



Notice of 2012 Annual General Meeting

The Annual General Meeting of SFG Australia Limited will be held:

on **Tuesday, 27 November 2012**

at **11.00am Sydney time**

at the offices of **SFG Australia Limited,**

Level 18, 50 Bridge Street,

Sydney NSW 2000

SFG AUSTRALIA LIMITED

NOTICE OF 2012 ANNUAL GENERAL MEETING

Business:

1. Financial Statements

To receive and consider the Financial Statements, the Directors' Report and the Auditor's Report for the year ended 30 June 2012.

Resolution 1

2. Re-election of Naseema Sparks as a Director

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

"That Naseema Sparks, a Director appointed to the Board since the 2011 AGM, and being eligible for re-election, is elected as a Director."

Resolution 2

3. Re-election of Eric Dodd as a Director

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

"That Eric Dodd, who retires as a Director by rotation under the Constitution, and being eligible for re-election, is elected as a Director."

Resolution 3

4. Re-election of John Gannon as a Director

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

"That John Gannon, who retires as a Director by rotation under the Constitution, and being eligible for re-election, is elected as a Director."

Resolution 4

5. Adoption of Remuneration Report (non-binding resolution)

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

"That the Remuneration Report for the year ended 30 June 2012, being part of the Directors' Report, is adopted."

Voting Exclusion Statement

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

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if:

- the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- the person is the Chairman and has been appointed as a proxy (expressly or by default) without being directed how to vote on the resolution; and
- the vote is not cast on behalf of a person described in (a) or (b) above.

Resolution 5

6. Grant of Performance Rights to the Managing Director, Mr Anthony Fenning

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

“That the grant to the Managing Director, Mr Anthony Fenning, of a maximum of 2,000,000 Performance Rights under the Plan be approved on the terms set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5:

- in any capacity by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Group) or any of their associates; and
- as a proxy by a member of the Key Management Personnel or a Closely Related Party of a member of Key Management Personnel,

unless the vote is cast:

- as proxy for a person entitled to vote on Resolution 5 in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting as proxy for a person entitled to vote on Resolution 5, in accordance with an express authorisation to exercise the proxy on Resolution 5 as the Chairman decides (even though the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel).

Resolution 6

7. Termination benefits for John Cowan

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

“That approval be given for the purposes of Section 200B and 200E of the Corporations Act and for all other purposes, for the giving of benefits under the Group’s employment agreements and the Plan to John Cowan in connection with his ceasing to hold a managerial or executive office or position of employment in the Group, the relevant terms of the benefits being as set out in the Explanatory Memorandum.”

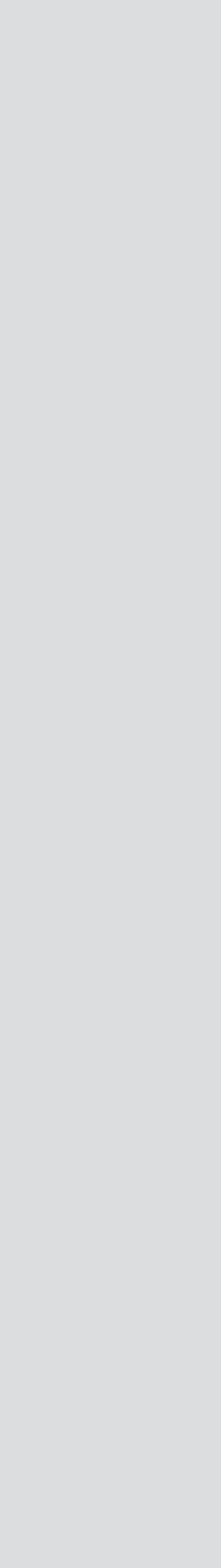
Voting Exclusion Statement

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

- (a) any member of the Key Management Personnel to which the approval of the above termination benefits relates; or
- (b) an associate of such a person.

However, a person described above may cast a vote on this Resolution if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman 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

Linda Fox
Company Secretary
19 October 2012

Capitalised terms have the same meanings in this Notice of Meeting as in the Explanatory Statement accompanying this Notice of Meeting.

Voting Notes

These Voting Notes should be read together with and form part of the Notice of Meeting.

Determination of entitlement to attend and vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all Shares will be taken to be held by the registered holders at 11.00am Sydney time on Sunday, 25 November 2012. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies

If you are a Shareholder entitled to attend and vote, you are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes. A proxy need not be a Shareholder. If you want to appoint one proxy, you can use the form provided. If you want to appoint two proxies, please follow the instructions on the proxy form.

The Constitution provides that on a show of hands, every person present and entitled to vote has one vote.

If you appoint a proxy who is also a Shareholder or is also a proxy for another Shareholder, your directions may not be effective on a show of hands. Your directions will be effective if a poll is taken on the relevant Resolution.

If you sign and return a proxy form and do not nominate a person to act as your proxy, the Chairman will be appointed as your proxy by default.

Appointment of the Chairman or other Key Management Personnel as your proxy

Due to the voting exclusions and requirements referred to in the Notice of Meeting, if you intend to appoint any Director or Key Management Personnel or their Closely Related Parties **other than the Chairman** as your proxy, you are encouraged to direct your proxy on how to vote on Resolution 4 (adoption of Remuneration Report) and Resolution 5 (grant of performance rights to the Managing Director) and Resolution 6 (termination benefits for John Cowan) by marking either "For", "Against" or "Abstain" on the proxy form for the relevant item of business. If you do not direct such a proxy how to vote on those Resolutions they will not be able to vote an undirected proxy and your vote will not be counted. This does not apply to the Chairman, who is able to vote undirected proxies where he is expressly authorised to do so on the proxy form.

How the Chairman will vote undirected proxies

You should note that if you appoint the Chairman as your proxy, or the Chairman is appointed your proxy by default, and the proxy form has been signed and lodged but does not specify whether to vote "For", "Against" or "Abstain", your undirected proxies held by the Chairman will be taken as an express authorisation for the Chairman to vote as he decides, in which case he intends to vote in accordance with his stated voting intention, which is to vote in favour of all Resolutions (including Resolution 4 (adoption of Remuneration Report) and Resolution 5 (grant of performance rights to the Managing Director) and Resolution 6 (termination benefits for John Cowan)).

Shareholders always have the ability to appoint the Chairman as their proxy to cast the votes contrary to the Chairman's stated voting intention or to abstain from voting on a Resolution. Shareholders are encouraged to direct their proxies how to vote.

Where to lodge a proxy

You may lodge a proxy by following the instructions set out on the proxy form accompanying this Notice of Meeting.

To be effective the proxy must be received by Computershare in accordance with the instructions on the proxy form at the postal or facsimile number below or by the Company at its registered office, Level 18, 50 Bridge St, Sydney, NSW 2000, not later than 11.00am Sydney time on Sunday, 25 November 2012.

SFG Australia Limited
c/- Computershare Investor Services Pty Ltd
GPO Box 242
Melbourne VIC 3001
Facsimile: 1800 783 447 or +61 3 9473 2555 (from outside Australia)

Admission to meeting

If you will be attending the Annual General Meeting and you will not appoint a proxy, please bring your proxy form (if you still have one) to the meeting to help speed admission. Your proxy form contains identification details that can be scanned upon entry. If you do not bring your proxy form with you, you will still be able to attend and vote at the Annual General Meeting, but representatives from Computershare will need to verify your identity. You will be able to register from 10.00am on the day of the meeting.

If you do not plan to attend the Annual General Meeting, you are encouraged to complete and return a proxy form.

SFG Australia Limited

ABN 81 006 490 259

EXPLANATORY STATEMENT TO THE NOTICE OF ANNUAL GENERAL MEETING

FINANCIAL STATEMENTS

SFG Australia Limited's annual report for 2012 (which includes the Financial Report, the Directors' Report and the Auditor's Report, together called the **Annual Report**) will be presented to the meeting. Shareholders can access a copy of the Annual Report on the Company's website at: www.sfgaustralia.com.au. As permitted by the Corporations Act, a printed copy of the Annual Report has been sent only to those Shareholders who have elected to receive a printed copy.

Questions and Comments

Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Annual Report and the audit and the management of the Company. There is no formal resolution to be voted on in relation to this item of business.

Similarly, you will have a reasonable opportunity at the meeting to ask PricewaterhouseCoopers, the Company's auditor, questions about their audit report.

Alternatively you can submit written questions to the auditor about their Audit Report. Written questions must be received no later than 11.00am Sydney time Tuesday, 20 November 2012 at Computershare Investor Services Pty Ltd (at the postal address or fax number for lodgement of proxies). The questions may also be sent to the Company Secretary, SFG Australia Limited, Level 18, 50 Bridge St, Sydney, NSW 2000. A list of questions for the auditor will be available at the meeting.

Resolution 1

RE-ELECTION OF DIRECTOR

Under the Constitution, the Directors may appoint any person to be a Director. Any Director appointed in this way holds office only until the end of the next annual general meeting following their appointment and is then eligible for re-election at that meeting.

Since the 2011 AGM Naseema Sparks was appointed to the Board as an independent director by the Directors to replace Tony McDonald, who resigned as an executive director on 27 March 2012.

Please refer to the Annual Report for details of Naseema Sparks' biography.

Recommendation

The Directors (other than Naseema Sparks) unanimously recommend that Shareholders vote **in favour** of Resolution 1.

Resolutions 2 – 3

RE-ELECTION OF DIRECTORS

Under the Constitution, one third of the Directors must retire from office at each annual general meeting (or the whole number nearest one third). The Director being appointed in Resolution 1 is not included in this number. Under the ASX Listing Rules, a Director must retire from office (and is eligible to seek re-election) by no later than the third annual general meeting, or three years, following his or her most recent election or re-election, whichever is longer. These provisions do not apply to the Managing Director.

Resolution 2

RE-ELECTION OF ERIC DODD AS A DIRECTOR

Eric Dodd was appointed as a Director and Chairman on 2 July 2010. He was last elected at the Company's 2010 annual general meeting.

Please refer to the Annual Report for details of Eric Dodd's biography.

Recommendation

The Directors (other than Eric Dodd) unanimously recommend that Shareholders vote **in favour** of Resolution 2.

Resolution 3

RE-ELECTION OF JOHN GANNON AS A DIRECTOR

John Gannon was appointed as a Director on 26 June 2011. He was last elected at the Company's 2011 AGM.

Please refer to the Annual Report for details of John Gannon's biography.

Recommendation

The Directors (other than John Gannon) unanimously recommend that Shareholders vote **in favour** of Resolution 3.

Resolution 4

ADOPTION OF REMUNERATION REPORT

Content of Remuneration Report

Directors of listed companies, such as the Company, are required to provide detailed disclosures of director and senior executive remuneration in their directors' reports. These disclosures are set out in the Remuneration Report (which forms part of the Directors' Report) and were included in the Annual Report.

The Remuneration Report includes:

- details of the remuneration provided to the non-executive Directors and Key Management Personnel for the year ended 30 June 2012;
- discussion of the Board's policy in relation to the nature and level of remuneration of the Directors, Managing Director and Key Management Personnel, including in relation to performance conditions; and
- discussion of the relationship between the Board's remuneration approach and the Company's financial performance.

There will be a reasonable opportunity for Shareholders to comment on, and ask questions about, the Remuneration Report at the meeting.

Non-binding resolution on Remuneration Report

The Resolution to adopt the Remuneration Report will be put to Shareholders in accordance with Section 250R(2) of the Corporations Act. The vote on this Resolution is advisory only and will not bind the Directors or the Company, however the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

Further, under the Corporations Act, if the resolution to approve the Company's Remuneration Report receives "no" votes of 25% or more at two successive annual general meetings (known as the "Two Strikes Rule"), Shareholders will be required to vote at the second of those annual general meetings on a "Board Spill Resolution" to determine whether another meeting should be held within 90 days at which all of the Directors (other than the Managing Director) must stand for re-election.

Resolution 5

As the Company received more than 75% of “yes” votes on its Remuneration Report at its 2011 AGM, the first board spill can only potentially occur at the Company’s 2013 annual general meeting.

The Company encourages all Shareholders to **cast their votes** on Resolution 4 (Adoption of Remuneration Report).

GRANT OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR, ANTHONY FENNING

At the Company’s 2011 AGM, Shareholders resolved to grant Anthony Fenning, the Managing Director of the Company (**MD**), a maximum of 3,000,000 Performance Rights to be granted over the three-year period from 29 November 2011 to 29 November 2014 (**the Approval**) under the terms of the Plan. It was intended that those Performance Rights would be allocated to the MD in three separate instalments before the Approval expired on 29 November 2014.

Since the 2011 AGM, and in reliance on the Approval, 1,000,000 Performance Rights were granted to the MD as his 2012 LTI entitlement with an effective allocation date of 1 January 2012, details of which have been disclosed in the Company’s Remuneration Report which is set out in the 2012 Annual Report.

On 19 October 2012, the Board approved amendments to the rules of the Plan (**Plan Rules**) and to the terms of LTI entitlements to be granted under the Plan to further align the interests of executives with those of Shareholders. The Board is proposing to apply the amended Plan Rules and LTI terms to the grants to be made to the MD for his 2013 and 2014 LTI grants (totalling a maximum of 2,000,000 Performance Rights for the two grants). As the terms of these grants will differ in material ways to those approved at the 2011 AGM, the Board now proposes to not rely on the Approval and, if Resolution 5 is passed, the Approval will effectively be replaced. The only Performance Rights that the MD will receive for his 2013 and 2014 LTI entitlement will be those for which approval is now being sought under Resolution 5.

If approved, it is intended that Performance Rights will be granted to the MD in two instalments within each of the financial years 2013 (**FY13 Grant**) and 2014 (**FY14 Grant**). The actual number of Performance Rights to be allocated to the MD for each grant will be determined in accordance with the guidelines set out below.

Why is Shareholder approval being sought?

ASX Listing Rule 10.14 requires that shareholder approval be obtained for awards of securities that are issued to directors. Shareholder approval is required only if the underlying shares are provided to a director by way of an issue of shares and not if the underlying shares are purchased on market. The intention of the requirement is to protect shareholders from dilution in the value of shares that may occur as a result of shares issued under employee incentive plans. No such dilution occurs if shares are purchased on market.

The Board has a discretion to determine whether the Shares underlying a grant of Performance Rights will be purchased on market or issued. The Board’s current intention is to issue any new Shares required to satisfy the vesting of Performance Rights, having regard to the current liquidity of the Shares.

Background

Each year the Board reviews and approves the remuneration of the MD. This year, the Board has received independent advice from an external remuneration consultant, Mercer Australia Pty Ltd, on the appropriate level of remuneration to be made to the MD.

The MD's remuneration package includes:

- fixed remuneration (salary, superannuation and benefits)
- an STI payable in cash; and
- an LTI grant under the Plan in the form of Performance Rights.

Overview of the proposed LTI grants

The Plan is designed to provide all eligible employees of the Group with an opportunity to share in the ownership, and promote the long-term success, of the Company. A copy of the Plan Rules is available for inspection at the Company's registered office at Level 18, 50 Bridge St, Sydney, NSW 2000. Alternatively, a copy of the Plan Rules can be obtained by writing to the Company Secretary at the above address.

Shareholders are requested to approve the acquisition of Performance Rights by the MD. If approval is granted, the Board will grant up to 2,000,000 Performance Rights over a two-year period to 27 November 2014 (and not after this date). One portion of those Performance Rights will comprise the FY13 Grant and a second portion will comprise the FY14 Grant.

The Performance Rights that are granted to the MD for each of his LTI grants will vest after a three-year performance period commencing on 1 July in the first year of each grant (**Performance Period**), subject to the satisfaction of two performance-based hurdles and, in some instances described below, to his continued employment with the Company. Shares allocated to the MD on vesting of the Performance Rights will rank equally with other Shares.

Quantum of award: Subject to Shareholder approval, the MD will be granted a maximum of 2,000,000 Performance Rights.

Again, one portion of those Performance Rights will comprise the FY13 Grant and a second portion will comprise the FY14 Grant.

If Resolution 5 is approved by Shareholders, the Board will determine the actual number of Performance Rights to be granted to the MD using the following guidelines:

$$N = (R / S)$$

Where:

N is the number of Performance Rights to be granted,

R is a maximum of approximately 33% of the MD's annual remuneration package for the year in question (including Performance Rights granted to him),

S is the volume weighted average price of the Shares for the 60 trading day period commencing 30 trading days prior to the start of the Performance Period.

As the MD's grant forms part of his remuneration, the Performance Rights will be granted at no cost to the MD and no amount is payable on vesting of the Performance Rights. The Performance Rights will be granted under, and subject to, the rules of the Plan Rules. Performance Rights do not carry any distribution or voting rights prior to vesting.

Performance hurdles: If Shareholder approval is obtained, each of the FY13 Grant and the FY14 Grant will be subject to two performance hurdles over the applicable Performance Period, as follows:

- half of the Performance Rights for each grant will be subject to a relative Total Shareholder Return (**TSR**) performance hurdle; and

- half of the Performance Rights for each grant will be subject to a Profits Per Share (**PPS**) performance hurdle.

Relative TSR performance hurdle: For each grant, the Performance Rights that are subject to the relative TSR performance hurdle will only vest if, at the end of the applicable Performance Period, the Company's TSR performance is positive and if relative TSR performance is at or above the median of the comparator group of companies (being the S&P/ASX 300 Financial Accumulation Index as at the start of the applicable Performance Period, excluding A-REITs, and subject to any inclusions or exclusions determined on an appropriate basis by the Board). The vesting schedule below sets out the percentage of the TSR-tested Performance Rights for each grant that will vest at the end of the applicable Performance Period:

<i>TSR relative to comparator companies</i>	<i>Portion of TSR-tested Performance Rights that vest</i>
Above 75th percentile	100%
Between 50th and 75th percentile	Straight line vesting between 50% and 100%
Equal to 50th percentile	50%
Below 50th percentile	Nil

PPS performance hurdle: For each grant, the internal vesting condition set by the Board for vesting of the remaining 50% of the Performance Rights is the PPS of the Company for a specific period. PPS is calculated using the after-tax profits for a relevant period derived from the Company's continuing operations including the notional financial impact of any deferred consideration for completed acquisitions and excluding any impairment charges for amortisation of intangibles unless such charges can be shown to be a genuine assessment of the reduction in the value of the business which has not always been reflected in the underlying PPS calculation. The Company will measure the increase (or decrease) in PPS over the applicable Performance Period with a target and threshold PPS, determined by the Board at or prior to each allocation of Performance Rights, which will be on an allocation date within the first year of each Performance Period.

For each grant, the Performance Rights that are subject to the PPS performance hurdle will only vest if, over the applicable Performance Period, the Company's PPS growth is a percentage increase, and then in accordance with the following vesting schedule:

<i>PPS Growth</i>	<i>Portion of PPS-tested Performance Rights that vest</i>
Above Target PPS	100%
Between Threshold PPS and Target PPS	Straight line vesting between 25% and 100%
Equal Threshold PPS	25%
Below Threshold PPS	Nil

Testing of performance hurdles and vesting of Performance Rights: Following the end of the applicable Performance Period, performance against the performance hurdles will be tested and, to the extent that the Board determines that the performance hurdles have been satisfied and in accordance with the vesting schedule outlined above, the Performance Rights for the relevant grant will automatically vest. Any Performance Rights that do not vest following the relevant testing date will lapse.

Treatment of Performance Rights on cessation of employment: If the MD's employment ceases part way through a Performance Period, the treatment of any unvested

Performance Rights that he holds at the time of his cessation will depend on the nature of the termination. If the MD ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Performance Rights will lapse, unless the Board determines otherwise. If the MD ceases employment for any other reason (including death, total and permanent disablement, redundancy or the Company giving the MD notice without cause), any unvested Performance Rights will remain on foot and will remain subject to the same performance hurdles and will be tested at the original testing dates (and the service condition will be waived). However, the Board retains a discretion to lapse and/or accelerate the vesting of, some or all of the Performance Rights on cessation of employment (having regard to all the circumstances, including the extent to which the performance hurdles have been met).

Change of control: In the event of a takeover or change of control of the Company, the treatment of any unvested Performance Rights will be determined by the incumbent Board having regard to all relevant circumstances.

Additional information

- As the grants of Performance Rights will form the LTI portion of the MD's remuneration package for FY13 and FY14, no amount is payable by him upon the grant of these Performance Rights or to acquire Shares on vesting of the Performance Rights.
- No loan will be provided to the MD in relation to the Performance Rights.
- Other than the MD and James Kilkeny, no Director (or associate of a director) is currently entitled to participate in the Plan. No approval is being sought at this time for approval under Listing Rule 10.14 to permit Mr Kilkeny to participate in the Plan. If Mr Kilkeny or any other Director or associate of a Director becomes entitled to participate in the Plan in future, no grant will be made to them until Shareholder approval is obtained under Listing Rule 10.14.
- Following Shareholder approval at the 2011 AGM (held under the Company's former name, Snowball Group Limited), the MD was granted 1,000,000 Performance Rights at no cost to him with an effective allocation date of 1 January 2012.
- The MD is prohibited from hedging the share price exposure in respect of the Performance Rights during the applicable Performance Periods.
- Details of the Performance Rights granted to the MD comprising his FY13 LTI Grant and FY14 LTI Grant will be provided in the Company's remuneration reports (which will be contained in the Company's annual report for that year) for the financial years ending 30 June 2013 and 2014 and that report will confirm that Shareholder approval has been obtained under Listing Rule 10.14.
- If approval is granted, the Board will grant up to 2,000,000 Performance Rights over a two-year period to 27 November 2014 (and not after this date).

Recommendation

The Board (with Mr Fenning abstaining) unanimously recommends that Shareholders vote **in favour** of this Resolution.

TERMINATION BENEFITS FOR JOHN COWAN*Why is Shareholder approval being sought?*

The Corporations Act restricts the benefits which can be given to certain persons who hold a managerial or executive office (as defined in the Corporations Act) position on leaving their employment with the Group. Under Section 200B of the Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office position in the company or its related bodies corporate, if it is approved by Shareholders or an exemption applies.

The provisions of the Corporations Act relating to termination benefits specify the maximum termination benefits that can be given without prior shareholder approval. The termination benefits cap applies to all Directors (including executive Directors of the Company) and to all Key Management Personnel of the Group (that is, to all persons whose remuneration is required to be disclosed in the Remuneration Report), including those who are not Directors.

In the Remuneration Report, the following people were listed as members of the Key Management Personnel (other than the non-executive directors) as at 30 June 2012:

- Nicholas Bedding
- John Cowan
- Anthony Fenning
- Linda Fox
- James Kilkenny
- David Pitcher

The termination benefits to which Key Management Personnel of the Group are entitled have been described in the Remuneration Report. The Board considered those benefits to be fair and reasonable at the time that they were agreed and the Board continues to believe that they are fair and reasonable.

Under the termination benefits laws, the term “benefit” has a wide operation, and will include benefits arising from the Board exercising its discretion under Plan Rules.

Remuneration framework

This section describes the key features of the Company’s remuneration framework to provide background for the termination benefits which may be received by Key Management Personnel. The remuneration framework for the Key Management Personnel consists of:

- a fixed component (base pay and benefits, including superannuation);
- an STI payable in cash. For the year ended 30 June 2012, the KPIs linked to STI were based on Group and individual personal objectives. Performance is based on a scorecard of ‘financial’ and ‘strategic’ metrics; and
- an LTI by way of participation in the Plan, having regard to predetermined KPIs established by the Board.

Depending on the role of the Key Management Personnel, a combination of the above components is used to form total annual remuneration. The current proportion of each component (i.e. remuneration mix) is described in the Remuneration Report.

The Board may change the proportion of the components from time to time to ensure that the Group's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards, in accordance with advice given approximately every two years from remuneration consultants.

Shareholders are not being asked to approve any increase in the remuneration or benefits for the Key Management Personnel or any variations to the existing discretions of the Board. No change to the underlying employment arrangements or individual entitlements is being proposed.

What is the Company seeking approval for?

The Company is seeking Shareholder approval, for the purposes of Sections 200B and 200E of the Corporations Act, to certain of the "termination benefits" that the Group may provide to a new member of the Key Management Personnel since the 2011 AGM, John Cowan, in addition to any other termination benefits that the Group may provide to him without shareholder approval under the Corporations Act.

Shareholder approval was obtained at the 2011 AGM for termination benefits that may become payable to other Key Management Personnel.

Employment agreement

Mr Cowan is employed pursuant to an employment agreement which is capable of termination by the relevant Group entity or Mr Cowan on three months' notice.

The relevant Group entity may make a payment in lieu of some or all of the three month notice period. Where a payment in lieu of notice is made, the payment will be calculated by reference to Mr Cowan's current total fixed remuneration, the amount of superannuation contributions payable for the applicable period and, in some cases, the cost of any other benefits to which Mr Cowan is entitled under the terms of his employment during that period.

By way of information, current total fixed remuneration for the Key Management Personnel is disclosed in the Remuneration Report. The exact amount of any payment can only be determined once notice is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of this Notice of Meeting.

Key matters, events or circumstances which will, or are likely to affect the calculation of the payment in lieu of notice of Mr Cowan include:

- Mr Cowan's total fixed annual remuneration at the time of termination which will be set on an annual basis following Mr Cowan's remuneration review;
- in the case of termination by the relevant Group entity, the remaining period of the term of Mr Cowan's employment; and
- where notice is given by Mr Cowan, the length of any period of notice he is required to work by the relevant Group entity for which payment is being made.

Long-term incentive payments

Mr Cowan may be granted Performance Rights under the terms of the Plan. Each Performance Right is a right to receive one Share, subject to satisfaction of applicable vesting conditions over a defined Performance Period, which is 3 years.

If Mr Cowan's employment ceases part way through a Performance Period, the treatment of any unvested Performance Rights that he holds at the time of his cessation will depend on the nature of the termination. If Mr Cowan ceases employment by reason of resignation, termination for poor performance or termination for cause, all unvested Performance Rights will lapse, unless the Board determines otherwise. If Mr Cowan ceases

employment for any other reason (including death, total and permanent disablement, redundancy or the Company giving Mr Cowan notice without cause), any unvested Performance Rights will remain on foot and will remain subject to the same performance hurdles and will be tested at the original testing dates (and the service condition will be waived). However, the Board retains a discretion to lapse and/or accelerate the vesting of, some or all of the Performance Rights on cessation of employment (having regard to all the circumstances, including the extent to which the performance hurdles have been met).

In the event of a takeover or change of control of the Company, the treatment of any unvested Performance Rights will be determined by the incumbent Board having regard to all relevant circumstances.

Section 200B of the Corporations Act requires a company to obtain shareholder approval before giving a benefit to a member of the Key Management Personnel in connection with that person's retirement or removal from office unless the benefit falls within certain exceptions set out in the Corporations Act.

A payment will only fall within those exceptions if the amount is less than a prescribed multiple of that person's remuneration and if the nature of the payment falls within one of the categories set out in the Corporations Act (for example, an 'exempt benefit' or a payment in connection with a person's retirement from a Board or managerial office and the payment is for past services the person rendered to the Company).

In the event that the Board exercises its discretion to accelerate the vesting of some or all of Mr Cowan's Performance Rights, the Board is of the view that the benefit he would receive as a result may not technically fall within any of the categories of exception set out in the Corporations Act and therefore seeks Shareholder approval for the purposes of Section 200E of the Corporations Act and for all other purposes.

The value of the termination benefits in relation to the Plan for which the Company is seeking approval is the maximum benefit that could be provided to Mr Cowan on cessation of his employment under the Plan, assuming the Board exercised its discretion in favour of accelerated vesting of Mr Cowan's unvested Performance Rights. The Board would only exercise its discretion to award the maximum benefit possible where it considered it appropriate to do so in all the circumstances.

The total value of the termination benefits to be approved by Shareholders depends on factors such as:

- the market price of Shares at the time the Performance Rights (if any) vest on an accelerated basis to Mr Cowan at the time of his termination;
- Mr Cowan's length of service and the portion of any relevant Performance Periods that have expired at the time he ceases employment; and
- the number of unvested Performance Rights that Mr Cowan holds at the time he ceases employment.

The following information is provided for Shareholders in connection with the proposed approval of Performance Rights for the purposes of section 200E of the Corporations Act:

- Mr Cowan currently holds the position of Head of Products, Services and Business Acquisitions with the Company.
- Under the terms of the Plan, Mr Cowan may be allocated Performance Rights on an annual basis as part of his remuneration for that year. The actual number of Performance Rights to be allocated to Mr Cowan for a particular year will be determined in accordance with the Group's remuneration policy.

- The acquisition price for the Performance Rights is nil and no consideration is payable by Mr Cowan for a Share on the vesting of a Performance Right. On vesting of the Performance Rights, that number of Shares will be allocated to Mr Cowan.
- No loans will be made in relation to the allocation of Performance Rights or Shares by Mr Cowan under the Plan.
- Further information on the Performance Rights is detailed on page 8 to 11.

Recommendation

All of the Directors recommend that Shareholders vote **in favour** of Resolution 6.

Defined Terms

In this Explanatory Statement and the accompanying Notice of Meeting, unless the context otherwise requires:

2011 AGM means the 2011 annual general meeting of the Company (then known as Snowball Group Limited), held on 29 November 2011.

Annual General Meeting means the general meeting to be held at the offices of SFG Australia Limited, Level 18, 50 Bridge Street, Sydney NSW 2000 on Tuesday, 27 November 2012 at 11.00am (Sydney time).

Annual Report means the 2012 annual report of the Company, a copy of which is available at www.sfgaustralia.com.au.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the securities market which it operates, as the case may be.

ASX Listing Rules means the official listing rules of ASX from time to time.

Board or **Board of Directors** means the board of Directors of the Company.

Closely Related Party means, as defined in the Corporations Act, a closely related party of a member of the Key Management Personnel, being:

- a) a spouse or child of the member; or
- b) a child of the member's spouse; or
- c) a dependant of the member or of the member's spouse; or
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- e) a company the member controls; or
- f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means SFG Australia Limited.

Constitution means the constitution of the Company.

Corporations Act means Corporations Act 2001 (Cth) (as amended).

Director means a director of the Company.

Dollar or **\$** means Australian dollars, the lawful currency of the Commonwealth of Australia.

Financial Statements means the financial statements of the Company for the year ended 30 June 2012.

Group means SFG Australia Limited and its Related Bodies Corporate.

KPI means key performance indicator.

Key Management Personnel are those people described as Key Management Personnel in the Remuneration Report and includes all Directors.

LTI means long-term incentive.

Performance Right means the right to be issued one Share for every performance right allocated by SFG Australia Limited, for nil exercise price upon the satisfaction of certain vesting conditions.

Plan means the SFG Australia Limited Employee Incentive Plan which was approved by Shareholders at the general meeting of the Company (then known as Snowball Group Limited) held on 12 February 2010, as amended.

Related Bodies Corporate has the meaning given to it in Section 50 of the Corporations Act.

Remuneration Report means the remuneration report set out on pages 31 to 49 of the Annual Report.

Resolutions means the resolutions to be proposed at the Annual General Meeting.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of Shares.

STI means short-term incentive.

www.sfgaustralia.com.au



SFG Australia Limited
ABN 81 006 490 259

000001 000 SFW
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

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

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

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11.00am (Sydney time) on Sunday, 25 November 2012.

How to Vote on the Resolutions

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

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each Resolution. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on a Resolution your vote will be invalid on that Resolution.

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

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

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

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

Attending the Meeting

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

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

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding details

Your secure access information is:

SRN/HIN: I9999999999



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

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

☐

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



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of SFG Australia Limited hereby appoint

☐ the Chairman of the Meeting

 OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of SFG Australia Limited to be held at the offices of SFG Australia Limited, Level 18, 50 Bridge Street, Sydney NSW 2000 on Tuesday, 27 November 2012 at 11.00am (Sydney time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 4 & 5 (except where I/we have indicated a different voting intention below) even though Resolutions 4 & 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy, you can direct the Chairman to vote for or against or abstain from voting on Resolutions 4 & 5 by marking the appropriate boxes in step 2 below.

STEP 2

Resolutions

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

		For	Against	Abstain
1	Re-election of Naseema Sparks as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Re-election of Eric Dodd as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of John Gannon as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Grant of Performance Rights to the Managing Director, Mr Anthony Fenning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Termination benefits for John Cowan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

SIGN

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /