

# **AustChina Holdings Limited**

ACN 075 877 075

## **Notice of Annual General Meeting and Explanatory Statement**

Annual General Meeting to be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on Wednesday 20 November 2019 at 11.00 am AEST

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser without delay.

## Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of AustChina Holdings Limited ACN 075 877 075 (**Company**) will be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on 20 November 2019 at 11.00 am AEST, for the purpose of transacting the following business referred to in this Notice.

An Explanatory Statement provides additional information on matters to be considered at the Meeting.

### AGENDA

#### ORDINARY BUSINESS

##### Receive and Consider the Financial Statements

To receive and consider:

- (a) the Financial Report;
  - (b) the Directors' Report; and
  - (c) the Auditor's Report,
- of the Company for the year ended 30 June 2019.

##### Resolution 1 – Adoption of Remuneration Report

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

*“That the Remuneration Report within the Directors' Report of the Company's 2019 Annual Report be adopted.”*

Please note that the vote on this resolution is advisory only and does not bind the Company or its Directors.

##### Resolution 2 – Re-election of Mr Daniel Chan as a Director

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

*“That Daniel Chan, who retires by rotation and who offers himself for election, be re-elected a Director.”*

##### Resolution 3 – Election of Mr William Ko as a Director

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

*“That Mr William Ko, who retires in accordance with the Company's Constitution and who offers himself for election, be elected a Director.”*

##### Resolution 4 – Election of Mr Andrew Macintosh as a Director

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

*“That Mr Andrew Macintosh, who retires in accordance with the Company's Constitution and who offers himself for election, be elected a Director.”*

##### Resolution 5 - Ratification of prior issue of shares

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

*“That for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 277,105,649 fully paid ordinary shares in the capital of the Company to sophisticated investor Icon Venture Group Limited, for the purpose and otherwise on the terms described in the Explanatory Notes, be ratified.”*

## Resolution 6 – Approval of 10% Placement Facility

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

*"That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) (10% Placement Facility) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."*

## Resolution 7 – Spill Resolution

Note: this Resolution will only be considered and voted on if the outcome of Resolution 1 of this Notice of Meeting is such that at least 25% of the votes cast are against the adoption of the Remuneration Report. See Resolution 7 of the Explanatory Statement for further details.

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

*"That, subject to and conditional on at least 25% of the votes cast on the resolution proposed as Resolution 1 (Remuneration Report) being cast against the adoption of the Remuneration Report:*

- (a) an extraordinary general meeting of the Company ("Spill Meeting") be held within 90 days after the passing of this resolution;*
- (b) all of the Directors of the Company in office at the time when the Board resolution to make the Directors' Report for the financial year ended 30 June 2019 was passed, and who remain Directors at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill meeting; and*
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote of shareholders at the Spill Meeting."*

## VOTING EXCLUSIONS:

### Resolution 1:

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of "Key Management Personnel" (as defined in the Accounting Standards as published by the Australian Accounting Standards Board) and their "closely related parties".

Key Management Personnel (**KMP**) are the Company's Directors and Executives identified in the Company's Remuneration Report. A closely related party of a KMP means a spouse or child of the KMP, a child of the KMP's spouse, a dependant of the KMP or the KMP's spouse and anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Company or a company the KMP controls (**Closely Related Party**).

However, the Company need not disregard a vote if the vote is not cast on behalf of a person described above and either: (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or (b) the voter is the Chairman and the appointment of the Chairman expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

### Resolution 5

The Company in accordance with Rules 7.4 and 14.11, disregard any votes cast on Resolution 5 by or on behalf of Icon Venture Group Limited and any of its associates, unless 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
- by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

## **Resolution 6**

The Company will disregard any votes cast on Resolution 6 by any person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **Resolution 7**

The Company will disregard any votes cast in favour of Resolution 7 by a KMP of the Company or a Closely Related Party of such a KMP unless:

- (a) the person votes as a proxy appointed by writing that specifies how the person is to vote on Resolution 7; or
- (b) the person is the Chair and votes as a proxy appointed by writing that authorises the Chair to vote on Resolution 7 even though the resolution is connected directly or indirectly with the remuneration of the KMP of the Company.

## **NOTES**

These notes form part of the Notice of Meeting.

### **Time and Place of Meeting**

Notice is given that a General Meeting of members will be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on 20 November 2019 at 11.00 am AEST.

### **Your Vote is Important**

The business of the General Meeting affects your shareholding and your vote is important.

### **Voting Eligibility**

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7 pm AEST on 18 November 2019.

### **Notice to Persons Outside Australia**

This Explanatory Statement has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

The distribution of this Explanatory Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Explanatory Statement should inform themselves of, and observe, any such restrictions.

### **ASIC and ASX involvement**

Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice of Meeting and Explanatory Statement.

## PROXY AND VOTING INSTRUCTIONS

### Voting in Person

1. To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

2. To vote by proxy, please complete and sign the enclosed proxy form and return by the time and in accordance with the instructions set out on the proxy form.
3. In accordance with section 249L of the Corporations Act, members are advised that:
  - (a) each member has a right to appoint a proxy;
  - (b) the proxy need not be a member of the Company; and
  - (c) a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.
4. Certain categories of persons (including Directors and the Chairman) are prohibited from voting on Resolutions relating to the remuneration of Key Management Personnel, including as a proxy, in some circumstances. If you are appointing a proxy, to ensure that your vote counts, please read the instructions on the Proxy Form carefully.
5. The details of the Resolutions contained in the Explanatory Statement accompanying this Notice should be read together with, and form part of, this Notice.
6. On a poll, ordinary Shareholders have one vote for every Share held.
7. A proxy may be either an individual or a body corporate. If you wish to appoint a body corporate as your proxy, you must specify on the Proxy Form:
  - (a) the full name of the body corporate appointed as proxy; and
  - (b) the full name or title of the individual representative of the body corporate to attend the Meeting.
8. Proxy appointments in favour of the Chairman, the secretary or any Director that do not contain a direction on how to vote will be voted by the Chairman in favour of each of the Resolutions proposed in this Notice. You should note that if you appoint the Chairman as your proxy, or the Chairman is appointed your proxy by default, you will be taken to authorise the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
9. Key Management Personnel and their Closely Related Parties will not be able to vote your proxy in favour of Resolution 1 unless you direct them how to vote. This does not apply to the Chairman, who is able to vote undirected proxies. If you intend to appoint a member of the Key Management Personnel as your proxy, please ensure that you direct them how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" on the Proxy Form. If you intend to appoint the Chairman as your proxy, you can direct him to vote by marking either "For", "Against" or "Abstain" on the box for Resolution 1 on the Proxy Form, or by marking the Chairman's box on the Proxy Form (in which case the Chairman will vote in favour of these items of business and all other Resolutions included in the Notice).
10. Proxy Forms must be signed by a Shareholder or the Shareholder's attorney or, if a corporation, executed under seal or in accordance with section 127 of the Corporations Act, or signed by an authorised officer or agent.
11. A Proxy Form is attached. If required, it should be completed, signed (and if the appointment is signed by the appointer's attorney, the original authority under which the appointment was signed or a certified copy of the authority). Proxy forms must be returned in accordance with the instructions on the proxy form.

### **Voting by Corporate Representative**

12. A body corporate that is a Shareholder, or that has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the General Meeting, evidence of appointment, including any authority under which it is signed, unless it has previously been given to the Company.

### **Voting by Attorney**

13. A Shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company no later than 11.00am AEST, 18 November 2019.

By order of the Board

Leni Stanley  
Company Secretary  
AustChina Holdings Limited  
11 October 2019

# EXPLANATORY STATEMENT

## **Purpose of this Explanatory Statement**

This Explanatory Statement is provided to Shareholders to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000 on 20 November 2019 at 11.00 am AEST.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Statement in full before making any decision in relation to the Resolutions.

**For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote undirected proxies in favour of each Resolution except for Resolution 7.**

If you wish to appoint the Chairman as your proxy with a direction to vote against, or to abstain from voting on an item of business, you should specify this by completing the appropriate 'Against' or 'Abstain' box on the proxy appointment form. The Chairman is deemed to be appointed where a signed proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent.

## **Receive and Consider the Financial Statements**

The *Corporations Act* requires the Financial Report which includes the Financial Statements, Directors' Declaration, Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the *Corporations Act* or in the Constitution of the Company for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Accordingly, the Company's Financial Report is placed before the Shareholders for discussion and no voting is required for this item of business.

Shareholders will have a reasonable opportunity at the Meeting to ask questions and make comments on these reports and on the business and operations of the Company.

## **Resolution 1: Adoption of Remuneration Report**

The Remuneration Report of the Company for the period ended 30 June 2019 is set out in the Directors' Report section of the Company's 2019 Annual Report to Shareholders (**Remuneration Report**).

In accordance with section 300A of the *Corporations Act* the Company has proposed a Remuneration Report for consideration by Shareholders.

As provided by section 250R(3) of the *Corporations Act*, the resolution on this item of business is advisory only and does not bind the Board or the Company.

The Company acknowledges Shareholder dissatisfaction with the 2018 Remuneration Report, with more than 25% (30.9%) of eligible shareholders voting "no" in respect of Resolution 1 (Approval of Remuneration Report) at the 2018 Annual General Meeting ("AGM").

Should more than 25% of eligible shareholders vote against the resolution this year, then the Company will incur a 'second strike' and will be required to put item Resolution 7 to the meeting, which if approved could lead to a Board spill. This would be disruptive and costly to the business.

As a result of the 'first strike' received at the 2018 AGM, the Board has reduced the number of Directors from 5 to 4 and has also reduced the annual Director's fees by 20%. This reduction is set out in the 2019 Remuneration Report.

## ***Board recommendation***

The Board unanimously recommends that Shareholders vote **IN FAVOUR** of Resolution 1.

### **Resolution 2 – Re-Election of Mr Daniel Chan as a Director**

In accordance with Director rotational retirement provisions of the Company's constitution and ASX Listing Rule 14.4, Mr Daniel Chan is due to retire at the Annual General Meeting and being eligible, offers himself for election.

Mr Chan holds a Masters Degree in Finance from the Imperial College of London and Chartered Financial Analyst (CFA) and is a member of the Royal Institute of Chartered Surveyors (MRICS).

Mr Chan has extensive experience in the financial and investment arena and has over 15 years' experience in China real estate investment.

#### ***Board recommendation***

The Board (Mr Chan abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 2.

### **Resolution 3 – Election of Mr William Ko as a Director**

Mr William Ko was appointed as a non-executive director of the Company on 5 December 2018.

In accordance with the Company's constitution, Mr Ko retires at the Annual General Meeting and being eligible, offers himself for election.

Mr Ko holds a Bachelor of Laws degree from the University of London as well as a Postgraduate Certificate in Laws from the University of Hong Kong and a Diploma in Chinese Laws from the University of Macau and has been admitted in Australia, Hong Kong, New Zealand and England.

Mr Ko has over 30 years' experience in China trade and cross border transactions and has been involved in mining and resources projects including coal, iron ore, gold, copper and petroleum in Australia and around the world.

#### ***Board recommendation***

The Board (Mr Ko abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 3.

### **Resolution 4 – Election of Mr Andrew Macintosh as a Director**

Mr Andrew Macintosh was appointed as a non-executive director of the Company on 4 July 2019.

In accordance with the Company's constitution, Mr Macintosh retires at the Annual General Meeting and being eligible, offers himself for election.

Mr Macintosh holds an MBA (Finance, Economics) from the University of Sydney and a Bachelor of Science (Computer Science, Mathematics) from Oral Roberts University, USA.

Mr Macintosh has had a distinguished career, including being General Manager of Banking for National Australia Bank, Hong Kong as well as positions in Westpac and JP Morgan. Mr Macintosh is non-executive Chairman of Acorus Investment Management, a China-Africa private equity fund and prior to this he was Managing Partner (Asia) of Entoro Capital, an SEC-licensed boutique oil and gas investment bank based in Houston, and an accredited International Petroleum Negotiator.

#### ***Board recommendation***

The Board (Mr Macintosh abstaining) recommends that Shareholders vote **IN FAVOUR** of Resolution 4.

## **Resolution 5 - Ratification of prior issue of shares**

This Resolution seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of a total of 277,105,649 fully paid ordinary Shares to sophisticated investor Icon Venture Group Limited (which is an exempt investor and is not a related party of the Company).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the previous issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.

By ratifying the prior issue of 277,105,649 Shares to Icon Venture Group Limited, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity without the requirement to obtain prior shareholder approval.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- (a) The number of securities previously issued was 277,105,649 Shares;
- (b) The issue price of the Shares was \$0.003 (0.3 cents) per Share;
- (c) The securities issued were fully paid ordinary Shares in the Company having the same terms and rights as, and ranking equally with, the Company's existing listed fully paid ordinary Shares;
- (d) The Shares were issued to sophisticated investor Icon Venture Group Limited, which is an exempt investor and is not a related party of the Company;
- (e) Funds raised by the issue of the shares were used to fund the Company's project activities targeted at progressing the JORC resource status level towards Indicated status and for working capital;
- (f) A voting exclusion statement is contained in the Notice of General Meeting.

### ***Board recommendation***

The Board unanimously recommends that Shareholders vote **IN FAVOUR** of Resolution 5.

The Chairman intends to vote all available proxies in favour of Resolution 5.

## **Resolution 6 – Approval of 10% Placement Facility**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued Share capital through placements over a 12 month period after the AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see below).

The Company is seeking a mandate to issue securities under the additional 10% Placement Facility to enable the Company to pursue its growth strategy with the flexibility to act quickly as potential business opportunities arise.

The Board believes that this Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution 6.

### **Description of Listing Rule 7.1A**

#### **(a) Shareholder approval**

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an AGM.

#### **(b) Equity Securities**

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this document, has on issue only 1 existing quoted class of Equity Securities, being Shares. The Company has unlisted Options on issue.

#### **(c) Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

'A' is the number of Shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid Shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- (iv) less the number of fully paid Shares cancelled in the 12 months.

**D'** is 10%;

'E' is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

#### **(d) Listing Rule 7.1 and Listing Rule 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this document, the Company has on issue 1,392,490,697 Shares. The Company has a capacity to issue:

- (i) 0 Equity Securities under Listing Rule 7.1; and
- (ii) 1,740,613 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section (c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price (VWAP) of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (i) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

### **Listing Rule 7.1A**

The effect of this Resolution 6 will be to allow the Company to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) and eligible to vote.

### **Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If this Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power and economic interest in the Company will be diluted as shown in the below table. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this document.

The table also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

**Table 1**

| Variable "A" |               | No. of Shares issued under 10% placement capacity | Funds Raised based on:                       |                              |  |
|--------------|---------------|---|--|------------------------------|--|
|              |               |   | Issue price at 50% decrease to current price | Issue price at current price | Issue price at 50% increase in current price |
|              |               |   | 0.25 cents                                   | 0.5 cents                    | 1.0 cents                                    |
| Current      | 1,392,490,697 | 139,249,070                                       | \$348,123                                    | \$696,245                    | \$1,392,491                                  |
| 150%         | 2,088,736,046 | 208,873,605                                       | \$522,184                                    | \$1,044,368                  | \$2,088,736                                  |
| 200%         | 2,784,981,394 | 278,498,139                                       | \$696,245                                    | \$1,392,491                  | \$2,784,981                                  |

The table has been prepared on the following assumptions:

- (i) The Company raises the maximum number of Equity Securities under the 10% Placement Capacity.
  - (ii) No Options (including any options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. Therefore, the voting dilution is shown in each example as 10%.
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
  - (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - (vii) The issue price is \$0.005, being the closing price of the Shares on ASX on 4 October 2019.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period which will be within 12 months after the date of this meeting. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) for cash consideration, in which case the Company may use the funds raised towards making (or to securing the right to make) one or more acquisitions and to fund the Company's project activities targeted at progressing the JORC resource status level towards Indicated status and for working capital; or
  - (ii) non-cash consideration for the acquisition of (or securing the right to make acquisitions of) new projects and investments or to further its existing projects. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
  - (ii) the effect of the issues of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this document but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- (f) In accordance with Listing Rule 7.3 A.6 the total number of Equity Securities issued in the 12 months preceding the date of this document is 277,105,649 fully paid ordinary shares.
- (g) A voting exclusion statement is included in this document. At the date of this document, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this document.
- (h) The Company previously obtained Shareholder approval under Listing Rule 7.1A on 21 November 2018, which approval will expire on 21 November 2019.

In the 12 months preceding the date of this document, the Company has undertaken only one placement of 277,105,649 fully paid ordinary shares representing 24.8% of the shares on issue at the commencement of that 12 month period. The fully paid ordinary shares were issued to Icon Venture Group Limited on 31 July 2019 at a price of \$0.003 per share for a total cash consideration of \$831,317. The issue price of \$0.003 per share was at market price as at 30 July 2019. The Company is and will be using the cash consideration to fund working capital and the Company's project activities targeted at progressing the JORC resource status level towards Indicated status. As at the date of this document \$803,290 remains unspent from the placement funds received.

In addition, during the past year, the Company has received total cash of \$3.1 million from the sale of a subsidiary company, Surat Gas Pty Ltd which has been applied towards working capital, repayment in full of unsecured loan and partial reduction in convertible note.

The Board intends to use the working capital existing at the date of this document (which includes funds raised pursuant to the above placements) to provide working capital and to pursue its growth strategy with the flexibility to act quickly as potential business opportunities arise.

- (i) A voting exclusion statement is included in the Notice. As at the date of the Notice, the Company has not approached any particular existing security holder or an identifiable class of security holder to participate in the issue of Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion on the Notice.

## Directors' recommendation

The Board unanimously recommends that Shareholders vote **IN FAVOUR** of Resolution 6.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) and eligible to vote.

### **Resolution 7 – Spill Resolution (conditional item)**

The Corporations Act includes a “two strike” rule in relation to remuneration reports. The two strikes rule provides that, if at least 25% of the votes cast on the resolution to adopt the remuneration report at two consecutive annual general meetings are against adopting the remuneration report, shareholders will have the opportunity to vote on a Spill resolution (described below) at the second annual general meeting.

At last year's annual general meeting, 30.9% of the votes cast on the resolution to adopt the Remuneration Report were against adopting the report (the “first strike”).

Accordingly, Resolution 7 (Spill Resolution) is required to be included in this Notice of Meeting by Division 9 of Part 2G.2 of the Corporations Act because the adoption of the Remuneration Report contained in the Company's 2018 Annual Report was passed by a majority of less than 75% at the 2018 Annual General Meeting.

*Resolution 7 is a “conditional resolution. It will only be put to the Meeting if 25% or more of the votes cast on Resolution 1 are cast against adoption of the Remuneration Report, which will constitute a “second strike”.*

If Resolution 1 passes on a majority of more than 75%, the Spill Resolution will be deemed withdrawn and any votes cast on the Spill Resolution prior to the withdrawal of the Spill Resolution will be treated as invalid.

### **Majority required for Spill Resolution**

If the Spill Resolution is put to the meeting the Spill Resolution will be carried if it is passed by an ordinary majority of votes cast (more than 50%). If the Spill Resolution is valid and carried, a spill meeting must be held within 90 days of the passing of the Spill Resolution (**Spill Meeting**). If a Spill Meeting is required, the date of the meeting will be notified to Shareholders in due course.

### **The Spill Meeting**

If a Spill Meeting is held, pursuant to section 250V(1)(b)(i) of the Corporations Act, the Directors listed below, being the non-executive Directors who were in office when the Board approved the last Directors' Report, will cease to hold office immediately before the end of the Spill Meeting (unless they resign before the Spill Meeting):

- (a) Mr Daniel Chan\*
- (b) Dr George Lam
- (c) Mr William Ko\*
- (d) Mr Andrew Macintosh\*

\* This assumes these directors re re-elected/elected at this Meeting pursuant to Resolutions 2, 3 and 4 respectively.

Each of these Directors is eligible to stand for re-election at the Spill Meeting.

The Spill Meeting, if required, will be subject to a separate notice in accordance with the Constitution of the Company and the Corporations Act. Nominations for director appointments at the Spill Meeting may be made in accordance with the Constitution of the Company and may include the Directors listed above.

A voting exclusion applies to Resolution 7 (see page 3). This voting exclusion will not apply to the Spill Meeting and all Shareholders will be entitled to vote on the director appointments at the Spill Meeting.

***Board recommendation***

The Board unanimously recommends that Shareholders vote **AGAINST** of Resolution 7.

## Glossary

In this Explanatory Statement and the Notice of Meeting:

**AEST** means Australian Eastern Standard Time.

**AGM** means Annual General Meeting.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691 and includes any successor body.

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

**Board** means the Company's board of Directors

**Chairman** means the chair of the Annual General Meeting.

**Company** means AustChina Holdings Limited ACN 075 877 075

**Constitution** means the constitution of the Company.

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

**Director** means a current director of the Company.

**Equity Securities** has the meaning given in ASX Listing Rule 19.

**Explanatory Statement** means this Explanatory Statement that accompanies and forms part of the Notice of Meeting.

**KMP** means a member of the key management personnel named in the Company's latest remuneration report.

**Listing Rules** means the Listing Rules of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

**Meeting, General Meeting or Annual General Meeting** means the annual general meeting of the Company the subject of this Notice of Meeting.

**Notice of Meeting** means this notice of annual general meeting which this Explanatory Statement accompanies and in which the Resolutions are set out.

**Option** means an option to subscribe for a Share.

**Resolution** means the resolutions in the Notice of Meeting.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a holder of Shares.

**Trading Days** means a day on which the Company's Shares can be traded on ASX.

## LODGE YOUR VOTE

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
AustChina Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of AustChina Holdings Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am (AEST) on Wednesday, 20 November 2019 at Colin Biggers & Paisley Lawyers, Level 35, 1 Eagle Street, Brisbane Qld 4000** (the Meeting) and at any postponement or adjournment of the Meeting.

**Important for Resolutions 1 and 7:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1 and 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

**The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 1, 2, 3, 4, 5, 6.**

**The Chairman of the Meeting intends to vote undirected proxies against Resolution 7 if it is put to the Meeting.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

#### Resolutions

| Resolutions                                     | For                      | Against                  | Abstain*                 | Resolutions                             | For                      | Against                  | Abstain*                 |
|---|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|
| 1 Adoption of Remuneration Report               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5 Ratification of prior issue of shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Re-election of Mr Daniel Chan as a Director   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6 Approval of 10% Placement Facility    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Election of Mr William Ko as a Director       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7 Spill Resolution                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Election of Mr Andrew Macintosh as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |   |                          |                          |                          |

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

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)




Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

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

### SIGNING INSTRUCTIONS

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

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

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEST) on Monday, 18 November 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MAIL

AustChina Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
or  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**