



Korvest Ltd

ACN 007 698 106

Notice of Annual General Meeting

Explanatory Notes

Date of meeting

Friday 23 October 2015

Time of meeting

11.30 am

Place of meeting

KPMG Boardroom

Level 7, 151 Pirie Street

Adelaide SA 5000

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

Notice of Annual General Meeting

Korvest Ltd ACN 007 698 106 (**Company**) will hold an annual general meeting at Level 7, 151 Pirie Street, Adelaide, South Australia on Friday 23 October 2015 at 11.30 am (Adelaide time).

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

AGENDA

GENERAL BUSINESS

2015 Financial Statements

To receive, consider and discuss the Company's financial statements and the report of the directors and auditor for the year ended 30 June 2015.

ORDINARY BUSINESS

Resolution 1

Adoption of Remuneration Report

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

"That the remuneration report for the year ended 30 June 2015 be adopted for the purpose of section 250R(2) of the Corporations Act."

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

Voting Restriction

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

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution or by a person who is the chair of the meeting at which the resolution is voted on and the appointment does not specify the way the proxy is to vote and expressly authorises the chair of the meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel; and
- (b) it is not cast on behalf of the member or any closely related party of such a member.

Resolution 2

Re-election of Director – Mr Peter Brodribb

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

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

Resolution 3

Re-election of Director – Mr Gerard Hutchinson

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

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

SPECIAL BUSINESS

Resolution 4

Adoption of new constitution

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

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, the constitution of the Company be repealed, and for the purposes of section 136(1) and section 648G of the Corporations Act and for all other purposes, the new constitution be adopted, with effect from the close of this meeting, in the form and content tabled at this meeting and signed by the chairperson for the purpose of identification as the new constitution of the Company."

Resolution 5

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

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

"That, for the purposes of ASX Listing Rule 10.14, approval is given for the grant of 36,400 performance rights to Mr Alexander Kachellek under the Korvest Performance Rights Plan."

Voting Restriction and Exclusions

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

- (a) it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in

accordance with a direction on the proxy form to vote as the proxy decides.

Further, in accordance with the Corporations Act, a vote must not be cast on this resolution (and will be taken not to have been cast if cast contrary to this restriction) by or on behalf of a member of the key management personnel, and any closely related party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any closely related party of such a member may vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution or by a person who is the chair of the meeting at which the resolution is voted on and the appointment does not specify the way the proxy is to vote and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

Resolution 6

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

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

"That, for the purposes of ASX Listing Rule 10.14, approval is given for the grant of 28,800 performance rights to Mr Steven McGregor under the Korvest Performance Rights Plan."

Voting Restriction and Exclusions

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

- (a) it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, in accordance with the Corporations Act, a vote must not be cast on this resolution (and will be taken not to have been cast if cast contrary to this restriction) by or on behalf of a member of the key management personnel, and any closely related party of such a member, acting as proxy if their appointment does not specify the way the proxy is to vote on this resolution. However, the member or any closely related party of such a member may vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution or by a person who is the chair of the meeting at which the resolution is voted on and the appointment does not specify the way the proxy is to vote and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

Voting and the proxy

For the purpose of determining the voting entitlements at the meeting, the board has determined that shares in the Company will be taken to be held by the registered holders of those shares at 5.00pm (Adelaide time) on 21 October 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A shareholder who is entitled to attend and cast a vote at the meeting and who wishes to vote on the resolutions contained in this Notice should either attend in person, or appoint a proxy or proxies to

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

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

The proxy form (and any power of attorney under which it is signed) must be received at the address below not later than 11.30am (Adelaide time) on 21 October 2015 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

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

- | | |
|-------------------|--|
| By mail: | Korvest Ltd
C/- Computershare Investor Services Pty Ltd
GPO Box 242
MELBOURNE VIC 3001
Australia |
| By fax: | Korvest Ltd
C/- Computershare Investor Services Pty Ltd
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555 |
| Online: | Enter the control number, SRN/HIN and postcode shown on the first page of the proxy form at:
www.investorvote.com.au |
| Custodian voting: | For Intermediary Online subscribers only:
www.intermediaryonline.com |

**DATED THIS 9th DAY OF SEPTEMBER 2015
BY ORDER OF THE BOARD**

Steven McGregor
Company Secretary

Explanatory Notes

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

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

GENERAL BUSINESS

Receiving financial statements and reports

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

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

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

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

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

A written question may be submitted by giving the question to the Company no later than 16 October 2015, being five business days before the day on which the annual general meeting is to be held, and the Company will then, as soon as practicable after the question has been received, pass the question on to the auditor. At the annual general meeting the Company will allow a reasonable opportunity for the auditor or the auditor's representative to answer such written questions submitted to the auditor.

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

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

ORDINARY BUSINESS

Resolution 1 – Adoption of Remuneration Report

The remuneration report of the Company for the financial year ended 30 June 2015 is contained in the 2015 Annual Report which is available on the Company's website <http://www.korvest.com.au/index.php?PID=108>

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

In relation to the non-binding shareholder vote, where a resolution to adopt a company's remuneration report receives a "no" vote of 25 per cent or more at an AGM and comments are made on the remuneration report, the company's subsequent remuneration report is required to include an explanation of the board's proposed action in response to the "no" vote and comments or an explanation of why no action has been taken.

Where a company's remuneration report considered at the next AGM receives a "no" vote of 25 per cent or more, shareholders at that second AGM are to consider a resolution to determine whether to hold a further meeting ("spill meeting"). If this resolution passes by ordinary resolution, then the spill meeting must be held within 90 days of the second AGM and the directors who approved the directors' report, other than the managing director, will cease to hold office immediately before the end of the spill meeting. The spill meeting may resolve to appoint those or other persons to the vacated positions.

At the 2014 AGM, the Company's remuneration report for the financial year ended 30 June 2014 did not receive a "no" vote of 25 per cent or more.

Directors' Recommendation

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

Resolution 2 – Re-election of Director – Mr Peter Brodribb

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

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

In accordance with clause 10.3 of the Company's Constitution, Mr Brodribb retires in rotation and, being eligible, offers himself for re-election pursuant to ASX Listing Rule 14.4 and the Company's Constitution.

Mr Brodribb is a Fellow of Engineers Australia and served as Managing Director of Korvest Ltd from 1984 until his retirement in December 2004. In January 2005 he was appointed as a non-executive director and has served in that capacity since. Mr Brodribb is considered to be a non-independent director as a result of immediately transitioning from an executive to non-executive role.

Directors' Recommendation

Other than Mr Brodribb (who is standing for re-election), the directors recommend that the shareholders vote in favour of Resolution 2.

Resolution 3 – Re-election of Director – Mr Gerard Hutchinson

Mr Hutchinson was appointed as a director of the Company effective 19 November 2014. He has since been appointed as the Chair of the Audit Committee by the board.

Mr Hutchinson is a Chartered Accountant and has also completed a Masters of Business Administration (MBA) and Masters of Business Law (MBL). He has 20 years of experience in the contracting and engineering industry, including 14 years working for Leighton in Asia and five years as Executive Director, Finance for AECOM across Australia and New Zealand.

In addition to his extensive finance and operational experience, Mr Hutchinson has led the due diligence and integration of a number of mergers and acquisitions as well as significant experience in the roll-out of the Oracle suite of systems.

Mr Hutchinson is a fellow of the Institute of Chartered Accountants, Australian Institute of Company Directors and Australian Institute of Management.

Mr Hutchinson is currently the Managing Director for AusGroup Limited, an SGX listed company.

In accordance with clause 10.13 of the Company's Constitution, Mr Hutchinson is required to retire, and being eligible, offers himself for re-election at this annual general meeting pursuant to ASX Listing Rule 14.4 and the Constitution.

Directors' Recommendation

Other than Mr Hutchinson (who is standing for re-election), the directors recommend that the shareholders vote in favour of Resolution 3.

SPECIAL BUSINESS

Resolution 4 – Adoption of new constitution

Background

A constitution is a contract between the company and each member, the company and each director, and a member and each other member. The constitution governs the company's internal management including the operations of the company and its business, its employees and officers, dealings with equity in the company and the procedure for directors' and members' meetings. The constitution may displace or modify the rules set out in the Corporations Act that may otherwise apply.

The Company's existing constitution (**Existing Constitution**) was last amended in 1995. Since 1995, there have been a number of substantial changes to the legislation governing companies, including changes to the Corporations Act and the ASX Listing Rules, as well as technological developments and changes in the practices of the Company.

The directors recommend that the Existing Constitution be amended to take account of these changes, and to address other specific matters that the directors consider to be in the best interests of the Company. Given the significant number of changes being proposed to the constitution, the

directors have decided that it is best to repeal the Existing Constitution and replace it with a new constitution (**New Constitution**).

Under section 136 of the Corporations Act, a company can repeal its constitution and adopt a new constitution as its constitution. This resolution seeks shareholder approval to repeal the Existing Constitution and replace it with the New Constitution.

A copy of the New Constitution can be obtained prior to the meeting from the Company's registered office at 580 Prospect Road, Kilburn SA 5084 during normal business hours, on the Company's website (www.korvest.com.au) or upon request by contacting the company secretary by mail to Company Secretary, Korvest Ltd, 580 Prospect Road, Kilburn SA 5084. A copy of the New Constitution will be tabled at the Annual General Meeting.

The New Constitution is in a form that is typically adopted by a public company and is not substantially different in overall effect to the Existing Constitution. To assist members in making an informed decision regarding resolution 4, a broad summary of some of the key differences between the New Constitution and the Existing Constitution is set out below. However, this is necessarily a summary only and shareholders who believe it will assist their decision as to how to vote should review the New Constitution in its entirety.

Summary of some of the key differences

(a) General amendments

The general approach taken in the New Constitution is to refrain from repeating the requirements set out in the Corporations Act and the Listing Rules in order to avoid duplication. Where appropriate, clauses are drafted broadly, and then limited by the Corporations Act or the Listing Rules. This allows the New Constitution to remain up to date where changes are made to the Corporations Act or the Listing Rules. The New Constitution also contains a number of clauses that preserve the substance of equivalent clauses in the Existing Constitution, but have been modernised and streamlined.

(b) Small holdings (clause 14)

ASX Listing Rule 15.13 deals with the power of a company to sell the shares of shareholders holding less than marketable parcels of shares, and also provide for the content requirements for a constitution dealing with this ability. A parcel of shares with a value of less than \$500 is not a marketable parcel. In the New Constitution, the Company may sell the shares of a shareholder who holds less than a marketable parcel of shares provided the requirements set out in the clause are complied with. One of these requirements is that the shareholder must be given an opportunity to elect to retain their shares.

The directors consider that a power of the Company to sell small parcels of shares will cut down on administrative costs, benefitting the shareholders as a whole.

(c) Calls (clause 15)

The provisions dealing with calls on partly paid shares have been expanded to better set out the rights and obligations of the directors and shareholders. These provisions only apply to partly paid shares and the Company does not have any partly paid shares on issue at this time.

(d) Taxation (clause 16)

Clause 16 of the New Constitution will provide a power for the directors to recover amounts payable by the Company in respect of a share held by, or a dividend paid to, a shareholder by recovering from the shareholder a debt or by enforcing the lien over the share. Most transactions and dealings involving shares do not create a tax liability for the Company. However, the directors wish to include this recovery provision for the benefit of shareholders as a whole so that in the unusual circumstances that a shareholder's particular circumstances lead to the Company being liable to pay an amount (for example, for a tax), the Company has the ability to recover that amount from that shareholder.

(e) Shareholders requisitioning meetings (clause 32)

Clause 32 of the New Constitution provides that the rights of shareholders to requisition meetings are based on the Corporations Act. The Existing Constitution is not expressed to be subject to the Corporations Act and simply incorporated an extract of the Corporations Act at the time that the constitution was prepared. As such, the Existing Constitution does not reflect changes to the Corporations Act. This is relevant because the Corporations Act was recently changed to remove the requirement to call a general meeting when requisitioned by 100 members but that right remains under the Existing Constitution.

(f) Quorum (clause 35)

The New Constitution provides that the minimum number of members present at a shareholders' meeting (a quorum) will only be required to be present at the start of the meeting, rather than at all times throughout the meeting as set out in the Existing Constitution. This makes running shareholders' meetings administratively easier as there is no need to monitor the number of members present throughout the meeting.

(g) Conduct of meetings of shareholders (clause 37)

Clauses are included in the New Constitution regarding the conduct of meetings of shareholders which are aimed at providing clarity as to the chairperson's ability to regulate meetings.

This includes confirming that the chairperson of a shareholders' meeting will be able to require persons attending the meeting to comply with searches, restrictions and other security arrangements that the chairperson considers appropriate, before those persons are allowed to enter the meeting. The chairperson will also have the power to demand cessation of any discussion at the meeting that the chairperson considers necessary or desirable for the orderly conduct of the meeting.

These changes have been incorporated in order to ensure that shareholder meetings are conducted in an orderly fashion and to maximise the safety of those who attend such meetings.

(h) Adjourned meetings (clause 38)

The New Constitution provides that if a meeting of shareholders is adjourned for more than a month, a new notice of the resumed meeting will be required to be given to the shareholders to reflect the position under the Corporations Act.

(i) Requesting polls (clause 42)

This clause has been included in the New Constitution to reflect the Corporations Act, so that the ability of shareholders with at least 15% of votes that may be cast on a resolution will have power to request a poll (rather than 10% under the Existing Constitution).

(j) Voting on behalf of shareholders (clause 43)

This clause has been included in the New Constitution so that the circumstances in which a person can vote on behalf of a shareholder at shareholders' meetings have been broadened, for example, to permit a parent or guardian of an infant to vote the infant's shares.

(k) Chairperson casting vote (clauses 43 & 63)

This clause has been included in the New Constitution to deal with deadlock by providing the chairperson with a casting vote at meetings of shareholders and directors.

(l) Direct voting (clause 45)

Direct voting enables shareholders to cast their vote on resolutions of a meeting without having to attend in person and without needing to appoint a proxy on their behalf. The ASX Governance Council has recommended that, as part of respecting the rights of shareholders, a company should encourage and facilitate participation at meetings of security holders. Providing for direct voting is a way of achieving this. It is common to provide for the ability for direct voting in constitutions for listed companies.

This provision in the New Constitution allows to directors to implement a direct voting system and determine the appropriate procedures for direct voting, including in respect of the form, method and timing of direct voting, if the directors decide to do so, for example, if the directors are of the view that that would encourage and facilitate participation at shareholder meetings.

(m) Proxies (clauses 46 & 47)

These provisions have been included in the New Constitution to more closely reflect the Corporations Act in respect of proxies. For example, as permitted by the Corporations Act, the directors will have a discretion to accept a proxy appointment after the 48 hour appointment deadline.

The New Constitution will also clarify that a proxy or attorney may take part in a meeting of shareholders even if the appointor or representative is present, notwithstanding that the proxy or attorney will not be entitled to vote if the appointor or representative votes.

Finally, provisions dealing with proxy appointments that are not duly executed or validated or that are unclear or incomplete have been included. The provisions will allow the Company to seek written or oral clarification of proxy instructions and deems the holder to have appointed the Company as its attorney to amend the proxy form as necessary. This clause provides that the Company may also return proxy appointments for proper execution or validation and extend the time for lodgement of the completed appointment.

This is designed to increase the likelihood that shareholders who vote but do so in a manner other than as prescribed have their vote counted.

(n) Proportional takeover provisions (clause 48)

The New Constitution contains proportional takeover provisions. The provisions in the New Constitution are a modernised version of proportional takeover provisions in the Existing Constitution which have ceased to apply by operation of section 648G(1)(a) of the Corporations Act.

The Corporations Act permits a company to include provisions in its constitution dealing with a proportional takeover offer of the company's shares (known as proportional takeover provisions). Under such provisions, if offers are made under a proportional takeover bid for securities of the company, the registration of a transfer giving effect to a takeover contract for the bid is prohibited unless and until a resolution to approve the bid is passed in accordance with the provisions.

As discussed above, if a company has included such provisions in its constitution, the Corporations Act provides that they apply for up to three years. As such, if the New Constitution is approved, the provisions in the New Constitution will need to be renewed by way of shareholder approval every three years (or a shorter period if provided for in the constitution) for them to continue to take effect.

What is a proportional takeover offer?

A proportional takeover offer is a takeover offer sent to all shareholders with respect to only a specified portion of each shareholder's shares. If a shareholder accepts the offer under a proportional takeover offer, the shareholder will only dispose of the specified portion of its shares in the company and retain the balance of their shares. The specified portion must be the same for each shareholder's shares.

Effect of the proposed provisions

The effect of incorporating the proportional takeover provisions in the New Constitution is that where a proportional takeover offer is made, the directors will be required to convene a meeting of shareholders to vote on a resolution to approve the proportional takeover offer. This resolution must be voted on before the 14th day before the last day of the bid period. If the resolution to approve the bid is not voted on by this deadline, the Corporations Act deems the resolution to have been passed.

The directors will determine whether the resolution to approve the bid will be voted on at a meeting of shareholders or by means of a postal ballot. In order for the resolution to be passed, the proportion of the number of votes in favour of the resolution must be greater than 50% of the total votes. If the resolution to approve the bid is passed, the transfers resulting from the takeover offer may be registered, provided they comply with other applicable provisions in the Corporations Act and the constitution. If the resolution to approve the bid is not passed, all binding contracts resulting from acceptances of offers made under the takeover offer are required to be rescinded by the bidder and all unaccepted offers (and offers failing to result in binding contracts) are taken to have been withdrawn.

The proportional takeover provisions will not apply to a full takeover bid.

The reasons for proposing the resolution

A proportional takeover may result in a person or entity holding acquiring control of the Company notwithstanding that the person or entity does not hold a majority interest and without shareholders having the opportunity to sell all of their shares to the bidder. This may

result in the existing shareholders being exposed to the risk of being left as minority shareholders in the Company and of the bidder being able to acquire control of the Company without payment of an adequate, or any, premium for control of their shares. As there is a risk that the market price of the Company's shares will decrease as a result of the proportional takeover bid, there is also a risk that shareholders may suffer loss without having had an opportunity to dispose of their shares. The directors consider that, given this risk, it is appropriate that the shareholders be given the opportunity to determine whether or not to approve a proposed takeover offer. Accordingly, the directors propose to include proportional takeover provisions in the New Constitution.

No current proposals

At the date of this notice of meeting, none of the directors of the Company is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages for shareholders

The potential advantages for shareholders of including these provisions in the New Constitution are that the provisions:

- provide the shareholders with greater control over the destiny of their Company, by having an opportunity to consider a proportional takeover offer and vote on whether to approve a proportional takeover bid;
- give shareholders the opportunity to prevent the bid from proceeding if shareholders so desire by voting against the bid and should increase the likelihood that the terms of any proportional takeover offers are attractive to a majority of shareholders;
- may dissuade bidders considering a proportional takeover bid for the Company that will not be favourable to shareholders on the basis that such a bid is unlikely to receive approval from the shareholders;
- may increase the likelihood that that any takeover bid would be a full takeover bid, therefore giving shareholders an opportunity to sell all of their shares rather than a proportion; and
- enable the directors to formally ascertain the views of shareholders in respect of a proportional takeover offer.

Potential disadvantages for shareholders

The potential disadvantages for shareholders of including these provisions in the New Constitution are that the provisions:

- place procedural hurdles in the way of proportional takeover bids, potentially denying shareholders an opportunity to sell some of their shares at an attractive price to persons seeking control of the Company;
- may discourage those considering making proportional takeover bids in respect of the Company from making such a bid because of the uncertainty of whether shareholders will approve the bid, again potentially denying the shareholders an opportunity to sell their shares;

- may diminished the prospective takeover element of the market price of the shares by their existence; and
- may deny an individual shareholder the opportunity to accept a proportional takeover bid if a majority of shareholders do not vote in favour of approving the bid.

However, the directors believe that the views of shareholders being obtained should not adversely affect any offer which is attractive to the majority of shareholders.

Potential advantages and disadvantages for directors

The directors do not consider that there are any potential advantages or potential disadvantages specific to the directors in including these provisions in the New Constitution, other than those potential advantages and potential disadvantages that arise because a director is also a shareholder.

(o) Associate directors

The ability of directors to appoint associate directors has not been incorporated into the New Constitution, as the directors consider that the concept of associate directors is redundant.

(p) Shareholding requirement for directors

The Existing Constitution requires directors to acquire and hold at least 500 ordinary shares in the capital of the Company. This requirement has not been included in the New Constitution, and will instead be dealt with in a board policy.

(q) Director indemnity (clause 72)

The director indemnity provisions in the New Constitution have been simplified and modernised, so that the indemnity will reflect the Corporations Act as amended from time to time.

(r) Notices (part 13)

The notice provisions in the New Constitution have been updated to allow for electronic service of documents on shareholders, directors and the Company. The provisions also clarify when notices are taken to have been given. This provides both certainty and flexibility to shareholders and the Company in serving notices and is consistent with the modernisation of the constitution.

(s) ASX Listing Rules and CHESS Rules (clauses 103 & 104)

Clauses requiring compliance with the ASX Listing Rules and the CHESS Rules have been included in the New Constitution. References to the SCH Business Rules in the existing constitution have not been included in the New Constitution, as these are no longer applicable.

Directors' Recommendation

The directors recommend that the shareholders vote in favour of Resolution 4.

Resolutions 5 and 6 – Approval of the grant of Performance Rights to Mr Alexander Kachellek and to Mr Steven McGregor for the purposes of ASX Listing Rule 10.14

Background

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

The Plan is designed to provide the Company's executives with an incentive to maximise the return to shareholders over the long term, and to assist in the attraction and retention of key executives. Details of the Company's executive remuneration philosophy and objectives can be found in the 2015 Annual Report.

Reason for Shareholder Approval

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities to a director. Each of Mr Kachellek and Mr McGregor is a director of the Company. Accordingly, shareholder approval is sought for the issue of Performance Rights under the Plan to each of them. If approval is given under listing rule 10.14, approval is not required under listing rule 7.1. The Performance Rights to be granted to Mr Kachellek and Mr McGregor are in effect conditional entitlements, which may vest subject to the satisfaction of performance hurdles, details of which are summarised below.

Issue of Performance Rights

The Company proposes to issue 36,400 Performance Rights to Mr Kachellek and 28,800 Performance Rights to Mr McGregor no later than 1 month after the date of the AGM. This means the maximum number of Performance Rights that may be acquired by all persons for whom approval is required at the scheduled AGM is 65,200.

Rights attaching to Performance Rights

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

A Performance Right does not give the holder a legal or beneficial right to Shares and does not enable the participating executive, in this case each of Mr Kachellek and Mr McGregor, to receive dividends or any other shareholder benefit by virtue of the issue of that Performance Right unless and until it has been exercised and the Share issued.

Exercise of Performance Rights

Performance Rights are exercisable if:

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

Performance Period

The performance period is the period commencing on 1 July 2015 and ending on 30 June 2018 (**Performance Period**).

Performance Hurdle

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

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

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

where:

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

B = the aggregate actual eps over the Performance Period

C = the aggregate threshold eps

D = the aggregate range eps less the aggregate threshold eps

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

Year ended	Threshold eps	Range eps
Adjusted 30 June 2015 (base eps)	13.9	13.9
30 June 2016	14.943	15.985
30 June 2017	16.064	18.383
30 June 2018	17.269	21.140
Aggregate – 3 years to 30 June 2018	48.276	55.508

Under the Plan, the Board may make an invitation to an executive to apply for Performance Rights on such terms and conditions as the Board determines for such invitation including without limitation as to criteria and when, and in what circumstances, a Performance Right may become exercisable and any other criteria to be satisfied. Since inception of the Plan, the Board has set the Performance Hurdle eps figures on the basis of cumulative annual compounding growth in eps with the base eps being the prior financial year's eps. This year, the Board has continued with that approach.

The Performance Hurdle threshold is broadly equivalent to the Company achieving an aggregate compound annual growth rate of 7.5% per annum in respect of eps for the Performance Period.

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

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

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

Issue Price and Exercise Price

Each Performance Right will be issued for no consideration and will have a nil exercise price. As such, there are no loans in relation to this acquisition. If the Performance Right vests it would allow the holder to exercise the Performance Right and be issued with a Share.

Exercise Period

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

Bonus issue and capital reconstruction of the Company

The number of Shares to be issued on the exercise of the Performance Rights will be adjusted to take account of any bonus issues, rights issues or reconstructions which the Company undertakes between the date of allocation of the Performance Rights and the exercise of those rights.

Cessation of employment

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

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

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

Restriction on the disposal of Shares

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

- the period (if any) specified in the invitation to participate in the Plan;
- the time when the holder's employment ceases;
- the Board approving a recommendation by the Board's remuneration committee that the restriction on disposal be released; and
- for a period of two years from the date of issue of the Performance Rights.

Forfeiture of Shares

Shares issued on exercise of Performance Rights may be forfeited if the holder perpetrates fraud against the Company or any of its subsidiaries (**Korvest group**), acts dishonestly or breaches his obligations to any member of the Korvest group.

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

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

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

Background

At the 2014 AGM, approval was obtained from the Company's shareholders for the issue to Mr Alexander Kachellek, Managing Director, of 24,000 Performance Rights for no consideration and at nil exercise price in accordance with the Plan. Since that approval those Performance Rights were issued on the terms as approved.

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

Details of the Performance Rights to be issued and the terms on which they are to be issued are set out in the summary above.

Directors' Recommendation

Other than Mr Kachellek (to whom Performance Rights are to be issued if Resolution 5 is passed) and Mr McGregor (to whom Performance Rights are to be issued if Resolution 6 is passed), the directors recommend that shareholders vote in favour of Resolution 5.

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

At the 2014 AGM, approval was obtained from the Company's shareholders for the issue to Mr Steven McGregor, Finance Director, of 19,000 Performance Rights for no consideration and at nil exercise price in accordance with the Plan. Since that approval those Performance Rights were issued on the terms as approved.

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

Details of the Performance Rights to be issued and the terms on which they are to be issued are set out in the summary above.

Directors' Recommendation

Other than Mr McGregor (to whom Performance Rights are to be issued if Resolution 6 is passed) and Mr Kachellek (to whom Performance Rights are to be issued if Resolution 5 is passed), the directors recommend that shareholders approve the grant of the Performance Rights contemplated by Resolution 6.