



**Stargroup Limited ACN 061 041 281  
(Subject to Deed of Company  
Arrangement) (Receivers and  
Managers appointed)**

**Notice of General Meeting and  
Explanatory Memorandum**

**Date of Meeting**

Wednesday 17 October 2018

**Time of Meeting**

11.00am (WST)

**Place of Meeting**

Level 15, Brookfield Place  
125 St Georges Terrace  
Perth WA 6000

**IMPORTANT NOTE:** IN CONSIDERING THE MATTERS IN THIS NOTICE OF MEETING, SHAREHOLDERS SHOULD BEAR IN MIND THE CURRENT FINANCIAL CIRCUMSTANCES OF THE COMPANY. IF SHAREHOLDERS DO NOT APPROVE THE RECAPITALISATION RESOLUTIONS (BEING RESOLUTIONS 1, 2 AND 3) AND THE RECAPITALISATION PROPOSAL DOES NOT PROCEED, THEN THE PARTIES TO THE DEED OF COMPANY ARRANGEMENT WILL CEASE TO BE BOUND BY IT, THE DEPOSIT WILL BE RETURNED TO OTSTANA CAPITAL AND THE DEED ADMINISTRATORS WILL CONVENE A MEETING OF CREDITORS TO DETERMINE THE FUTURE OF THE COMPANY.

**A Proxy Form is enclosed**

Please read this Notice of General Meeting and Explanatory Memorandum carefully.

If you are unable to attend the General Meeting, please complete and return the enclosed Proxy Form in accordance with the specified directions.

# Stargroup Limited (Subject to Deed of Company Arrangement) (Receivers and Managers appointed)

ACN 061 041 281

## Notice of General Meeting

**NOTICE IS GIVEN** that a General Meeting of Shareholders of Stargroup Limited ACN 061 041 281 (Subject to Deed of Company Arrangement) (Receivers and Managers appointed) will be held at Level 15 Brookfield Place, 125 St Georges Terrace, Perth on Wednesday 17 October 2018 at 11.00am (WST) for the purpose of transacting the business referred to in this Notice of General Meeting.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice. Terms used in the Resolutions contained in this Notice have the meaning given to them in the glossary in the Explanatory Memorandum.

**IMPORTANT:** Shareholders should note that the Recapitalisation Resolutions (being Resolutions 1, 2 and 3) must be passed for the Recapitalisation Proposal to proceed. If the Recapitalisation Resolutions are not passed and the Recapitalisation Proposal does not proceed, then the parties to the DOCA will cease to be bound by it, the Deposit will be returned to Otsana Capital and the Deed Administrators will convene a meeting of creditors to determine the future of the Company.

## Agenda

### Consolidation of capital

#### Resolution 1 – Consolidation of capital

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, for the purpose of section 254H of the Corporations Act and for all other purposes, with effect from the date this Resolution is passed (or such other date that is notified to the ASX by the Company), approval is given for the Company to consolidate its issued capital on the basis that:*

- (a) the then issued capital of the Company be consolidated on the basis that every 100 fully paid ordinary shares in the capital of the Company be consolidated into one fully paid ordinary share;*
- (b) the Performance Shares on issue be consolidated on the basis that every 100 Performance Shares be consolidated into one Performance Share;*
- (c) the Listed Options on issue be adjusted in accordance with Listing Rule 7.22.1;*
- (d) where the number of securities held by a member of the Company as a result of the consolidation effected by paragraph (a), (b) or (c) of this Resolution includes any fraction of a security, the Company be authorised to round that fraction down to the nearest whole security."*

**Note:** Resolution 1 is a Recapitalisation Resolution.

# Placement

## Resolution 2 – Approval to issue Placement Shares and Placement Options

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, for the purposes of Listing Rule 7.1 and all other purposes, Shareholders approve the issue on a post-Consolidation basis of up to:*

- (a) 62,750,000 Placement Shares at an issue price of \$0.02 per Placement Share; and
- (b) 62,750,000 free attaching Placement Options each with an exercise price of \$0.03 and an expiry date that is the earlier of: (i) three years from the date the Company is re-admitted to the Official List of ASX; and (ii) four years from the date of issue,

*on the terms and conditions set out in the Explanatory Memorandum."*

**Note:** Resolution 2 is a Recapitalisation Resolution.

**Voting exclusion statement:** The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an Associate of those persons, and any person who is excluded from casting votes on Resolution 3. However, the Company need not disregard a vote if:

- (a) 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
- (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.

# Advisor Shares

## Resolution 3 – Approval to issue Advisor Shares

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, for the purposes of Listing Rule 7.1 and all other purposes, Shareholders approve the issue on a post-Consolidation basis of up to 50,000,000 Advisor Shares on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an Associate of those persons, and any person who is excluded from casting votes on Resolution 2. However, the Company need not disregard a vote if:

- (a) 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
- (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.

**Note:** Resolution 3 is a Recapitalisation Resolution.

# Election of Directors

## Resolution 4 – Election of Kyla Garic as a Director

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

*"That, subject to the Recapitalisation Resolutions being passed, for the purposes of section 201G of the Corporations Act and for all other purposes Kyla Garic be elected as a director of the Company with effect*

from effectuation of the DOCA."

#### **Resolution 5 – Election of John Kay as a Director**

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

*"That, subject to the Recapitalisation Resolutions being passed, for the purposes of section 201G of the Corporations Act and for all other purposes John Kay be elected as a director of the Company with effect from effectuation of the DOCA."*

#### **Resolution 6 – Election of Sam Modica as a Director**

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

*"That, subject to the Recapitalisation Resolutions being passed, for the purposes of section 201G of the Corporations Act and for all other purposes Sam Modica be elected as a director of the Company with effect from effectuation of the DOCA."*

### **Change of Auditor**

#### **Resolution 7 – Removal of Auditor**

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

*"That for the purposes of section 329(1) of the Corporation Act and all other purposes, Nexia Perth Audit Services Pty Ltd be removed as the auditor of the Company effective from the close of the Meeting."*

#### **Resolution 8 – Appointment of Auditor**

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

*"That, subject to the passing of Resolution 7, for the purposes of section 327D of the Corporations Act and all other purposes, Pitcher Partners BA&A Pty Ltd, being qualified to act as auditor of the Company and having consented to act as auditor of the Company, be appointed as the auditor of the Company with effect from the close of the Meeting and the Directors be authorised to agree the remuneration."*

#### **Other business**

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

#### **For and on behalf of the Deed Administrators**



Simon Theobald  
Joint and Several Deed Administrator of Stargroup Limited ACN 061 041 281 (Subject to Deed of Company Arrangement) (Receivers and Managers appointed)

Dated: 12 September 2018

### How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the Proxy Form accompanying this Notice and by submitting their Proxy Form online, by hand, by post or by facsimile.

### Voting in person or by attorney

Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and their attendance recorded. A certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms below.

### Voting by a corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. Written proof of the representative's appointment (including any authority under which it is signed) must be lodged with or presented to the Company before the Meeting.

### Voting by proxy

- A Shareholder entitled to attend, and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the Meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder. The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.
- Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

- A Shareholder who returns their Proxy Form with a direction how to vote, but does not nominate the identity of their proxy, will be taken to have appointed the Chair of the Meeting as their proxy to vote on their behalf. If a Proxy Form is returned with a direction how to vote, but the nominated proxy (who is not Chair of the Meeting) does not attend the Meeting or does not vote on the relevant Resolution(s), the Chair of the Meeting will act in place of the nominated proxy and vote on a poll in accordance with any instructions.
- Proxy appointments in favour of the Chair of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used, where possible, to support each of the Resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.
- Proxies must be received by 11am **(WST) on Monday 15 October 2018**. Proxies received after this time will be invalid.
- Proxies may be lodged using any of the following methods:
  - **Online:**  
<http://investor.automic.com.au/#/loginsah>
  - **By mail:**  
Automic Registry Services  
PO Box 2226  
Strawberry Hills NSW 2012
  - **By hand:**  
Automic Registry Services  
Level 3, 50 Holt Street  
Surry Hills NSW 2010

### Shareholders who are entitled to vote

In accordance with regulation 7.11.37 and 7.11.38 of the Corporations Regulations, the Company has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (WST) on 15 October 2018.

# Stargroup Limited (Subject to Deed of Company Arrangement) (Receivers and Managers appointed)

ACN 061 041 281

## Explanatory Memorandum

This Explanatory Memorandum is intended to provide Shareholders with sufficient information which is material to make an assessment of the merits of the Resolutions contained in the accompanying Notice of General Meeting of the Company.

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

The purpose of this Meeting is to seek Shareholder approvals required for the purposes of the Recapitalisation Proposal and other matters.

If the Recapitalisation Resolutions (being Resolutions 1, 2 and 3) are not passed and the Recapitalisation Proposal does not proceed, then the parties to the DOCA will cease to be bound by it, the Deposit will be returned to Otsana Capital and the Deed Administrators will convene a meeting of creditors to determine the future of the Company.

Certain of the Resolutions (being Resolutions 4, 5 and 6 which relate to the election of Directors and Resolutions 7 and 8 which relate to the removal of the Company's current auditor and appointment of a new auditor) are not Recapitalisation Resolutions. This means that, if the Recapitalisation Resolutions (being Resolutions 1, 2 and 3) are passed, the Recapitalisation Proposal can proceed regardless of whether Resolutions 4 to 8 are passed or not.

## Background to Resolutions 1 to 6

### Company history

The Company is an Australian public company listed on the ASX, previously focussed on the deployment of Automatic Teller Machines (**ATM**) and ATM technologies. The Company entered into a trading halt on 17 October 2017. On 19 October 2017, the Company requested a voluntary suspension of its securities from trading pending the release of an announcement in relation to a restructure of debt. This voluntary suspension was extended by request of the Company a number of times (23 October 2017, 26 October 2017, 6 November 2017 and 13 November 2017).

On 20 November 2017, the Company announced that Richard Tucker and John Bumbak had been appointed Receivers and Managers of the Company and three of its subsidiaries, Star Payment Systems Pty Ltd (Receivers and Managers Appointed) (**SPS**), Stargroup Investments Ltd (Receivers and Managers Appointed) (**SIL**) and Star ATM Pty Ltd (Receivers and Managers Appointed) (**SAT**) (together, the **Group**) (**Receivers and Managers**). The Receivers and Managers were appointed by First Class Securities Pty Ltd (**FCS**) after the Group failed to meet a repayment demand issued by FCS under its facility.

Shortly after their appointment, the Receivers and Managers commenced a campaign for the sale of the Group's business and assets, with Star Funding No 1 Pty Ltd, Cashpoint Payment Solutions Pty Ltd and Switchlink Payment Technology Pty Ltd (collectively, the **Purchaser**) identified as the preferred purchaser. The sale completed on 12 March 2018 and control of the day to day operations of the Group was transferred to the Purchaser from this date, and all employees of the Group were either transferred to the Purchaser or terminated.

Simon Theobald, Melissa Humann and Stephen Longley were appointed Administrators of the Company, SPS,

SIL and SAT (**Administrators**) on 21 November 2017. At a creditors meeting held on 26 March 2018:

- (a) the creditors of SPS, SIL and SAT resolved to put these companies into liquidation; and
- (b) it was agreed for the Administrators to seek proposals for the recapitalisation of the Company as an ASX listed shell (following the completion of the sale of the Group's business and assets to the Purchaser as noted above).

The Administrators commenced a process for the recapitalisation of the Company which ended on 20 April 2018. Otsana Capital provided the Administrators with a proposal to recapitalise the Company (**Recapitalisation Proposal**) and was selected by the Administrators as the preferred bidder. At a creditors meeting held on 30 May 2018, creditors resolved that the Company should execute a deed of company arrangement to facilitate the Recapitalisation Proposal. The DOCA was executed on 21 June 2018 and the Administrators were appointed as administrators of the DOCA (**Deed Administrators**).

Following execution of the DOCA, Otsana Capital paid a deposit of \$30,000 to the Deed Administrators' solicitors trust account pursuant to the terms of the DOCA (**Deposit**). The Deposit will not be transferred to the Deed Administrators until the Implementation Date.

### **Recapitalisation Proposal**

The key purposes of the Recapitalisation Proposal are to raise funds to effectuate the DOCA and release the Company from all creditor claims, implement a more appropriate capital structure of the Company moving forward, and return control of the Company from the Deed Administrators to the Directors (to be nominated by Otsana Capital) to identify and assess potential acquisition opportunities to facilitate the reinstatement of the Company to trading on the ASX.

The key terms of the Recapitalisation Proposal are as follows:

- (a) the Company will consolidate its issued capital on a 100 to 1 basis (the subject of Resolution 1);
- (b) the Company will undertake the Placement to raise up to \$1,255,000 (Resolution 2);
- (c) Otsana Capital will make available the total sum of \$755,000 (**Otsana Capital Payment**) for creditors of the Company pursuant to the terms of the DOCA and the Unsecured Creditors' Trust Deed. The Otsana Capital Payment will be funded through monies raised from the Placement. The Otsana Capital Payment comprises the Deposit (\$30,000), the Secured Creditor Payment (\$275,000) and the Remaining Fund Amount (\$450,000);
- (c) the Company will issue Otsana Capital (or its nominees) 50,000,000 Shares (on a post Consolidation basis) in consideration for restructuring and advisory services provided and to be provided by Otsana Capital (and/or its nominees) (**Advisor Shares**) (Resolution 3); and
- (d) directors nominated by Otsana Capital will be appointed to the Company (Resolutions 4, 5 and 6).

The Otsana Capital Payment will be used to satisfy the Secured Creditor Payment owing to FCS, to pay any ASX fees which have accrued up to the Implementation Date, the fees, costs and remuneration of the Administrators and the Deed Administrators, with the balance to form part of the Unsecured Creditors Trust fund.

Shareholders should note that the Recapitalisation Resolutions (being Resolutions 1, 2 and 3) must be passed for the Recapitalisation Proposal to proceed. If the Recapitalisation Resolutions are not passed and the Recapitalisation Proposal does not proceed, then the parties to the DOCA will cease to be bound by it, the Deposit will be returned to Otsana Capital and the Deed Administrators will convene a meeting of creditors to determine the future of the Company.

### **Deed of Company Arrangement and Creditor Trusts**

The Recapitalisation Proposal will be facilitated through the DOCA, the key objective of which is to establish

two trust funds from which certain creditors of the Company can be paid through the Creditors Trusts.

### **Creditors' Trusts**

A creditors' trust is a mechanism used to accelerate a company's exit from external administration. Under the terms of a deed of company arrangement, a trust is created and the company's obligations to creditors which are bound by the deed of company arrangement are then compromised and transferred to the trust. Creditors become beneficiaries of the trust. The purpose of the trust is to deal with the debts and claims against the company that, but for the release of claims under the deed of company arrangement, would have been payable by the company.

As contemplated by the DOCA:

- (a) the Company, the Receivers and Managers (as trustees of the Secured Creditor Trust) and FCS have entered into a secured creditor trust deed (**Secured Creditor Trust Deed**) to establish the "Stargroup Ltd Secured Creditor Trust" (**Secured Creditor Trust**), for the purpose of receiving an assignment of all of the Company's right, title and interest in any and all claims it has against its former advisers, auditors and directors (**Claims**). These Claims, and any interest or other income as may be earned in relation to the Secured Creditor Trust, will comprise the **Secured Creditor Trust Fund**. The Receivers and Managers will administer the Secured Creditor Trust as trustees of the Secured Creditor Trust and will hold the Secured Creditor Trust Fund for the benefit of FCS. Upon completion of the DOCA, all claims of FCS against the Company will convert to and become claims against the Secured Creditor Trust Fund; and
- (b) the Company and the Administrators (as trustees of the Unsecured Creditors' Trust) have entered into an unsecured creditors' trust deed (**Unsecured Creditors Trust Deed**) to establish the "Stargroup Ltd Unsecured Creditors' Trust" (**Unsecured Creditors' Trust**), for the purpose of receiving funds from the Recapitalisation Proposal (the balance of the Remaining Fund Amount and the Deposit after payment of the ASX fees and the fees, costs and remuneration of the Administrator and the Deed Administrators) and other assets of the Company (except for the Claims) including the shares the Company holds in SIL and any right to dividends payable from the liquidation of SIL and to facilitate a distribution of these funds to unsecured creditors of the Company. The Unsecured Creditors Trust will be administered by the Deed Administrators as trustees of the Unsecured Creditors Trust for the benefit of the Unsecured Creditors.

The Unsecured Creditors Trust Deed and the Secured Creditors Trust Deed contain other provisions considered standard for documents of this nature.

### **Conditions precedent**

The conditions precedent to completion of the DOCA are:

- (a) each secured creditor of the Company (except FCS) who have a registration on the Personal Property Securities Register have removed that registration from that register;
- (b) ASIC and ASX have provided any consents or approvals required to implement the Recapitalisation Proposal;
- (c) Shareholders approving the Recapitalisation Resolutions; and
- (d) execution of the Unsecured Creditors' Trust Deed and the Secured Creditor Trust Deed (which condition has been satisfied as at the date of this Notice).

If the conditions precedent are not satisfied or waived by agreement in writing by all Transaction Parties or in the case of condition (c) by Otsana Capital by 20 October 2018 (or such other date as agreed between the Transaction Parties), the parties to the DOCA will cease to be bound by the DOCA, the Deposit will be returned to Otsana Capital and the Deed Administrators will convene a meeting of creditors to determine the future of the Company.



## Completion and implementation of DOCA

Completion is expected to occur on the Implementation Date.

At completion:

- (a) the Deposit is automatically released to the Deed Administrators in their capacity as Deed Administrators under the DOCA;
- (b) Otsana Capital will pay or procure the payment of the Otsana Capital Payment (less the Deposit) as follows:
  - (i) \$275,000 to FCS (being the Secured Creditor Payment), following which the FCS Security will be immediately and automatically released, and FCS will remove the FCS Security from the Personal Property Securities Register and retire and terminate the appointment of the Receivers and Managers as receivers and managers of the Company; and
  - (ii) \$450,000 to the Deed Administrators;
- (c) the Company will issue the Advisor Shares and Placement Shares and Placement Options;
- (d) if required by Otsana Capital, the Deed Administrators will remove any Directors and Officers of the Company who remain appointed, and cause the appointment of new Directors (as nominated by Otsana Capital) to the Board;
- (e) all rights, interests and assets of the Company (excluding the Claims) will be transferred to the Administrators in their capacity as trustees of the Unsecured Creditors Trust; and
- (f) the Claims will be assigned to the Receivers and Managers in their capacity as trustees of the Secured Creditor Trust. The Secured Creditor Trustees must transfer to the Unsecured Creditors Trustees any surplus proceeds remaining from the Claims if the amounts exceed the balance of the FCS claims.

Following completion, the Company will be debt free and no security will exist over it or any of its assets. The DOCA will terminate and control of the Company will return to the Directors of her Company (as nominated by Otsana Capital).

The DOCA contains other provisions considered standard for documents of this nature.

## Indicative capital structure

The Company currently has 727,405,574 Shares, 2,500,000 Performance Shares and 175,244,442 Listed Options on issue. If Resolutions 2 and 3 (which Resolutions relate to the issue of securities in the Company) are passed and the DOCA is implemented, the Company's indicative capital structure (assuming full subscription under the Placement) will be:

	Immediately before completion of DOCA		Immediately after completion of DOCA	
Shares	Number	%	Number	%
Existing Shares (to be consolidated under Resolution 1)	727,405,574	100	7,274,055	5.48
Placement Shares (Resolution 2)	0	0.00	62,750,000	47.26
Advisor Shares (Resolution 3)	0	0.00	50,000,000	47.26
<b>Total Shares</b>	<b>727,405,574</b>	<b>100.00</b>	<b>120,024,055</b>	<b>100.00</b>
Performance Shares	Number	%	Number	%
Performance Shares	2,500,000	100	25,000	100
Options	Number	%	Number	%

Existing Listed Options (to be consolidated under Resolution 1)	175,244,442	100.00	1,752,444	2.72
Placement Options (Resolution 2)	0	0.00	62,750,000	97.28
<b>Total Options</b>	<b>175,244,442</b>	<b>100.00</b>	<b>64,502,444</b>	<b>100.00</b>

No person, alone or together with their associates, will have a relevant interest of more than 20% of the voting power of the Company upon completion of the DOCA.

### Potential interests of Otsana Capital

Following implementation of the DOCA, Otsana Capital will not have an interest in any securities of the Company. Otsana Capital intends that all Advisor Shares are issued to nominees of Otsana Capital, and not Otsana Capital directly. As at the date of this Notice, Otsana Capital has not identified the nominees that will be issued the Advisor Shares the subject of Resolution 3.

### Reinstatement to trading

The Company's securities have been suspended from trading on ASX since 19 October 2017. Following effectuation of the DOCA and completion of the Recapitalisation Proposal, the Company intends to identify and assess potential acquisition opportunities of a new undertaking to facilitate the reinstatement of the Company's securities to official quotation on the ASX. The acquisition of a new undertaking will first require shareholder approval, following which the Company will be required to re-comply with Chapters 1 and 2 of the Listing Rules to seek reinstatement of the Company's securities to trading on ASX. As part of this process, the Company will likely be required to undertake a further capital raising prior to reinstatement of its securities to the Official List and/or issue securities to vendors of the new undertaking. Upon reinstatement, the Company's securities would be released from suspension and resume trading on ASX.

## Resolution 1 – Consolidation of capital

### Background

Resolution 1 seeks Shareholder approval, for the purposes of section 254H of the Corporations Act, the Company's Constitution and for all other purposes, to consolidate the Company's issued capital by consolidating (i.e. converting) every 100 existing Shares into one new Share (**Consolidation**).

The Consolidation is proposed by the Company to reduce the number of Shares on issue, which is considered to be a more appropriate capital structure for the Company going forward.

As at the date of this Notice, the Company has 727,405,574 Shares on issue. Accordingly, if Resolution 1 is passed, the number of Shares on issue will be reduced from 727,405,574 to approximately 7,274,055 (subject to rounding and excluding the Placement Shares and Advisor Shares proposed to be issued).

### Implementation of Consolidation

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares.

Accordingly, if Resolution 1 is passed, every 100 existing Shares will be consolidated into one Share.

As the Consolidation applies equally to all Shareholders, individual holdings will be reduced in the same ratio as the total number of the Company's Shares (subject only to rounding). It follows that the Consolidation will have no material effect on the percentage interest of each individual Shareholder in the Company. Therefore, if a Shareholder currently holds 7,274,055 Shares representing approximately 1% of the Company's issued capital, then if the Consolidation is approved and implemented, the Shareholder will have 72,740 Shares following the Consolidation, still representing the same 1% of the Company's issued capital. However, existing

Shareholders will be diluted by the issue of the Placement Shares and Advisor Shares.

As from the record date of the Consolidation (expected to be 17 October 2018), all holding statements for Shares and Listed Options will cease to have any effect except as evidence of entitlement to a certain number of post Consolidation Shares and/or Listed Options.

The Company will issue a notice to security holders advising them of the number of securities held both before and after the Consolidation. The Company will also arrange for new holding statements and/or certificates to be issued to security holders.

### Listed Options

Listing Rule 7.22.1 requires that if a company consolidates its capital, the number of options it has on issue must be consolidated in the same ratio as the shares and their exercise prices be amended in inverse proportion to that ratio. The expiry dates of options do not change.

Accordingly, if Resolution 1 is passed, every 100 existing Listed Options on issue will be consolidated into one Option and the current exercise price of each Option will be multiplied by 100 to obtain the new exercise price post-Consolidation.

The following table sets out the Company's existing Listed Options, their exercise prices and expiry dates, on both a pre and post Consolidation basis.

Pre-Consolidation			Post-Consolidation			Expiry date (no change)
No. of Listed Options	Exercise price		No. of Listed Options	Exercise Price		
175,244,400	\$0.05		1,752,444	\$5.00		30 November 2018

### Performance Shares

Pursuant to the terms of the Performance Shares, if the issued capital of the Company is reconstructed, all rights of a holder of a Performance Share will be changed to the extent necessary to comply with the ASX Listing Rules. Listing Rule 7.21 requires that the number of securities are reorganised so that the holder of the Performance Shares does not receive a benefit that holders of ordinary Shares do not receive.

Accordingly, if Resolution 1 is passed, every 100 existing Performance Shares on issue will be consolidated into one Performance Share, i.e. the 2,500,000 Performance Shares will be consolidated into 25,000 Performance Shares.

It should be noted that the milestone that must be met for the Performance Shares to convert into ordinary Shares is the deployment by or through the Company and its wholly-owned subsidiaries of a total of 1,000 ATM's in Australia or overseas and \$15 million annualised EBITDA achieved by the Company by 30 June 2019. As a consequence of the administration of the Company and the disposal of its ATM business, this milestone will not be met and in accordance with the terms of the Performance Shares, these Performance Shares will be converted into one Share after 30 June 2019.

### Fractional entitlements

The Consolidation will result in any security holder whose existing holding is not a multiple of 100 being entitled to a fraction of a security. These fractional entitlements will be rounded down as part of the Consolidation, so that the consolidated holding will be rounded down to the nearest whole number.

## Indicative capital structure

An indicative capital structure for the Company immediately after completion of the DOCA commences on page 4 above.

## Tax implications for security holders

Security holders are encouraged to seek professional advice in relation to any tax implications which may arise as a result of the Consolidation. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising security holders about the tax consequences for them from the proposed Consolidation.

## Timing of Consolidation

The Consolidation is a condition precedent to completion under the DOCA and accordingly, will take effect prior to completion under the DOCA in accordance with the following proposed reorganisation timetable:

Date	Event
17 October 2018	Shareholder approval. Company tells ASX that Shareholders have approved the Consolidation.
18 October 2018	Date that would ordinarily be the last day for trading in pre-organised securities.
19 October 2018	Trading would ordinarily commence in the reorganised securities on a deferred settlement basis however as the Company's securities will be suspended from trading, deferred settlement trading will not occur.
22 October 2018	Record date. Last day for Company to register transfers on a pre-Consolidation basis.
23 October 2018	First day for the Company to send a notice to each security holder. In the case of Shares, first day for the Company to register securities on a post re-organisation basis and first day for issue of holding statements.
29 October 2018	Deferred settlement market ends (but as the Company's securities will be suspended from trading, deferred settlement trading will not occur). Last day for the Company to send notice to all Shareholders. Last day for securities to be entered into the holders' security holdings.

## Resolution 2 – Approval to issue Placement Shares and Placement Options

### Background

As noted above, under the Recapitalisation Proposal, the Company will undertake a capital raising to raise up to \$1,255,000 through the issue of up to 62,750,000 Placement Shares at an issue price of \$0.02 per Placement Share, together with free attaching Placement Options on the basis of one Placement Option for every Placement Share subscribed for (**Placement**).

Funds raised by the Placement will be used towards funding the Otsana Capital Payment of \$755,000, with the balance to be used for working capital purposes.

Otsana Capital will not participate in the Placement.

## Listing Rule 7.1

ASX Listing Rule 7.1 broadly provides that a company must not, subject to certain exceptions, issue during any 12-month period any equity securities or other securities with rights of conversion to equity if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12-month period. However, where shareholders have previously approved the issue, those shares are not taken into account in the calculation of the 15% threshold. The Company seeks approval for the purposes of Listing Rule 7.1 to give it the flexibility to issue future securities in the future utilising the 15% capacity.

The effect (on an undiluted basis) of the Placement on the capital structure of the Company is set out in the table commencing on page 4 of this Explanatory Memorandum.

The following information is provided to Shareholders in relation to Resolution 2 for the purposes of Listing Rule 7.3:

<b>Maximum number of securities</b>	<p>The maximum number of Placement Shares the Company will issue is 62,750,000 on a post-Consolidation basis.</p> <p>The maximum number of Placement Options the Company will issue is 62,750,000 on a post-Consolidation basis.</p>
<b>The date by which the Company will issue the securities</b>	<p>The Company will issue the Placement Shares and Placement Options at completion of the DOCA. Completion of the DOCA is expected to occur on the Implementation Date.</p> <p>In any event, the Placement Shares and Placement Options must be issued no later than three months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules.</p>
<b>The issue price of the securities</b>	<p>\$0.02 per Placement Share.</p> <p>The Placement Options will be issued for nil cash consideration as free attaching Options on the basis of one Placement Option for every Placement Share subscribed for.</p>
<b>The names of the persons to whom the Company will issue the securities (if known) or the basis upon which those persons will be identified or selected</b>	<p>Up to 62,750,000 Placement Shares and 62,750,000 Placement Options will be issued to unrelated institutional, sophisticated and/or professional investors.</p>
<b>The terms of the securities</b>	<p>The Placement Shares will be fully paid ordinary Shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary Shares on issue.</p> <p>The Placement Options are exercisable at \$0.03 on or before the earlier of: (i) three years from the date the Company is re-admitted to the Official List of ASX; and (ii) four years from the date of issue and otherwise will be issued on the terms and conditions set out in <b>Annexure A</b>.</p>
<b>The intended use of the funds raised</b>	<p>Funds raised by the Placement will be used towards funding the Otsana Capital Payment of \$755,000, with the balance to be used for working capital purposes.</p>
<b>The issue date</b>	<p>The Placement Shares and Placement Options are intended to be issued on one date, being on completion of the DOCA. Completion of the DOCA</p>

	is expected to occur on the Implementation Date.
<b>Voting exclusion statement</b>	A voting exclusion statement is included in the Notice in relation to Resolution 2.

## Resolution 3 – Approval to issue Advisor Shares

### Background

As noted above, as part of the Recapitalisation Proposal, the Company intends to issue 50,000,000 Shares on a post-Consolidation basis to Otsana Capital (or its nominees) in consideration for restructuring and advisory services provided and to be provided by Otsana Capital (or its nominees) (**Advisor Shares**). Otsana Capital is the proponent of the DOCA and has devoted significant time and resources in relation to the recapitalisation of the Company. As proponent of the Recapitalisation Proposal, Otsana will also assist the Proposed Directors to identify a new undertaking to facilitate the reinstatement of the Company's securities to Official Quotation. Otsana Capital will nominate persons to whom the Advisor Shares will be issued in connection with any proposal to reinstate the Company to Official Quotation.

### Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out above. The Company seeks approval for the issue of the Advisor Shares for the purposes of Listing Rule 7.1 to give it the flexibility to issue future securities in the future utilising the 15% capacity.

The effect (on an undiluted basis) of the issue of the Advisor Shares on the capital structure of the Company is set out in the table commencing on page 4 of this Explanatory Memorandum.

The following information is provided to Shareholders in relation to Resolution 4 for the purposes of Listing Rule 7.3:

<b>Maximum number of securities</b>	The maximum number of Advisor Shares the Company will issue is 50,000,000 on a post-Consolidation basis.
<b>The date by which the Company will issue the securities</b>	<p>The Company will issue the Advisor Shares at completion of the DOCA. Completion of the DOCA is expected to occur 5 business days after the date of the Meeting, unless otherwise agreed by the parties.</p> <p>In any event, the Advisor Shares that are to be issued to Otsana Capital (or its nominee(s)) must be issued no later than three months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules.</p>
<b>The issue price of the securities</b>	The Advisor Shares are being issued in consideration for corporate advisory services provided and to be provided by Otsana Capital (and/or its nominees) at a deemed issue price of \$0.02 per Share and are therefore issued for nil cash consideration.
<b>The names of the persons to whom the Company will issue the securities (if known) or the basis upon which those persons will be identified or selected</b>	The Advisor Shares will be issued to persons nominated by Otsana Capital who are sophisticated, professional or institutional investors and not related parties of the Company.
<b>The terms of the securities</b>	The Advisor Shares will be fully paid ordinary Shares in the capital of the

	Company and rank equally in all respects with the existing fully paid ordinary Shares on issue.
<b>The intended use of the funds raised</b>	The Advisor Shares are being issued in consideration for corporate advisory services provided and to be provided by Otsana Capital (and/or its nominees). No funds will be raised from the issue of the Advisor Shares.
<b>The issue date</b>	The Advisor Shares are intended to be issued on one date.
<b>Voting exclusion statement</b>	A voting exclusion statement is included in the Notice in relation to Resolution 3.

## Resolutions 4 to 6 - Election of Directors

Section 201G of the Corporations Act (which is a replaceable rule that applies to the Company) provides that a company may appoint a person as a director by resolution passed in general meeting.

Under the DOCA, if required by Otsana Capital, the Deed Administrators will cause the existing Directors of the Company (if any) to be removed and appoint nominees of Otsana Capital as Directors of the Company. The Company has no current directors, and Otsana is seeking to appoint Kyla Garic, John Kay and Sam Modica with effect from effectuation of the DOCA.

Resolutions 4, 5 and 6 seek approval for the election of the Directors nominated by Otsana Capital.

The appointment of the Directors pursuant to Resolutions 4, 5 and 6 will satisfy the requirement under the DOCA that, if requested by Otsana Capital, the Deed Administrators will cause the appointment of new Directors (as nominated by Otsana Capital) to the Board at completion of the DOCA. If Resolutions 4, 5 and/or 6 were not passed by Shareholders, Otsana Capital is likely to exercise its rights under the DOCA to require the Deed Administrators to appoint the Proposed Directors to the Board.

Biographical details for each of the Directors is set out below.

### Kyla Garic

Kyla Garic holds a Bachelor of Commerce and is a Chartered Accountant and director of Onyx Corporate. Onyx Corporate provides financial reporting and accounting services, including reconstruction and accounting compliance for companies undergoing recapitalisation. Ms Garic is currently the Company Secretary of ASX-listed Raiden Resources Limited (ASX:RDN), is Company Secretary and a director of Aus Asia Minerals Limited (ASX:AQJ) and a director of Shaw River Manganese Limited (ASX:SRR).

If elected, Ms Garic will be considered an independent Director of the Company.

### John Kay

John Kay is a corporate advisor at Ironside Capital. Mr Kay is a trained lawyer with over 12 years' experience in corporate, commercial and resources law. Mr Kay has advised on numerous IPO's, ASX capital raisings, mergers/acquisitions (domestic and international) and corporate transactions across various sectors, particularly in mining. Mr Kay holds a Bachelor of Laws from the University of Western Australia and has been admitted to practice in both Western Australia and England & Wales. Mr Kay is not currently a director of any other public companies.

If elected, Mr Kay will be considered an independent Director of the Company.

## **Sam Modica**

Sam Modica is a finance professional with over 25 years local and international experience managing large listed service companies in the oil and gas, marine and transportation sectors. He has been responsible for all aspects of financial reporting, taxation, governance and compliance, contract negotiation, supply chain, capital raising, debt structures and business strategy for new and established companies operating in international jurisdictions such as South East Asia, China and Europe. Mr Modica holds a Bachelor of Commerce, is a Certified Practicing Accountant and is a Graduate of the Australian Institute of Company Directors. Mr Modica is not currently a director of any other public companies.

If elected, Mr Modica will be considered to be an independent Director of the Company.

## **Resolutions 7 and 8 – Removal and Appointment of Auditor**

Section 329 of the Corporations Act provides that an auditor of a company may be removed from office by resolution at a general meeting where 2 months' notice of an intention to move the resolution has been given. Under this section, if a company receives a notice and calls a meeting to consider the removal of the auditor, the meeting may pass the resolution even if the meeting is held less than 2 months after the notice is given. The Company has received a notice of intention to remove Nexia, the Company's current auditor, as the auditor of the Company. Resolution 7 seeks Shareholder approval to remove Nexia as the auditor of the Company for the purposes of section 329 of the Corporations Act and all other purposes.

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act. If Nexia is removed as auditor, the Company proposes that Pitcher Partners be appointed as the Company's auditor effect from the Meeting. A copy of the notice to remove Nexia as auditor and appoint Pitcher Partners is provided in Annexure B. Pitcher Partners has given its written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act.

If Resolutions 7 and 8 are passed, the appointment of Pitcher Partners as the Company's auditor will take effect at the close of the Meeting.



## Glossary

**\$** means Australian dollars.

**Administrators** means Simon Guy Theobald, Melissa Janet Mary Humann and Stephen Graham Longley in their capacity as joint and several administrators of the Company.

**Advisor Shares** means Shares at a deemed issue price of \$0.02 per Share proposed to be issued to nominees of Otsana Capital in consideration for restructuring and advisory services provided and to be provided by Otsana Capital (and/or its nominees).

**Associate** has the meaning given to that term in the Listing Rules.

**ASX** means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Board** means the Directors.

**Chair or Chairman** means the individual elected to chair any meeting of the Company from time to time.

**Company** means Stargroup Limited ABN 87 061 041 281 (Subject to Deed of Company Arrangement) (Receivers and Managers appointed).

**Consolidation** means the consolidation of existing Shares on the basis that every 100 Share is consolidated into 1 Share.

**Constitution** means the Company's constitution, as amended from time to time.

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

**Creditors' Trusts** means the Secured Creditor Trust and the Unsecured Creditors Trust.

**Deed Administrators** means Simon Guy Theobald, Melissa Janet Mary Humann and Stephen Graham Longley in their capacity as joint and several deed administrators of the Company.

**Directors** means the directors of the Company.

**DOCA** means the deed of company arrangement executed by the Company, the Deed Administrators, Otsana Capital, FC Securities Pty Ltd ACN 161 056 435, Richard Scott Tucker and John Allan Bumbak in their capacity as joint and several receivers and managers of the Company dated 21 June 2018, as varied by a deed of variation between the parties dated on or around 9 August 2018.

**Explanatory Memorandum** means the explanatory memorandum accompanying this Notice.

**FCS** means FC Securities Pty Ltd CAN 161 056 435.

**Implementation Date** means the date that is the fifth business day (or such other period as is agreed in writing by the Transaction Parties) after satisfaction, or waiver by the Transaction Parties, of all of the conditions precedent to the DOCA.

**Listed Options** means listed Options, each to acquire one Share with an exercise price of \$0.05 each and an expiry date of 5.00pm AEST on 30 November 2018.

**Listing Rules** means the ASX Listing Rules.

**Meeting** means the general meeting convened by the Notice.

**Nexia** means Nexia Perth Audit Services Pty Ltd.

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

**Official Quotation** has the meaning given in the Listing Rules.

**Otsana Capital** means Otsana Capital Pty Ltd ACN 145 168 216.

**Performance Share** means a "2019 Performance Share" convertible into one Share on the terms and conditions of its issue.

**Pitcher Partners** means Pitcher Partners BA&A Pty Ltd.

**Placement** mean the proposed placement of up to 62,750,000 Placement Shares and 62,750,000 free attaching Placement Options on the basis of one Placement Option for every Placement Share subscribed for to raise up to \$1,255,000.

**Placement Shares** means Shares at an issue price of \$0.02.

**Placement Options** means Options with an exercise price of \$0.03 and an expiry date that is the earlier of: (i) three years from the date the Company is re-admitted to the Official List of ASX; and (ii) four years from the date of issue and otherwise on the terms and conditions set out in Annexure A.

**Proposed Directors** means Kyla Garic, John Kay and Sam Modica.

**Recapitalisation Proposal** has the meaning given to that term on page 2 of the Explanatory Memorandum.

**Recapitalisation Resolutions** means Resolutions 1, 2 and 3.

**Receivers and Managers** means Richard Tucker and John Bumbak in their capacity as joint receivers and managers of the Company.

**Resolution** means a resolution contained in the Notice.

**Secured Creditor Payment** means an amount of \$275,000 to be paid to FCS pursuant to the DOCA and the Secured Creditor Trust Deed.

**Secured Creditor Trust** means the secured creditor trust established pursuant to the Secured Creditor Trust Deed.

**Secured Creditor Trust Deed** means the secured creditor trust deed between the Company, the Receivers and Managers and FCS dated on or around 21 June 2018.

**Shareholder** means a member of the Company from time to time.

**Shares** means fully paid ordinary shares in the capital of the Company.

**Transaction Parties** means the Deed Administrators, the Company and Otsana Capital.

**Unsecured Creditor Trust** means the unsecured creditor trust established pursuant to the Unsecured Creditor Trust Deed.

**Unsecured Creditors Trust Deed** means the unsecured creditors trust deed between the Company and the Administrators dated on or about 21 June 2018.

**WST** means Western Standard Time.

## Annexure A – Terms and Conditions of Placement Options

- (a) Each Option shall confer the right to subscribe for one fully paid ordinary share in the capital of the Company (**Share**).
- (b) The exercise price for each Option is \$0.03 (**Exercise Price**).
- (c) The Options will expire at 5.00pm WST on the date that is the earlier of: (i) three years from the date the Company is re-admitted to the Official List of ASX; and (ii) four years from the date of issue (**Expiry Date**). Any Options that have not been validly exercised before the Expiry Date will lapse.
- (d) A certificate will be issued for the Options. On the reverse side of the certificate there will be endorsed a statement of the rights of the Option holder and a notice that is to be completed when exercising the Options (**Exercise Notice**). If there is more than one Option comprised in this certificate and prior to the Expiry Date those Options are exercised in part, the Company will issue another certificate for the balance of the Options held and not yet exercised.
- (e) Subject to paragraph (m) the Options are exercisable at any time before the Expiry Date by the delivery to the registered office of the Company of the Exercise Notice and the Exercise Price in cleared funds. The Exercise Notice and cleared funds must be received before the Expiry Date. The Options may be exercised in whole or in part. If the Options are exercised in part each Exercise Notice must be for not less than 1,000 Shares and in multiples of 1,000 Shares.
- (f) After an Option is validly exercised, the Company must as soon as possible following receipt of the Exercise Notice and receipt of cleared funds equal to the subscription monies due:
  - (i) issue the Shares;
  - (ii) if required, give the Australian Securities Exchange a notice that complies with section 708A(5)(e) of the Corporations Act 2001 (Cth), or, if the Company is unable to issue such a notice, lodge with the Australian Securities and Investments Commission a prospectus prepared in accordance with the Corporations Act 2001 (Cth) and do all things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
  - (iii) do all such acts, matters and things to obtain the grant of quotation of the Shares by ASX by no later than 15 business days after the date of exercise of the Option.
- (g) There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in any new issues of capital that may be offered to shareholders during the currency of the Options.
- (h) Subject to paragraph (m), Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company, made during the currency of the Options.
- (i) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules of the Australian Securities Exchange, but in all other respects, the terms of exercise will remain unchanged.
- (j) The Options are not transferable.
- (k) There is no right to change the exercise price of Options nor the number of underlying Shares over which the Options can be exercised, if the Company completes a bonus or pro-rata issue.
- (l) Application will not be made for official quotation of the Options on the Australian Securities Exchange.
- (m) The exercise of the Options by an Option holder is subject at all times to the Corporations Act 2001 (Cth).

**Annexure B**

31 July 2018  
[del] 2018

Simon Theobald, Melissa Humann and Stephen Longley  
Joint and Several Deed Administrators  
Stargroup Limited (Subject to Deed of Company Arrangement)  
Level 21, 140 St Georges Terrace  
Perth WA 6000

Dear Simon, Melissa and Stephen

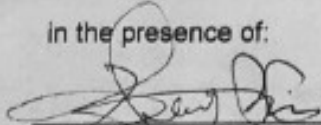
**STARGROUP LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) –  
REMOVAL AND APPOINTMENT OF AUDITOR**

I, Evan McGregor, being a Director and member of Stargroup Limited ACN 061 041 281 (Subject to Deed of Company Arrangement) (**Company**), request that a general meeting of the Company be held at the first available time, and in any event no later than 2 months from the date of this notice, to consider and, if thought fit, to pass a resolution that Nexia Perth Audit Services Pty Ltd be removed as auditor of the Company.

Further, for the purposes of section 328B(1) of the Corporations Act 2001 and all other purposes, I hereby give you notice of the nomination of Pitcher Partners BA&A Pty Ltd, of Level 11, 12 – 14 The Esplanade, Perth Western Australia, as auditor of the Company.

SIGNED by  
EVAN MCGREGOR

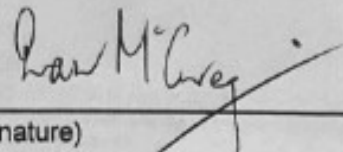
in the presence of:

  
\_\_\_\_\_  
Signature of Witness

BZU ZITANG  
\_\_\_\_\_  
Full Name of Witness  
(BLOCK LETTERS)

4 Britannia Avenue, Broadbeach, 4218.  
\_\_\_\_\_  
Address:

Occupation: Property manager.

)   
) \_\_\_\_\_  
) (Signature)