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**SVC Group Limited**  
**ACN 009 161 522**

**Notice of General Meeting**

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**A General Meeting of the Company will be held  
at Level 5, 56 Pitt Street, Sydney on Tuesday, 12 March 2013  
at 10.30 am (Sydney time) (General Meeting)**

*This Notice of 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.*

***Hall Chadwick has prepared the Independent Expert's Report and has provided an opinion that it believes the Transaction is fair and reasonable to the Shareholders not associated with the Vendors. It is recommended that all Shareholders read the Independent Expert's Report in full.***

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on 02 8823 3174.***

# SVC Group Limited

## Notice of General Meeting

**Notice is hereby given** that a General Meeting of Shareholders of SVC Group Limited (**Company**) will be held at Level 5, 56 Pitt Street, Sydney on Tuesday, 12 March 2013 at 10.30 am (Sydney Time) (**General Meeting**).

The Explanatory Memorandum to this Notice of General Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice of General Meeting.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

## Agenda

### Resolution 1 - Consolidation of Share Capital

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated through the conversion of every 10.6 Shares into 1 Share and that any resulting fractions of a Share be rounded up to the nearest whole number of Shares (such that the existing 147,054,655 Shares on issue be consolidated to approximately 13,873,081 Shares).”*

### Resolution 2 - Issue of Shares to raise capital

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue and allotment of up to 26,000,000 Shares as set out in the Explanatory Memorandum is approved”.*

The reference in this Resolution to 26,000,000 Shares is a reference to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue, any person whose votes on any of Resolutions 4-7 (inclusive) must be disregarded and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any of the Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the 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 3 – Change of Company Name**

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

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), the name of the Company be changed to SubZero Group Limited”.*

This Resolution is a special resolution and can only be passed if at least 75% of the votes cast, in person or by proxy, attorney or representative, by members who are entitled to vote on the resolution, are voted in favour.

### **Resolution 4 – Change in Nature and Scale of the Company’s Activities**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, the acquisition of all of the issued shares in SubZero Holdings Pty Limited and the proposed significant change in the nature and scale of the Company’s activities as set out in the Explanatory Memorandum is approved.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any person whose votes on any of Resolutions 2, 5, 6 and 7 must be disregarded and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the 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 - Issue of Shares to the Farrell Vendors**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, the issue and allotment of:*

- (a) *up to 92,493,480 Consideration Shares; and*
- (b) *up to 10,000,000 Loan Repayment Shares; and*
- (c) *up to 23,123,370 Earnout Shares;*

*to the Farrell Vendors on the terms and conditions set out in the Explanatory Memorandum is approved.”*

The references in this Resolution to Consideration Shares, Loan Repayment Shares and Earnout Shares are references to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Farrell Vendors and any of their respective Associates, any person whose votes on any of Resolutions 2, 4, 6 and 7 must be disregarded and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the 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 - Issue of Shares to the Other Vendors and Selldown Shares Buyers**

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue and allotment of:*

- (a) 27,506,520 Consideration Shares to the Other Vendors; and*
- (b) up to 10,000,000 Loan Repayment Shares to the Other Vendors; and*
- (c) up to 6,876,630 Earnout Shares to the Other Vendors; and*
- (d) up to 33,805,803 Selldown Consideration Shares to the Selldown Shares Buyers,*

*on the terms and conditions set out in the Explanatory Memorandum is approved.”*

The references in this Resolution to Consideration Shares, Loan Repayment Shares, Earnout Shares and Selldown Consideration Shares are references to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Other Vendors and the Selldown Shares Buyers and any of their respective Associates, any person whose votes on any of Resolutions 2, 4, 5 and 7 must be disregarded and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the 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 7 - Issue of Shares to Tandem

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions (other than Resolution 8), for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue and allotment of up to 4,125,000 Shares to Tandem Capital Pty Ltd as set out in the Explanatory Memorandum is approved.”*

The reference in this Resolution to 4,125,000 Shares is a reference to that number of Shares after the Share Consolidation occurs pursuant to Resolution 1.

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Tandem and any Associate of Tandem, any person whose votes on any of Resolutions 2, 4, 5 and 6 must be disregarded and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the 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 8 – Hunter Valley Joint Venture Spin Off – Approval for an equal reduction of capital

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To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, subject to and conditional on the passing of all Resolutions, for the purposes of ASX Listing Rule 11.2, sections 256B and 256C of the Corporations Act 2001 (Cth) and for all other purposes:*

- (a) *the Company’s interest in the Hunter Valley Joint Venture be transferred to SVC Hunter Valley Limited ACN 162 245 776 (“SVCH”) (a wholly-owned subsidiary of the Company incorporated for the purposes of the Spinoff);*
- (b) *the Board of the Company be authorised at its discretion to effect a reduction in the issued share capital of SVC, without cancelling any shares, by an amount equal to the market value (as assessed by the Directors of the Company) of the total issued capital of SVCH on the Spinoff Record Date; and*
- (c) *the reduction be satisfied by the Company making a pro-rata in specie distribution of all the shares held by the Company in SVCH to holders of fully paid ordinary shares in the Company registered as at the Spinoff Record Date on and subject to the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### Short Explanation

Under the Corporations Act, the Company must seek Shareholder approval by ordinary resolution to an equal reduction of capital. Please refer to Section 16 for further details.

## Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person whose votes on any of Resolutions 2, 4, 5, 6 and 7 must be disregarded and any person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed, and any Associates of those persons. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

## By order of the Board

Brett Crowley  
Company Secretary  
Dated: 6 February 2013

## Voting Eligibility

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The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders of the Company on Sunday, 10 March 2013 at 7.00pm (Sydney time).

## Voting in Person

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To vote in person, attend the General Meeting at the time, date and place set out on page 1.

## Voting by Proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return it by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

# Explanatory Memorandum

## 1. Introduction

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This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at Level 5, 56 Pitt Street, Sydney on Tuesday, 12 March 2013 at 10.30 am (Sydney time).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Transaction Summary and relevant considerations for Shareholders
Section 3:	Action to be taken by Shareholders
Section 4:	Interdependence of Resolutions
Section 5:	Resolution 1 – Consolidation of share capital
Section 6:	Resolution 2 – Issue of Shares to raise capital
Section 7:	Resolution 3 – Change of Company Name
Section 8:	Resolution 4 – Change in the Nature and Scale of Activities of the Company
Section 9 to 13:	Resolution 5 – Issue of Shares to the Farrell Vendors
Section 14	Resolution 6 – Issue of Shares to the Other Vendors and Selldown Shares Buyers
Section 175	Resolution 7 – Issue of Shares to Tandem
Section 16:	Resolution 8 – Hunter Valley Joint Venture Spinoff
Schedule 1:	Definitions
Annexure A:	Independent Expert's Report

## 2. Transaction Summary and Relevant Considerations for Shareholders

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### 2.1 Purchase Agreement

On 14 December 2012, SVC entered into a share sale and purchase agreement (**Purchase Agreement**) with the Vendors in relation to the acquisition of all of the issued shares in SubZero Holdings Pty Limited (**SubZero Holdings**).

SubZero Holdings and its controlled entities (**SubZero Group**) provides maintenance and engineering solutions to the mining and resources sector. Further information on the SubZero Group's business operations is set out in sections 7.1 to 7.5 of the Independent Expert's Report in Annexure A to this Explanatory Memorandum.

Pro forma Consolidated Profit and Loss Statements of the SubZero Group for the financial years ended 30 June 2011 and 30 June 2012 together with forecast financial performance for the financial year ending 30 June 2013 and a Pro forma Consolidated Balance Sheet as at 30 June 2012 are set out in section 7.6 of the Independent Expert's Report.

Under the Purchase Agreement, SVC will acquire 100% of the issued shares in SubZero Holdings immediately prior to completion, being 39,046,575 fully paid ordinary shares. The consideration for the purchase consists wholly of the issue of Shares. Prior to the issue of the Shares, (subject to the approval of Shareholders) a consolidation of the existing Shares will take place to reduce the number of Shares on issue from 147,054,655 to approximately 13,873,081. The consideration for the acquisition will be in two parts:

- (a) the issue of 120 million Shares (**Consideration Shares**) at an issue price of 25c per Share on completion of the Purchase Agreement (representing approximately 3.07326 Consideration Shares for each share in SubZero Holdings acquired by SVC); and
- (b) the issue of between 15 million Shares and 30 million Shares at an issue price of 35c per Share (**Earnout Shares**) contingent upon the satisfaction of the earnings requirements during the financial year ending 30 June 2014 outlined in Section 2.3 below.

Completion of the Purchase Agreement is subject to the satisfaction or waiver in accordance with the Purchase Agreement of various conditions precedent. They include:

- (a) the completion of the SubZero Group Equity Restructure (this restructure was completed on 31 December 2012);
- (b) all the Resolutions (other than Resolution 8) being passed at the General Meeting;
- (c) completion of the capital raising under the Offer (see Section 2.6 for further details);
- (d) SVC obtaining all necessary regulatory approvals required in connection with the Transaction, including confirmation by ASX that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (see Section 8 for further details);
- (e) SVC having cash at bank or on deposit of not less than \$4,500,000 (after payment of all costs and expenses associated with the Transaction) at Completion;
- (f) SVC having no liabilities at Completion; and.
- (g) the release or discharge of the Cross Guarantees (see Section 2.2 for further details).

The Purchase Agreement includes:

- (a) an acknowledgement by the Vendors and SVC that ASX may require that some or all of the Consideration Shares to be issued to them be classified as ASX Restricted Securities for such escrow period as ASX specifies; and
- (b) an undertaking by each Vendor that it will enter into a restriction agreement in the form of Appendix 9A of the ASX Listing Rules in respect of the Consideration Shares to be issued to it which are classified as ASX Restricted Securities for such escrow period as ASX specifies.

In addition, each Vendor has agreed to a voluntary escrow of 80% of the Consideration Shares to be issued to it for 12 months from their issue date and 40% of them for a further 12 months from their issue date. (less any of their Consideration Shares which are classified as Restricted Securities for an escrow period equal to or greater than 12 months and 24 months from their issue date respectively) – see Section 2.5 for further details.



Subject to the satisfaction or waiver of the conditions precedent (other than those which cannot be waived), it is presently anticipated that Completion will occur on or around 26 March 2013.

## 2.2 Selldown Shares

Under the Purchase Agreement, until not later than 3 Business Days before completion of that Agreement, SubZero Services (one of the Vendors) is entitled to enter into contracts to sell up to 11,000,000 of its shares in SubZero Holdings (**Selldown Shares**) to one or more Exempt Investors (each a **Selldown Shares Buyer**) on the following conditions (amongst others):

- (a) completion of the sale of the Selldown Shares under each such contract (**Selldown Completion**) is conditional on the satisfaction or (if applicable) waiver of all the conditions precedent to Completion ;
- (b) beneficial ownership of the Selldown Shares will pass to the Selldown Shares Buyer upon Selldown Completion and SubZero Services will remain as the registered holder of the Selldown Shares at Selldown Completion;
- (c) SubZero Services is, as agent of the Selldown Shares Buyer, entitled to agree to transfer and complete the transfer of all the Selldown Shares Buyer's right, title and interest in the Selldown Shares agreed to be acquired by it to SVC in consideration for the issue of the number of Consideration Shares which equals the number of Selldown Shares multiplied by 3.07326 (rounded up or down to the nearest whole number) (**Selldown Consideration Shares**) and otherwise on the same terms and conditions (other than the giving of a warranty that it is, or at Completion will be, the beneficial owner of the Selldown Shares) as it has agreed to sell all of its other shares in SubZero Holdings to SVC under the Purchase Agreement; and
- (d) the acquisition of the Selldown Consideration Shares will not cause the Selldown Shares Buyer or any of its Associates to contravene the "takeover" prohibition in section 606(1) of the Corporations Act.

If any Selldown Shares are agreed to be sold by SubZero Services on the basis outlined above, at Completion SVC must issue the relevant number of Selldown Consideration Shares to each Selldown Shares Buyer as set out in a direction given to SVC by SubZero Services prior to Completion.

The permitted maximum number of Selldown Shares is 11,000,000. This equates to approximately 28.17% of the total number of shares in SubZero Holdings which will be on issue (and held by the Vendors) immediately prior to Completion (namely, 39,046,575 shares). Accordingly, the maximum number of Selldown Consideration Shares that may be issued is approximately 33,805,803.

On Completion and the issue of the Consideration Shares to the Vendors (and, if applicable, to the Selldown Shares Buyers), SVC will own 100% of the issued shares in SubZero Holdings.

The sale of the Selldown Shares on the basis outlined above will allow SubZero Services to apply the net sale proceeds to reduce the indebtedness of one or more private entities associated with Scott Farrell to their external financier, the repayment of which is guaranteed by one or more entities in the SubZero Group (either alone or jointly and severally with other parties) (**Cross Guarantees**) and supported by a charge over some or all of their assets and/or the shares or other equity interests of some or all of the Vendors in one or more entities in the SubZero Group, including SubZero Holdings. The reduction in this indebtedness will facilitate the release or discharge of the Cross Guarantees and these supporting charges at or prior to Completion. As noted in Section 2.2, the release or discharge of the Cross Guarantees is one of the conditions precedent to Completion.

Under the permitted conditions of sale of the Selldown Shares outlined above, SubZero Services is authorised to transfer beneficial ownership of them to SVC at Completion. SVC will acquire 100% of the issued shares in SubZero Holdings at Completion whether or not SubZero Services sells any Selldown Shares prior to Completion.

### 2.3 Earnout Shares

Earnout Shares will be issued to the Vendors if, and only if, the Adjusted EBIT of the SubZero Group is at least \$16,000,000 in the financial year ending 30 June 2014 (**FY 2014**).

The Adjusted EBIT range bands together with the corresponding number of Earnout Shares that may be issued are detailed in the table below.

Adjusted EBIT	Number of Earnout Shares
\$16,000,000 to \$16,999,999	15,000,000
\$17,000,000 to \$17,999,999	18,000,000
\$18,000,000 to \$18,999,999	21,000,000
\$19,000,000 to \$19,999,999	24,000,000
\$20,000,000 and above	30,000,000

The calculation period for the Earnout is FY 2014. If the Adjusted EBIT for FY2014 falls within one of the Adjusted EBIT range bands above, the corresponding number of Earnout Shares will be issued to the Vendors in the same proportions as they are entitled to receive the Consideration Shares (see the table in Section 10 for further details).

The Selldown Shares Buyers are not entitled to receive any Earnout Shares. SubZero Services will receive the same number of Earnout Shares which it would be entitled to receive had it not sold any of its shares in SubZero Holdings to the Selldown Shares Buyers.

As indicated above, the maximum number of Earnout Shares that can be issued to the Vendors is 30 million.

The SubZero Group has not provided forecast earnings for FY 2014. However, the Independent Expert has estimated that there is a 50% probability of achieving the minimum Adjusted EBIT target of between \$16 million and \$17 million in FY 2014 (see section 11.5.2 of the Independent Expert's Report). The achievement of this minimum Adjusted EBIT target would result in the issue of 15 million Earnout Shares.

### 2.4 Loan Repayment Shares

In addition, SVC will issue Shares to the relevant Vendors at an issue price of 25c per Share in satisfaction of the outstanding net loan amounts owing to them by any member of the SubZero Group at Completion (**Loan Repayment Shares**). The loans are interest free. The value of the Loan Repayment Shares to be issued upon Completion will be the lesser of \$2.5 million and the total amount of the Vendors' net loans outstanding at Completion. Accordingly, the maximum number of Loan Repayment Shares that may be issued is 10 million Shares at an issue price of 25c per Share.

SVC has been advised by management of the SubZero Group that as at 8 January 2013, the total net loan amounts owing to the Vendors is \$2,448,231. The following table shows the net amount owing to the relevant Vendors as at that date and the corresponding number of Loan Repayment Shares that would be issued to them in satisfaction of those amounts. Whilst these amounts (and therefore the number of Loan Repayment Shares to be issued) may vary

before Completion, management of the SubZero Group has advised SVC they are unlikely to do so.

Vendor	Amount outstanding \$	Loan Repayment Shares to be issued
Value Add Property Investments Pty Ltd ACN 110 853 300 (as trustee for the Farrell Investment Trust ABN 24 558 337 890) (FIT Trustee)	124,439	497,756
Butler-Jones Project Management Pty Ltd ACN 103 180 409 (as trustee for the McTaggart Family Trust ABN 78 931 455 334)	264,331	1,057,324
Carlie Sherie Watson (as trustee for the Watson Family Trust ABN 64 180 762 922)	460,270	1,841,080
Pebede Pty Ltd ACN 134 603 384 (as trustee for the Dacruz Family Trust ABN 47 532 580 085)	425,266	1,701,064
Diesel and Plant Services Pty Ltd ACN 126 454 313 (as trustee for the DPS Trust ABN 87 825 596 410)	694,569	2,778,276
Turbot Investments Pty Limited ACN 110 265 515 (as trustee for the Fat Sam Trading Trust ABN 34 300 997 630)	479,356	1,917,424
<b>Total</b>	<b>\$2,448,231</b>	<b>9,792,924</b>

## 2.5 Restricted Securities

As mentioned in Section 2.1, the Purchase Agreement includes:

- (a) an acknowledgement by the Vendors and SVC that ASX may require that some or all of the Consideration Shares to be issued to them be classified as ASX Restricted Securities for such escrow period as ASX specifies; and
- (b) an undertaking by each Vendor that it will enter into a restriction agreement in the form of Appendix 9A of the ASX Listing Rules in respect of the Consideration Shares to be issued to it which are classified as ASX Restricted Securities for such escrow period as ASX specifies.

In addition, each Vendor has agreed to enter into a voluntary restriction agreement with the Company in relation to up to 80% of the Consideration Shares which are issued to it at Completion (**Voluntary Restricted Securities**).

Under these voluntary restriction agreements, the Vendors agree, subject to certain limited exceptions, not to deal in:

- 80% of their Voluntary Restricted Securities for a period of 12 months from their issue date (less any of their Consideration Shares which are ASX Restricted Securities for an escrow period equal to or greater than 12 months from their issue date); and

- 40% of their Voluntary Restricted Securities for a period of 24 months from their issue date (less any of their Consideration Shares which are ASX Restricted Securities for an escrow period equal to or greater than 24 months from their issue date).

The purpose of these voluntary escrow arrangements is to align the interests of the Vendors with all other Shareholders and to promote an orderly market for the Shares following completion of the Transaction.

The total number of Consideration Shares to be issued to each Vendor at Completion is set out in column 2 of the table in Section 10. The number of Consideration Shares to be issued to SubZero Services will be reduced under the arrangements relating to the Selldown Shares outlined in Section 2.2. If the maximum number of Loan Repayment Shares, Offer Shares and Tandem Shares are issued, no Selldown Consideration Shares are issued and none of the Consideration Shares is an ASX Restricted Security, the total number of Voluntary Restricted Securities subject to escrow for an initial escrow period of 12 months will represent approximately 55.17% of the total Shares on issue following completion of the Transaction.

The restriction on "dealing" is broadly defined and includes, among other things, disposing of, or agreeing or offering to dispose of, any of the Voluntary Restricted Securities or any legal, beneficial or economic interest in any of the Restricted Voluntary Securities or creating, or agreeing or offering to create, any security interest in any of the Voluntary Restricted Securities during the abovementioned escrow periods.

During the escrow periods, the Vendors may deal in any of their Voluntary Restricted Securities if the dealing arises solely as a result of:

- acceptance of a bona fide takeover offer for all of the Shares made under Chapter 6 of the Corporations Act, provided that the holders of at least half of the non-escrowed Shares have accepted the takeover offer;
- the transfer or cancellation of Shares as part of a scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act; or
- a dealing required by applicable law (including an order of a court of competent jurisdiction).

During the applicable escrow periods, the Vendors may also grant a security interest in any of their Voluntary Restricted Securities which secures financial accommodation made available, or agreed to be made available, to the Vendor or any third party before 14 December 2012 the payment of which is secured by a charge over all or any of their shares in SubZero Holdings acquired by the Company or equity interests in any member of the SubZero Group owned by them prior to completion of the SubZero Group Equity Restructure (**Permitted Security Interest**).

The voluntary restriction agreements will **not** restrict the voting or dividend rights attaching to the Voluntary Restricted Securities nor the right to receive or participate in other forms of distributions or issues of equity interests made by the Company, including in-specie distributions, capital returns and entitlement issues, attaching to the Voluntary Restricted Securities.

ASIC has modified section 609 of the Corporations Act so that the Company will not have a relevant interest in the Voluntary Restricted Securities for the purposes of the takeover provisions in Chapter 6 of the Corporations Act merely because it will have power to control the disposal of the Voluntary Restricted Securities under the voluntary restriction agreements. This modification does not apply to the substantial holding requirements in Chapter 6C of the Corporations Act.

Under the escrow conditions attaching to ASX Restricted Securities, during the applicable escrow periods a Permitted Security Interest may not be created in the ASX Restricted Securities and the holder of them will not be entitled to participate in any return of capital made by the Company.

## 2.6 Capital Raising

In order to assist the funding of the development and expansion of SVC after the acquisition of SubZero Holdings, an offer of not less than 18 million and not more than 26 million Shares at an issue price of 25c per Share under a prospectus (**Offer**) is proposed to raise a minimum of \$4.5 million and a maximum of \$6.5 million (before issue costs). Further details of this capital raising, including the proposed use of the funds raised, are set out in Section 6.

## 2.7 Change of Name

As the SubZero business will be the main undertaking of the Company after Completion, it is proposed that the name of the Company be changed to SubZero Group Limited (see Section 8 for further details).

## 2.8 Tandem Shares

The Company has entered into a corporate advisory agreement with Tandem (**Tandem Corporate Advisory Agreement**) under which Tandem has agreed to provide various services to the Company, principally comprising the introduction of the SubZero Group, assistance in the negotiation of the terms of the SubZero Acquisition with the Vendors, the management of the SubZero Acquisition, the briefing of the Independent Expert and the marketing and management of the Offer.

The fees payable by SVC to Tandem for the provision of its services under the Tandem Corporate Advisory Agreement include a completion fee of \$1,031,250 (plus GST) which will be paid or satisfied at Completion by either the issue of 4,125,000 Shares at an issue price of 25c per Share (**Tandem Shares**) or a mixture of cash up to the maximum sum of \$200,000 (plus GST) and the issue of such number of Shares as equals the balance of the completion fee divided by the issue price of 25c per Share. Further details of the Tandem Corporate Advisory Agreement are set out in Section 15.

## 2.9 Capital structure following the proposed issue of Shares (post consolidation)

The following table shows the effect on the issued share capital of SVC after completion of the Transaction based on the alternative scenarios indicated:

Effect on issued Shares	No. of Shares
Shares currently on issue (pre-consolidation)	147,054,655
Balance after consolidation of current Shares	13,873,081
Consideration Shares to be issued after the General Meeting*	120,000,000
Maximum number of Loan Repayment Shares to be issued to the Vendors after the General Meeting	10,000,000
Maximum number of Offer Shares to be issued pursuant to Resolution 2	26,000,000
Maximum number of Tandem Shares to be issued pursuant to Resolution 7	4,125,000
Balance after issue of the maximum number of Consideration, Loan Repayment, Offer and Tandem Shares	173,998,081
Maximum number of Earnout Shares which could be issued to the Vendors	30,000,000
<b>Balance after issue of the Consideration, Loan Repayment, Offer, Tandem and Earnout Shares</b>	<b>203,998,081</b>

- \* the Vendors have agreed to transfer 4,500,000 Consideration Shares to Corso Management (or its nominee) in consideration for the provision by it of corporate advisory services to the Vendors in connection with the Transaction.
- \* up to approximately 33,805,803 Consideration Shares may be issued to the Selldown Shares Buyers – see Section 2.2 for further details.

## 2.10 Collective Shareholdings and voting control of the Vendors

The following table shows the collective Shareholdings and voting power of the Vendors after completion of the Transaction based on the alternative scenarios indicated:

	<b>Number of Shares on issue after Share Consolidation</b>	<b>Total number of Shares on issue after issue of Consideration Shares, the minimum number of Offer Shares and maximum number of Loan Repayment and Tandem Shares</b>	<b>Total number of Shares on issue after issue of Consideration Shares and the maximum number of Loan Repayment Shares, Offer Shares and Tandem Shares</b>	<b>Total number of Shares on issue after the issue of the Shares in column 4 and the maximum number of Earnout Shares</b>
Total number of issued Shares	13,873,081	165,998,081	173,998,081	203,998,081
Shareholdings of Vendors with no Selldown Consideration Shares*	Nil	130,000,000	130,000,000	160,000,000
Voting power of Vendors**	Nil	78.31%	74.71%	78.44%
Shareholdings of Vendors with maximum number of Selldown Consideration Shares	Nil	96,194,197	96,194,197	126,194,197
Voting power of Vendors**	0%	57.95%	55.29%	61.86%

\* up to approximately 33,805,803 Selldown Consideration Shares may be issued – see Section 2.2 for further details.

\*\* the collective voting power of the Vendors shown above is illustrative only. As noted in Section 9, only the voting power of each of the Farrell Vendors is to be aggregated for the purposes of the takeover provisions of the Corporations Act.

\*\* the voting power of each Vendor shown above is based on the assumption that none of the Vendors acquires any Offer Shares.

## 2.11 Historical and Pro- Forma Balance Sheets

Set out in the table below are summary historical Consolidated Balance Sheets for SVC and the SubZero Group respectively as at 30 June 2012 and summary Pro Forma Consolidated Balance Sheet for the Company assuming the acquisition of SubZero Group and completion of the Offer occurred on 30 June 2012 adjusted for other material events that have occurred subsequent to 30 June 2012 as detailed in the notes below.

	Historical Consolidated Balance Sheet 30 June 2012 <sup>(1)</sup> SVC	Pro-Forma Consolidated Balance Sheet 30 June 2012 <sup>(2)</sup> SubZero	Pro-Forma Consolidated Balance Sheet Minimum Subscription (3), (4)	Pro-Forma Consolidated Balance Sheet Maximum Subscription (3), (4)
<b>Current Assets</b>				
Cash assets <sup>(5)</sup>	1,117,762	329,514	5,163,155	7,061,355
Trade and other receivables	-	16,173,689	16,173,689	16,173,689
Other current assets	49,039	304,210	353,249	353,249
	<b>1,166,801</b>	<b>16,807,413</b>	<b>21,690,093</b>	<b>23,588,293</b>
<b>Non-Current Assets</b>				
Plant and equipment	-	18,534,158	18,534,158	18,534,158
Inventory	--	577,411	577,411	577,411
Work-in-progress	-	843,171	843,171	843,171
	-	19,954,740	19,954,740	19,954,740
<b>Total Assets</b>	<b>1,166,801</b>	<b>36,762,153</b>	<b>41,644,833</b>	<b>43,543,033</b>
<b>Current Liabilities</b>				
Trade and other payables	281,503	6,673,318	6,754,821	6,754,821
Borrowings	-	6,054,198	6,054,198	6,054,198
Other creditors and accruals	-	4,367,929	4,367,929	4,367,929
	<b>281,503</b>	<b>17,095,445</b>	<b>17,176,948</b>	<b>17,176,948</b>
<b>Non-current Liabilities</b>				
Borrowings	-	4,006,094	1,506,094	1,506,094
Interest bearing liabilities	-	16,761,496	16,761,496	16,761,496
	-	20,767,590	18,267,590	18,267,590
<b>Total Liabilities</b>	<b>281,503</b>	<b>37,863,035</b>	<b>35,444,538</b>	<b>35,444,538</b>
<b>Net Assets</b>	<b>885,298</b>	<b>(1,100,882)</b>	<b>6,200,295</b>	<b>8,098,495</b>
<b>Equity</b>				
Issued capital <sup>(6)</sup>	46,737,104	556,318	6,891,234	8,784,295
Reserves	493,152	-	-	-
Accumulated losses	(46,345,980)	(1,657,200)	(690,939)	(685,800)
<b>Parent Interest</b>	<b>884,276</b>	<b>(1,100,882)</b>	<b>6,200,295</b>	<b>8,098,495</b>
Minority Interest	1,022	-	-	-
<b>Total Equity</b>	<b>885,298</b>	<b>(1,100,882)</b>	<b>6,200,295</b>	<b>8,098,495</b>

**Notes:**

- Column 1 represents the historical Consolidated audited Balance Sheet of SVC as at 30 June 2012.
- Column 2 represents the Pro Forma Historical Consolidated Balance Sheet of SubZero Group as at 30 June 2012 based on audited balance sheets of each of the entities in the SubZero Group (other than two 74% owned entities which were acquired by SubZero Holdings in April 2012), assuming that the SubZero Group Equity Restructure was completed on 30 June 2012.

3. Columns 3 and 4 represent the Pro forma Consolidated Balance Sheet of SVC assuming:
- the acquisition of 100% of the issued capital of SubZero Holdings by SVC on 30 June 2012, and the repayment of \$2.5 million in borrowings by the SubZero Group through the issue of 10 million Loan Repayment Shares (see Section 2.4). Under the reverse acquisition accounting standard requirements, the consolidated financial statements of the legal parent (SVC) are presented as a continuation of the financial statements of the private operating entity (SubZero Group);
  - the Minimum Subscription of \$4.5 million (column 3) and the Maximum Subscription of \$6.5 million (column 4) respectively less estimated associated costs to be satisfied in cash of \$587,721 and \$689,521 respectively. Cash costs of the Offer have been allocated as \$442,645 and \$549,584 respectively to contributed equity relating to the issue of Shares and \$145,076 and \$139,937 respectively to accumulated losses. Cash costs of the Offer only include \$200,000 of Tandem Capital's total corporate advisory fees of \$1,031,250, which may be satisfied:
    - through the issue of 4,125,000 Shares at the Issue Price; or
    - a combination of cash fees to a maximum of \$200,000 with the balance to be satisfied through the issue of Shares at the Issue Price. It is assumed that the maximum cash fee is paid with the balance satisfied through the issue of Shares – see Section 2.8 for further details. Further details of the purpose of the Offer and use of proceeds are set out in Section 6.
4. Other pro forma adjustments included in Columns 3 and 4 to account for material events occurring subsequent to 30 June 2012 include the following:
- On 28 November 2012, SVC issued 2,272,728 (pre-consolidation) Shares at an issue price of \$0.022 to AND Technologies Pty Limited. The issue represented the partial repayment of \$50,000 of a total debt of \$200,000.
  - On 4 December 2012, SVC completed the disposal of its interest in its Zambian mining interests by an in specie distribution to its shareholders of all the shares it held in a subsidiary. The distribution resulted in a reduction in SVC's capital of \$113,400.
  - On 7 December 2012, SVC issued 7,142,858 (pre-consolidation) Shares at an issue price of \$0.021 to AND Technologies Pty Limited. The issue represented the final repayment of \$150,000 to extinguish the debt.
  - On 14 December 2012, SVC announced that it would, subject to shareholder approval, dispose of its interest in its Hunter Valley Joint Venture by way of an in specie distribution to its shareholders. The distribution is expected to result in a reduction in SVC capital of \$83,000 – see Section 16 for further details.
5. Cash assets comprise the following:

	Minimum Subscription	Maximum Subscription
Cash balance from SVC	1,117,762	1,117,762
Cash balance from SubZero	329,514	329,514
<b>Cash assets as at 30 June 2012</b>	<b>1,447,276</b>	<b>1,447,276</b>
Expenses incurred on discontinued operations in SVC	(196,400)	(196,400)
Offer proceeds	4,500,000	6,500,000
Offer costs	(587,721)	(689,521)
<b>Cash as per pro forma balance sheets</b>	<b>5,163,155</b>	<b>7,061,355</b>

6. Issued capital is calculated as follows:

	Minimum Subscription		Maximum Subscription	
	No. of Shares	\$	No. of Shares	\$
Number of shares currently on issue (pre-consolidation)	147,054,655	46,740,704	147,054,655	46,740,704
Capital structure following consolidation (1:10.6)	13,873,081	46,740,704	13,873,081	46,740,704



	Minimum Subscription		Maximum Subscription	
	No. of Shares	\$	No. of Shares	\$
<i>SubZero transaction:</i>				
Shares issued to SubZero Vendors/Selldown Shares Buyers	130,000,000	2,277,561	130,000,000	2,277,561
Shares issued to Tandem	4,125,000		4,125,000	
Reverse acquisition accounting entry		(46,184,386)		(46,184,386)
<b>Total Shares on issue post transaction</b>	<b>147,998,081</b>	<b>2,833,879</b>	<b>147,998,081</b>	<b>2,833,879</b>
<i>Fundraising:</i>				
Capital Raising	18,000,000	4,500,000	26,000,000	6,500,000
Offer costs		(442,645)		(549,584)
<b>Total Shares issued post transaction and Offer</b>	<b>165,998,081</b>	<b>6,891,234</b>	<b>173,998,081</b>	<b>8,784,295</b>

## 2.12 Rationale for the SubZero Acquisition

Following the reinstatement of the Shares on the ASX following a capital raising of \$1,700,000 undertaken by the Company in May 2012, the Company's assets comprised its interest in a joint venture with Coast and Country Developments Pty Limited and its shares in Zambia Resource Ventures Pty Ltd (which has since been disposed of to Shareholders by way of an in specie distribution and capital reduction). Neither of these investments produced income for the Company and the Board considered they were unlikely to create Shareholder value in the foreseeable future.

Accordingly, the Board decided to explore new business opportunities. For the reasons outlined in Section 2.13 below, the Board considers that the SubZero Acquisition represents a significant investment opportunity for the Company and its Shareholders which has the potential to increase Shareholder value.

Subject to completion of the SubZero Acquisition and associated capital raising and to Shareholder approval (under Resolution 8), the Company will dispose of its joint venture interest on the basis outlined in Section 16.

## 2.13 Advantages of the SubZero Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1-7 (inclusive) relating to the approval and implementation of the Transaction:

- (a) the SubZero Acquisition represents a significant investment opportunity for the Company to diversify its interests;
- (b) the Company will acquire a profitable new business which has the potential to increase Shareholder value and provide the Company with a viable future business;
- (c) the Company will increase its scale and become a leading mining services provider to the coal industry and resources sector in the Hunter Valley region in New South Wales;

- (d) the Transaction includes a significant capital raising that will provide the necessary working capital to facilitate the continued growth of the merged operations of the Company and SubZero;
- (e) the Board considers that the current board and management team of SubZero possess the experience and skills required to successfully expand the Company;
- (f) the Company has limited capital and income producing assets to continue without the SubZero Acquisition and associated capital raising and will have difficulty in creating significant long-term value for Shareholders in its current state; and
- (g) the Transaction will increase the market capitalisation of the Company and should increase the liquidity of the Shares. The voluntary escrow arrangements relating to a proportion of the Shares to be issued to the Vendors outlined in Section 2.5 may impact liquidity – see the liquidity and realisation risk factor outlined in Section 2.15 below.

#### 2.14 Disadvantages of the SubZero Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1-7 (inclusive) relating to the approval and implementation of the Transaction:

- (a) the SubZero Acquisition will result in a change in the nature and scale of the Company's activities, which may not be consistent with the objectives of all Shareholders;
- (b) following completion of the SubZero Acquisition, the Vendors will collectively be the largest Shareholders of the Company and they and Scott Farrell will have the ability to significantly influence or control the Company (see Sections 2.10 and 10 for further details);
- (c) the SubZero Acquisition and the associated issue of Shares under the Offer will have a significant dilutionary effect on the shareholdings of the Shareholders;
- (d) the Transaction may potentially reduce the likelihood of a takeover bid being made for the Company as a result of the controlling interest that the Farrell Vendors and Scott Farrell will have after Completion;
- (e) more Shares on issue in the Company may result in greater volatility of trading in the Shares; and
- (f) there are inherent risks associated with the SubZero Acquisition. Some of these risks are outlined in Section 2.15 below.

#### 2.15 Risk Factors

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company. Some of the key investments risks that the Company is exposed to if the SubZero Acquisition proceeds are set out below.

- **Competition.** The thermal coal mining services market in the Hunter Valley region and New South Wales is characterised by a number of medium sized companies and numerous small, independent companies. These companies may have the financial and technical capability to increase their competitiveness. New competitors may also emerge. Increased competition could make it more challenging for SubZero to continue to obtain engagements on similar terms to its existing arrangements. Despite SubZero's demonstrated ability to compete effectively in Hunter Valley mining services market the competitive nature of the sector means that there can be no assurance that SubZero

will be able to continue to compete successfully against current or future competition. Increased competition from new and existing competitors may have an adverse effect on the operating and financial performance and/or financial position of SubZero.

- **Loss of revenue from key clients.** SubZero relies upon relationships with a number of clients within the coal mining industry and related industries in order to deliver its revenue and profit performance. Although SubZero has over 90 clients, it is currently reliant on a small number of key clients for the majority of its total revenue and profitability. In FY2012, SubZero derived 63% of its revenue from its top 5 clients (all top tier mining companies) with its most significant client accounting for 20.8% of revenue. As there are relatively limited opportunities to seek significant levels of alternative work in the Hunter Valley region, if one or more of those clients do not continue to award work to SubZero or award less work to SubZero, its ability to continue to sustain its revenue streams could be significantly impacted. These key clients may generally award less work due to a downturn in the resources industry or because of reduced or delayed operational plans. Key clients may also award less work to SubZero if they are not satisfied with SubZero's performance under its contracts. They may also award less work to SubZero if more cost effective services can be sourced.
- **Early termination of customer contracts and other contractual risks.** Most of SubZero's contracts, namely framework agreements or master services agreements and/or the underlying purchase orders, can generally be terminated by the customer at short notice and with minimal financial compensation. If one of SubZero's key clients terminates such a contract for convenience, then SubZero will cease work on the relevant project and, in the case of a framework agreements or master services agreement being terminated, it will not receive any further purchase orders under that agreement and current purchase orders will cease. A customer's termination of, or default under, a contract, could result in a loss of expected revenues, and possibly additional expenses. In the case of termination, SubZero may be entitled to some compensation where it has commenced work on a particular work order or project contract. Accordingly, the termination of, or default under, a contract by any of SubZero's clients could have an adverse effect on SubZero's business, financial performance and/or financial position.
- **Coal industry risk.** SubZero's business is sensitive to the performance of companies in the Hunter Valley and broader NSW thermal coal sector, which in turn directly relates to coal demand and coal prices. Domestic and international economic conditions, especially those in key export markets such as Japan, China and India, may influence coal demand and coal prices. The level of activity in the industry can be cyclical and sensitive to a number of factors beyond the control of the SubZero. Any sustained decline in worldwide demand for coal could result in a noticeable decrease or delay in the development of new coal mining projects and related infrastructure in NSW which could detrimentally affect SubZero's future growth and profitability profile. There is also risk that unforeseen disruption to major coal infrastructure, such as rail and/or port loading facilities, could be encountered by clients, which could impact clients' production levels.
- **Reduction in outsourcing.** SubZero's growth depends on its clients continuing to outsource mining services requirements. If there is a decline in outsourcing in the NSW coal industry, this may negatively impact SubZero's future revenue and profitability, as well as its prospects for growth.
- **Reliance on Key Personnel.** SubZero's business development has been, and is likely to continue to be, largely dependent upon the expertise and effectiveness of its senior management. In addition, mining and infrastructure services firms and resources companies compete to attract and retain operational personnel such as engineers, mechanics, fitters and electricians. SubZero's ability to maintain its growth trajectory is dependent on its ability to attract and retain sufficient skilled personnel to meet the anticipated levels of client demand.

- **Occupational Health & Safety.** The mining services industry involves the provision of services to clients who engage in high risk activities. SubZero's personnel work both on client's mine sites and in SubZero's workshops and this exposes them to potential workplace accidents, which could result in serious injury or death. Site safety and occupational health and safety outcomes are a critical element in the reputation of SubZero and the ability to secure and maintain contracts in the mining services industry. While SubZero has a strong record in achieving high quality safety performance at its own workshops and at clients' mine sites, and has implemented a safety management system acceptable to all major clients, a serious site safety incident may adversely affect SubZero's ability to secure and maintain contracts and its financial performance.
- **Liquidity and Realisation.** There is no guarantee that an active market for the Shares will develop once the Shares are re-quoted on ASX. Following re-quotations, the Vendors will hold 78% of the Shares, which will also impact on liquidity. As mentioned in Section 2.5, each of the Vendors will enter into voluntary escrow arrangements so that 80% of their Consideration Shares will be restricted for a period of 12 months from their issue date and 40% of their Consideration Shares will be restricted for a period of 24 months from their issue date. The absence of any sale of Shares by the Vendors during this escrow period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. Following release from escrow, the Shares held by the Vendors will be able to be freely traded on ASX. A significant sale of Shares by any one of the Vendors, or the perception that such sales have occurred or might occur, could adversely affect the price of Shares.

#### **Re-Quotation of Shares on ASX**

As the SubZero Acquisition constitutes a significant change in the nature and scale of the Company's activities, the Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of the ASX. Trading in the Shares will be suspended on the ASX from the day of the General Meeting until ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. (see Section 8 for further details).

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

#### **Contractual risk – Purchase Agreement**

As noted in Section 2.1, completion of the SubZero Acquisition is subject to the satisfaction of various conditions precedent, including confirmation by ASX that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

If the SubZero Acquisition is not completed, SVC will incur third party costs relating to advisors and other costs, without any material benefit being achieved and, under certain circumstances, SVC would be required to pay to the SubZero Vendors the amount equal to the preparatory costs incurred by the Vendors or \$150,000, whichever is the lesser.

#### **Economic conditions**

The financial performance and value of the Company may be influenced by various economic factors such as commodity prices, inflation, interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, exchange rate fluctuations and acts of terrorism.

## 2.16 Future of the Company if the Transaction is not approved by Shareholders

If Resolutions 1 – 7 are not passed and the Transaction does not proceed:

- (a) the Company's sole asset will be its interest in the joint venture with Coast and Country Developments Pty Limited which does not produce income for the Company and is unlikely to create Shareholder value in the foreseeable future;
- (b) the Company will have limited cash resources and growth opportunities;
- (c) the Shares may be suspended from quotation on the ASX; and
- (d) the Board will need to explore alternatives to expand the Company and increase Shareholder value.

## 2.17 Recommendations of the Directors

Based on the information available, including that contained in this Explanatory Memorandum and the Independent Expert's Report and the advantages and disadvantages outlined above, all of the Directors consider that SubZero Acquisition is in the best interests of the Company and its Shareholders and recommend that Shareholders vote in favour of Resolutions 1- 7.

## 2.18 Independent Expert's Report

The Independent Expert, Hall Chadwick, has concluded that the proposed Transaction is fair and reasonable to the non-associated Shareholders – see Section 12 for further details.

The Board strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure A to this Explanatory Memorandum.

## 2.19 Costs of the Transaction

It is estimated that approximately \$1,420,800 (based on the Minimum Subscription to raise \$4.5 million before costs) and approximately \$1,520,600 (based on the Maximum Subscription to raise \$6.5 million before costs) in expenses will be incurred or payable by the Company in respect of legal, accounting, Independent Expert's fees, commissions, printing, ASIC and ASX fees and other miscellaneous costs in connection with the Transaction. The total estimated costs are set out in the table below:

	Minimum Subscription \$	Maximum Subscription \$
Corporate advisory fees – Tandem Shares	831,250	831,250
Corporate advisory fees – cash	200,000	200,000
Broker/Manager commissions/management fees	225,000	325,000
Investigating Accountant and Independent Expert's Fees	40,000	40,000
Legal fees	25,000	25,000
Printing and distribution	10,000	10,000
ASIC fees	4,000	4,000
ASX fees	85,550	87,350
<b>Total</b>	<b>1,420,800</b>	<b>1,520,600</b>

### **3. Action to be taken by Shareholders**

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Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the General Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the General Meeting in person.

### **4. Interdependence of Resolutions**

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Resolutions 1, 2, 3, 4, 5, 6 and 7 relate to the SubZero Acquisition. Accordingly, all seven Resolutions are interdependent on each of the other Resolutions being passed. Unless all seven Resolutions are passed, it will be deemed that none of the Resolutions has been passed.

Resolution 8 is interdependent with all of the other seven Resolutions. Unless all of those Resolutions are passed, Resolution 8 will be deemed not to have been passed.

### **5. Resolution 1 - Consolidation of share capital**

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Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number. ASX Listing Rule 7.20 provides that if any entity proposes to reorganise its capital, it must advise shareholders of certain matters. These matters are set out below.

As at the date of this Notice, the Company has 147,054,655 Shares on issue. If the maximum number of Shares which could be issued in connection with the Transaction were to be issued without this Resolution 1 being passed, there would be in excess of 2,162,379,000 Shares on issue. This large number of Shares imposes a number of disadvantages on the Company, including administrative cost and inconvenience and a negative perception associated with a potentially low share price, precluding investment from institutional investors who may be limited by their charters or mandates.

In addition, the consolidation will assist the Company in re-complying with the admission requirements in Chapters 1 and 2 of the ASX Listing Rules – see Section 8 for further details.

The Directors believe that a consolidation of the Shares would assist in eliminating or mitigating these disadvantages and would create a more efficient capital structure and enable a more appropriate share price for a listed entity of the Company's size.

If approved, the consolidation will reduce the Shares on issue from 147,054,655 Shares to approximately 13,873,081. As the consolidation applies equally to all Shareholders, individual shareholdings will be reduced in the same ratio as the total number of Shares (subject only to rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual Shareholder in the Company.

#### **Rounding**

Where any Shareholders have a holding which is not a multiple of 10.6 and would otherwise result in a fractional entitlement post consolidation, the fractional entitlement will be rounded up to the next whole number of Shares.

## Holding Statements

From the date of the consolidation, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-consolidation basis. After the consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares held prior to disposal.

Following the implementation of all Resolutions, the capital structure of the Company will be as set out in the table in Section 2.8.

Unless indicated otherwise, any further reference to “Shares” in this Explanatory Memorandum is a reference to Shares as if this Resolution has been passed and the Shares of the Company have been consolidated on a 1 for 10.6 basis.

## Timetable

The indicative timetable for the Share Consolidation is set out below. This indicative timetable is subject to change without notice.

General Meeting to consider the Resolutions	Tuesday 12 March 2013
Notification to ASX of results of General Meeting	Tuesday 12 March 2013
Trading in Shares on a post consolidated deferred settlement basis would ordinarily occur*	Thursday 14 March 2013
Share Consolidation record date	Wednesday 20 March 2013
Despatch date	Wednesday 27 March 2013

\* As part of the process for re-compliance with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules, the Shares will be suspended from trading on the ASX from the day of the General Meeting (assuming Resolution 4 is passed) so deferred settlement trading will not occur.

## 6. Resolution 2 - Issue of Shares to raise capital

A condition precedent to Completion is that the Company raise a minimum of \$4.5 million and a maximum of \$6.5 million (before costs) from the issue of not less than 18 million and not more than 26 million new Shares (**Offer Shares**).

The Offer Shares are to be issued at 25c per Share under a prospectus to be issued by the Company (**Prospectus**).

To assist in achieving the minimum capital raising, the Company has entered into a share placement agreement with Corso Management under which it is mandated to use its best endeavours to procure subscriptions for not less than 400,000 Offer Shares (\$100,000) from sophisticated or professional investors up to a total of 12 million Offer Shares (\$3 million).

There is no placement or other fee payable to Corso Management under the share placement agreement. However, the Company has agreed to pay to such investors a firm commitment fee of 5% of the total subscription monies paid by them for their Offer Shares. Corso Management may, without cost or liability, terminate the share placement agreement by giving not less than 2 Business Days' notice in writing to the Company if any of the termination events specified in the agreement occur, including certain events that in the reasonable opinion of Corso Management have, or are likely to have, a material adverse effect on the outcome of the Offer.

Corso Management is controlled by Glenn Molloy, one of the new directors of SVC proposed to be appointed upon and subject to Completion (see Section 11.3 for further details). Accordingly Corso Management is a related party of the Company under subsection 228(6) of the Corporations Act. As Corso Management is not entitled to receive any fees or other financial benefits under the share placement agreement, the entry into of that agreement falls outside the shareholder approval regime under the related party transactions provisions in Chapter 2E of the Corporations Act.

The issue of Shares pursuant to this Resolution is conditional on ASX confirming that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. As ASX requires SVC to re-comply with the admission requirements under Listing Rule 11.1.3, Completion cannot take place until the ASX has confirmed that the Company has complied with those requirements .

ASX Listing Rule 7.1 provides that the Company must not issue, or agree to issue, equity securities (which includes Shares and options) in any 12 month period which amount to more than 15% of its Shares on issue at the commencement of that 12 month period, unless one of the exceptions to ASX Listing Rule 7.1 applies or Shareholder approval is obtained **(15%/12 months rule)**.

The Offer Shares to be issued under the Prospectus will exceed 15% of the number of Shares on issue at the beginning of the preceding 12 month period. Accordingly, the approval of Shareholders is required for the issue of the Offer Shares.

ASX Listing Rule 7.3 requires this Notice to include the following information:

- (a) Up to 26,000,000 Shares will be issued.
- (b) Subject to Shareholders approving the Resolution and to ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Shares will be issued and allotted within 3 months after the date of the General Meeting.
- (c) The Shares are to be issued at 25c per Share.
- (d) The Shares will be issued to subscribers under the Prospectus, including the allottees identified by Corso Management and Tandem. None of the subscribers will be a related party of the Company.
- (e) The Shares will be ordinary fully paid shares and are to be issued on the same terms and rank equally with other fully paid Shares on issue.
- (f) The funds raised by the issue of the Offer Shares will be used primarily for the purposes of:
  - (i) debt reduction in the SubZero business after Completion;
  - (ii) the fitout of SubZero's newly leased purpose built mining equipment and machinery maintenance and refurbishment facility at Muswellbrook; and
  - (iii) working capital of the SubZero business after Completion.

## **7. Resolution 3 – Change of Company Name**

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The Directors consider it prudent to change the Company name from “SVC Group Limited” to “SubZero Group Limited” to reflect the name of the acquired business.

If all the Resolutions (other than Resolution 8) are passed, the Company will lodge a copy of Resolution 3 with ASIC shortly after Completion and the change of name will take effect from the date ASIC alters the Company's registration details.



## 8. Resolution 4 – Change in the Nature and Scale of Activities of the Company

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As a result of the SubZero Acquisition, the nature and scale of the Company's activities will change significantly and the SubZero business will become the main undertaking of the Company.

Sections 7.1 to 7.5 of the Independent Expert's Report contain a description of the SubZero Group's business operations.

ASX has indicated to the Company that, given the significant change in the nature and scale of the activities of the Company upon completion of the acquisition of SubZero Holdings, it requires the Company to:

- (a) obtain the approval of Shareholders; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval under Resolution 4 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

In addition, as part of the process for re-compliance with the admission requirements, trading in the Company's Shares on the ASX will be suspended from the day of the General Meeting (assuming Resolution 4 is passed) until ASX is satisfied that the requirements in Chapters 1 and 2 of the ASX Listing Rules have been met. Some of the key requirements of Chapters 1 and 2 are:

- (a) a prospectus must be issued and lodged with ASIC;
- (b) the Company must satisfy the shareholder spread requirements relating to the minimum number of shareholders in the Company and the minimum value of the shareholdings of those shareholders;
- (c) the Company must satisfy the "profits test" or "assets test" as set out in ASX Listing Rule 1.3; and
- (d) the issue price or sale price of the Company's shares must be at least 20 cents.

In order to meet these requirements, the Company will be issuing the Prospectus (see Resolution 2) and has appointed Tandem to assist in the marketing of the Offer and meeting the necessary spread requirements (see Resolution 7). The Company is also proposing to consolidate its capital (see Resolution 1).

## 9. Resolution 5 – Issue of Shares to the Farrell Vendors

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The issue of Shares pursuant to this Resolution is conditional on ASX confirming that the Company has recompiled with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. As ASX requires SVC to re-comply with the admission requirements under Listing Rule 11.1.3, Completion cannot take place until the ASX has confirmed that the Company has complied with those requirements.

### Why is Shareholder Approval Required?

Resolution 5 seeks Shareholder approval under item 7 of section 611 of the Corporations Act to permit:

- (a) the voting power in the Company of the Farrell Vendors to increase from below 20% to more than 20% upon the issue of the Consideration Shares, the Loan Repayment

Shares and the Earnout Shares which they are, or may become, entitled to receive under the Purchase Agreement (as explained in Section 2); and

- (b) the voting power in the Company of Scott Michael Farrell, who controls each of the Farrell Vendors, to increase from below 20% to more than 20% upon the issue of the Consideration Shares, the Loan Repayment Shares and the Earnout Shares which the Farrell Vendors are, or may become, entitled to receive under the Purchase Agreement (as explained in Section 2).

Item 7 of section 611 of the Corporations Act provides an exception to the "takeover" prohibition in section 606(1) of the Corporations Act described in section 15.1 of this Explanatory Memorandum, under which a person may acquire a relevant interest in a company's voting shares with shareholder approval.

The Vendors comprise the **Farrell Vendors** listed in Part A of the table below and the **Other Vendors** listed in Part B of the table.

Each of the Farrell Vendors is controlled by Scott Michael Farrell. Accordingly, they are "associates" of each other under the Corporations Act (see Section 13.1(f)(i)(c)). This means that the voting power in the Company of each of the Farrell Vendors must be aggregated with the voting power of each of the other Farrell Vendors when they acquire a relevant interest in the Shares issued to them.

In addition, Scott Farrell will have a relevant interest in the Shares acquired by each of the Farrell Vendors because he controls each of them (see Section 13.1(d)). Accordingly, he will have the same voting power as the Farrell Vendors when they acquire a relevant interest in the Shares issued to them.

The table in Section 10 below sets out:

- (a) the number of Consideration Shares to be issued to each of the Vendors;
- (b) the individual voting power of each Vendor (and of the Farrell Vendors and the Other Vendors collectively) after the issue of the Consideration Shares and the maximum number of Loan Repayment Shares, Offer Shares and Tandem Shares respectively (collectively the **Completion Shares**) at Completion;
- (c) the maximum number of Earnout Shares which may be issued to each of the Vendors; and
- (d) the individual voting power of each Vendor (and of the Farrell Vendors and the Other Vendors collectively) after the issue of the maximum number of Earnout Shares.

The individual and collective voting power of the Vendors set out in the table are based on the assumptions and subject to variation as indicated in the footnotes to it.

Based on these assumptions, the voting power of the Farrell Vendors and of Scott Farrell following the issue of the maximum number of Completion Shares will be 57.58% and will increase to 60.45% following the issue of the maximum number of Earnout Shares (assuming no further Shares are issued and they do not acquire a relevant interest in any other Shares after Completion).

As mentioned in Section 2.2, up to approximately 33,805,803 Selldown Consideration Shares may be issued. If the maximum number of Selldown Consideration Shares is issued, the number of Consideration Shares to be issued to the Farrell Vendors will be reduced to 58,687,677. This would result in the voting power of the Farrell Vendors (and of Scott Farrell) following the issue of the maximum number of Completion Shares and after the issue of the maximum number of Earnout Shares being reduced to 38.16% and 43.88% respectively.

The number of Selldown Consideration Shares (if any) which must be issued will not be known until shortly before Completion. Accordingly, Shareholder approval is being sought to the issue and allotment of up to 92,493,480 Consideration Shares to the Farrell Vendors and up to 33,805,803 Selldown Consideration Shares to the Selldown Shares Buyers under Resolutions 5 and 6 respectively. The maximum number of Consideration Shares which may be issued to the Farrell Vendors under Resolution 5 includes the maximum number of Selldown Consideration Shares which may be issued under Resolution 6. The total number of Consideration Shares and Selldown Consideration Shares which will be issued at Completion will not exceed 120,000,000.

Shareholder approval is being sought to the issue and allotment of up to 10,000,000 Loan Repayment Shares to the Farrell Vendors and to the Other Vendors under Resolutions 5 and 6 respectively. The maximum number of Loan Repayment Shares which may be issued to the Farrell Vendors and the Other Vendors (collectively) is 10,000,000.

The net loan amounts owing to some of the Farrell Vendors (and each of the Other Vendors) as at 8 January 2013 and the corresponding number of Loan Repayment Shares to be issued to them if those amounts do not vary before Completion are set out in the table in Section 2.4 above. The Company has obtained an Independent Expert's Report from Hall Chadwick to address the fairness and reasonableness of the Transaction, including the proposed issue of Shares under Resolutions 5 and 6. The Independent Expert's Report is attached as Annexure A.

The Independent Expert has concluded that the Transaction is fair and reasonable to the Shareholders not associated with the Vendors.

Under ASX Listing Rule 7.2, exception 16, Shareholder approval to the issue of Shares under the 15%/12 month rule in ASX Listing Rule 7.1 is not required where Shareholder approval is obtained under item 7 of section 611 of the Corporations Act.

## 10. The Vendors and their voting power

The following table sets out details of the Vendors and their individual and collective voting power in the Company based on the assumptions and subject to variation as indicated in the footnotes to it.

As noted in Section 9, Scott Farrell will have the same voting power as the Farrell Vendors.

Name of Vendor	Number of Consideration Shares to be issued	Voting power after issue of the Consideration Shares and the maximum number of , Loan Repayment Shares**, Offer Shares and Tandem Shares (see the table in Section 2.8)	Maximum Number of Earnout Shares to be issued	Voting power after issue of the Shares in column 3 and the maximum number of Earnout Shares
<b>Part A - Farrell Vendors</b>				
SF Auto Australia Pty Ltd ACN 111 133 156 (as trustee for the SF Investment Trust ABN 81 993 312 715) (SFIT Trustee)	25,817,160	16.07%	6,454,290	16.87%

Name of Vendor	Number of Consideration Shares to be issued	Voting power after issue of the Consideration Shares and the maximum number of , Loan Repayment Shares**, Offer Shares and Tandem Shares (see the table in Section 2.8)	Maximum Number of Earnout Shares to be issued	Voting power after issue of the Shares in column 3 and the maximum number of Earnout Shares
Subzero Services Pty Limited ACN 086 937 984 ( <b>SubZero Services</b> )	55,544,640	34.58%	13,886,160	36.30%
Value Add Property Investments Pty Ltd ACN 110 853 300 (as trustee for the Farrell Investment Trust ABN 24 558 337 890) ( <b>FIT Trustee</b> )	5,852,280	3.64%	1,463,070	3.83%
Diesel and Plant Services Pty Ltd ACN 126 454 313 (as trustee for the DPS Trust ABN 87 825 596 410)	5,279,400	3.29%	1,319,850	3.45%
<b>Subtotal</b>	<b>92,493,480*</b>	<b>57.58%*</b>	<b>23,123,370</b>	<b>60.45%*</b>
<b>Part B - Other Vendors</b>				
Carlie Sherie Watson (as trustee for the Watson Family Trust ABN 64 180 762 922)	6,000,000	3.74%	1,500,000	3.92%
Butler-Jones Project Management Pty Ltd ACN 103 180 409 (as trustee for the McTaggart Family Trust ABN 78 931 455 334)	9,801,960	6.11%	2,450,490	6.41%
Turbot Investments Pty Limited ACN 110 265 515 (as trustee for the Fat Sam Trading Trust ABN 34 300 997 630)	5,852,280	3.64%	1,463,070	3.83%
Pebede Pty Ltd ACN 134 603 384 (as trustee for the Dacruz Family Trust ABN 47 532 580 085)	5,852,280	3.64%	1,463,070	3.83%
<b>Subtotal</b>	<b>27,506,520</b>	<b>17.13%</b>	<b>6,876,630</b>	<b>17.99%</b>
<b>Total</b>	<b>120,000,000***</b>	<b>74.71%****</b>	<b>30,000,000</b>	<b>78.44%****</b>

\* Up to approximately 33,805,803 Selldown Consideration Shares may be issued – see Section 2.2 for further details. If the maximum number of Selldown Consideration Shares is issued, the number of Consideration Shares to be issued to the Farrell Vendors will be reduced to 58,687,677. This would result in the voting power of the Farrell Vendors (and of Scott Farrell) specified in columns 3 and 5 in the table being reduced to 38.16% and 43.88% respectively.

\*\* The voting power of each Vendor set out in columns 3 and 5 in the table is based on the assumptions that the Loan Repayment Shares will be issued to the Vendors in the same proportions as the Consideration Shares are issued and that none of the Vendors acquires any Offer Shares. The Farrell Vendors (being related parties of SVC) will not acquire any Offer Shares.

\*\*\* The Vendors have agreed to transfer 4,500,000 Consideration Shares to Corso Management (or its nominee) in consideration for the provision by it of corporate advisory services to the Vendors in connection with the Transaction.

\*\*\*\* The collective voting power of all the Vendors shown above is illustrative only. As noted in Section 9, only the voting power of each of the Farrell Vendors is to be aggregated for the purposes of the takeover provisions of the Corporations Act.

## **11. Impact on SVC**

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### **11.1 Change in Voting Power**

The Farrell Vendors' voting power in the Company at the date of this Notice is nil. It will change as follows:

- (a) Voting power will be increased as a result of the issue to them of the Consideration Shares, the Loan Repayment Shares and the Earnout Shares;
- (b) Voting power will be decreased as a result of the:
  - (i) disposal of any of the Shares by the Farrell Vendors;
  - (ii) issue of the Offer Shares;
  - (iii) issue of the Tandem Shares; and
  - (iv) issue of any Selldown Consideration Shares.

### **11.2 Farrell Vendors' intentions regarding the future of SVC**

- (a) The Farrell Vendors have informed the Company that they will focus solely on the running and expansion of the operations of SubZero Holdings. Those operations are set out in detail in sections 7.1 to 7.5 of the Independent Expert's Report.
- (b) The Farrell Vendors have indicated that their intentions mentioned in this section are based on the facts and information regarding the Company and the general business environment which are known to them as at the date of this Notice. Any future decisions will be reached by the Farrell Vendors based on all material information and circumstances at the relevant time. Accordingly, if circumstances change or new information becomes available in the future, the Farrell Vendors' intentions could change accordingly.

### **11.3 Board Structure**

It is intended that there will be changes to the Board following the issue of the new Shares. Upon and subject to Completion, it is proposed that the Board will comprise Richard Pritchard (an existing Director), Scott Farrell, Glenn Molloy, Malcolm Jackman, Graeme (Joe) Clayton and Bruce Arnott. Short profiles of each of the proposed new Directors are set out below.

#### **Scott Farrell (CEO and Executive Director)**

Scott Farrell is the founder and Managing Director of the SubZero Group. He is also the sole director and controlling shareholder of three of the Vendors, namely SFIT Trustee, SubZero Services and FIT Trustee.

Scott has over 15 years experience in the mining and engineering services sector and over 20 years of total engineering maintenance sector experience, including power generation and factory training and infield experience with Bucyrus Ltd, a dragline & shovel OEM (original equipment manufacturer).

Scott's day-to-day responsibilities include: the formulation and oversight of the SubZero Group's corporate strategies, monitoring and execution of strategic initiatives via key personnel, identifying and maintaining sustainable community programs and identifying new client and business development initiatives.

**Glenn Molloy (Non-Executive Director)**

Glenn Molloy has over 30 years experience as an investor and company director.

In 1979, Glenn was the founder of a plastics packaging business, which in 1994 listed on the ASX as Plaspak Group Limited and grew the business until its ultimate sale in 2006.

Glenn has extensive experience as a public company director and has been actively involved in numerous mergers, acquisitions and divestments.

Glenn is currently a director of PPK Group Limited (ASX Code: PPK) and as such has worked closely with mining services providers such as Industree Limited and the PPK subsidiary, Rambor Pty Ltd.

Glenn has worked closely with SubZero Group management over the past 9 months and has gained an extensive and sound knowledge of the SubZero Group businesses.

**Malcolm Jackman (Non-Executive Director)**

Malcolm Jackman is currently the Chief Executive and Managing Director of Elders Limited (formerly Futuris Corporation), one of Australia's largest Agribusinesses, servicing primary producers and regional communities across the country and the owner of Futuris Automotive, Australia's leading automotive parts manufacturer.

Malcolm has over 20 years experience managing large distribution sales networks in a business to business environment including ADIA (now ADECCO) New Zealand/Australia/USA, Manpower Australia/New Zealand and Coates Hire. With these companies, Malcolm demonstrated the ability to grow business profitability and to do so through the retention of key executives and creating the right culture.

Malcolm's qualifications and association memberships include:

- BSc – Auckland University (Pure and Applied Mathematics);
- BCom - Auckland University (Accounting);
- Fellow, Australian Institute of Company Directors.

**Graeme (Joe) Clayton (Non-Executive Director)**

Graeme (Joe) Clayton is the principal of BDM Resources a privately owned mining services company which specialises in assisting mine owners and operators to address environmental and community issues.

Joe has been involved in the mining industry for 36 years including managing mining operations in coal, copper, iron ore, quarrying and gold. He has overseen the management of 25 contract mining operations, developed 4 greenfield gold mines, managed 2 coal mine operations in the Hunter Valley and managed the development and approvals process for 2 large scale coal mine developments in the Hunter Valley and Gunnedah Basin.

Joe's qualifications and association memberships include:

- Bachelor of Engineering (Mining) – Honours;

- Auslmm Chartered Professional (Management);
- Fellow, Australian Institute of Mining and Metallurgy;
- Member, Australian Institute of Company Directors;
- Member, NSW Mine Managers Association.

#### **Bruce Arnott (Non-Executive Director)**

Bruce Arnott currently works as an independent consultant providing accounting and finance services to a Newcastle based ship repair, general engineering and ports site maintenance company.

Bruce has 38 years experience working in various finance roles in a broad range of industries including manufacturing, engineering and distribution. Bruce's positions have included six years as Group Controller of OneSteel and most recently six years as Chief Financial Officer of Bradken Limited (ASX Code BKN) where his responsibilities included finance/accounting, treasury, taxation, supply, investor relations, investments, risk management, audit and insurance.

Bruce's experience and key skills include finance/accounting, treasury (debt and equity capital markets) acquisitions and general business management and strategic planning.

Bruce's qualifications and association memberships include:

- Bachelor of Commerce (Newcastle University);
- CPA Australia.

## **12. Independent Expert's Report**

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All of the Directors resolved to appoint Hall Chadwick as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the Transaction is fair and reasonable to the Shareholders not associated with the Vendors.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the Transaction. This requires taking into account the likely advantages to Shareholders if the Transaction is approved and comparing them with the disadvantages to them if the Transaction is not approved.

Hall Chadwick has concluded that the proposed Transaction is fair and reasonable to the non-associated Shareholders.

The Board strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure A to this Explanatory Memorandum.

## **13. Corporations Act, Listing Rules and Regulatory Information**

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### **13.1 Section 611 Corporations Act**

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.

- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the Shares in the Company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.
- (c) Under section 608 of the Corporations Act a person will have a relevant interest in Shares if:
  - (i) the person is the registered holder of the Shares;
  - (ii) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or
  - (iii) the person has over 20% of the voting power in a company that has a relevant interest in Shares, then the person has a relevant interest in said Shares.
- (d) Under section 608 of the Corporations Act, a person will have a relevant interest in Shares if:
  - (i) the person is the registered holder of the Shares;
  - (ii) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or
  - (iii) the person has over 20% of the voting power in a company that has a relevant interest in Shares, then the person has a relevant interest in those Shares.
- (e) For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapter 6 to 6C if he is an associate under section 12.
- (f) A person (**first person**) will be an associate of the other person (**second person**) if:
  - (i) the first person is a body corporate and the second person is:
    - (A) a body corporate the first person controls;
    - (B) a body corporate that controls the first person: or
    - (C) a body corporate that is controlled by an entity that controls the first person;
  - (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Board or the conduct of the affairs of SVC; and
  - (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of SVC.
- (g) The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:
  - (i) Under section 50AAA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company. In determining the capacity you need to take into account the



practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of the Company.

- (ii) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
  - (A) whether formal or informal or partly informal and partly informal;
  - (B) whether written or oral or partly written and partly oral; and
  - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
- (h) Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct of the Company's business affairs, or acts in concert with a person in relation to the entity's business affairs.
- (i) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which Shareholders may approve an issue of Shares to a person which results in that person's or another person's voting power in the Company increasing from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.
- (j) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in this Section 13 in relation to Resolution 5.

### **13.2 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74**

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) *The identity of the allottee and any person who will have a relevant interest in the Shares to be allotted.*

Refer to the table in Section 10 for the identity of the allottees and any person who will have a relevant interest in the Shares to be allotted. Scott Farrell will also have a relevant interest in the Shares to be allotted to the Farrell Vendors – see Section 9 for further details.
- (b) *Full particulars (including the number and percentage) of the Shares in which the Farrell Vendors have or will have a relevant interest immediately before and after the issue of Shares.*

Refer to the table in Section 10 for full particulars (including the number and percentage) of the Shares in which the Farrell Vendors have or will have a relevant interest immediately before and after the issue of Shares and to Section 11.2 for factors which may change the Farrell Vendors' voting power in the Company.
- (c) *The identity, associations (with the Vendors or any of their associates) and qualifications of any person who is intended to become a director if Shareholders agree to the acquisition.*

Refer to Section 11.3.

- (d) *The Farrell Vendors' intentions regarding the future of the Company if Shareholders agree to the allotment of Shares to the Farrell Vendors.*

Refer to Section 11.2 for the intentions of the Farrell Vendors in relation to SVC.

In addition, the Farrell Vendors have informed the Company that discussions are currently taking place between the SubZero Group and the owners of the 26% minority shareholding in Harness Master Wiring Systems (NSW) Pty Ltd and DMST Pty Ltd in relation to the possible post Completion acquisition by SubZero Holdings of their 26% shareholding in those companies.

Discussions are also currently taking place between the Company and Scott Farrell, in his capacity as the controlling shareholder of Carramere Investments Pty Ltd and Yung Investments Pty Ltd, in relation to the possible post Completion acquisition by the Company of the freehold properties owned by those companies at 6-10 Carramere Road, Muswellbrook and Lot 62 Hedley Road, Mount Thorley respectively. These properties are an integral component of the business operations of the SubZero Group.

As the acquisition of these properties would be a related party transaction, any proposal to acquire them may require independent valuation and Shareholder approval under the ASX Listing Rules and the Corporations Act.

- (e) *Particulars of the terms of the proposed allotment of Shares and any contract or proposed contract between the Farrell Vendors and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment of Shares to the Farrell Vendors.*

Other than the matters referred to in the Resolution and in Resolution 6, there are no contracts or proposed contracts between the Farrell Vendors and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment of Shares to the Farrell Vendors.

- (f) *When the allotment of Shares to the Farrell Vendors is to be made.*

Subject to Shareholders approving the Resolution and to ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Consideration Shares and Loan Repayment Shares will be issued at Completion.

The Earnout Shares will be issued if and when the earnout conditions referred to in Section 2.3 are satisfied but no later than when the Adjusted EBIT is determined for the year ended 30 June 2014.

- (g) *An explanation of the reasons for the proposed allotment of Shares to the Farrell Vendors.*

The Consideration Shares and the Earnout Shares are to be allotted as consideration for the acquisition by the Company of the Farrell Vendors' shares in SubZero Holdings in accordance with the Company's obligations under the Purchase Agreement.

The Loan Repayment Shares are to be allotted in satisfaction or part satisfaction of the outstanding net loan amounts (if any) owing to the Farrell Vendors by any member of the SubZero Group at Completion

- (h) *The interests of the Directors in the Resolution.*

None of the Directors has an interest in any of the Farrell Vendors.

- (i) *Identity of the Directors who approved or voted against the proposal to put the Resolution to Shareholders*

Messrs Pritchard, Crimmins and Govey approved the proposal to put the Resolution to Shareholders.

- (j) *Any intention of the Farrell Vendors to change significantly the financial or dividend policies of the Company*

Refer to Section 11.2 for the intentions of the Farrell Vendors in relation to the Company.

- (k) *Recommendation or otherwise of each Director as to whether Shareholders should agree to the proposed allotment of Shares to the Farrell Vendors pursuant to the Purchase Agreement.*

Refer to Section 2.17.

- (l) *An analysis of whether the proposed allotment of Shares to the Farrell Vendors the subject of the Resolution is fair and reasonable when considered in the context of the interests of the Shareholders other than the Farrell Vendors.*

Refer to Section 12 and the Independent Expert's Report.

#### **14. Resolution 6 - Issue of Shares to the Other Vendors and Selldown Shares Buyers**

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The issue of Shares pursuant to this Resolution is conditional on ASX confirming that the Company has re-compiled with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. As ASX requires SVC to re-comply with the admission requirements under Listing Rule 11.1.3, Completion cannot take place until the ASX has confirmed that the Company has complied with those requirements.

Resolution 6 seeks Shareholder approval to the issue and allotment of the number, or maximum number, of Consideration Shares, Loan Repayment Shares, Earnout Shares and Selldown Consideration Shares to the Other Vendors or Selldown Shares Buyers (as the case may be) specified in it which they are, or may become, entitled to receive under the Purchase Agreement (as explained in Section 2).

Details of the Other Vendors and the number of Consideration Shares which each of them is, or may become, entitled to receive under the Purchase Agreement are set out in Part B of the table in Section 10.

Further information in respect of the Consideration Shares, Loan Repayment Shares, Earnout Shares and Selldown Consideration Shares is set out in Section 2 and below.

As mentioned in Sections 2.2 and 2.3, the maximum number of Selldown Consideration Shares which may be issued to the Selldown Shares Buyers is approximately 33,805,803 and if any Earnout Shares are to be issued they will be issued to the Other Vendors in the same proportions as they receive Consideration Shares.

As mentioned in Section 9, Shareholder approval is being sought to the issue and allotment of up to 10,000,000 Loan Repayment Shares to the Farrell Vendors (being the entities listed in Part A of the table in Section 10) and to the Other Vendors under Resolutions 5 and 6 respectively. The maximum number of Loan Repayment Shares which may be issued to the Farrell Vendors and the Other Vendors (collectively) is 10,000,000.

The net loan amounts owing to the Other Vendors (and some of the Farrell Vendors) as at 8 January 2013 and the corresponding number of Loan Repayment Shares to be issued to

them if those amounts do not vary before Completion are set out in the table in Section 2.4 above.

The Company has obtained an Independent Expert's Report from Hall Chadwick to address the fairness and reasonableness of the Transaction, including the proposed issue of Shares under Resolutions 5 and 6. The Independent Expert's Report is attached as Annexure A.

The Independent Expert has concluded that the Transaction is fair and reasonable to the Shareholders not associated with the Vendors.

As noted in Section 6, the 15%/12 month rule under ASX listing Rule 7.1 applies to the Company. The Shares to be issued to the Other Vendors and, if applicable, the Selldown Shares Buyers under Resolution 6 will exceed 15% of the number of Shares on issue at the beginning of the preceding 12 month period. Accordingly, the approval of Shareholders is required for the issue of these Shares.

ASX Listing Rule 7.3 requires this Notice to include the following information:

- (a) Up to 78,188,953 Shares will be issued.
- (b) Subject to Shareholders approving the Resolution and to ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Shares will be issued and allotted by no later than 31 October 2014 (or such later date to the extent permitted by an ASX waiver or modification of the ASX Listing Rules). On 14 January 2013, the ASX granted the Company a waiver from ASX Listing Rule 7.3.2 the effect of which is that the Earnout Shares may be issued by no later than 31 October 2014 (being approximately 20 months after the date of the General Meeting).
- (c) The Shares are to be issued at 25c per Share.
- (d) The Consideration Shares and Earnout Shares (if any) will be issued to the Other Vendors in accordance with the table in Section 10. The Loan Repayment Shares will be issued to the Other Vendors in accordance with their entitlement (if any) as described in Section 2.4. The Selldown Consideration Shares will be issued to the Selldown Shares Buyers (if any) in accordance with their entitlement as described in Section 2.2.
- (e) The Shares will be ordinary fully paid shares and are to be issued on the same terms and rank equally with other fully paid Shares on issue.
- (f) No funds will be raised by the issue of the Shares. The Consideration Shares will be issued to the Other Vendors and, if applicable, to the Selldown Shares Buyers in consideration for the acquisition of their shares in SubZero Holdings. The Earnout Shares will be issued to the Other Vendors as additional consideration for the acquisition of their shares in SubZero Holdings. The Loan Repayment Shares will be issued to the relevant Other Vendors in satisfaction of the outstanding net loan amounts owing to them by any member of the SubZero Group at Completion.

## 15. Resolution 7 - Issue of Shares to Tandem

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The issue of Shares pursuant to this Resolution is conditional on ASX confirming that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. As ASX requires SVC to re-comply with the admission requirements under Listing Rule 11.1.3, Completion cannot take place until the ASX has confirmed that the Company has satisfied those requirements.

The Company has entered into a corporate advisory agreement with Tandem (**Tandem Corporate Advisory Agreement**) under which Tandem has agreed to provide various

services to the Company, principally comprising the introduction of the SubZero Group, assistance in the negotiation of the terms of the SubZero Acquisition with the Vendors, the management of the SubZero Acquisition, the briefing of the Independent Expert and the marketing and management of the Offer. The fees payable by SVC to Tandem for the provision of its services under the Tandem Corporate Advisory Agreement are as follows:

- (a) a completion fee of \$1,031,250 (plus GST) which will be paid or satisfied by either:
  - (i) the issue of 4,125,000 Shares; or
  - (ii) a mixture of cash up to a maximum of \$200,000 (plus GST) and the issue of Shares for the balance of the completion fee;
- (b) a capital raising fee of 5% (plus GST) of the total subscription monies paid for Offer Shares by investors introduced by Tandem (which will be paid at or shortly after Completion); and
- (c) a fixed monthly retainer fee of \$16,250 (plus GST) from September 2012 to December 2012 (inclusive) (payable monthly in arrears).

The Tandem Corporate Advisory Agreement may be terminated by either party at any time by giving one month's notice in writing to the other or if the other party fails to remedy a material breach of the Agreement within 30 days after receiving written notice of the breach.

Under the Tandem Corporate Advisory Agreement, the Company has agreed to indemnify Tandem, its partners and employees against any loss, expense, damage or liabilities (or actions that may be asserted by any third party) that may result from any third party claims arising out of the provision of the services under the Agreement.

The Shares to be issued under Resolution 7 will be issued at an issue price of 25c per Share.

ASX Listing Rule 7.3 requires this Notice to include the following information:

- (a) Up to 4,125,000 fully paid Shares will be issued.
- (b) Subject to Shareholders approving the Resolution and to ASX confirming that the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules, the Shares will be issued and allotted within 3 months after the date of the General Meeting.
- (c) The Shares are to be issued at 25c per Share.
- (d) The allottee will be Tandem Capital Pty Ltd.
- (e) The Shares will be ordinary fully paid shares and are to be issued on the same terms and rank equally with other fully paid Shares on issue.
- (f) No funds will be raised from the issue, but the Shares will be issued in lieu of payment of cash fees for corporate advisory services provided to SVC by Tandem in relation to the Acquisition.

## **16. Resolution 8 – Hunter Valley JV Spin Off – Approval for an equal reduction of capital**

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SVC's current main undertaking is an interest in a low cost housing development. In light of the proposed SubZero Acquisition, SVC intends to dispose of its interest in the Hunter Valley Joint Venture (**JV Interest**) with Coast & Country Developments Pty Limited. The disposal will only take place if the disposal is approved by Shareholders and the SubZero Acquisition is completed.

Further details of the JV Interest are set out in section 8.2 of the Independent Expert's Report and the status of the development proposal for the property the subject of the Hunter Valley Joint Venture required to be lodged by SVC is summarised in SVC's quarterly activities report which was lodged with ASX on 25 October 2012. A copy of that report may be viewed at, or downloaded from, the Company's website [www.svcgroup.com.au](http://www.svcgroup.com.au).

The disposal will take place by way of a "Spinoff". The Spinoff means:

- (a) the Company's JV Interest will be transferred to SVC Hunter Valley Limited ACN 162 245 776 (**SVCH**) (a wholly-owned subsidiary of the Company incorporated for the purposes of the Spinoff). SVCH is a public company limited by shares which is not listed on the ASX (see Section 16.9 for further information about SVCH);
- (b) the Company's 100% shareholding in SVCH will be transferred to the Company's Shareholders registered as at the Spinoff Record Date by way of a pro-rata in specie distribution, with the result that such Shareholders will hold fully paid ordinary shares in SVCH (**SVCH Shares**) in the same proportion as they do in the Company as at the Spinoff Record Date; and
- (c) the Shareholders' shareholdings in the Company will be unaffected by the Spinoff.

No cash or other assets of the Company will be transferred to SVCH under the Spinoff.

#### **Spinoff Record Date**

As noted in Section 8, completion of the SubZero Acquisition is conditional on ASX confirming that the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. Accordingly, the Spinoff Record Date will only be known once ASX has confirmed that the Company has re-complied with those admission requirements. The Spinoff Record Date will be announced if and when such confirmation is obtained.

### **16.1 Board's considerations and recommendations**

As a result of the SubZero transaction, the SubZero Vendors will be entitled to appoint a majority of the directors of SVC. Representatives of the Vendors have advised that they do not believe that owning the JV Interest is in the best interest of the Company post the SubZero Acquisition and that they prefer that the JV Interest be disposed of by SVC.

It has therefore been decided that the JV Interest be transferred out of SVC to a non ASX-listed entity owned by the current shareholders of SVC. Therefore, the SubZero Vendors will not have any interest in the JV Interest. The transfer will only occur if the SubZero transaction is completed.

Importantly, under the proposal for the Spinoff, the Company's Shareholders will not be required to pay any consideration for the SVCH Shares, as the Company will effect an appropriate capital reduction in its books to reflect the in specie distribution. Further, the Company's Shareholders will retain their interest in their Shares in the Company, with the prospects of realising value from the Company's new main undertaking.

### **16.2 The Spinoff**

To give effect to the proposal, the Company proposes to sell the JV Interest to SVCH. Until the completion of the in specie distribution, SVCH will be a wholly-owned subsidiary of the Company.

It is proposed that the Company will then distribute in specie the SVCH Shares to its Shareholders registered as at the Spinoff Record Date. The intended result is that SVCH will have a 100% interest in the JV Interest and the Company's Shareholders will become the only shareholders of SVCH.

To give effect to this intention and subject to the passing of Resolution 8 by Shareholders:

- (a) SVCH will acquire from the Company the whole of its JV Interest;
- (b) The Company will then make an in specie distribution of 100% of the SVCH Shares to the Company's Shareholders registered as at the Spinoff Record Date on a pro-rata basis for nil cash consideration;
- (c) The Company will make an appropriate reduction to its capital to reflect the deemed value of the in specie distribution; and
- (d) The Company will require an indemnity from SVCH as part of the Spinoff against any loss suffered or incurred by the Company in connection with the JV Interest.

### 16.3 In specie distribution by way of capital reduction

The Company proposes to make the in specie distribution with no cash consideration flowing from the Company's Shareholders. To compensate for the lack of cash consideration, the Company proposes to make an appropriate equal reduction to its capital to reflect the distribution, which capital reduction forms the subject of the Resolution. The Company will undertake the capital reduction, which will have the effect of reducing the Company's historical paid up share capital (contributed equity), without cancelling any shares, by the amount equivalent to the deemed value of the SVCH Shares, being \$83,000 (the **Reduction Amount**). The Reduction Amount has been assessed by the Company's management and Board, and reflects the deemed value of the SVCH Shares with regard to the recent placement capital raising.

The Reduction Amount anticipates a capital reduction of approximately \$0.0005644 per Share (based on the number of Shares on issue in the Company as at the date of the Notice). The reduction of capital will be satisfied by the Company making a pro-rata in specie distribution of 100% of its shareholding in SVCH to all Shareholders of the Company as at the Spinoff Record Date.

### 16.4 Legal Requirements

#### 16.4.1 Corporations Act

Section 256B(1) of the Corporations Act provides that a company may reduce its share capital if the reduction:

- (a) is fair and reasonable to the company's shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders under section 256C of the Corporations Act.

The proposed capital reduction is an equal reduction as:

- (a) it relates only to ordinary Shares;
- (b) it applies to each holder of ordinary Shares in proportion to the number of ordinary Shares they hold; and
- (c) the terms of the reduction are the same for each holder of ordinary Shares.

As the proposed capital reduction is an equal reduction, section 256C of the Corporations Act requires Shareholder approval of the proposed reduction by way of an ordinary resolution. The Directors consider that the proposed reduction of capital by the in specie distribution of SVCH Shares on a pro rata basis to the existing Shareholders of the Company:

- (a) does not materially prejudice the Company's ability to pay its creditors;
- (b) the reduction of capital will not result in the Company being insolvent at the time of the capital reduction or
- (c) become insolvent as a result of the capital reduction; and
- (d) is fair and reasonable to Shareholders as a whole because Shareholders are all treated in the same manner as the distribution of SVCH Shares is on a pro rata basis.

#### **16.4.2 ASX Listing Rule 7.20**

In accordance with ASX Listing Rule 7.20, the following information is provided:

- (a) As a result of the proposed in specie distribution, the number of Shares on issue in the Company will not change.
- (b) In determining the number of SVCH Shares an eligible Shareholder of the Company will receive, fractional entitlements arising on the reduction of capital will be rounded up.
- (c) There are no options currently on issue in the Company as at the date of this Notice.

#### **16.4.3 ASX Listing Rule 11.2**

ASX Listing Rule 11.2 provides that the Company must seek approval of its Shareholders before disposing of its main undertaking. As the Spinoff represents the disposal of the Company's current main undertaking, namely the JV Interest, the approval of Shareholders to implement the Spinoff is sought under Resolution 8.

#### **16.4.4 ASX Listing Rule 11.4**

Based on the information provided to ASX by the Company relating to the in specie distribution, the Company has been advised by ASX that ASX Listing Rule 11.4 does not apply to the in specie distribution.

### **16.5 Effect of the proposed capital reduction on the Company**

If Shareholder approval is obtained for the reduction of capital and the Directors proceed to implementation, it will have the effect of reducing the Company's total equity by the Reduction Amount, \$83,000.

### **16.6 Effect of the proposed capital reduction on Shareholders of the Company**

The effect of the proposed equal reduction is that Shareholders will receive a pro-rata distribution in specie of 1 SVCH Share for every 1 (post Consolidation) Share in the Company held as at the Spinoff Record Date. As the Spinoff Record Date will be subsequent to the Consolidation taking effect, the reference to the number of "Shares" for the purposes of this Resolution 8 only is the number of post Consolidation Shares on issue at the Spinoff Record Date, that is, approximately 13,873,081 Shares.

There are taxation consequences in respect of the distribution of the SVCH Shares to Shareholders of the Company. Details of the general taxation effect of the transactions are set out below in this Explanatory Memorandum.



## 16.7 Advantages and Disadvantages of the proposal

The principal advantages and disadvantages to Shareholders of the proposed equal reduction are as follows.

### 16.7.1 Advantages

- (a) All Shareholders retain their interest in the Company's JV Interest through their individual pro-rata shareholdings in SVCH.
- (b) All Shareholders retain their current percentage ownership interest in the capital of the Company, with the prospect of realising value from the Company's new main undertaking.
- (c) The separation of the JV Interest allows SVCH's management (which will be the current Company's management) to specifically focus on generating value from the JV Interest, without having to comply with corporate overheads associated with an ASX-listed entity.
- (d) Importantly, Shareholders will not be required to pay any consideration for the SVCH Shares, as the Company will effect an appropriate capital reduction in its books to reflect the in specie distribution.

### 16.7.2 Disadvantages

- (a) There is no guarantee that the SVCH Shares will retain their value or increase in value.
- (b) It is not proposed that SVCH acquire a listing on any public exchange, including the ASX. Accordingly there will be no liquid market for SVCH Shares and they may be difficult to sell. SVCH Shareholders who receive SVCH Shares will no longer be able to easily sell them to realise the value of their total investment on market.
- (c) Shareholders may incur transaction costs if they wish to dispose of their SVCH Shares.
- (d) As SVCH will not be a disclosing entity, it will not be subject to the regular reporting and continuous disclosure requirements under the Corporations Act and the ASX Listing Rules (which apply to the Company). Accordingly, it is likely that the holders of SVCH Shares will receive less disclosure in relation to SVCH than Shareholders receive in relation to the Company.
- (e) As disclosed in the pro forma statement of financial position set out in Section 16.9.3 below, SVCH will not have any cash following the completion of the Spinoff. Accordingly, SVCH will need to raise funds to finance its future obligations under the Joint Venture Agreement, by way of the issue of additional equity and/or debt capital. This may result in the original SVC shareholders being diluted.
- (f) It is estimated that SVCH's funding obligations under the Joint Venture Agreement for the period ending 30 June 2013 will be approximately \$10,000. No assurance can be given that future funding will be available to SVCH within an acceptable time frame and on acceptable terms (or at all). If adequate funds do not become available, SVCH may not be able to meet its obligations under the Joint Venture Agreement. This may result in the termination of the Joint Venture Agreement on the grounds of a default by SVCH and expose SVCH to liability to CCD for the default. It may also impact of SVCH's ability to continue as a going concern.
- (g) There are potential taxation consequences in respect of the in specie distribution of the SVCH Shares to the Company's Shareholders. Details of the general taxation effect of the transaction are set out in Section 16.10.

The Board considers that the advantages of the proposed demerger and in specie distribution outweigh the disadvantages.

## 16.8 Additional Important Information for Shareholders

### 16.8.1 Capital Structure of the Company

The Company has 147,054,655 Shares on issue as at the date of this Notice. Upon the Share Consolidation taking effect, the number of Shares on issue will be approximately 13,873,081. The number of Shares on issue in the Company will remain unchanged as a result of the proposed in specie distribution and capital reduction.

As at the date of this Notice there are no options to acquire shares on issue in the Company.

### 16.8.2 Overseas Shareholders

The proposed in specie distribution of the SVCH Shares to the Company's overseas registered Shareholders under the reduction of capital will be subject to the legal and regulatory requirements in their relevant jurisdictions. In the opinion of the Directors, the requirements of jurisdictions outside Australia and New Zealand where a Shareholder is resident restrict or prohibit the distribution of SVCH Shares or otherwise impose on the Company an unreasonable burden, and therefore the SVCH Shares to which the relevant Shareholders are entitled will be allocated to a nominee to be appointed by the Company.

The nominee will hold the relevant SVCH Shares on trust for the relevant shareholders and if they are subsequently sold by the nominee, it will then account to the relevant Shareholders for the net proceeds of sale after deducting the costs and expenses of the sale. The net proceeds of sale to such Shareholders may be more or less than the notional dollar value of the return of capital as set out in this Explanatory Memorandum.

### 16.8.3 Directors' Interests and Recommendations

Set out below is a table which indicates the securities in which the incumbent Directors and their associates have a relevant interest prior to the Share Consolidation and the capital reduction and the number of SVCH Shares in which they are likely to have an interest if the Share Consolidation takes effect and Resolution 8 is passed and implemented:

Director	Existing Shares in SVC (post-Consolidation)	New Shares in SVCH*
Mr Allen Govey	343,600	32,415
Mr Richard Pritchard	1,941,854	183,194
Mr Anthony Crimmins	146,579	13,829

*\* Based on a ratio of 1 SVCH Share for every 1 post- Share Consolidation Share in the Company held as at the Spinoff Record Date.*

After considering all relevant factors, the Directors recommend that the Company's Shareholders vote in favour of the Resolution for the following reasons:

- (a) after a full and proper assessment of all available information they believe that the proposed transaction is in the best interests of the Company's Shareholders; and
- (b) in the opinion of the Directors, the benefits of the proposed transaction outweigh its disadvantages as referred to in Section 16.7.

## 16.9 Information on SVCH

### 16.9.1 Newly Incorporated Company

SVCH was registered as a public company limited by shares under the Corporations Act on 6 February 2013. As at the date of this Notice, it has five fully paid ordinary shares on issue, which are registered in the name of, and beneficially owned, by SVC. Until completion of the in specie distribution, SVCH will remain a wholly owned subsidiary of SVC.

SVCH is an unlisted public company.

SVCH presently has no business operations other than by virtue of the proposed acquisition of the JV Interest from the Company.

The directors of SVCH are as described in Section 16.9.2.

### 16.9.2 Board of SVCH

The Board of SVCH is presently comprised of the incumbent Directors of the Company as set out below.

Richard Pritchard - Proposed Non-Executive Chairman  
 Anthony Crimmins - Proposed Non-Executive Director  
 Allen Govey - Proposed Non-Executive Director

### 16.9.3 Proposed Capital Structure of SVCH

Following the sale of the JV Interest to SVCH, SVCH's issued capital will comprise approximately 13,873,081 fully paid ordinary shares (being the same number of Shares on issue upon the Share Consolidation taking effect).

An unaudited pro forma statement of financial position of SVCH immediately following the completion of the Spinoff is set out below.

	AUD \$
<b>Assets</b>	
Current assets	Nil
Non current assets	
Hunter Valley Joint Venture	83,000
<b>Total Assets</b>	<b><u>83,000</u></b>
<b>Total Liabilities</b>	Nil
<b>Net Assets</b>	<b><u>83,000</u></b>
<b>Equity</b>	
Issued capital	83,000
<b>Total Equity</b>	<b><u>83,000</u></b>

### 16.9.4 Information about SVCH Shares

Full details of the rights attaching to the SVCH Shares are set out in SVCH's constitution, a copy of which is available from the Company upon request. The following rights attach to the SVCH Shares:

#### **16.9.4.1 Voting Rights**

At meetings of shareholders of SVCH, subject to any rights and restrictions attaching to any class of SVCH's shares:

- (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid ordinary share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share.

#### **16.9.4.2 Rights on Winding Up**

Subject to the rights of holders of shares with special rights in a winding up (at present there are none), on a winding up of SVCH, the liquidator may, with the sanction of a special resolution of SVCH:

- (a) divide among the shareholders in kind all or any of SVCH's assets; and
- (b) for that purpose, determine how he or she will carry out the division between the different classes of shareholders, but may not require a shareholder to accept any shares or other securities in respect of which there is any liability.

The liquidator may, with the sanction of a special resolution of SVCH, vest all or any of the SVCH's assets in a trustee on trusts determined by the liquidator for the benefit of the contributories.

#### **16.9.4.3 Transfer of shares**

Subject to SVCH's constitution, the Corporations Act and any other relevant legislation, shares in SVCH are freely transferable.

#### **16.9.4.4 Dividend entitlement**

Subject to the rights of persons (if any) entitled to shares with special rights as to dividends:

- (a) all fully paid shares on which any dividend is declared or paid, are entitled to participate in that dividend equally; and
- (b) each partly paid share is entitled to a fraction of the dividend declared or paid on a fully paid share of the same class, equivalent to the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable, whether or not called, (excluding amounts credited) on the share.

#### **16.9.4.5 Changes to share capital**

Subject to SVCH's constitution and the Corporations Act, the directors may issue and allot, or dispose of, shares:

- (a) on terms determined by the directors;
- (b) at the issue price that the directors determine; and

- (c) to shareholders whether in proportion to their existing shareholdings or otherwise, and to such other persons as the directors may determine.

For the purpose of giving effect to any consolidation or division of shares, the directors may settle any difficulty which arises with respect to fractions of shares as they think expedient.

#### **16.9.4.6 Changes to rights attaching to shares**

The rights attached to any class of shares may be varied in accordance with the Corporations Act.

### **16.10 Taxation**

The following comments are based on the application of Australian taxation laws in force at the date of this Notice. The views expressed in this summary are not intended as specific advice to Shareholders. The application of tax legislation may vary according to the individual circumstances of Shareholders. In this regard, the comments below are only relevant to those Shareholders who are Australian residents for tax purposes and who hold their Shares on capital account (i.e. have not been held for the purpose of resale or as trading stock). It should be emphasised that these comments are general in nature, may not be applicable to your individual circumstances and cannot be relied upon for accuracy or completeness. In particular, Section 45B of the *Income Tax Assessment Act 1936* (the **1936 Act** or **ITTA 1936**) may treat returns of capital as unfranked dividends in certain circumstances. These provisions can only be applied by the Commissioner of Taxation and their application can differ depending on the circumstances of particular transactions.

**You should therefore seek and rely on your own taxation advice in relation to the taxation consequences of the distribution. Neither the Company nor any of its officers, or its advisers accept liability or responsibility with respect to such consequences.**

#### **16.10.1 Application of Capital Gains Tax provisions under the 1997 Act**

Generally, the mere receipt of the SVCH Shares should not give rise to any immediate taxable capital gain to any Shareholder, although, depending on individual circumstances, a net capital gain may arise where the value of the SVCH Shares received exceeds the cost base of the shares in the Company held (discussed in detail below). However, all Shareholders should note that for Capital Gains Tax (CGT) purposes and subsequent CGT calculations, the cost base of the SVCH Shares will be equal to its market value at the time they are transferred to you.

Should a capital gain arise to a Shareholder, the Shareholder may defer any capital gain realised under Capital Gains Tax Demerger Roll-over Relief (Demerger Relief) pursuant to Division 125 of the *Income Tax Assessment Act 1997* (the **1997 Act**) if the conditions of Demerger Relief are satisfied. As previously discussed above, a capital gain should only arise to the Shareholder if the value of the SVCH Shares received exceeds the cost base of the shares in the Company. The Company will not be applying for a Class Ruling in relation to the Demerger Relief pursuant to the 1997 Act and the non-application of the integrity rule in section 45B of the *Income Tax Assessment Act 1936* (Cth). The onus will be on each Shareholder to obtain independent advice as to the applicability of Demerger Relief to their respective circumstances in terms of Division 125 of the 1997 Act. Each Shareholder who is eligible for Demerger Relief is required to recalculate the cost base of their SVC and SVCH Shares for CGT purposes. This is done by apportioning the total cost base of SVC Shares held by the Shareholder just before the in-specie distribution between the SVC Shares held by that Shareholder just after the in-specie distribution and SVCH Shares distributed to the Shareholder. The *Income Tax Assessment Act, 1997* requires that the apportionment must be done on a reasonable basis, based on the market values of SVC Shares and SVCH Shares just after the in specie distribution, or a reasonable approximation of those market values. These adjustments apply separately to all Shareholders who are eligible for demerger roll-over, regardless of whether Demerger Relief is chosen or not. Further information in relation to the apportionment of tax cost bases will be provided by SVC to Shareholders after the in-

specie distribution occurs. Without the Demerger Relief the in-specie distribution could result in a capital gain to Shareholders and/or an assessable dividend to Shareholders. Specifically, Demerger Relief will be available if:

- (a) you own an ownership interest in a company (your original interest); and
- (b) the company is the head entity of a demerger group; and
- (c) a demerger happens to the demerger group; and
- (d) under the demerger, a CGT event happens to your original interest and
- (e) you acquire a new or replacement interest (your new interest) in the demerged entity.

The Australian tax consequences pertaining to Shares in the Company and associated with the return of capital may, in general terms, be summarised as follows:

- (a) The return of capital is to be made from the Company's share capital account. Generally, a return of capital does not give rise to the receipt of an assessable dividend. However, in some instances, a return of capital in the context of a demerger, may constitute a deemed unfranked dividend if the Commissioner of Taxation forms the opinion that Sections 45B and 45BA of the Income Tax Assessment Act 1936 (**the Capital Streaming Rules**) should apply to the transaction. This is discussed in further detail below;
- (b) Whenever a company undertakes a return of capital to its shareholders, it is necessary to consider the application of the Capital Streaming Rules. Broadly, the Capital Streaming Rules will apply where shareholders are being provided capital benefits in substitution for dividends. The Capital Streaming Rules will apply if:
  - (i) there is a scheme under which a person is provided with a demerger benefit or capital benefit by the company;
  - (ii) under the scheme a taxpayer, who may or may not be the person provided with the demerger benefit or capital benefit, obtains a tax benefit; and
  - (iii) having regard to the relevant circumstances of the scheme, it would be concluded that the person, or one of the persons, who entered into or carried out the scheme or any part of the scheme did so for a purpose (whether or not the dominant purpose but not including an incidental purpose) of enabling a taxpayer to obtain a tax benefit.

#### 16.10.2 CGT Relief

Assuming that the return of capital does not trigger the operation of the Capital Streaming Rules, and you are an individual or trustee, and Demerger Relief is not chosen or not available we note that the consideration received on the return of capital will be treated as a reduction in the cost base or reduced cost base of your shares in the Company and, in the event that the value of the SVCH Shares exceeds that cost base, a taxable capital gain that is subject to a 50% discount is likely to be available.

Complying superannuation funds and other similar complying funds are able to take advantage of the discount outlined above but with a one third discount rather than a 50% discount.

Assuming that the return of capital does not trigger the operation of the Capital Streaming Rules, and Demerger Relief is not chosen or not available Shareholders have the following options:

- (a) if you are an individual, trust or complying superannuation fund then the abovementioned discounts may be available, providing you have held the shares for more than 12 months prior to the return of capital;
- (b) if you have held your shares in the Company for less than 12 months prior to the return of capital or are a shareholder that is a company, then the consideration received on the return of capital will be treated as a reduction in the cost base or reduced cost base of your shares in the Company and, in the event that the value of the SVCH Shares exceeds that cost base, a taxable capital gain will arise;
- (c) if you are a non-resident of Australia for taxation purposes you will not be subject to CGT unless your SVC shareholding represents Taxable Australian Property for the purposes of Division 855 of the 1997 Act. This should only be the case where you (or you and your associates together) held 10% or more interest in the Company at:
  - (i) the time of the return of capital; or
  - (ii) throughout the 12 month period that began no earlier
  - (iii) than 24 months before the time of the return of capital and ended no later than that time; and
  - (iv) the principal underlying value (i.e. more than 50%) of SVC is derived from Australian real property.

It is noted that Shares in the Company will also be considered Taxable Australian Property if the Shares are owned through an Australian Permanent Establishment of the non-Australian resident shareholder. Shareholders may be able to obtain relief from Australian CGT via the application of any relevant double taxation agreement. We recommend that non-Australian resident Shareholders seek specific advice by reference to their own circumstances so as determine their Australian CGT position.

The taxation consequences to SVC Shareholders (resident and non-resident) who may hold Shares in the Company on revenue account or through a company or superannuation fund will depend on their specific circumstances and, accordingly, Shareholders such as banks, insurance companies, share traders and professional investors should seek their own specific advice.

The in specie distribution of the SVCH Shares will result in a CGT event to the Company tax consolidated group. However, under the Demerger Relief provisions of Subdivision 125-C of the 1997 Act any capital gain or capital loss that is made by the SVC Group will be disregarded.

#### **16.11 Lodgement with ASIC**

The Company has lodged with the ASIC a copy of this Notice and the Explanatory Memorandum in accordance with subsection 256C(5) of the Corporations Act.

#### **16.12 Timetable**

If Resolution 8 is passed the reduction of capital will take effect in accordance with the timetable set out in Appendix 7A of the ASX Listing Rules. This timetable will be announced once the Spinoff Record Date has been confirmed (see the last paragraph immediately before Section 16.1 for further details).

#### **16.13 ASIC Relief**

The Corporations Act restricts the Company from issuing an invitation to Shareholders to vote on Resolution 8 in relation to the proposed in specie distribution of the SVCH Shares without the Company issuing a prospectus under Chapter 6D of the Corporations Act. In addition, the

Corporations Act restricts Shareholders from on-selling their SVCH Shares issued (without a prospectus) under the proposed in specie distribution within the first 12 months after the date on which they are issued.

Accordingly, a compliance prospectus in respect of the SVCH Shares would be required to accompany this Notice of Meeting in order to comply with the disclosure obligations in Chapter 6D of the Corporations Act.

The Board considered that the disproportionately high costs involved in the preparation of a compliance prospectus was not justified and that the costs outweighed the benefits to Shareholders of receiving a compliance prospectus. Accordingly, the Company submitted an application to ASIC for relief from the obligation to issue a prospectus based on the principles set out in ASIC Regulatory Guide 188 – *Disclosure in reconstructions (RG 188)*. In broad terms, under RG 188 relief for capital reductions may be granted by ASIC where there is no significant change to a member's overall investment so that they are not making a new investment decision (such as an in specie distribution).

ASIC granted relief from these disclosure and on-sale restrictions by way of the issue of an Exemption and Declaration under subsection 741(1) of the Corporations Act dated 6 February 2013. The effect of the relief is that the Company may include Resolution 8 in this Notice and implement the proposed in specie distribution of SVCH Shares without issuing a prospectus. Further, Shareholders who receive SVCH Shares under the proposed in specie distribution will be free to transfer them at any time after they are issued should they wish to do so.

In compliance with the requirements of the Exemption and Declaration granted by ASIC, the Company confirms that this Notice of Meeting is substantially in the same form as the draft Notice of Meeting which was provided to ASIC in support of the Company's application for relief under RG 188.

#### **16.14 Other Material Information**

There is no information material to the making of a decision by a Shareholder in the Company whether or not to approve Resolution 8 (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders) other than as disclosed in this Explanatory Memorandum.



## Schedule 1 - Definitions

In this Explanatory Memorandum and Notice of General Meeting:

**Acquisition** or **SubZero Acquisition** means the purchase by SVC of all the issued shares in the capital of SubZero Holdings.

**Adjusted EBIT** means the EBIT of the SubZero Group determined from the audited SubZero Group financial statements prepared in accordance with the Purchase Agreement after excluding:

- (a) all transaction costs (including accounting, legal and other adviser's fees) and expenses (including stamp duty) paid or payable by the SubZero Group in connection with the Transaction or the SubZero Group Equity Restructure;
- (b) any management or similar fees paid or payable by the SubZero Group to SVC;
- (c) amortisation of goodwill, acquisition costs and intangible assets (if any) recognised in the SubZero Group's balance sheet;
- (d) any overhead costs allocated by SVC to the SubZero Group to the extent such costs are in connection with the SubZero Group's business, are charged at rates which are no less favourable than the rates which would be charged by a third party dealing at arm's length and are reasonable and appropriate or previously approved in writing by an authorised representative of the Vendors;
- (e) any direct costs incurred by, or allocated by SVC to, the SubZero Group in integrating its management information systems with those of SVC to the extent such costs are reasonable and appropriate;
- (f) any payments made to the directors of the SubZero Group other than reasonable directors' fees and expenses and remuneration; and
- (g) any costs associated with the calculation of the Adjusted EBIT or any dispute in relation to that calculation.

**ASIC** means Australian Securities and Investments Commission.

**Associate** has the meaning ascribed in the Corporations Act.

**ASX** means ASX Limited and, where the context permits, the Australian Securities Exchange operated by ASX.

**ASX Listing Rules** means the listing rules of ASX.

**ASX Restricted Securities** means any securities which are classified by the ASX as Restricted Securities under the ASX Listing Rules.

**Board** means Directors of the Company.

**Business Day** means a day on which the ASX is open for trading.

**CCD** means Coast & Country Developments Pty Limited (ACN 130 670 263)

**Company or SVC** means SVC Group Limited (ACN 009 161 522).

**Completion** means completion of the sale of all the issued shares in SubZero Holdings to SVC in accordance with the Purchase Agreement.

**Consideration Shares** has the meaning given in Section 2.

**Constitution** means the constitution of the Company as at the date of the General Meeting.

**Corporations Act** means the *Corporations Act* 2001 (Cth).

**Corso Management** means Corso Management Services Pty Limited (ACN 108 230 888).

**Cross Guarantees** has the meaning given in Section 2.2.

**Directors** mean the directors of the Company.

**Earnout Shares** has the meaning given in Section 2.3.

**EBIT** means earnings before interest and tax.

**Exempt Investor** means a person to whom an offer of securities can be made without the need for a disclosure document to be lodged with ASIC under Part 6D.2 of the Corporations Act because of section 708(8) (sophisticated investor), section 708 (10) (offer through financial services licensee) or section 708(11) (professional investor) of the Corporations Act.

**Explanatory Memorandum** means the explanatory memorandum to the Notice.

**Farrell Vendors** means the entities listed in Part A of the table in Section 10.

**General Meeting** has the meaning given in the introductory paragraph of the Notice (and any adjournment of that meeting).

**Hall Chadwick** means Hall Chadwick Corporate (NSW) Limited (ACN 080 462 488).

**Hunter Valley Joint Venture** means the unincorporated joint venture between the Company and CCD established under the Joint Venture Agreement.

**Independent Expert** means Hall Chadwick.

**Independent Expert's Report** means the report of the Independent Expert dated 17 January 2013 included as Annexure A to this Explanatory Memorandum.

**Joint Venture Agreement** means the Joint Venture Agreement between the Company and CCD dated 1 October 2011 (as amended).

**JV Interest** means the whole of the Company's right, title and interest in the Hunter Valley Joint Venture.

**Loan Repayment Shares** has the meaning given in Section 2.4.

**Maximum Subscription** means the maximum subscription under the Offer, being 26 million Offer Shares.

**Minimum Subscription** means the minimum subscription under the Offer, being 18 million Offer Shares.

**Notice** means this Notice of General Meeting.

**Offer** means the offer of the Offer Shares under the Prospectus.

**Offer Shares** means not less than 18 million and not more than 26 million Shares to be offered under the Prospectus.

**Other Vendors** means the entities listed in Part B of the table in Section 10.

**Proxy Form** means the proxy form attached to the Notice.

**Prospectus** has the meaning given in Section 6.

**Purchase Agreement** has the meaning given in Section 2.1.

**Related Party** has the meaning ascribed in the ASX Listing Rules.

**Resolution** means a resolution referred to in this Notice.

**Selldown Completion** has the meaning given in Section 2.2.

**Selldown Consideration Shares** has the meaning given in Section 2.2.

**Selldown Shares** has the meaning given in Section 2.2.

**Selldown Shares Buyer** has the meaning given in Section 2.2.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Consolidation** or **Consolidation** means the consolidation of the Shares on issue through the conversion of every 10.6 Shares into one Share pursuant to Resolution 1.

**Shareholder** means a shareholder of the Company.

**Spinoff** has the meaning given in Section 16.

**Spinoff Record Date** means the date to be announced by the Company subsequent to the ASX confirming the Company has re-complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

**SubZero Group** or **SubZero** means SubZero Holdings and its controlled entities.

**SubZero Group Equity Restructure** means the restructure of some of the entities operating the SubZero Group businesses and their ownership resulting in them becoming controlled entities of SubZero Holdings and all of the issued shares in it being owned by the Vendors (as further explained in section 2.2 of the Independent Expert's Report), completion of which occurred on 31 December 2012.

**SubZero Holdings** means Subzero Holdings Pty Limited (ACN 153 511 212).

**SubZero Services** means Subzero Services Pty Limited (ACN 086 937 984).

**SVCH** means SVC Hunter Valley Limited (ACN 162 245 776).

**SVCH Share** means a fully paid ordinary share in the capital of SVCH.

**Tandem** means Tandem Capital Pty Ltd (ABN 68 009 161 522).

**Tandem Corporate Advisory Agreement** means the Agreement between Tandem and SVC referred to in Sections 2.8 and 15.

**Tandem Shares** means the Shares issued or to be issued to Tandem under Resolution 7.

**Transaction** means the sale of all the issued shares in SubZero Holdings to the Company, the issue and allotment of the Consideration Shares, the Selldown Consideration Shares (if any), the Loan Repayment Shares, the Offer Shares and the Tandem Shares and the related matters as outlined in Section 2.

**Vendors** mean the Farrell Vendors and the Other Vendors.

**Voluntary Restricted Securities** has the meaning given in Section 2.5.

In this Notice (including the Explanatory Memorandum):

- (a) words importing the singular include the plural and vice versa;
- (b) expressions that are not specifically defined in the Notice, but are given a particular meaning in the Corporations Act, have the same meaning in the Notice; and
- (c) a reference to a Section is a reference to a Section of the Explanatory Memorandum.

**SVC GROUP LIMITED**  
**ACN 009 161 522**

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**P R O X Y   F O R M**

The Company Secretary  
SVC Group Limited

**By post and delivery:**

**By facsimile:** 02 9951 5454

Level 8, 55 Hunter Street  
Sydney NSW 2000

I/We

<sup>1</sup>

of \_\_\_\_\_

being a Shareholder/Shareholders of the Company and entitled to attend and vote, hereby appoint <sup>2</sup>

\_\_\_\_\_

or if no person is named or failing such appointment the chairman of the General Meeting as my/our proxy to act generally and vote for me/us on my/our behalf at the General Meeting of the Company to be held at 10.30 am (Sydney time) on 12 March 2013 at Level 5, 56 Pitt Street, Sydney and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is \* [ \_\_\_\_\_ ]% of the Shareholder's votes\*/ [ \_\_\_\_\_ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request.)

**INSTRUCTIONS AS TO VOTING ON THE RESOLUTIONS**

The proxy is to vote on the Resolutions referred to in the Notice as follows:

		<b>For</b>	<b>Against</b>	<b>Abstain *</b>
Resolution 1	Approval for the share consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for the issue of Offer Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval for the change of company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval for change to nature of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval for the issue of Shares to the Farrell Vendors Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for the issue of Shares to the Other Vendors and Selldown Shares Buyers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval for the issue of Tandem Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval for Hunter Valley Joint Venture Spinoff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**The chairman intends to vote all available proxies in favour of each Resolution.**

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

## Authorised signature/s

This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

<sup>1</sup>Insert name and address of Shareholder

<sup>2</sup>Insert name and address of proxy

\*Omit if not applicable

## Proxy Notes:

A Shareholder entitled to attend and vote at the General Meeting may appoint a person as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting. If the Shareholder is entitled to cast 2 or more votes at the General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting, the representative of the body corporate to attend the General Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission on 02 9951 5454 or by post or delivery to Level 8, 55 Hunter Street, Sydney, NSW, 2000 not less than 48 hours prior to the time of commencement of the General Meeting.