

Korvest Ltd
ACN 007 698 106

Notice of Annual General Meeting

Explanatory Notes

Date of meeting

Friday 21 October 2011

Time of meeting

11.30 am

Place of meeting

KPMG Boardroom

Level 7, 151 Pirie Street

Adelaide SA 5000

This Notice of Annual General Meeting should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice
from their accountant, solicitor or other professional adviser prior to voting.

Notice of Annual General Meeting

Korvest Ltd ACN 007 698 106 (**Company**) will hold its 41st annual general meeting at Level 7, 151 Pirie Street, Adelaide, South Australia on Friday 21 October 2011 at 11.30 am (Adelaide time).

The Explanatory Notes that accompany and form part of this notice of annual general meeting (**Notice**) describe the matters to be considered at the meeting.

AGENDA

GENERAL BUSINESS

2011 Financial Statements

To receive, consider and discuss the Company's financial statements and the report of the directors and auditor for the year ended 30 June 2011.

ORDINARY BUSINESS

Resolution 1

Adoption of Remuneration Report

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

"That the remuneration report for the year ended 30 June 2011 be adopted for the purpose of section 250R(2) of the Corporations Act."

Note: Section 250R(3) of the Corporations Act provides that the vote on this resolution is advisory only and does not bind the directors or the Company.

Voting Restriction

In accordance with the Corporations Act, a vote must not be cast on this resolution (and will be taken not to have been cast if cast contrary to this restriction) by a member of the key management personnel, details of whose remuneration are included in the remuneration report, and any closely related party of such a member. However, the member or any closely related party of such a member may vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution; and
- (b) it is not cast on behalf of the member or any closely related party of such a member.

Resolution 2

Re-election of Director – Mr Peter W Stancliffe

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

"That Mr Peter W Stancliffe, a director retiring by rotation in accordance with the Company's constitution and being eligible for re-election, be re-elected as a director of the Company."

Resolution 3

Re-election of Director – Mr Steven McGregor

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

"That Mr Steven McGregor, a director retiring by rotation in accordance with the Company's constitution and being eligible for re-election, be re-elected as a director of the Company."

SPECIAL BUSINESS

Resolution 4

Approval of issues under the Korvest Performance Rights Plan for the purpose of ASX Listing Rule 7.2

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

*"That, for the purposes of ASX Listing Rule 7.2 exception 9, approval is given for the Company to grant performance rights, and the subsequent issue or transfer of securities, to selected executives under the Korvest Performance Rights Plan (**Plan**) (the principal terms of which Plan are set out in the explanatory notes accompanying the notice of annual general meeting convening the meeting at which this resolution is put)."*

Voting Exclusions

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by a director of the Company (except those who are ineligible to participate in the Plan) and an associate of such person. However, the Company need not disregard a vote if:

- (a) it is cast by that 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 the grant of Performance Rights to Mr Alexander Kachellek for the purposes of ASX Listing Rule 10.14

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

"That, for the purposes of ASX Listing Rule 10.14, approval is given for the grant of 35,000 performance rights to Mr Alexander Kachellek under the Korvest Performance Rights Plan."

Voting Exclusions

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Mr Alexander Kachellek and Mr Steven McGregor and any associates of Mr Kachellek and Mr McGregor. However, the Company need not disregard a vote if:

- (a) it is cast by that 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 6

Approval of the grant of Performance Rights to Mr Steven McGregor for the purposes of ASX Listing Rule 10.14

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

"That, for the purposes of ASX Listing Rule 10.14, approval is given for the grant of 25,000 performance rights to Mr Steven McGregor under the Korvest Performance Rights Plan."

Voting Exclusions

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Mr Steven McGregor and Mr Alexander Kachellek and any associates of Mr McGregor and Mr Kachellek. However, the Company need not disregard a vote if:

- (a) it is cast by that 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.

Voting and the proxy

For the purpose of determining the voting entitlements at the meeting, the board has determined that shares in the Company will be taken to be held by the registered holders of those shares at 5.00pm (Adelaide time) on 19 October 2011. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A shareholder wishing to vote on the resolutions contained in this Notice should either attend in person, or appoint a proxy or proxies to attend or vote on the shareholder's behalf. A proxy form is enclosed with this Notice. The proxy or proxies do not need to be a shareholder of the Company. A shareholder that is a body corporate may appoint a representative to attend in accordance with the Corporations Act.

A shareholder entitled to attend and to cast two or more votes is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes able to be cast by the appointing shareholder.

The proxy form (and any power of attorney under which it is signed) must be received at the address below not later than 11.00am (Adelaide time) on 19 October 2011 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

Completed proxy forms should be sent to the Company's share registrar, Computershare Investor Services Pty Ltd as follows:

By mail:	Korvest Ltd C/- Computershare Investor Services Pty Ltd GPO Box 242 MELBOURNE VIC 3001 Australia
By fax:	Korvest Ltd C/- Computershare Investor Services Pty Ltd (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555
Custodian voting:	For Intermediary Online subscribers only: www.intermediaryonline.com

BY ORDER OF THE BOARD

Steven McGregor
Company Secretary

Explanatory Notes

These Explanatory Notes have been prepared to provide shareholders with material information to enable them to make an informed decision on the business to be conducted at the annual general meeting of the Company.

The directors recommend shareholders read these Explanatory Notes in full before making any decision in relation to the resolutions.

Please note that if you appoint the Chairman of the meeting as your proxy, you will be directing the Chairman to vote in accordance with the Chairman's voting intention unless you indicate otherwise by marking the "For", "Against" or "Abstain" boxes. The Chairman of the meeting intends to vote undirected proxies in favour of each item of business (where permitted to do so). Further, please note that you are entitled to appoint the Chairperson as a proxy with a direction to cast the votes contrary to the Chairman's voting intention, or to abstain from voting, on any resolution. Also, you may appoint, as your proxy, a person other than the Chairman.

GENERAL BUSINESS

Receiving financial statements and reports

The Corporations Act requires that shareholders consider the annual consolidated financial statements and reports of the directors and auditor every year.

Shareholders attending the annual general meeting will be given a reasonable opportunity:

- (a) to ask questions about or make comments on the management of the Company; and
- (b) to ask the Company's auditor or the auditor's representative questions relevant to:
 - (1) the conduct of the audit;
 - (2) the preparation and content of the auditor's report;
 - (3) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (4) the independence of the auditor in relation to the conduct of the audit.

A shareholder of the Company who is entitled to cast a vote at the annual general meeting may submit a written question to the auditor if the question is relevant to:

- (a) the content of the auditor's report to be considered at the annual general meeting; or
- (b) the conduct of the audit of the annual financial report to be considered at the annual general meeting.

A written question may be submitted by giving the question to the Company no later than 14 October 2011, being five business days before the day on which the annual general meeting is to be held, and the Company will then, as soon as practicable after the question has been received, pass the question on to the auditor. At the annual general meeting the Company will allow a reasonable opportunity for the auditor or the auditor's representative to answer such written questions submitted to the auditor.

The Company will make copies of the question list reasonably available to shareholders attending the annual general meeting.

No resolution is required to be moved in respect of this item of General Business.

ORDINARY BUSINESS

Resolution 1 – Adoption of Remuneration Report

The remuneration report of the Company for the financial year ended 30 June 2011 is contained in the 2011 Annual Report which accompanies this Notice. The Annual Report is also available on the Company's website www.korvest.com.au.

Section 300A of the Corporations Act requires the directors to include a remuneration report in their report for the financial year. Section 250R(2) requires the remuneration report be put to the vote at the Company's annual general meeting. The vote on the resolution is advisory only and does not bind the directors or the Company.

Recent legislation introduced a process in relation to the non-binding shareholder vote which requires that where, at an AGM, a company's remuneration report receives a "no" vote of 25 per cent or more and comments are made on the remuneration report, the company's subsequent remuneration report is required to include an explanation of the board's proposed action in response to the "no" vote and comments or an explanation of why no action has been taken. Where a company's subsequent remuneration report receives a "no" vote of 25 per cent or more, shareholders at that second AGM are to consider a resolution to determine whether to hold a further meeting. If this "spill resolution" passes by ordinary resolution, then the directors who approved the directors' report, other than the managing director, must resign or alternatively a meeting must be held within 90 days of the second AGM at which those directors cease to hold office immediately before the end of the "spill meeting" and the meeting may resolve to appoint those or other persons to the vacated positions.

Directors' Recommendation

The directors recommend that the shareholders vote in favour of Resolution 1.

Resolution 2 – Re-election of Director – Mr Peter W Stancliffe

Clause 10.3 of the Company's Constitution requires that at every annual general meeting one third of the directors for the time being (excluding the Managing Director) must retire from office and be eligible for re-election.

ASX Listing Rule 14.4 provides that a director (excluding the Managing Director) must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer. However, a director appointed to fill a causal vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the entity.

Mr Stancliffe retires in rotation and offers himself for re-election pursuant to ASX Listing Rule 14.4 and the Company's Constitution.

A profile of Mr Stancliffe is contained in the Company's Annual Report.

Directors' Recommendation

Other than Mr Stancliffe (who is not entitled to make a recommendation), the directors recommend that the shareholders vote in favour of Resolution 2.

Resolution 3 – Re-election of Director – Mr Steven McGregor

Clause 10.3 of the Company's Constitution requires that at every annual general meeting one third of the directors for the time being (excluding the Managing Director) must retire from office and be eligible for re-election.

ASX Listing Rule 14.4 provides that a director (excluding the Managing Director) must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer. However, a director appointed to fill a causal vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the entity.

Mr McGregor retires in rotation and offers himself for re-election pursuant to ASX Listing Rule 14.4 and the Company's Constitution.

A profile of Mr McGregor is contained in the Company's Annual Report.

Directors' Recommendation

Other than Mr McGregor (who is not entitled to make a recommendation), the directors recommend that the shareholders vote in favour of Resolution 3.

SPECIAL BUSINESS

Resolution 4 – Approval of issues under the Korvest Performance Rights Plan for the purpose of ASX Listing Rule 7.2

Background

In August 2011 the Board approved the establishment of a plan called the Korvest Performance Rights Plan (**Plan**) as part of the overall remuneration strategy of the Company. The Plan provides for the issue of performance rights (**Performance Rights**) to executives of Korvest invited by the board to participate in the Plan. The Performance Rights, once exercised in accordance with the Plan, result in the issue of fully paid ordinary shares in the Company (**Shares**). A copy of the Plan Rules is available on the Company's website www.korvest.com.au. A brief summary of the Plan Rules is set out below.

The Plan is designed to provide the Company's executives with an incentive to maximise the return to shareholders over the long term, and to assist in the attraction and retention of key executives. Details of the Company's executive remuneration philosophy and objectives can be found in the 2011 Annual Report.

Reason for Shareholder Approval

ASX Listing Rule 7.1 limits the number of securities a listed company may issue (or agree to issue) in a 12 month period to no more than 15% of the ordinary securities on issue, unless shareholder approval has been obtained or unless an exception applies. One of those exceptions is exception 9 in Listing Rule 7.2, which does not count securities that are issued under an "employee incentive

scheme" if the issue occurs within 3 years of shareholders approving the issue of securities under that scheme. No securities have been issued under the Plan since the adoption or approval of the Plan by the Board.

This resolution seeks approval from the Company's shareholders so that issues under the Plan will not be included in the 15% limit under Listing Rule 7.1. If the resolution is passed, the Company would be able to issue further securities (outside the Plan) up to the 15% limit or under another exception to Listing Rule 7.2. If the resolution is not passed, Share issues can still be made (whether under the Plan or otherwise), but securities issued under the Plan will reduce the capacity of the Company to issue securities without shareholder approval unless another exception applies.

Outline of Plan

Under the Plan, the Board may invite any executive of the Company or any of its subsidiaries to participate in the Plan. Where the Board invites an executive, the executive is able to apply for Performance Rights under the Plan. As part of the invitation the Board determines how many Performance Rights will be offered, the applicable performance criteria for their vesting and the exercise price (if any) payable to convert a Performance Right into a Share. When granted, a Performance Right is "unvested". An unvested Performance Right cannot be converted into a Share. When an unvested Performance Right becomes vested, it can then be converted into a Share on payment of the exercise price (if any). Performance Rights become vested (exercisable) when the performance criteria set by the Board at the time of grant are met during the performance period (and in certain other circumstances). The nature and type of performance criteria are determined by the Board, and will depend on the executive invited to participate in the Plan. The Board has a wide discretion, and may set different performance criteria and performance periods for different executives.

Rights attaching to Performance Rights

A Performance Right is a right to acquire one Share which can be exercised once the Performance Right has become exercisable and provided it has not lapsed.

A Performance Right does not give the holder a legal or beneficial right to Shares and does not enable the participating executive to receive dividends or any other shareholder benefit by virtue of the issue of these rights unless and until that Performance Right has been exercised and the Share issued.

Vesting and exercise of Performance Rights

Performance Rights become vested (exercisable) if:

- the Company meets during the performance period the performance criteria set by the Board at the time of grant;
- an event occurs such as a takeover bid for, or the winding up of, the Company; or
- the Board determines that a Performance Right becomes a vested Performance Right.

Once the Performance Rights have become exercisable, the participating executive will need to exercise those rights within 12 months from the date on which they vest and become exercisable (or if the Board has determined another period shall apply and has set out that period in the invitation made in respect of the Performance Rights, within that period), or they will lapse and there will be no further entitlement to any Shares. This period may be shortened if the executive ceases to be employed under certain circumstances and the Performance Rights have not lapsed.

If the participating executive disposes of, or purports to dispose of, any Performance Rights without the Board's consent, they will also lapse.

Issue or transfer of shares upon exercise of Performance Rights

At the Board's discretion and in accordance with the Plan, the Company may either issue Shares, or procure the transfer of Shares, to the participating executive upon the valid exercise of vested Performance Rights. The Shares that are issued or transferred (as the case may be) upon the exercise of the Performance Rights will rank equally in all respects with the Company's other Shares on issue. Subject to the terms of the Board's invitation and as otherwise provided under the Plan, the participating executive is restricted from disposing of the Shares that result of the exercise of the Performance Rights.

Restriction on the disposal of Shares

The Plan provides that the Shares issued on exercise of the Performance Rights will be restricted from disposal until the earlier of:

- the period (if any) specified in the invitation to participate in the Plan; and
- the time when the participating executive is not employed by Korvest or any Korvest subsidiary; and
- the Board approving a recommendation by the Board's remuneration committee that the restriction on disposal be released; and
- for a period of two years from the date of issue of the Performance Rights.

Cessation of employment

Performance Rights lapse immediately if the participating executive's employment with the Company is terminated for misconduct or any other reason justifying termination without notice.

Performance Rights lapse upon notice of resignation being given by the participating executive.

In the case of the participating executive's employment ceasing due to death or permanent disablement:

- Performance Rights which have otherwise become exercisable remain exercisable up until the end of the exercise period; and
- the Board has a discretion to treat the remaining Performance Rights as exercisable and to set the exercise period for them.

In all other cases where employment ceases, Performance Rights that have not vested and become exercisable will lapse immediately, and Performance Rights that have vested and are exercisable will lapse at the end of 30 days.

Future issues of Shares

A participating executive may only take part in future issues of securities to shareholders if the Performance Right has been exercised. In the case of a bonus issue to shareholders of the Company, the number of Shares for which a Performance Right may be exercised will be adjusted so that the number of Shares to which the participating executive is entitled on exercise of the Performance Right will be increased by the number of Shares that the participating executive would have received if the participating executive had exercised the Performance Right before the bonus

issue. In the case of a reconstruction, adjustments will be made so that the reconstruction will not result in any benefits being conferred on the participating executive that are not conferred on the shareholders of the Company.

Total number of Performance Rights

The total number of Performance Rights that may be granted under the Plan is limited so that the number of shares that would be issued by the Company if:

- all the Performance Rights proposed to be granted under the relevant Plan were exercised; plus
- the number of shares that have been issued or would have been issued by the Company if all Performance Rights granted under the Plan and all rights to acquire Shares under every other employee incentive scheme in the period of 5 years preceding the time of the proposed issue of Performance Rights under the Plan were exercised (excluding those Performance Rights or rights which have lapsed or which have already been exercised); plus
- the number of Shares issued by the Company for every other employee incentive scheme of the Company in the period of 5 years preceding the time of the proposed issue of Performance Rights under the relevant Plan,

less any offer for options or rights to acquire Shares or Shares issued by way of or as a result of:

- an offer to a person situated at the time of receipt of the offer outside Australia;
- an offer that did not need disclosure because of section 708 of the Corporations Act; or
- an offer made under a disclosure document under the Corporations Act,

does not exceed 5% of the number of Shares in the issued capital of the Company immediately following the proposed grant.

Forfeiture of Shares

Shares issued to a participating executive on exercise of that person's Performance Rights may be forfeited if the participating executive perpetrates fraud against the Company or any of its subsidiaries (**Korvest group**), acts dishonestly or breaches his or her obligations to any member of the Korvest group.

The right of the Company to cause the Shares, which have been issued on exercise of the Performance Rights, to be forfeited, expires:

- on the termination of the participating executive's employment with the Company otherwise than as a result of fraud, dishonesty or a breach of his obligations to the Korvest group; or
- upon the sale or transfer of the Shares; or
- on the day following the expiry of the seven year period from the date of issue of the Performance Rights.

Administrative Amendment

The Plan is administered by the Board in accordance with the rules of the Plan, and the Board has wide discretionary powers under the rules in relation to the administration and delegation of matters arising under the Plan, including the setting of terms (including performance criteria) on which Performance Rights may be offered. The Plan may be amended in accordance with the rules of the

Plan, without the consent of the participating executive, except that no amendment may be made that would reduce the rights of a participating executive without their consent, except in limited specific circumstances (such as a change in law).

Invitations to participate

Mr Alexander Kachellek, Managing Director, and Mr Steven McGregor, Finance Director, have been invited by the Board to participate in the Plan and be issued with 35,000 and 25,000 Performance Rights respectively. As Mr Kachellek and Mr McGregor are directors of Korvest, Korvest's shareholders must approve the issue of Performance Rights to Mr Kachellek and Mr McGregor and this approval is sought in Resolution 5 and Resolution 6 respectively.

The Board intends to invite six further executives of Korvest who are not directors to participate in the Plan. As these executives are not directors of Korvest, such participation will not be subject to shareholder approval. The six executives will be invited to share in an aggregate of 60,000 Performance Rights. The Board may at its discretion extend invitations to other executive members of management.

Directors' Recommendation

Other than Mr Alexander Kachellek and Mr Steven McGregor, the directors recommend that shareholders vote in favour of Resolution 4.

Resolution 5 – Approval of the grant of Performance Rights to Mr Alexander Kachellek for the purposes of ASX Listing Rule 10.14

Background

Mr Alexander Kachellek, Managing Director, has been invited by the Board to participate in the Plan and to be issued with Performance Rights if approved by shareholders at this AGM.

Reason for Shareholder Approval

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities to a director. Mr Kachellek is a director of the Company. Accordingly shareholder approval is sought for the issue to Mr Kachellek of 35,000 Performance Rights under the Plan.

The Performance Rights to be granted to Mr Kachellek are in effect conditional entitlements, which may vest subject to the satisfaction of performance hurdles, details of which are summarised below.

Issue of Performance Rights

The Company proposes to issue 35,000 Performance Rights to Mr Kachellek no later than 1 month after the date of the AGM. The Company will not issue the Performance Rights later than 12 months after the AGM.

The Board has also invited Mr Steven McGregor, Finance Director, to participate in the plan and to be issued with 25,000 Performance Rights if approved by shareholders at the scheduled AGM. This means the maximum number of Performance Rights that may be acquired by all persons for who approval is required at the scheduled AGM is 60,000.

No Performance Rights have been issued under the Plan since the adoption or approval of the Plan by the Board.

Performance Period

The performance period is the period commencing on 1 July 2011 and ending on 30 June 2014 (**Performance Period**).

Performance Hurdle

The Performance Rights will vest and become exercisable if the Performance Hurdle is satisfied over the Performance Period in the following circumstances:

- the Performance Hurdle will be met if the Company exceeds the aggregate threshold earnings per share (**eps**) over the Performance Period as set out in the table below;
- one third (1/3) of the Performance Rights will vest and be exercisable if the Company equals the aggregate threshold eps as set out in the table below;
- all of the Performance Rights will vest and be exercisable if the Company equals or exceeds the aggregate range eps as set out in the table below;
- if the Company achieves an aggregate eps greater than the threshold eps but less than the range eps, the number of Performance Rights that will vest and be exercisable will be calculated on a pro rata basis in accordance with the following formula:

$$A = E \times \{ 1/3 + 2/3 [(B - C) / D] \}$$

where:

A = the number of Performance Rights that will vest and become exercisable (rounded down to the nearest whole number)

B = the aggregate actual eps over the Performance Period

C = the aggregate threshold eps

D = the aggregate range eps less the aggregate threshold eps

E = the number of Performance Rights issued to the relevant executive.

Year ended	Threshold eps	Range eps
30 June 2011 (base eps)	48.9	48.9
30 June 2012	53.79	56.235
30 June 2013	59.169	64.67
30 June 2014	65.086	74.371
Aggregate – 3 years to 30 June 2014	178.045	195.276

The Performance Hurdle eps figures have been set on the basis of cumulative annual compounding growth in eps.

The Performance Hurdle threshold is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 10% per annum in respect of eps for the Performance Period.

The Performance Hurdle range is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 15% per annum in respect of eps for the Performance Period.

If an eps figure for a particular year is not achieved, the threshold eps or range eps will still be met if the aggregate eps in the Performance Period is equal to or exceeds the amounts set out in the table above.

For the purposes of assessing satisfaction of the Performance Hurdle, the Board may adjust the Company's eps over the Performance Period for extraordinary, significant or non-recurring items.

Issue Price and Exercise Price

Each Performance Right will be issued to Mr Kachellek for no consideration and will have a nil exercise price. If the Performance Right vests it would allow Mr Kachellek to exercise the Performance Right and be issued with a Share.

Exercise Period

Once the Performance Rights have become exercisable, Mr Kachellek will need to exercise those rights within 12 months from the date on which they vest and become exercisable, or they will lapse and there will be no further entitlement to any Shares. This period may be shortened if Mr Kachellek ceases to be employed under certain circumstances and the Performance Rights have not lapsed.

Resolution 5 not dependent on Resolution 4

Resolution 5 is not dependent on the passing of Resolution 4. If Resolution 4 is not passed, the Board may still grant Performance Rights to Mr Kachellek pursuant to Resolution 5 assuming Resolution 5 is passed. However, securities issued under the Plan to Mr Kachellek would be included in the 15% limit under ASX Listing Rule 7.1.

Directors' Recommendation

Other than Mr Alexander Kachellek (who is not entitled to make a recommendation) and Mr Steven McGregor (who has chosen not to make a recommendation), the directors recommend that shareholders approve the grant of the Performance Rights contemplated by Resolution 5.

Resolution 6 – Approval of the grant of Performance Rights to Mr Steven McGregor for the purposes of ASX Listing Rule 10.14

Background

Mr Steven McGregor, Finance Director, has been invited by the Board to participate in the Plan and to be issued with Performance Rights if approved by shareholders at this AGM.

Reason for Shareholder Approval

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities to a director. Mr McGregor is a director of the Company. Accordingly shareholder approval is sought for the issue to Mr McGregor of 25,000 Performance Rights under the Plan.

The Performance Rights to be granted to Mr McGregor are in effect conditional entitlements, which may vest subject to the satisfaction of performance hurdles, details of which are summarised below.

Issue of Performance Rights

The Company proposes to issue 25,000 Performance Rights to Mr McGregor no later than 1 month after the date of the AGM. The Company will not issue the Performance Rights later than 12 months after the AGM.

The Board has also invited Mr Alexander Kachellek, Managing Director, to participate in the plan and to be issued with 35,000 Performance Rights if approved by shareholders at the scheduled AGM. This means the maximum number of Performance Rights that may be acquired by all persons for who approval is required at the scheduled AGM is 60,000.

No Performance Rights have been issued under the Plan since the adoption or approval of the Plan by the Board.

Performance Period

The performance period is the period commencing on 1 July 2011 and ending on 30 June 2014 (**Performance Period**).

Performance Hurdle

The Performance Rights will vest and become exercisable if the Performance Hurdle is satisfied over the Performance Period in the following circumstances:

- the Performance Hurdle will be met if the Company exceeds the aggregate threshold earnings per share (**eps**) over the Performance Period as set out in the table below;
- one third (1/3) of the Performance Rights will vest and be exercisable if the Company equals the aggregate threshold eps as set out in the table below;
- all of the Performance Rights will vest and be exercisable if the Company equals or exceeds the aggregate range eps as set out in the table below;
- if the Company achieves an aggregate eps greater than the threshold eps but less than the range eps, the number of Performance Rights that will vest and be exercisable will be calculated on a pro rata basis in accordance with the following formula:

$$A = E \times \{ 1/3 + 2/3 [(B - C) / D] \}$$

where:

A = the number of Performance Rights that will vest and become exercisable (rounded down to the nearest whole number)

B = the aggregate actual eps over the Performance Period

C = the aggregate threshold eps

D = the aggregate range eps less the aggregate threshold eps

E = the number of Performance Rights issued to the relevant executive.

Year ended	Threshold eps	Range eps
30 June 2011 (base eps)	48.9	48.9
30 June 2012	53.79	56.235
30 June 2013	59.169	64.67
30 June 2014	65.086	74.371
Aggregate – 3 years to 30 June 2014	178.045	195.276

The Performance Hurdle eps figures have been set on the basis of cumulative annual compounding growth in eps.

The Performance Hurdle threshold is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 10% per annum in respect of eps for the Performance Period.

The Performance Hurdle range is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 15% per annum in respect of eps for the Performance Period.

If an eps figure for a particular year is not achieved, the threshold eps or range eps will still be met if the aggregate eps in the Performance Period is equal to or exceeds the amounts set out in the table above.

For the purposes of assessing satisfaction of the Performance Hurdle, the Board may adjust the Company's eps over the Performance Period for extraordinary, significant or non-recurring items.

Issue Price and Exercise Price

Each Performance Right will be issued to Mr McGregor for no consideration and will have a nil exercise price. If the Performance Right vests it would allow Mr McGregor to exercise the Performance Right and be issued with a Share.

Exercise Period

Once the Performance Rights have become exercisable, Mr McGregor will need to exercise those rights within 12 months from the date on which they vest and become exercisable, or they will lapse and there will be no further entitlement to any Shares. This period may be shortened if Mr McGregor ceases to be employed under certain circumstances and the Performance Rights have not lapsed.

Resolution 6 not dependent on Resolution 4

Resolution 6 is not dependent on the passing of Resolution 4. If Resolution 4 is not passed, the Board may still grant Performance Rights to Mr McGregor pursuant to Resolution 6 assuming Resolution 6 is passed. However, securities issued under the Plan to Mr McGregor would be included in the 15% limit under ASX Listing Rule 7.1.

Directors' Recommendation

Other than Mr Steven McGregor (who is not entitled to make a recommendation) and Mr Alexander Kachellek (who has chosen not to make a recommendation), the directors recommend that shareholders approve the grant of the Performance Rights contemplated by Resolution 6.