
- (vi) undertakings to maintain certain financial ratios;

in each case subject to agreed exceptions.

3.3 Guarantees

The SFA contains guarantees and indemnities in respect of the Facilities. The guarantors are each Borrower and, subject to the approvals of the Financial Assistance, each Target.

3.4 Security from Borrower

Each Borrower has granted the Lender the following security:

- (a) a general security deed over all its assets and undertaking.

3.5 Security from each Target

Subject to the approval of the Financial Assistance, each Target will grant security to the Lender over all of its assets and undertaking to secure the SFA and other security under a General Security Deed and/or other security.

4. FINANCIAL ASSISTANCE

4.1 The Finance Documents

It is proposed that, pursuant to the terms of the SFA each Target becomes a guarantor of all moneys owing under the SFA.

Following approval of the Financial Assistance each Target (in its capacity as a guarantor under the SFA, a **Guarantor**) would (among other things) become bound by the guarantees, indemnities and undertakings and give the representations and warranties referred to above. In addition, it is proposed that each Target will grant security over its assets (the **Security**) as described above.

4.2 Other Support

In addition, a Guarantor may, or may be required to:

- (a) subordinate intercompany claims;
- (b) make available directly or indirectly their cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable each Borrower and the other guarantors to comply with their payment and other obligations in respect of the Financing;
- (c) consent or agree to amendments to the Finance Documents, including amendments that make their obligations more onerous;
- (d) provide additional support which may include incurring additional obligations and/or providing additional guarantees, mortgages and/or charges on the same or different terms to the Security;
- (e) provide other financial assistance in connection with the Acquisition including, without limitation, in connection with any refinancing;
- (f) transfer assets to, or assume liabilities of, each Borrower or other subsidiaries or entities of any Borrower.

5. FINANCIAL ASSISTANCE RESOLUTIONS

5.1 Financial assistance approvals

The entry by each Guarantor into, and the performance by each Guarantor of its obligations under, the SFA and the Security and the participation by each Guarantor in the funding arrangements and other transactions, all as described above, may constitute the giving of financial assistance in connection with the Acquisition, within the meaning of Part 2J.3 of the Corporations Act.

Pursuant to section 260B of the Act, it is proposed that the giving by each Guarantor of the financial assistance be approved by:

- (a) the financial assistance resolution of each Guarantor pursuant to section 260B(1) of the Corporations Act to be agreed to by all Shareholders in each Guarantor; and
- (b) by a special resolution of the shareholders of the Parent pursuant to section 260B(2) of the Corporations Act.

5.2 Reasons for giving financial assistance

The reason for the giving of the financial assistance described above is to enable each Borrower and the Guarantors to comply with certain of their obligations under the Finance Documents and to ensure that the Facilities remain available.

If such obligations are not complied with an Event of Default under the Finance Documents could occur which will result in an insufficiency for the funding needs of the Group generally and in connection with the Acquisition.

5.3 Effect of financial assistance

As the Parent is already liable for the amounts payable under the Finance Documents, the giving of the financial assistance described in this Explanatory Memorandum by the Guarantors is unlikely to have any adverse effect on the Parent, except that the operations of each Guarantor will be restricted by the representations and undertakings given by it under the Finance Documents.

The substantial effect of the financial assistance on each Guarantor is that it will have guaranteed all amounts payable under the Finance Documents and have granted the Security for such obligations. The operations of the Guarantors will also be restricted by the representations and undertakings given by it under the Finance Documents.

The directors of the Parent and each Guarantor do not currently believe that either the Parent or any of the Guarantors are likely to default in their obligations under the Finance Documents or in respect of any Facility.

5.4 Advantages of the proposed resolution

The advantage to the Parent of the proposed resolution is that the Guarantors will be able to provide the guarantees and give the Security which is a precondition to the availability of the Facilities. Funds to be available under the Facilities are required to enable the Parent to and to pay operational expenses of the Parent and its subsidiaries (the **Group**).

The advantages of the proposed resolution to the Guarantors include:

- (a) the Facilities will be available. The directors of each Guarantor believe that this is in the interests of the Guarantors because:
 - (i) the Guarantors will have greater access to funding in the bank and capital markets as a result of integration with the Group; and
 - (ii) the Guarantors will benefit from synergies, cost savings and greater growth potential through its integration with the Group;
- (b) the directors of each Guarantor believe that the Financing is the most efficient form of financing available to finance the ongoing financial requirements of the Group;
- (c) the Guarantors will have access to additional working capital being funds drawn under the Facilities.

The directors of each Guarantor and of the Parent believe that transactions contemplated by this Explanatory Memorandum are in the interests of each Guarantor and the Parent.

5.5 Disadvantages to Parent of proposed resolutions

As the Parent is already liable for and has provided Security, the directors of the Parent do not believe there are any disadvantages to the Parent of the proposed resolution, except that the operations of each Guarantor will be restricted by the undertakings and representations and warranties given by the Guarantor under the Finance Documents.

5.6 Disadvantages to Guarantors of the proposed resolution

The disadvantages of the proposed resolution for each Guarantor include the following:

- (a) they will become liable for the amounts due under the Finance Documents;
- (b) their assets will be subject to security and their operations will be restricted by the representations and undertakings given by them under the Finance Documents;
- (c) any Borrower may default under the Facility;
- (d) the Lender may make a demand under the guarantee provided by it requiring immediate repayment of the amounts due under the Finance Documents; and
- (e) the Lender may enforce the guarantee and/or Security granted by it to recover the amounts due.

A demand made under the guarantees may result in the winding up of any Guarantor and a sale of any such Guarantor's assets by the Lender upon an enforcement of the Security or execution of a judgment for moneys owing under the guarantee. This may result in a return to the Parent (and ultimately its Shareholders) significantly lower than could have been achieved had those assets been sold in the ordinary course of business or had the Parent or, as applicable, that Guarantor continued trading.

5.7 Passing the Financial Assistance Resolution

The Financial Assistance Resolution under consideration is set out in the Notice that accompanies this Explanatory Memorandum.

The Financial Assistance Resolution of each Target will be passed if Shareholders vote in favour of the resolution.

The Financial Assistance Resolution of the Parent will be passed if it is passed as a special resolution.

Shareholders may vote either for or against any of the Financial Assistance Resolutions on which they have a vote.

6. RECOMMENDATION

The directors of the Parent and of each Target (as applicable) recommend that the Shareholders vote in favour of the relevant Financial Assistance Resolution to approve the giving of financial assistance.

7. NOTICE TO AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION

As required by section 260B(5) of the Corporations Act, copies of the Notice and this Explanatory Memorandum as sent to the Shareholders were lodged with the Australian Securities & Investments Commission before they were sent to the Shareholders.

8. DISCLOSURE

The directors of the Parent, Bidco and each Target (each a **Company**) consider that this Explanatory Memorandum contains all information known to the Company that would be material to the Shareholders in deciding how to vote on the proposed resolution other than information which it would be unreasonable to require the Company to include because it has been previously disclosed to the shareholders of the Company.

9. GLOSSARY

In this Financial Assistance Explanatory Memorandum, unless defined otherwise:

Term	Meaning
Bidco	Watermark Holdings Pty Ltd ACN 614 262 627
Acquisition	is defined in clause 2.1
Borrower	is defined in clause 3.1
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Facility	a facility provided under the SFA
SFA	is defined in clause 3.1
Finance Documents	the SFA, the related guarantees and security documents and any other related documents
Financial Assistance Resolution	is defined at the commencement of this Explanatory Memorandum
Financing	the funding arrangements provided under the Finance Documents
Group	the Parent and each of its subsidiaries
Guarantor	a Target in its capacity as a guarantor under the SFA
Notice	the notice of general meeting which this Explanatory Memorandum accompanies
Parent	Xenith IP Group Limited ACN 607 873 209

10. SCHEDULE

Parties

Seller

KJ Sinclair Investments Pty Ltd ACN 093 813 944

Gamekeeper Pty Ltd ACN 096 709 527 as trustee for the Tettman Family Trust

RHB Investments Pty Ltd ACN 105 093 990 as trustee for the Baddeley Family Trust

Aegis (WA) Pty Ltd ACN 164 463 512 as trustee for the Fong Family Trust

Dijon Eyre Pty Ltd ACN 074 654 345 as trustee for the Green Discretionary Trust

Schieber Nominees Pty. Ltd. ACN 088 100 592 as trustee for the Schieber Family Trust

Ronaele Pty. Ltd. ACN 074 468 536 as trustee for the Harris Family Trust

The Railway Children Pty Ltd ACN 150 549 107 as trustee for the Pullen Family Trust

Artifact Investments Pty Ltd ACN 110 871 479 as trustee for the Artifact Trust

Watermark No.3 Pty Ltd ACN 079 068 741

ATTACHMENT A

NOTICE OF NOMINATION OF AUDITOR – XENITH IP GROUP LIMITED

19 September 2016

Lesley Kennedy
Company Secretary
Xenith IP Group Limited

Dear Lesley,

**Nomination of Grant Thornton Audit Pty Limited as auditor of Xenith IP Group Limited
(ABN 88 607 873 209)**

I, Stuart Smith, being a Shareholder of Xenith IP Group Limited, nominate Grant Thornton Audit Pty Limited for the appointment as auditor of Xenith IP Group Limited at its 2016 Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an attachment to the Notice of Meeting and Explanatory Memorandum for the 2016 Annual General Meeting of Xenith IP Group Limited as required by section 328B(3) of the Corporations Act 2001 (Cth).

Yours faithfully,




Stuart Smith

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www.xenithip.com

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

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

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

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

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



Proxy Form

XX



Vote and view the notice of meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.




Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

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

 **For your vote to be effective it must be received by 2.00pm (Sydney time) on Wednesday, 16 November 2016.**

Only Proxy Forms issued by the Company will be deemed valid and accepted by the Company.

How to Vote on Items of Business

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

Appointment of Proxy

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

If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on a resolution in accordance with your directions, the Chairman of the Meeting will become your proxy in respect of that resolution.

PROXY VOTING BY THE CHAIRMAN OF THE MEETING On a poll, the Chairman of the Meeting will vote directed proxies as directed and may vote undirected proxies as the Chairman of the Meeting sees fit. If the Chairman of the Meeting is your proxy or becomes your proxy by default, and you do not provide voting directions, then by submitting the Proxy Form you are expressly authorising the Chairman of the Meeting to exercise your proxy on resolutions that are connected directly or indirectly with the remuneration of key management personnel.

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

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

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

Attending the Meeting

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

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

**GO ONLINE TO VOTE,
or turn over to complete the form** →

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

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



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Xenith IP Group Limited hereby appoint

the Chairman of the Meeting OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, will act as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Xenith IP Group Limited to be held at Dexu Place, Level 5, 1 Margaret Street, Sydney NSW on Friday, 18 November 2016 at 2.00pm (Sydney time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 2 (except where I/we have indicated a different voting intention below) even though Item 2 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

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

STEP 2 Items of Business

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

	For	Against	Abstain
1. Re-election of Mr. Andrew Harrison as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Appointment of Grant Thornton Audit Pty Limited as Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of Financial Assistance in relation to the Acquisition of Watermark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / / _____