

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR
IMMEDIATE ATTENTION**

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE ATTENDING THE GENERAL MEETING WHICH HAS BEEN CONVENED BY AND IS REFERRED TO IN THIS DOCUMENT.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, FINANCIAL ADVISER OR OTHER APPROPRIATE PROFESSIONAL ADVISER.

**Avira Energy Limited
ACN 131 715 645**

**Notice of General Meeting
to be held on 26 September 2017**

and

Explanatory Memorandum

and

Independent Expert's Report

THE INDEPENDENT EXPERT HAS DETERMINED THE PROPOSED TRANSACTION IS FAIR AND REASONABLE TO THE NON-ASSOCIATED SHAREHOLDERS OF THE COMPANY.

**PLEASE REFER TO THE INDEPENDENT EXPERT'S REPORT SET OUT IN
Section E OF THIS NOTICE.**

**NOTICE OF THE GENERAL MEETING TO BE HELD AT
AT COMPUTERSHARE PTY LTD, LEVEL 4, 60 CARRINGTON STREET, SYDNEY, 2000 AT
10:00AM SYDNEY TIME ON 26 SEPTEMBER 2017**

**TO BE VALID, FORMS OF PROXY FOR USE AT THE GENERAL MEETING MUST BE
COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN
10:00AM SYDNEY TIME ON 24 SEPTEMBER 2017**

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Section A Chairman's Letter

25 August 2017

Dear Shareholder

On behalf of the Board, I am inviting you to attend the General Meeting of Avira Energy Limited (**Company**) which has been convened on 26 September 2017 to obtain the approval of Shareholders in relation to the resolutions summarised below.

- **Resolution 1:** to terminate the \$1.5M Unsecured Convertible Note Deed between the Company and Armstrong Industries HK Limited (**Armstrong**), and issue Armstrong with 7,894,737 Preference Shares (on a pre-consolidation basis, rounded up to the nearest whole number) **plus** the number of Preference Shares equivalent to the interest accrued up until the Date of Conversion (on a pre-consolidation basis, rounded up to the nearest whole number), in accordance with the Preference Share Agreement between the Company and Armstrong.
- **Resolution 2:** to transfer the 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital (Hong Kong) Limited (**Joseph Capital**) or its nominee, and subsequently terminate the \$500,000 Convertible Note Deed between the Company and Joseph Capital.
- **Resolution 3:** for the purposes of section 254H of the Corporations Act and for all other purposes, to approve:
 - the consolidation of every eight (8) Shares on issue in the capital of the Company into one (1) Share;
 - the consolidation of every eight (8) options on issue in the capital of the Company into one (1) option, and the increase of the exercise price by eight-fold; and
 - the consolidation of every eight (8) preference shares on issue in the capital of the Company into one (1) preference share,with fractions being rounded up to the nearest whole number (**Consolidation**), on the terms and conditions described in the Explanatory Memorandum.
- **Resolution 4:** to ratify the issue of 7.2 million Shares in the Company to Hong Kong Jingaofengda Business Co. Limited CR No. 2555563, at \$0.0139 per Share to raise \$100,000.

Resolution 1 is subject to and conditional on the passing of Resolution 2. Please refer to paragraph 2.2(o)(ii) of the Explanatory Memorandum for further information. If Resolution 2 is not passed, the issue of Preference Shares to Armstrong Industries HK Limited will not occur.

Notice of General Meeting and accompanying documents

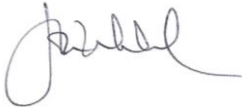
This letter is accompanied by a Notice of General Meeting (Section C), an Explanatory Memorandum (Section D) and an Independent Expert's Report (Section E). The Notice of General Meeting sets out the Resolutions which Shareholders are to consider. The Explanatory Memorandum explains in greater detail the background to the proposed Resolutions.

The Directors appointed Nexia Sydney Corporate Advisory Pty Ltd as the Independent Expert to report on the fairness and reasonableness of the Proposed Transactions to the non-associated shareholders of the Company. The Independent Expert has concluded that the Proposed Transactions are fair and reasonable to the non-associated shareholders of the Company. The Independent Expert's Report is contained in Section E .

Shareholders are encouraged to read the enclosed Explanatory Memorandum and Independent Expert's Report closely and in their entirety and to attend the General Meeting and vote on the Resolutions. A proxy form is enclosed to enable any Shareholder who is unable to attend the General Meeting to vote at the meeting.

The Directors support all the Resolutions contained in the Notice of General Meeting. We recommend that you vote in favour of Resolution 1 to 4, full details of which are contained in the Notice of General Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jonathan Back', written in a cursive style.

Jonathan Back
Chairman

Section B Glossary

1. Definitions

The following definitions are used in the Chairman's Letter, the Notice of General Meeting and the Explanatory Memorandum:

Armstrong	means Armstrong Industries HK Limited of Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.
Armstrong Convertible Note Deed	means the \$1.5M Unsecured Convertible Note Deed between the Company and Armstrong entered on 1 st October 2013, as amended by the First Addendum to the Unsecured Convertible Note Deed dated 19 December 2014 and the Variations to Unsecured Convertible Note Deed dated 15 th September 2016, 24 th February 2017, 8 th May 2017, 11 th May 2017, 16 th May 2017, 9 th June 2017 and 18 th July 2017.
ASIC	means the Australian Securities & Investments Commission.
Associate	has the meaning given to that term in sections 10 to 17 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange market operated by the ASX, as the context requires.
ASX Listing Rules or Listing Rules	means the official listing rules issued and enforced by the ASX, as amended from time to time.
Board or Board of Directors	means the board of Directors of the Company.
Business Day	means a day which is not a Saturday, Sunday or public holiday in Sydney.
Chairman	means the chairman of the Company, who is currently Mr Jonathan Back.
Cloud Adventurer Limited or Cloud	means Cloud Adventurer Limited of Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.
Company or Avira	means Avira Energy Limited ACN 131 715 645.

Consolidation	means: <ul style="list-style-type: none"> (a) the consolidation of every eight (8) Shares on issue in the capital of the Company into one (1) Share; (b) the consolidation of every eight (8) options on issue in the capital of the Company into one (1) option, and the increase of the exercise price by eight-fold; and (c) the consolidation of every eight (8) preference shares on issue in the capital of the Company into one (1) preference share with fractions being rounded up to the nearest whole number.
Constitution	means the constitution of the Company, as amended from time to time.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Date of Conversion	means the date on which Shares in the Company must be issued under Clause 4 of the Unsecured Convertible Note Deed between the Company and the Subscriber dated 1st October 2013 and its First Addendum dated 19 December 2014, and the Variations to Unsecured Convertible Noted Deed dated 15 th September 2016, 24 th February 2017, 8 th May 2017, 11 th May 2017, 16 th May 2017, 9 th June 2017 and 18 th July 2017.
Directors	means the directors of the Company.
Explanatory Memorandum	means the explanatory memorandum set out in Section D of this document.
General Meeting	means the general meeting of the Company to be held on 26 September 2017 pursuant to the Notice of General Meeting.
Hong Kong Jingaofengda Business Co. Limited	means Hong Kong Jingaofengda Business Co. Limited CR No. 2555563 of Room 18D, 27/F, Ho King Commercial Centre, 2-16 Fayuen Street, Mongkok, Kowloon, Hong Kong S.A.R.
Independent Expert	means Nexia Sydney Corporate Advisory Pty Ltd.
Independent Expert's Report	means the expert report prepared by the Independent Expert and set out in Section E of this document.
Joseph Capital	means Joseph Capital (Hong Kong) Limited (Hong Kong Company

Number 2271550) of 11/F Shum Tower No 268 Des Voeux Rd, Central, Sheung Wan, Hong Kong.

Joseph Capital Convertible Note Deed	means the \$500,000 Unsecured Convertible Note Deed between the Company and Joseph Capital entered into on 14 September 2016.
Notice of General Meeting or Notice	means the notice of General Meeting set out in Section C of this document.
Officially Quoted and Official Quotation	means, in relation to a Share, officially quoted by the ASX.
Preference Share Agreement	means the Subscription Agreement relating to Preference Shares dated on or about 22 June 2017 regarding the issue of the 7,894,737 Preference Shares (on a pre-consolidation basis, rounded up to the nearest whole number) plus the number of Preference Shares equivalent to the interest accrued up until the Date of Conversion (on a pre-consolidation basis, rounded up to the nearest whole number), by the Company to Armstrong.
Preference Shares	means the 7,894,737 preference shares (on a pre-consolidation basis, rounded up to the nearest whole number) plus the number of preference shares equivalent to the interest accrued up until the Date of Conversion (on a pre-consolidation basis, rounded up to the nearest whole number), issuable to Armstrong under the terms of the Preference Share Agreement.
Proposed Transactions	means the proposed transactions subject of Resolutions 1,2 3 and 4.
Resolution	means a resolution passed by the requisite majority of Shareholders of the Company on a show of hands or by the requisite majority of votes given on a poll.
Share	means a fully paid ordinary share in the issued capital of the Company and Shares means any two or more of them.
Shareholder	means a holder of a Share.
Termination Deed	means the Termination Deeds both dated on or about 22 June 2017 relating to the termination of the Armstrong Convertible Note Deed and the Joseph Capital Convertible Note Deed, respectively.

2. Interpretation

For the purposes of interpreting the Chairman's Letter, the Explanatory Memorandum and the Notice of General Meeting:

- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include both genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all consolidations, amendments, re-enactments or replacements for the time being in force;
- (d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define limit or affect the meaning or interpretation of the Chairman's Letter, the Explanatory Memorandum and the Notice of General Meeting;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors, substitutes (including without limitation persons taking by novation and assignment); and
- (f) reference to **A\$, AU\$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

Section C Notice of General Meeting

NOTICE IS HEREBY GIVEN that the General Meeting of the Shareholders of Avira Energy Limited ACN 131 715 645 (**Avira** or the **Company**) will be held at Computershare Pty Ltd, Level 4, 60 Carrington Street, Sydney, 2000 on 26 September 2017 at 10:00AM Sydney time.

Defined terms used in this Notice of General Meeting have the meanings given to them in the Glossary accompanying this Notice of General Meeting.

1. Resolutions

1.1 Resolution 1: Approval of issue of Preference Shares to Armstrong Industries HK Limited

To consider and, if thought fit, to pass the following **Special Resolution**:

“That, conditional on Resolution 2 being passed in accordance with its terms, in accordance with section 611, item 7 of the Corporations Act and for all other purposes, the Company be permitted and authorised to:

- (i) *issue 7,894,737 Preference Shares (on a pre-consolidation basis, rounded up to the nearest whole number) **plus** the number of Preference Shares equivalent to the interest accrued up until the Date of Conversion (on a pre-consolidation basis, rounded up to the nearest whole number) and the subsequent conversion into Shares, to Armstrong Industries HK Limited,*

in accordance with the Preference Share Agreement with Armstrong, as described in the Explanatory Memorandum (Section D).”

Note: Resolution 1 is subject to and conditional on the passing of Resolution 2. Accordingly, if Resolution 2 is not passed, the issue of Preference Shares to Armstrong Industries HK Limited will not occur.

. Shareholders should carefully consider the Independent Expert's Report for the purposes of the Shareholder approval required under section 611, item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the proposed transaction to the non-associated Shareholders. The Independent Expert has determined that the issue of 7,894,737 Preference Shares (on a pre-consolidation basis, rounded up to the nearest whole number) **plus** the number of Preference Shares equivalent to the interest accrued up until the Date of Conversion (on a pre-consolidation basis, rounded up to the nearest whole number), by the Company to Armstrong Industries HK Limited is both fair and reasonable to the non-associated Shareholders of the Company.

1.2 Resolution 2: Approval of the transfer of 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee, and subsequently terminate the \$500,000 Joseph Capital Convertible Note Deed

To consider and, if thought fit, to pass the following **Special Resolution**:

“In accordance with ASX Listing Rule 10.1, and for all other purposes, the Company be permitted and authorised to:

- (i) *transfer the 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee, and subsequently terminate the \$500,000 Joseph Capital Convertible Note Deed,*

in accordance with the Joseph Capital Convertible Note Deed as described in the Explanatory Memorandum (Section D)."

Note: Shareholders should carefully consider the Independent Expert's for the purposes of the Shareholder approval required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the proposed transaction to the non-associated Shareholders. The Independent Expert has determined that the transfer of the 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee, is both fair and reasonable to the non-associated Shareholders of the Company.

1.3 **Resolution 3: Approval of capital consolidation**

To consider and, if thought fit, to pass the following Ordinary resolution:

"That, for the purposes of section 254H of the Corporations Act 2001 (Cth), Chapter 7 of the ASX Listing Rules and for all other purposes, Shareholders approve the consolidation of :

- (i) *every eight (8) Shares on issue in the capital of the Company into one (1) Share;*
- (ii) *every eight (8) options on issue in the capital of the Company into one (1) option, and approve the increase of the exercise price by eight-fold; and*
- (iii) *every eight (8) preference shares on issue in the capital of the Company into one (1) preference share*

*with fractions being rounded up to the nearest whole number (**Consolidation**) and with the Consolidation to take effect following Shareholder approval, on the terms and conditions described in the Explanatory Memorandum."*

1.4 **Resolution 4: Ratification of issue of Shares to Hong Kong Jinggaofengda Business Co. Limited**

To consider and, if thought fit, to the pass the following Ordinary resolution:

"In accordance with ASX Listing Rule 7.4, and for all other purposes, the Company be permitted and authorised to ratify the issue of 7.2 million Shares in the Company to Hong Kong Jinggaofengda Business Co. Limited, at \$0.0139 per Share having raised approximately \$100,000."

1.5 **Voting exclusion statements**

1.6 **Resolution 1**

In accordance with the voting restrictions of item 7 section 611 of the Corporations Act, the Company will disregard any votes on Resolution 1 cast by or on behalf of Armstrong, and any associate of Armstrong.

1.7 Resolution 2

In accordance with the voting restrictions of Listing Rule 10.1, the Company will disregard any votes on Resolution 2 cast by or on behalf of Joseph Capital, and any associate of Joseph Capital.

However, the Company need not disregard a vote if:

- (a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (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.

1.8 Resolution 3

There is no voting exclusion in regards to Resolution 3.

1.9 Resolution 4

The Company will disregard any votes cast on this resolution by Hong Kong Jinggaofengda Business Co. Limited, and any associate of Hong Kong Jinggaofengda Business Co. Limited.

However, the Company need not disregard a vote if:

- (a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (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.

2. Determination of membership and voting entitlement

The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that for a person's entitlement to vote at the General Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares by 10:00AM Sydney time on 24 September 2017.

3. Votes of members

On a show of hands, each member present in person or by proxy (or, in the case of a body corporate, by a representative) at the General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative) shall have one vote for each Share held by him, her or it, provided that all Shares are fully paid.

4. Proxies

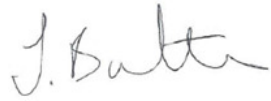
Please note that:

- (a) a member entitled to attend and vote at the General Meeting is entitled to appoint no more than two proxies;
- (b) an instrument appointing a proxy must be in the form of the proxy form attached to this Notice of General Meeting;
- (c) where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If a member appoints two proxies, neither person may vote on a show of hands and on a poll, each person may only exercise the voting rights for the portion of votes the person holds;
- (d) a proxy may be a member of the Company;
- (e) a proxy need not be a member of the Company;
- (f) a proxy form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where a proxy form so provides, the proxy is not entitled to vote on the Resolution except as specified in the proxy form;
- (g) a proxy has the authority to vote on the member's behalf as he or she thinks fit, on any motion to adjourn the General Meeting, or any other procedural motion, unless the member gives a direction to the contrary;
- (h) a valid proxy form will be deemed to confer authority to demand or join in demanding a poll;
- (i) to be valid, a proxy form must be signed by the member or the member's attorney or, if the member is a corporation, executed in accordance with the corporation's constitution and the Corporations Act (and may be signed on behalf of the corporation by its attorney); and
- (j) to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by no later than 10:00AM Sydney time on 24 September 2017.

by the Company's share registry:

- by mail: Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia
- or - by facsimile: (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555
- or - online <https://www.investorvote.com.au/Login>

By order of the Board:

A handwritten signature in cursive script, appearing to read 'J. Butler', written in dark ink.

Jacqueline Butler
Company Secretary

Dated: 25 August 2017
Sydney

Section D Explanatory Memorandum

1. Introduction

This Explanatory Memorandum contains the information required for the Shareholders to assess Resolutions 1 to 4 which will put to them at the General Meeting of Avira on 26 September 2017. A Notice of General Meeting accompanies this document.

In addition, the Independent Expert's Report has been provided which contains an analysis of whether the issues pursuant to Resolutions 1 and 2 are fair and reasonable for Shareholders. The Independent Expert has concluded that each of the proposed transactions outlined in Resolution 1 and 2 is fair and reasonable for the Shareholders. A full copy of the Independent Expert's Report is set out in Section E of this Report.

This Explanatory Memorandum, as well as the Notice of General Meeting and Independent Expert's Report, should be read carefully and in their entirety.

2. Resolutions 1 – Approval of issue of Preference Shares to Armstrong

2.1 Background

The Company entered into a Preference Share Agreement with Armstrong and a Termination Deed with Armstrong dated on or about 22 June 2017, whereby, subject to Shareholder approval, the Armstrong Convertible Note Deed will terminate, and instead 7,894,737 Preference Shares (on a pre-consolidation basis, rounded up to the nearest whole number) **plus** the number of Preference Shares equivalent to the interest accrued up until the Date of Conversion (on a pre-consolidation basis, rounded up to the nearest whole number), will be issued at an issue price of \$0.19 per Preference Share.

The Company is seeking the approval of Shareholders pursuant to section 611 item 7 of the Corporations Act for the issue of the Preference Shares and the subsequent conversion of the Preference Shares into Shares.

Shareholders should note that Resolution 1 is subject to and conditional on the passing of Resolution 2. Accordingly, if Resolution 2 is not passed, the issue of Preference Shares to Armstrong Industries HK Limited will not occur.

2.2 Preference Share Agreement

Pursuant to the Preference Share Agreement, the Preference Shares have the following material terms and conditions:

- (a) each Preference Share is fully paid;
- (b) the holders of the Preference Shares rank equally with Shareholders in respect of dividends, such that the same dividend is payable per Share as it is payable per Preference Share (the Company received a waiver from the ASX on 11 July 2017 to allow the issue of Preference Shares that rank equally);

- (c) if the Company does not declare any dividends, the Company is not in breach of its obligations to the holders of the Preference Shares and the holders of the Preference Shares will not be entitled to receive any dividends;
- (d) Preference Share holders are subject to the rights and restrictions of Listing Rule 6.3, namely, a Preference Share holder must be entitled to a right to vote in each of the following circumstances and in no others:
 - (i) during a period during which a dividend (or part of a dividend) in respect of the Preference Share is in arrears;
 - (ii) on a proposal to reduce the Company's share capital;
 - (iii) on a resolution to approve the terms of a buy-back agreement;
 - (iv) on a proposal that affects rights attached to Preference Shares;
 - (v) on a proposal to wind up the Company;
 - (vi) on a proposal for the disposal of the whole of the Company's property, business and undertaking; and
 - (vii) during the winding up of the Company,

in which case a Preference Share holder has the same rights as to manner of attendance and voting at general meetings of the Company in respect of each Preference Share as those conferred on Shareholders;

- (e) in the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the Preference Share holder, including the number of Preference Shares, shall be reorganised to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- (f) Preference Shares do not confer on the Preference Share holders any right to participate in profits or property except as set out in this condition of issue;
- (g) If there is a return of capital on a winding up of the Company, Preference Share Holders will be entitled to receive out of the assets of the Company available for distribution to holders of shares, in respect of each Preference Shares held, a cash payment equal to the redemption amount, before any return of capital is made to ordinary Shareholders or any other class of shares ranking behind Preference Shares;
- (h) the Preference Shares will not be quoted on any securities exchange including the ASX;
- (i) the holder of a Preference Share has a right to convert all or some of the Preference Shares into Shares by delivery of a conversion notice at any time before 16 September 2021, the number of Shares to be issued on conversion will be the number of Preference Shares converted on a one for one basis (subject to any adjustments pursuant to paragraphs 2.2 (k) and 2.2 (l) below);
- (j) the Preference Shares automatically convert into Shares after 16 September 2021;
- (k) if there is a bonus issue to Shareholders, the number of Shares that the Preference Shares convert into may be increased by the number of Shares which the Preference

Share holder would have received if the Preference Shares had been converted before the record date for the bonus issue;

- (l) if there is a rights issue, share placement or public offer of Shares that is conducted at a discount that is more than a 10% discount to the volume weighted average market price per Share, calculated over the 5 trading days ending on the day before the ex rights date, the conversion ratio for Preference Shares converting into Shares is increased proportionately by the same percentage;
- (m) the Preference Shares do not otherwise confer any rights to subscribe for or to participate in any entitlement, right or issue to Shareholders;
- (n) Preference Share holders will not be entitled to transfer all or any of their Preference Shares. The Shares that will be issued to the Preference Share Holder upon conversion of the Preference Shares shall be *pari passu* with all other outstanding Shares and will be freely transferable
- (o) The issue of the Preference Shares to Armstrong under the Preference Share Agreement is conditional on:
 - (i) the Company obtaining shareholder approval from holders of Shares for the transaction contemplated by the Preference Share Agreement, including for the purposes of Section 611, item 7 of the Corporations Act
 - (ii) the Company obtaining shareholder approval from holders of Shares for the extinguishment of the \$500,000 Joseph Capital Convertible Note via the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by the Company, to Joseph Capital (Hong Kong) Limited (Hong Kong Company Number 2271550) or its nominee, in accordance with their terms; and
 - (iii) the Company entering into a Termination Deed relating to the Armstrong Convertible Note.

2.3 Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not issue equity securities, or agree to issue equity securities (which includes shares and options) without the approval of shareholders if the number of equity securities to be issued in any 12 month period (including equity securities issued on the exercise of any convertible securities) exceeds 15% of the issued capital of the company preceding the issue.

ASX Listing Rule 7.2, Exception 16 provides that approval under ASX Listing Rule 7.1 is not required if approval is obtained for the purposes of item 7 of section 611 of the Corporations Act.

2.4 Item 7 of section 611 of the Corporations Act

(a) Relevant interests

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or

- (ii) from a starting point that is above 20% to below 90%.

The voting power of a person in a company is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

(b) Exception to the section 606 prohibition

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting shares with shareholder approval.

In order for the exemption of item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person making the acquisition and their Associates or the Company, that was material to the decision on how to vote on the resolution, including:

- (i) the identity of the person proposing to make the acquisition and their Associates;
- (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (iii) the voting power that person would have as a result of the acquisition;
- (iv) the maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition; and
- (v) the voting power that each of that person's Associates would have as a result of the acquisition.

For responses on these matters, see paragraph 2.5.

(c) Why Shareholder approval is required

Alex Cheung is a director of Armstrong Industries HK Limited, as well as being a substantial shareholder in both Cloud Adventurer Limited (**Cloud**) and Marvel Network Limited (**Marvel**). Therefore both Cloud and Marvel are related parties of Armstrong.

As at the date of this Notice, Armstrong holds 1,612,500 Shares in the Company. Cloud holds nil Shares, 9,090,910 preference shares and 3,636,364 options in the Company. Marvel similarly holds nil Shares, 9,090,910 preference shares and 3,636,364 options in the Company. At the date of this Notice of Meeting, the total issued share capital of the Company is 55,506,640 Shares.

If Shareholder approval is given regarding the issue of the Preference Shares, if Armstrong (together with Cloud and Marvel) were to convert their preference shares to ordinary Shares, Armstrong, Cloud and Marvel would have a combined interest of more than 35% of the Shares then on issue (assuming no other Share issues take place). Furthermore, if the options held by Cloud and Marvel are converted into Shares, then Armstrong, Cloud and Marvel would have a combined interest of more than 40% of the Shares on issue (assuming no other Share issues take place).

This increase in Armstrong, Cloud and Marvel's relevant interest in the Company from less than 20% to more than 20% is prohibited under section 606 of the Corporations Act. However, such issue would be permitted if prior Shareholder approval is granted for the issue of the Preference Shares to Armstrong in accordance with Resolution 1.

2.5 Information for Shareholders under item 7 of section 611 of the Corporations Act

The following information is provided to Shareholders for the purposes of the requirements under the Corporations Act in respect of obtaining Shareholder approval for item 7 of section 611 of the Corporations Act:

- (a) Armstrong is the person proposing to make the acquisition (that is, the person who will be issued with the Preference Shares that may convert into Shares); and
- (b) if Armstrong, Cloud (a related party of Armstrong) and Marvel (a related party of Armstrong) convert all the Preference Shares into Shares, assuming no other Share issues take place:
- (c) the maximum extent of the increase in voting power of Armstrong in its own right is 9.8%;
- (d) the maximum extent of the increase in voting power of Cloud in its own right is nil%;
- (e) the maximum extent of the increase in voting power of Marvel in its own right is nil%;
- (f) the maximum extent of the increase in voting power of Cloud's Associate, Armstrong, is 9.8% by virtue of being Cloud's Associate;
- (g) the maximum extent of the increase in voting power of Marvel's Associate, Armstrong, is 9.8% by virtue of being Marvel's Associate;
- (h) the maximum extent of the increase in voting power of Armstrong's Associate, Cloud, is 9.8% by virtue of being Armstrong's Associate;
- (i) the maximum extent of the increase in voting power of Armstrong's Associate, Marvel, is 9.8% by virtue of being Armstrong's Associate; and

- (j) the combined voting power of Armstrong, Cloud and Marvel would have as a result of Resolution 1 in their own right and by being each other's Associates, is 9.8%.

2.6 Dilution as a result of the Resolution 1

The effect of the Resolution 1 on the capital structure of the Company is as follows:

Armstrong, Cloud (a related party of Armstrong) and Marvel (a related party of Armstrong)	Number of Shares held by Armstrong, Cloud and Marvel as at the date of the General Meeting held on 16 September 2016	Voting power as a %	Number of Shares to be held by Armstrong, Cloud and Marvel as at the date of this General Meeting	Voting power as a %	Shares that will be held by Armstrong, Cloud and Marvel on conversion of Preference Shares to Shares, with only Resolution 1 passed	Voting power as a %
Number of shares held by Armstrong, Cloud and Marvel (assuming that the options are not converted)	1,612,500 (on a post consolidation basis)	3.34% (on a post consolidation basis)	1,612,500	2.91%	At least 28,634,155 (assuming this General Meeting is held on 26 September 2017)	At least 34.7% (assuming this General Meeting is held on 26 September 2017)
Shares that will be held by Armstrong, Cloud and Marvel (assuming that the options are converted)	27,067,048 (This includes Armstrong Shares, Cloud and Marvel Preference Shares converted to Shares and Cloud and Marvel options converted to Shares, on a post consolidation	36.70% (This includes Armstrong Shares, Cloud and Marvel Preference Shares converted to Shares and Cloud and Marvel options converted to Shares on a post consolidation	27,067,048 (This includes Armstrong Shares, Cloud and Marvel Preference Shares converted to Shares and Cloud and Marvel options converted to Shares)	33.43% (This includes Armstrong Shares, Cloud and Marvel Preference Shares converted to Shares and Cloud and Marvel options converted to Shares)	35,906,833 (This includes Armstrong Shares, Armstrong Preference shares converted to Shares after Resolution 1 passing, Cloud and Marvel Preference Shares converted	39.98% (This includes Armstrong Shares, Armstrong Preference shares converted to Shares after Resolution 1 passing, Cloud and Marvel Preference Shares converted

	basis)	basis)			to Shares and Cloud and Marvel options converted to Shares)	to Shares and Cloud and Marvel options converted to Shares
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2.7 Information for Shareholders required by RG 74

Further information required by ASIC Regulatory Guide 74 (**RG 74**) is set out in the following paragraphs.

(a) *an explanation of the reasons for the proposed acquisition*

\$1.5M in convertible notes held by Armstrong are due for redemption on the maturity date 11 November 2017 or the date on which the Notes are redeemed in accordance with the Note Conditions. In order to meet this redemption, the Company would be required to source alternative funding. There is no guarantee that this would be achievable.

The termination of the Armstrong Convertible Note Deed and instead issue of Preference Shares to Armstrong improves the Company's shorty term liquidity.

(b) *when the proposed acquisition is to occur*

Shareholder approval must be obtained for the issue of the Preference Shares to Armstrong. The Company intends to issue the Preference Shares within 14 days of Shareholder approval.

(c) *the material terms of the proposed acquisition*

This information is set out in some detail in paragraphs 2.1 and 2.2.

(d) *details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition*

As part of the proposed transaction, a Termination Deed dated on or about 22 June 2017 has been entered into between the Company and Armstrong, for the purpose of terminating the Armstrong Convertible Note Deed.

Furthermore, on 14 September 2016, the Company entered into the \$500,000 Convertible Note Deed with Joseph Capital (**Joseph Capital Convertible Note Deed**). The Termination Deed dated on or about 22 June 2017 entered into between the Company and Joseph Capital provided that:

"This Deed is entered into in consideration of the mutual promises contained herein and each party acknowledges receipt of valuable consideration from the other party for entering into this Deed including the granting of releases and the extinguishment of the \$500,000 Convertible Note via and under the condition that:

(a)the Company obtains shareholder approval from holders of Shares for the extinguishment of the \$500,000 Convertible Note and all remaining interest due and payable via the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by the Company, to the Noteholder or its nominee

(b)the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by the Company, to the Noteholder or its nominee; and

(c)the Company obtains signed agreement from Armstrong confirming their consent to convert Armstrong Convertible Note into preference shares at a price no more than \$0.19 per share."

Other than as set out above, there is no other contract or proposed contract between Armstrong or any of their Associates and the Company which is conditional upon, or directly or indirectly dependent on Shareholders' agreement to the issue of the Preference Shares to Armstrong.

- (e) *a statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular:*

Not applicable.

- (i) *any intention to change the business of the entity*

Armstrong has no present intention to change the business of the Company.

- (ii) *any intention to inject further capital into the entity*

Armstrong has no present intention to inject any further capital into the Company as at the date of this Notice.

- (iii) *the future employment of present employees of the entity*

Armstrong has no present intention to make any changes to the employment arrangements of the present employees of the Company.

- (iv) *any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates*

Armstrong has no present intention to transfer any assets between the Company and Armstrong or any person associated with them.

- (v) *any intention to otherwise redeploy the fixed assets of the entity*

Armstrong has no present intention to redeploy the fixed assets of the Company.

- (f) *any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity*

Armstrong has no present intention to change significantly the financial or dividend policies of the Company.

- (g) *the interests that any director has in the acquisition or any relevant agreement disclosed under RG 74.25(d)*

None of the Directors of the Company are a related party or Associate of Armstrong or have an interest in Resolution 1 (other than an interest as non-associated Shareholders).

- (h) *the following details about any person who is intended to become a director if members approve the acquisition:*

There is no right to nominate a director.

2.8 **Independent Expert's Report**

In accordance with the requirements of RG 74, the Directors engaged the Independent Expert to prepare and provide the Independent Expert Report which contains an analysis of whether the proposed issue of the Preference Shares to Armstrong is fair and reasonable for non-associated Shareholders.

The Independent Expert has concluded that the proposed issue of the Preference Shares to Armstrong is fair and reasonable to the non-associated Shareholders of the Company. For a summary of the Independent Expert's findings please refer to pages 2 and 3 of the Independent Expert's Report.

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert's Report in Section E of this document and to the references to the Independent Expert Report in this Explanatory Memorandum being made in the form and context in which each such reference is included.

2.9 **Advantages and disadvantages**

The Board is of the opinion that the benefits of the issue of the Preference Shares proposed to be undertaken by the Company may include that:

- (a) the conversion of the Convertible Note by Armstrong to Preference Shares that are only redeemable on the Company's demand improves the short term liquidity of the Company; and
- (b) provides a more stable capital structure for the future.

Potential disadvantages of the issue of the Preference Shares include that if Armstrong and Cloud and Marvel (related parties of Armstrong) convert their Preference Shares to Shares and exercise their options, Armstrong and its related parties (Cloud and Marvel) would increase their interest in the Company to 40% of the Shares on issue (assuming no other Share issues take place), which would exert significant influence. However, the Directors consider that any dilution of Shareholders' interests will be offset by the immediate benefits of the increased liquidity.

2.10 **Recommendation of the Directors**

The Directors unanimously approved the proposal to put Resolution 1 to Shareholders for their approval.

The Board has carefully considered the advantages and disadvantages and evaluated their relative weight in the circumstances of the Company. The Board unanimously believes that the sum of the advantages outweighs the sum of the disadvantages and that the issue of the Preference Shares to Armstrong are in the best interests of existing Shareholders as a whole

for the reasons set out in this Explanatory Memorandum and the Independent Expert's Report.

All the directors intend to vote in favour of Resolution 1 and recommend Shareholders vote in favour of Resolution 1.

3. Resolution 2 - Approve the transfer of 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee, and subsequently terminate the \$500,000 Joseph Capital Convertible Note Deed

3.1 Background

On 14 September 2016, the Company entered into a \$500,000 Convertible Note Deed with Joseph Capital (**Joseph Capital Convertible Note Deed**).

The Termination Deed dated on or about 22 June 2017 entered into between the Company and Joseph Capital included the following conditions in Clause 2.1:

"This Deed is entered into in consideration of the mutual promises contained herein and each party acknowledges receipt of valuable consideration from the other party for entering into this Deed including the granting of releases and the extinguishment of the \$500,000 Convertible Note via and under the condition that:

- (a) *the Company obtains shareholder approval from holders of Shares for the extinguishment of the \$500,000 Convertible Note and all remaining interest due and payable via the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by the Company, to the Noteholder or its nominee;*
- (b) *the transfer of 16,949,176 Cauldron Energy Limited ordinary shares held by the Company, to the Noteholder or its nominee; and*
- (c) *the Company obtains signed agreement from Armstrong confirming their consent to convert Armstrong Convertible Note into preference shares at a price no more than \$0.19 per share."*

The Effective Date will not occur without satisfactions of all the above conditions."

For the purposes of ASX Listing Rule 10.1, the Company seeks Shareholder approval to transfer the 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee, and to subsequently terminate the \$500,000 Joseph Capital Convertible Note Deed.

3.2 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, inter alia, a related party, an associate or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities), without shareholder approval.

If an entity contravenes Listing Rule 10.1, ASX may require it to take corrective action set out in Listing Rule 10.9.

Under ASX Listing Rule 10.2, an asset is substantial if its value, or the value of the consideration for it (or in ASX's opinion) is 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX under the listing rules.

In calculating value:

- (a) Intangibles will be included
- (b) Provisions for depreciation and amortisation will be deducted
- (c) Liabilities acquired as part of an acquisition will not be deducted
- (d) Separate transactions will be aggregated if, in ASX's opinion, they form part of the same commercial transaction.

Based on the most recent accounts lodged with the ASX, the Company's equity interests (sum of paid up capital, reserves and accumulated losses, disregarding redeemable preference share capital and outside equity interests as shown in the consolidated financial statements of the Company as at 31 December 2016 is a net liability of -\$5,209,287. Since there is a net liability in the consolidated financial statements of the Company, all assets will be considered substantial since the value of the assets will exceed 5% of the Company's equity interests (**5% Threshold**).

As at 31 December 2016, the Company has a consolidated equity position of \$38,408 and value of the 16,949,176 Cauldron Energy Ltd shares to be transferred from the Company to Joseph Capital or its nominee had a carrying value of \$847,459. The Independent Expert has concluded that the transfer is a prima facie transfer of a substantial asset.

3.3 **Substantial holder**

The purpose of ASX Listing Rule 10.1 is to ensure that a person of influence cannot benefit from a significant acquisition or disposal involving the listed entity.

Joseph Energy (Hong Kong) Ltd is substantial holder of the Company since it and its associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in 34.57% of the total votes attached to the voting securities in the Company.

Therefore, if the 16,949,176 Cauldron Energy Ltd shares is transferred from the Company to Joseph Energy (Hong Kong) Ltd (a nominee of Joseph Capital), then ASX Listing Rule 10.1 will apply.

Accordingly, Shareholder approval is being sought for the purposes of ASX Listing Rule 10.1. In accordance with ASX Listing Rule 10.1, the Company has commissioned a report from an independent expert which provides an analysis of whether the proposed transaction is fair and reasonable for shareholders whose votes are not to be disregarded.

3.4 **Summary of Independent Expert's Report**

Accompanying this Notice of Meeting in Section E is a copy of the Independent Expert's Report.

The Directors have commissioned the Independent Expert's Report to shareholders which provides an analysis of whether the transfer of the 16,949,176 Cauldron Energy Ltd shares to from the Company to Joseph Capital or its nominees, is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert has concluded that the proposed the transfer of the 16,949,176 Cauldron Energy Ltd shares to from the Company to Joseph Capital or its nominees is fair and reasonable to the non-associated Shareholders of the Company.

Shareholders are encouraged to read the full text of the Independent Expert's Report which accompanies this Notice.

The Independent Expert has given, and not before the date of the Notice withdrawn, its consent to the inclusion of the Independent Expert's Report in Section E of this Notice and to the references to the Independent Expert's Report in this Notice being made in the form and context in which each such reference is included.

3.5 Recommendation of the Directors

Each of the Directors recommend that Shareholders vote in favour of Resolution 2.

4. Resolution 3 - Approval of capital consolidation

The Company proposes to consolidate its share capital through the conversion of:

- every eight (8) Shares on issue in the capital of the Company into one (1) Share;
- every eight (8) options on issue in the capital of the Company into one (1) option; and
- every eight (8) preference shares on issue in the capital of the Company into one (1) preference share.

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a General Meeting.

4.1 Reasons for Consolidation

The Company has approximately 55,506,640 Shares, 18,181,820 preference shares (prior to the issue of Preference Shares to Armstrong under Resolution 1) and 7,272,728 options on issue as a result of the Company's share capital growth through equity issuance. This is a very large number of securities on issue and it disadvantages the Company in a number of ways:

- (a) the Company has a far greater number of securities on issue than comparable companies; and
- (b) administrative inconvenience and costs associated.

The Directors believe that the Consolidation would assist in eliminating or mitigating these disadvantages.

Furthermore, the proposed Consolidation primarily seeks to make the Company more attractive as a vehicle for further investment.

4.2 Effect of Consolidation

If approved, the Consolidation will take effect following Shareholder approval. The pro-forma capital structure of the Company on completion of the Consolidation is as follows:

Equity Securities	Pre-consolidation	Pre-consolidation price	Post-consolidation	Post-consolidation price
Ordinary shares	55,506,640	\$0.25 (current Share price)	6,938,330	If the current Share price remains at \$0.25, the Share price post-consolidation will increase to \$2.00
Preference shares	18,181,820	\$0.33	2,272,728	\$2.64

Armstrong Convertible Note	1,500,000 convertible notes issued to Armstrong, valued at \$1.5 million which converts into 7,894,737 preference shares (pre-consolidation) plus the number of preference shares (pre-consolidation) at equivalent to the interest accrued up until the Date of Conversion	Converts into preference shares at \$0.19	986, 843 preference shares plus 1/8 th of the number of preference shares (pre-consolidation) equivalent to the interest accrued up until the Date of Conversion	\$1.52
Joseph Capital Convertible Note	1 convertible note issued to Joseph Capital, valued at \$500,000	N/A The Joseph Capital Convertible Note will be extinguished through the transfer of 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee under Resolution 2, prior to Consolidation	N/A The Joseph Capital Convertible Note will be extinguished through the transfer of 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee under Resolution 2, prior to Consolidation	N/A The Joseph Capital Convertible Note will be extinguished through the transfer of 16,949,176 Cauldron Energy Ltd shares held by the Company to Joseph Capital or its nominee under Resolution 2, prior to Consolidation
Options	7,272,728	\$0.01	909,092	\$0.08

Where the Consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share, the fraction will be rounded up to the nearest whole number of Shares.

The Company's balance sheet and tax position will remain unaltered as a result of the Consolidation.

As the Consolidation applies equally to all Shareholders, (subject only to the rounding of fractions), it will not result in any material change to the substantive rights and obligations of

Shareholders, and the proportional interest of each Shareholder in the Company will not materially change as a result of the Consolidation, as the only anticipated changes, which will be as a result of rounding, will be immaterial.

4.3 Listing Rule 7.20

Listing Rule 7.20 states that in the event of a reorganisation of capital, the Company must tell security holders in writing the following:

a) LR 7.20.1 The effect of the proposal on the number of securities and the amount unpaid (if any) on the securities

Please see the table above.

b) LR 7.20.2. The proposed treatment of any fractional entitlements arising from the organisation

Where the Consolidation of a Shareholder's holding results in an entitlement to a fraction, the fraction will be rounded up to the nearest whole number.

c) LR 7.20.3 The proposed treatment of any convertible securities on issue

- As per Resolution 1, the \$1,500,000 Armstrong Convertible Note will convert into 7,894,737 preference shares at \$0.19 (pre-consolidation) **plus** the number of preference shares at \$0.19 (pre-consolidation) equivalent to the interest accrued up until the Date of Conversion.
- As per Resolution 2, the \$500,000 Joseph Capital Convertible Note will be extinguished by transfer of 16,949,176 Cauldron Energy Ltd held by the Company to Joseph Capital or its nominee prior to the Consolidation, and as such will not form part of the Consolidation.

4.4 Preference Shares

The Company has 18,181,820 preference shares on issue. The Company currently has preference shares on issue to Marvel Network Limited and Cloud Adventurer Limited with a value of \$6,000,000 and a price of \$0.33 (pre-consolidation) per preference share.

Clause 9.2 of the preference share subscription agreements state that "*In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the preference shareholder, including the number of preference shares, shall be reorganised to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.*"

Pursuant to Clause 9.2 and Listing Rule 7.20, the value of each preference share will increase to \$2.64, and the number of preference shares on issue will decrease to 2,272,728 as a result of the proposed Consolidation.

4.5 Options

The Company has 7,272,728 options on issue. The Company has options on issue to Marvel Network Limited and Cloud Adventurer Limited with a total value of approximately \$2,400,000 and an exercise price of \$0.01 (pre-consolidation) per option.

Clause 7.2 in the Option Deeds state that: "*In the event of any reorganisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be reorganised as required by the Listing Rules (including Listing Rule 7.22) and otherwise will be reorganised in the same proportion as the Shares are reorganised, and in a manner which will not result in any additional benefits being conferred on the Option Holder which are not conferred on holders of Shares (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of holders of Shares approving the reorganisation of capital) but in all other respects the terms for the exercise of Options will remain unchanged.*"

Listing Rule 7.22 states that in a consolidation of capital, "*the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio*".

Clause 7.2 in conjunction with Listing Rule 7.22 operates to increase the exercise to \$0.08 per option, and decreases the number of options on issue to 909,092 as a result of the proposed Consolidation.

4.6 **Taxation implications**

The Consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder in the Company as a result of the Consolidation.

It is not considered that any taxation implications for Shareholders will arise out of this Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

4.7 **Directors' recommendation**

Each of the Directors recommend that Shareholders vote in favour of Resolution 3.

5. Resolution 4 - Ratification of issue of Shares to Hong Kong Jingaofengda Business Co. Limited

Resolution 4 is sought to approve the prior issue of 7.2 million shares so that the Company retains capacity to issue up to a full 15% of its issued capital, if required, in the next 12 months without shareholder approval.

The 7.2 million fully paid ordinary Shares were issued to Hong Kong Jingaofengda Business Co. Limited CR No. 2555563 at \$0.0139 per Share raising approximately \$100,000. Hong Kong Jingaofengda Business Co. Limited will hold a 12.97% interest in the Company post-issue.

5.1 Overview of regulatory approval requirements

The Directors are restricted by Listing Rule 7.1 from issuing new securities in the Company which would dilute the interests of existing Shareholders, to a maximum of 15% of the issued capital of the Company in any 12 month period (15% limit) without Shareholder approval.

Listing Rule 7.4 allows Directors to seek approval of the Shareholders to an issue of securities after the issue has been made without approval under Listing Rule 7.1, provided the issue did not breach Listing Rule 7.1.

The issue of Shares described in Resolution 4 was made without Shareholder approval as the issue did not exceed the 15% limit. The Directors now seek Shareholder ratification of the issue pursuant to Listing Rule 7.4.

5.2 Specific information

Listing Rule 7.5 requires certain information to accompany a Notice of Annual General Meeting in relation to approval sought under Listing Rule 7.4. This information is set out below:

Listing Rule 7.5 requirement	Information	
Name of allottee:	Entity name	Allocation
	Hong Kong Jingaofengda Business Co. Limited CR No. 2555563	7,200,000
Date of issue:	2 August 2017	
Total number of securities allotted:	7,200,000	
The issue price of the securities:	\$0.0139 per Share	
Terms of issue of the securities:	Fully paid ordinary shares of the Company	
The use (or intended use) of funds:	Working capital purposes and to pursue due diligence work on potential investment opportunities	
Voting exclusion statement:	The Company will disregard any votes cast on this resolution by Hong Kong Jingaofengda Business Co. Limited, and any associate of Hong Kong	

5.3 **Directors' recommendations and interests**

Each of the Directors recommend that Shareholders vote in favour of Resolution 4.

Section E **Independent Expert's Report**