

SUNVEST CORPORATION LIMITED

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EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to assist shareholders to more fully understand the reasons for the resolutions that will put to shareholders at the Annual General Meeting to be held on Thursday 22 November 2012.

Please note that the recent changes to the Corporations Act will apply to this Meeting. The changes could effect whether your proxy is able to vote your shares, particularly in relation to Resolution 2.

Shareholders should read the Notice of Meeting and Proxy Form carefully and consider directing your proxy on how to vote on each resolution by placing a cross in the appropriate box either "For" or "Against" on the Proxy Form.

Further details of the changes to the Corporations Act are set out in the Notice of Meeting and Proxy Form dealing with Resolution 2.

Item No. 1

June 2012 annual report

The Company's annual report for the year ended 30 June 2012 is presented to shareholders in accordance with ASX Listing Rules and the requirements of the Corporations Act.

The auditor will be in attendance and the directors will invite discussion on the annual report at the Annual General Meeting.

It is not required and is not intended that a vote be taken on this item of business.

Item No. 2

Resolution No.1

Adoption of Remuneration Report

The Board has submitted its Remuneration Report to shareholders for consideration and adoption by way of a non-binding Advisory Resolution. This resolution is a requirement pursuant to Section 250R of the Corporations Act which requires that shareholders vote on whether or not the Remuneration Report should be adopted.

The Remuneration Report, which is contained in the Directors' Report, sets out the guidelines under which the remuneration of directors and officers is determined.

The directors will invite discussion of the Remuneration Report at the Annual General Meeting.

The Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

This vote is advisory only and the outcome will not be binding on the Board.

Please refer to the above comments concerning proxy voting.

Item No.3

Resolution No. 2

Re-election of Bruce David Burrell as a director

Bruce Burrell is retiring as a director of the Company pursuant to the rotational retirement requirements of clause 116 of the Company's Constitution.

Bruce Burrell, who has been a director since 30 September 1996, is eligible to be re-elected as a director and is standing for re-election.

The directors (Bruce Burrell abstaining) unanimously recommend that you vote in favour of this resolution.

Item No.4

Resolution No. 3

Re-election of Carole Christine Rowan as a director

Carole Rowan is retiring as a director of the Company pursuant to the rotational retirement requirements of clause 116 of the Company's Constitution.

Carole Rowan, who has been a director since 22 October 1990, is eligible to be re-elected as a director and is standing for re-election.

The directors (Carole Rowan abstaining) unanimously recommend that you vote in favour of this resolution.

Item No. 5

Resolution No. 4

Approval of on-market buy-back of shares

The directors recommend that the Company undertake a fifth on-market buy-back of shares of up to 2,188,000 shares over a 12 month period commencing from the date shareholders approve Resolution No. 4 (Fifth Buy-Back)

The **Fifth Buy-Back** if completed in full, will represent approximately 15% of the Company's current issued capital.

The Fifth Buy-Back of up to 15% of issued shares is consistent with the number of shares approved for buy-back in the second, third and fourth buy-backs.

Background

The Company has conducted 4 buy-backs of shares of which the Fourth Buy-Back is still current.

The First Buy-Back was announced to ASX on 15 May 2009, was commenced on 30 May 2009 and closed on 16 November 2009. Under the First Buy-Back a total of 1,674,976 shares were bought back at a total cost of \$448,507 (including brokerage fees), an average of 26.8 cents per share.

Shareholder approval was not required for the First Buy-Back as the maximum number of shares to be bought back was less than 10% of the then issued shares.

All shares purchased under the First Buy-Back were cancelled.

The **Second Buy-Back** of shares was approved by shareholders at the extraordinary general meeting held on 14 January 2010, was announced to ASX on that day and subsequently cancelled by directors on 25 November 2010, being the date the Third Buy-Back was approved by shareholders at the annual general meeting held on that date.

The approval of shareholders under the Second Buy-Back was for 2,413,000 shares being approximately 15% of the then issued shares.

The Company bought back 1,491,967 shares under the Second Buy-Back for a total cost (including brokerage) of \$414,394 an average of 27.8 cents per share.

All shares purchased under the Second Buy-Back were cancelled.

The **Third Buy-Back** of shares, to buy-back up to 2,189,000, shares was approved by shareholders at the annual general meeting held on 25 November 2010 and expired on 22 November 2011.

No shares were purchased under the Third Buy-Back.

The **Fourth Buy-Back** of shares, to buy-back up to 2,188,000 shares, was approved by shareholders at the annual general meeting held on 22 November 2011 and is still current.

To date 5,000 shares have been purchased under the Fourth Buy-Back which will expire on 21 November 2012 unless cancelled earlier by directors.

Legislative framework

Section 257B of the Corporations Act allows an on-market buy-back of shares that falls within the "10/12 limit". This limit refers to 10% of issued capital within a 12 month period.

Where the "10/12 limit" will be exceeded, as is the case with Sunvest Corporation's proposed buy-back, then shareholder approval is required under section 257C of the Corporations Act.

The information contained in this Explanatory Memorandum is provided to shareholders in accordance with section 257C(2), being information that is material to making a decision on how shareholders will vote on the resolution.

Current issued shares of Sunvest

The Company currently has 14,595,929 shares on issue.

15% of the issued shares is 2,189,389 and your directors are proposing a buy-back of up to 2,188,000 shares, being approximately 15% of the issued capital.

Effect if buy-back completed in full

If the company buys back the 2,188,000 shares as now proposed, then the issued shares of the Company would reduce to 12,407,929 shares.

Particulars of the Fifth Buy-Back

If Resolution No.4 is passed, the Company will be able to make offers to buy-back up to 2,188,000 shares at a price not more than 5% above the prevailing market prices over a 12 month period commencing on 22 November 2012 (**Buy-Back Period**).

The Company will make all required announcements to ASX when the buy-back commences, when shares are bought back and when the Fifth Buy-Back expires or is cancelled by directors.

The Company reserves the right to buy-back only some of the 2,188,000 shares or not buy-back any shares at all

During the buy-back period the decision to buy-back shares will be made periodically by directors having regard to cash flows, market prices of shares, expectations of revenue performance and other relevant factors.

The tax implications for a shareholder selling in to the Fifth Buy-Back will be the same as if the shareholder sold their shares on market to a third party. Your directors recommend that shareholders seek expert tax advice prior to proceeding to sell into the buy-back.

Directors do not intend to participate in the buy-back.

Reasons for undertaking the Fifth Buy-Back

The Board believes that the Fifth Buy-Back is a process of capital management, as was the case with the previous buy-backs.

The board believes that the buy-back will result in an improvement in both earnings per share and return on equity for the remaining shareholders.

Funding for the Fifth Buy-Back

The board is of the considered opinion that the Company will be able to finance the Fifth Buy-Back from its cash reserves. The Company will consider the overall liquidity of the Company before undertaking any buy-back of shares.

Financial impact on the Company

Based on the VWAP (“volume weighted average price”) of the most recent sales over 5 days of \$0.30, the proposed Fifth Buy-Back of up to 2,188,000 shares (assuming all 2,188,000 were bought back) would cost the Company \$656,400 (not including brokerage).

It is important to note that the prices to be paid by the Company under the Fifth Buy-Back may occur at prices above or below the VWAP per share, subject to the ASX Listing Rules, depending upon the prevailing market prices at the time of the purchase.

The Board considers that the above \$656,400 estimated expenditure to achieve the buy-back will not result in any material prejudice to the Company’s ability to pay its creditors or otherwise result in the Company becoming insolvent.

There is also a potential ‘interest cost’ related to cash reserves being used to fund the Fifth Buy-Back that could have otherwise been earning interest. The board considers that the potential ‘interest cost’ would be approximately \$40,000 per annum.

Subject to the risks associated with the business and operations of the Company, the board believes that the only material effect on the Company’s financial position as a result of the Fifth Buy-Back will be the ‘interest cost’ referred to above and a reduction in net equity of an amount equal to the expenditure incurred by the Company in undertaking the Fifth Buy-Back.

The reduction in issued shares arising from the fifth Buy-Back would also have the effect of increasing the Company’s earnings per share.

End of Explanatory Memorandum

Shareholders are invited to contact the Company should they have any queries regarding the Annual General Meeting or the proposed resolutions.

They should contact Bruce Burrell at the contact details given on this letterhead.