

3Q Holdings Limited
ABN 42 089 058 293

Notice of General Meeting
and
Explanatory Memorandum to Shareholders

A proxy form is enclosed

Time: 3.00pm.
Date: Monday, 13 August 2012
Place: Ground Floor, 35 Spring Street, Bondi Junction, NSW

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the instructions.

Chairman's Letter

Fellow Shareholders

The Board of 3Q Holdings Limited (ASX:TQH) has called this meeting of shareholders to give the Company an opportunity to improve its capital structure (via the selective buy-back) and to confirm its strategic direction and increase its future capital flexibility (in connection with the approval of the recent issue of convertible notes).

I recommend all shareholders consider and vote in favour of each resolution, as does the rest of your Board (with relevant directors abstaining from making a recommendation where required).

Selective Buy-Back

On 23 April 2012, the Board announced its intention to implement an on-market buy-back.

The intention of the on market buy-back was to quickly and effectively buy back a substantial parcel of shares at a price which represented exceptional value to the Company, as Clive Klugman (a director and a major shareholder through Eastfall Pty Limited) had indicated his willingness to sell around 16 million shares to the Company for 5c/share.

Unfortunately, after the Board's announcement a small number of buyers appeared in the market at a price marginally higher than that which the Company had indicated. Had Clive sold his shares into the market, those buyers would have obtained for themselves the benefit of the exceptional value, rather than the Company (thereby removing the opportunity for all shareholders to benefit).

Given the positions of those buyers, we have not yet completed the acquisition of any shares under the on-market buy-back. Nonetheless, the Company proposes to leave the on-market buy-back on foot (despite not yet having bought any shares), and may act upon that when appropriate.

However, recognising that the on-market approach may not achieve the desired outcome in relation to Clive's shares specifically, we have chosen to pursue the more formal approach of a shareholder vote on the selective buy-back of the relevant shares.

The Board considered whether it would be useful to shareholders to have the benefit of an Independent Expert Report in connection with the selective buy-back resolution. We did not believe that the expense was warranted in this case, given the overwhelmingly positive case for approval: we believe that the ability to acquire a large block of shares at 5c is the best possible application of the relevant funds, and no shareholder or creditor will be disadvantaged by the Company doing so. The Company sat in the market offering to buy shares at 5c for some time, with a volume larger than that held by any individual shareholder other than those associated with the Board, and acquired not a single share. On even a simplistic and conservative valuation methodology such as an EBITDA multiple of 4x, the Company's inherent value is of the order of 15c per share, and hence an acquisition at 5c/share is clearly accretive to share value.

Convertible Notes

The Board has also proposed that shareholders confirm the issue of convertible notes representing \$2.4million of funding drawn down by the Company, as announced on 23 March 2012. The investment of up to \$3.3million represented by the agreement for the subscription of two tranches of convertible notes was made by a syndicate of Investec Bank (Australia) Limited and Wintol Pty Ltd (controlled by certain individuals including Gary Burg (who is now a Director of the Company) and Larry Nestadt) (the **Syndicate**).

An initial \$2.4million was paid by the Syndicate for the first tranche of convertible notes (which may be converted into shares at the option of the note holders, at the agreed price of 10c/share). The issue of these convertible notes did not require shareholder approval under Listing Rule 7.1 given that it represented the issue of securities equivalent to 15% or less of the Company's share capital. By proposing that shareholders pass the proposed resolution to approve and ratify the issue of the convertible notes, the Company will have its capacity to issue up to 15% of its existing securities under the Listing Rules 'refreshed'. The Company continues to have the ability to call upon the Syndicate to take up a further \$900,000 worth of convertible notes, and – as Gary Burg is now a director of the Company and hence a related party – we will return to shareholders for approval of the issue of those securities at the relevant time.

The Syndicate shares management's view of the future growth of 3Q Holdings, both organically and by acquisition, and has agreed to invest the funds to support that future growth strategy. The funds may be used by the Company for any purpose determined by the Board.

Both the Board and the Syndicate anticipate that further investment to fund acquisitions may be required and those funds may be made available at least in part by the Syndicate (although the Company advises that no terms have yet been agreed for any such future investment).

As I said when announcing the investment, I am very excited to have concluded arrangements for this strategic investment into the Company. I have personally worked with Gary Burg on a number of deals, and to have him and Larry Nestadt joined by Investec Bank is testament to our Company's very strong future.

The most exciting element of the deal for me is the shared vision we have with the Syndicate for the growth of the Company over the near term. With the financial capacity of the Syndicate members backing us, and the ongoing excellent operating performance of the Company, 3Q is in a better position than ever before to capitalise on the opportunities it can find in the market.

Conclusion

I ask that all shareholders review the enclosed explanatory materials, and attend the meeting to vote on the relevant resolutions. If you are not able to attend, please complete the attached proxy form to ensure that your vote is heard.

I recommend the resolutions to you, and look forward to reporting back to you on the further progress of our Company over the coming year.

Regards

Shaun Rosen
Executive Chairman

Explanatory Memorandum

3Q Holdings Limited ABN 42 089 058 293 (Company)

Notice of general meeting

Notice is given that a general meeting of the Company will be held at Ground Floor, 35 Spring Street, Bondi Junction, NSW 2022, on Monday, 13 August 2012 at 3.00pm.

Business

Resolution 1 – Approval of Selective Share Buyback

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

"That, in accordance with section 257D of the Corporations Act and for all other purposes, approval is given for the Company to selectively buyback 17,484,326 shares held by Eastfall Pty Limited (a company associated with Mr Clive Klugman, a Director of the Company), at 5c per share, for a total consideration of \$874,216.30."

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Eastfall Pty Limited or any of its associates. In accordance with section 257D(1)(a) of the Corporations Act 2001, no votes may be cast in favour of the resolution by Eastfall Pty Limited or any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or 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 2 – Approval of issue of Convertible Note

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

"That for the purpose of Listing Rule 7.4, and for all other purposes, approval is given for the issue on 3 April 2012 of 2,400,000 convertible notes at \$1.00 per note (giving an aggregate face value of \$2.4million) and convertible at 10c/share into an aggregate of 24 million ordinary shares, as announced on 23 March 2012 and on the terms set out in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by either of Investec Bank (Australia) Limited and Wintol Pty Ltd, or any of their respective associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or 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.

Further information

Explanatory Memorandum

Shareholders should review and consider the information set out in the Explanatory Memorandum accompanying and forming part of this Notice.

Entitlement to vote

For the purposes of the general meeting, shares will be taken to be held by the persons who are the registered holders at 3pm on 11 August 2012. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting Exclusion Statement

Please refer to the voting exclusion statement set out following each resolution.

The Chairman intends to vote all available proxies held by him in favour of each resolution. Please refer to the proxy form accompanying this notice of meeting for more information.

Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

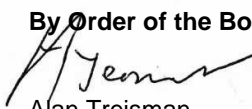
If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received at the Company's office by no later than 3pm on 11 August 2012:

Company Secretary, Ground Floor, 35 Spring Street, Bondi Junction, NSW 2022
Fax: +61 2 9387 7110 / email: alan@threeq.com.au

By Order of the Board



Alan Treisman
Company Secretary
13 July 2012

3Q Holdings Limited ABN 42 089 058 293

Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist shareholders to understand the business to be put to shareholders at the meeting.

Business

Resolution 1 – Approval of Selective Share Buy-Back

Shareholders are asked to approve the buy-back of 17,484,326 shares from Eastfall Pty Limited ACN 058 446 076 (a company associated with Clive Klugman, a Director of the Company), at 5c/share, for a total consideration of \$874,216.30.

Under the Corporations Act, a company may make a selective buy-back if the buy-back does not materially prejudice the company's ability to pay its creditors and it follows the procedure set out in Division 2 of Part 2J.1 of the Act, including that a special resolution approving the selective buy-back is passed at a general meeting. The Company has entered into a conditional agreement with Eastfall Pty Limited to buy back and cancel the 17,484,326 shares upon such shareholder approval being obtained.

The Board believes the price at which Eastfall Pty Limited has agreed to sell a block of its shares back to the Company reflects a substantial discount to the value of the Company, as well as a substantial discount to the recent volume weighted average price of shares traded in the Company. For example, the three month VWAP for the Company's shares as of 28 June 2012 was \$0.08 and no material volume of shares has traded at or even around 5c for well over three years.

On a simplistic and conservative valuation methodology, such as an EBITDA multiple of 4x, the Company's inherent value is of the order of 15c per share, and the Board believes that an acquisition at 5c/share is clearly accretive.

The proposed buy-back is from a related party of the Company. Clive Klugman is a Director of the Company, as well as a substantial shareholder through Eastfall Pty Limited, a company which he controls. Clive currently has a relevant interest in 30.4% of the Company's issued shares. Clive has indicated to the Board that for personal reasons (unrelated to the performance of the Company), Eastfall Pty Limited will sell the relevant line of shares to the Company at 5c/share.

The Board believes that it is clearly in the best interests of all shareholders for the Company to acquire these shares, decreasing the total number of shares outstanding, and increasing earnings per share.

To ensure that no other shareholder would have preferred to have the offer of a buy-back of their shares at 5c/share made available to them, rather than only to Clive on this selective basis, the Company offered to buy 16,182,654 shares (the maximum number of shares the Company could buy back on market without first seeking shareholder approval) at 5c/share on market, for a number of trading days in May 2012. No shareholders sought to take advantage of that on-market offer. This is consistent with the Directors' recommendation at the time, as the Directors believe the price offered is less than the intrinsic value of the shares.

If the Company buys back the full 17,484,326 shares that Eastfall Pty Ltd has conditionally agreed to sell back to the Company at 5c/share, the cost to the Company

will be \$874,216.30, funded from existing cash reserves. On completion of the buy-back, Clive's relevant interest in the Company would reduce to 22.3%.

If the Company buys back the full 17,484,326 shares, the proportionate interests of the two other major shareholders (Shaun Rosen and Davy Rosen, who together control 38.4% of the Company's issued shares) will increase to 43%.

To assist your review of the resolution, you should also consider the following:

Share capital details:

Shares on issue at the date of this Notice	165,826,542
The number and percentage of shares to be bought back	17,484,326 (10.5%)
Shares on issue upon completion of the selective buy back and cancellation	148,342,216

Particulars of the terms of the buy-back: 5c/share, to be paid immediately following approval by shareholders. The shares will be cancelled immediately after registration of the transfer from Eastfall Pty Limited.

The financial effect of the buy-back on the Company: the buy-back will be funded from existing cash reserves, and no franking credits will be applied to the amount paid. The Directors do not believe that the buy-back will have an adverse effect on the Company's ability to pay its creditors.

Advantages of the buy-back: The buy-back provides an opportunity for the Company to reduce its issued share capital at a substantial discount to the Directors' view of the value of the Company, and each continuing shareholder's percentage ownership in the Company will increase along with the net asset value per share.

Disadvantages of the buy-back: The principal disadvantage of the buy-back will be the decrease in the Company's cash reserves as a result of the payment of the total buy-back consideration. However, the Directors believe that this payment is well within the capacity of the Company, and will not materially prejudice the Company's ability to pay its creditors.

The Board (other than Clive Klugman who abstains from making any recommendation), recommends that shareholders vote in favour of Resolution 1. Each Director who is also a shareholder of the Company (other than Clive Klugman) intends to vote in favour of Resolution 1.

Resolution 2 – Approval of the issue of Convertible Notes

Shareholders are also being asked to approve the drawdown of \$2.4million by way of the issue of 2.4 million convertible notes as announced on 23 March 2012. The investment of up to \$3.3million by way of a convertible note loan agreement with the Company was made by the Syndicate of Investec Bank (Australia) Limited and Wintol Pty Ltd (Wintol being associated with certain individuals including Gary Burg (who is now a Director of the Company) and Larry Nestadt).

An initial \$2.4million was drawn under the agreement by way of the issue of a first tranche of 2.4million convertible notes which may be converted into shares at the option of the note holders, at the agreed price of 10c/share.

Listing Rule 7.1 imposes a limit on the number of equity securities that a company may issue without shareholder approval. In general terms, a company may not issue, in any 12-month period, equity securities amounting to more than 15% of the company's existing securities on issue. As the issue of the \$2.4million first tranche of convertible notes was below this limit, the Company did not require shareholder approval under Listing Rule 7.1.

Listing Rule 7.4 allows the issue of equity securities made by a company, which does not need shareholder approval under Listing Rule 7.1, to be treated as having been made with shareholder approval for the purposes of Listing Rule 7.1 by seeking subsequent shareholder approval. This means that, if the proposed resolution is approved by shareholders, the Company will have its capacity to issue up to 15% of the number of securities on issue under the Listing Rules 'refreshed'.

The Company continues to have the ability to call a further \$900,000 in funding under the convertible note loan agreement with the Syndicate, and – as Gary Burg is now a director of the Company and hence a related party – the Company will return to shareholders for approval of that additional drawing and issue of a second tranche of convertible notes at the relevant time.

The funds received by the Company for the \$2.4million first tranche (and, if called, the \$900,000 second tranche), may be used by the Company for any purpose determined by the Board.

Both the Board and the Syndicate anticipate that further investment to fund acquisitions may be required and those funds may be made available at least in part by the Syndicate (although the Company advises that no terms have yet been agreed for any such future investment).

For the purposes of Listing Rules 7.4 and 7.5, the following further information is provided to assist your consideration of Resolution 2:

Number and price of securities issued: On 2 April 2012, the Company issued 1.6million convertible notes to Investec Bank (Australia) Limited ACN 071 292 594 and 800,000 convertible notes to Wintol Pty Ltd ACN 096 043 257, with each convertible note being issued for \$1.00.

If the total 2.4million convertible notes were converted by the noteholders to shares, the noteholders would be issued 24 million shares by the Company, representing 12.6% of the Company's current share capital as at the date of this Notice (or 13.9% after the cancellation of the shares the subject of the selective buy-back referred to in Resolution 1).

Key terms of the convertible notes

Under the terms of the agreement with the Syndicate, all convertible notes issued to the Syndicate have the following terms:

- a. The convertible notes may be converted into shares (at 10c per share) by the Syndicate at any time within two years from the initial subscription.

- b. The convertible notes have a five year term for repayment assuming there is no conversion (maturing on the fifth anniversary of the subscription date for the first tranche – which was 2 April 2012).
- c. Interest is payable on the outstanding balance once the convertible notes are no longer convertible (that is, from the earlier of two years from the initial investment, and the time at which the Syndicate waives its right to convert). At the time interest becomes payable, a payment of interest in arrears must be made.
- d. No interest is payable if the convertible notes are converted into ordinary shares in the Company.
- e. The interest rate is set at the current NAB loan rate for the Company's AUD loans.
- f. The Syndicate has taken a second ranking charge (behind NAB) over the assets of the Company. The Syndicate and NAB entered into a Deed of Priority to regulate their relationship in connection with the charges over the Company.

The Board (other than Gary Burg who abstains from making any recommendation), recommends that shareholders vote in favour of Resolution 2. Each Director who is also a shareholder of the Company (other than Gary Burg) intends to vote in favour of Resolution 2.



3Q Holdings Limited
ABN 42 089 058 293

Proxy Form

All correspondence to:

3Q Holdings Limited
Ground Floor, 35 Spring Street,
Bondi Junction
NSW 2022
Australia
Enquiries (within Australia) (02) 9369 8500
(outside Australia) 61 2 9369 8500
alan@threeq.com.au

Mark this box with an 'X' if you have made any changes to your address details

☐

Appointment of Proxy

I/We

being a member/s of 3Q Holdings Limited and entitled to attend and vote hereby appoint

☐

the Chairman
of the
Meeting

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

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, as the proxy sees fit) at the General Meeting of 3Q Holdings Limited to be held at Ground Floor, 35 Spring Street, Bondi Junction NSW 2022 on Monday, 13 August 2012 at 3.00pm and at any adjournment of that meeting. For undirected proxies, the Chairman intends to vote in favour of each resolution including resolutions in which he has an interest. If you appoint the Chairman as your proxy and do not direct him how to vote, the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Voting directions to your proxy – please mark ☒ to indicate your directions

Resolution 1. Approval of Selective Share Buy-Back

Resolution 2. Approval of issue of Convertible Notes

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular resolution, you are directing your 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.

PLEASE SIGN HERE

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

Individual or Security Holder 1

Security Holder 2

Security Holder 3

Sole Director and
Sole Company Secretary

Director

Director/Company Secretary

.....
Contact Name

.....
Contact Daytime Telephone

/ /
Date

How to complete the Proxy Form

1 Your Address

This is your address as it appears on the Company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the Company. Do not write the name of the issuer company or the registered security holder in the space. For undirected proxies the Chairman intends to vote in favour of the resolutions and, if you appoint the Chairman your proxy and do not direct him how to vote, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each Resolution. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy may vote as he or she chooses. If you mark more than one box for a resolution your vote on that resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's office or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

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

Individual: where the holding is in one name, the holder must sign.

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

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 3pm on 11 August 2012. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

IN PERSON

Company's Office – Ground Floor, 35 Spring Street, Bondi Junction
NSW 2022

BY MAIL

Company's Office – Ground Floor, 35 Spring Street, Bondi Junction
NSW 2022

BY FAX

61 2 9387 7110

