
UNDERCOVERWEAR LIMITED
(Subject to Deed of Company Arrangement)

ACN 108 962 152

**NOTICE OF EXTRAORDINARY GENERAL
MEETING**

EXPLANATORY STATEMENT

PROXY FORM

TIME: 11:00am (AEDT)

DATE: 23 December 2014

PLACE: FTI Consulting
Level 15, 50 Pitt Street
Sydney NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Stantons International Securities Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) has prepared the Independent Expert's Report and has provided an opinion that it believes the proposals as outlined in Resolutions 2 – 8 of this Notice are fair and reasonable to the non-associated Shareholders of the Company. A copy of the Independent Expert's Report is contained in Annexure D of this Notice. It is recommended that all Shareholders read the Independent Expert's Report in full.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Ms Ginette Muller or Mr Lachlan McIntosh, Deed Administrators, on +617 3225 4900.

CONTENTS PAGE

Letter to Shareholders	3
Notice of Extraordinary General Meeting (setting out the proposed Resolutions)	5
Explanatory Statement (explaining the proposed Resolutions)	13
Glossary	40
Proxy Form	43
Annexure A – Pro-Forma Capital Structure	48
Annexure B – Terms of First Placement Options	49
Annexure C – Notice of Nomination of Auditor	51
Annexure D – Independent Expert's Report	53

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be at 11:00am (AEDT) on 23 December 2014 at:

FTI Consulting
Level 15, 50 Pitt Street
Sydney NSW 2000

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and either:

- (a) deliver the proxy form:
 - (a) by hand to Suite 115, 3 Male Street, Brighton VIC 3186; or
 - (b) by post to Undercoverwear Limited, c/- PO Box 231, Brighton VIC 3186; or
- (b) by facsimile to (+61 2) 9283 1970

so that it is received not later than 48 hours before the commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

LETTER TO SHAREHOLDERS

Dear Shareholder,

As you are aware, on 6 March 2014, Ginette Muller and Lachlan McIntosh of FTI Consulting were appointed Joint and Several Administrators (**Administrators** and **Deed Administrators**) of Undercoverwear Limited (ACN 108 962 152) (subject to Deed of Company Arrangement) (**Company** and **UCW**) and assumed control of the Company and its business, property and affairs.

The creditors of the Company (**Creditors**) have agreed to a proposal presented by a syndicate (**Syndicate**) headed by Pager Partners Corporate Advisory Pty Ltd (ACN 123 845 401) as trustee for the Pager Partners Investment Trust (**Pager Partners**) for the restructure and recapitalisation of the Company (**Proposal**). If completed, the Proposal will result in sufficient capital being injected into the Company to enable it to seek to continue its business and apply for the reinstatement of its Securities to official quotation on the Australian Securities Exchange Limited (**ASX**).

The first meeting of Creditors for the Company was held by the Administrators on 18 March 2014. At the second meeting of the Creditors for the Company on 10 April 2014, the Creditors resolved to adjourn the meeting. At the reconvened second meeting of the Creditors of the Company on 18 June 2014, the Creditors voted in favour of a deed of company arrangement proposed by Pager Partners. On 9 July 2014, the Company entered into a deed of company arrangement (**DOCA**) with Pager Partners and the Administrators, wherein the Administrators were appointed as Deed Administrators in order to effectuate the terms of the Proposal.

The Proposal requires, and is subject to, various approvals being obtained from the Shareholders of the Company. Accordingly, the Deed Administrators have called an Extraordinary General Meeting of the Company to obtain the necessary Shareholder approvals. The Extraordinary General Meeting will be held at 11:00am (AEDT) on 23 December 2014 at FTI Consulting, Level 15, 50 Pitt Street, Sydney NSW 2000 (**Meeting**). Enclosed with this letter are the Notice of the Extraordinary General Meeting (**Notice**), the Explanatory Statement and the Independent Expert's Report prepared by Stantons Securities International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**).

A summary of the Proposal, conditions of the Proposal, the pro-forma capital structure, the proposed use of funds and the conditions to reinstatement to Official Quotation on the ASX can be found at the beginning of the Explanatory Statement on page 13 of this Notice.

Shareholders are urged to give careful consideration to this Notice, the Explanatory Statement and the Independent Expert's Report prepared by Stantons, as the Resolutions contained in this Notice are important and affect the future of the Company.

In considering the Resolutions, Shareholders must bear in mind the Company's current financial circumstances. In this regard, Shareholders should note that the Securities of the Company have been suspended from trading since 3 March 2014 and the Company requires recapitalisation to continue its operations and seek re-quotation of its Securities on ASX. The Resolutions contained in this Notice are therefore important and affect the future of the Company. Shareholders are urged to give careful consideration to this Notice and the contents of this Explanatory Statement.

The Deed Administrators considered in the Administrators' Report Pursuant to section 439A of the Corporations Act 2001 dated 10 June 2014 that the Proposal would result in a better return to creditors than the Company being placed in liquidation. The New Board also believe this to be a realistic option to enable the Company to continue operating. The Deed Administrators will need to investigate other options for the Company if this restructure and recapitalisation is not approved by Shareholders, which will include liquidation (unless otherwise agreed between Pager Partners and the Deed Administrators), in which case it is expected there will be no return to Shareholders.

The Deed Administrators have not prepared the Notice of Meeting, the Explanatory Statement, the Independent Experts Report or the Proxy Form and accept no responsibility for the content of these documents, which have been prepared by the New Board or Stantons. Further to this, the Deed Administrators accept no responsibility for failure to include any disclosures in these documents.

Yours faithfully

A handwritten signature in black ink, appearing to be 'L. McIntosh', written in a cursive style.

Lachlan McIntosh
On behalf of the Deed Administrators
Undercoverwear Limited
(Subject to Deed of Company Arrangement)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting of Shareholders of Undercoverwear Limited (ACN 108 962 152) (subject to Deed of Company Arrangement) (**Company**) will be held at 11:00am (AEDT) on 23 December 2014 at FTI Consulting, Level 15, 50 Pitt Street, Sydney NSW 2000 (**Meeting**).

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that the Shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's Share Register at 11:00am (AEDT) on 21 December 2014 (**Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

The Explanatory Statement that accompanies and forms part of this Notice of Extraordinary General Meeting (**Notice**) describes in more detail the matters to be considered at the Meeting. In addition, the Explanatory Statement should be read in conjunction with the Independent Expert's Report prepared by Stantons International Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) contained in Annexure D.

The Deed Administrators have been appointed under the DOCA and have the authority to convene the Meeting to give effect to the Proposal.

The Deed Administrators have not prepared the Notice of Meeting, the Explanatory Statement, the Independent Experts Report or the Proxy Form and accept no responsibility for the content of these documents, which have been prepared by the New Board or Stantons. Further to this, the Deed Administrators accept no responsibility for failure to include any disclosures in these documents.

Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency. Please refer to the Explanatory Statement accompanying this Notice for a glossary of terms and abbreviations used in this Notice.

RESOLUTIONS

1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- a. every five (5) Shares be consolidated into one (1) Share; and*
- b. every five (5) Options be consolidated into one (1) Option,*

and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be), further details of which are described in the Explanatory Statement.”

2. RESOLUTION 2 – ISSUE OF SECURITIES PURSUANT TO FIRST PLACEMENT

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. *up to 150,000,000 fully paid ordinary shares to investors that are invited by the Company to subscribe for securities under the First Placement (**First Placement Shares**) at an issue price of \$0.0025 per First Placement Share (post-Consolidation) to raise up to \$375,000; and*
- b. *up to 75,000,000 unlisted options, each to subscribe for one (1) fully paid ordinary share in the Company, to investors that are invited by the Company to subscribe for securities under the First Placement (**First Placement Options**) at an issue price of \$0.000025 per First Placement Option (post-Consolidation) to raise up to \$1,875, with each First Placement Option exercisable at \$0.01 on or before 30 June 2018;*

on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 2 by:

- (a) a person who is proposing to participate in the issue;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**the Chair**”) 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.

3. RESOLUTION 3 – ISSUE OF SECOND PLACEMENT SHARES

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purpose of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue of up to 170,000,000 fully paid ordinary shares to general investors (**Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share (post-Consolidation) to raise up to \$1,700,000, on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”*

Voting exclusion statement: The Company will disregard any votes cast on Resolution 3 by:

- (a) a person who is proposing to participate in the issue;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**the Chair**”) 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.

4. RESOLUTION 4 – ACQUISITION OF A RELEVANT INTEREST

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purpose of section 611 (item 7) of the Corporations Act and for all other purposes, the Shareholders of the Company approve:

- a. *the issue of up to 135,000,000 First Placement Shares, up to 67,500,000 First Placement Options, and up to 57,500,000 Second Placement Shares to the Syndicate (or its nominees); and*
- b. *the acquisition of a relevant interest in the issued voting Shares of the Company by the Syndicate (or its nominees) in excess of the threshold prescribed by section 606(1) of the Corporations Act, on the terms and conditions,*

all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting power of the Syndicate (or its nominees): As set out in Annexure A in the Explanatory Statement, the proposed maximum voting power of the Syndicate (or its nominees) is 63.06%.

Independent Expert’s Report (IER): Shareholders should carefully consider the IER prepared by Stantons for the purpose of seeking Shareholder approval required under section 611 (item 7) of the Corporations Act. The IER comments on the fairness and reasonableness of the transaction to the non-associated Shareholders of the Company and concludes that the transaction is fair and reasonable.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 4 by:

- (a) a person who is proposing to participate in the issue;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting ("**the Chair**") 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.

5. RESOLUTION 5 – RELATED PARTY APPROVAL – ADAM DAVIS

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purposes of sections 208 and 611 (item 7) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 56,666,666 First Placement Shares;
- b. up to 28,333,334 First Placement Options; and
- c. up to 37,500,000 Second Placement Shares; and

to Adam Davis (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting."

Voting power of Mr Davis (or his nominee): As set out in Annexure A in the Explanatory Statement, the proposed maximum voting power of Mr Davis (or his nominee) is 29.71%.

Independent Expert's Report (IER): Shareholders should carefully consider the IER prepared by Stantons for the purpose of seeking Shareholder approval required under section 611 (item 7) of the Corporations Act. The IER comments on the fairness and reasonableness of the transaction to the non-associated Shareholders of the Company and concludes that the transaction is fair and reasonable.

Voting exclusion statement: The Company will disregard any votes cast on Resolution 5 by:

- (a) Mr Davis or his nominee;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting ("**the Chair**") 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.

6. RESOLUTION 6 – RELATED PARTY APPROVAL – PETER MOBBS

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. *up to 15,000,000 First Placement Shares;*
- b. *up to 7,500,000 First Placement Options; and*
- c. *up to 15,000,000 Second Placement Shares,*

to Peter Mobbs (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 6 by:

- (a) Mr Mobbs or his nominee;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting (“**the Chair**”) 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.

7. RESOLUTION 7 – RELATED PARTY APPROVAL – JONATHAN PAGER

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. *up to 31,666,667 First Placement Shares;*
- b. *up to 15,833,333 First Placement Options; and*
- c. *up to 2,500,000 Second Placement Shares,*

to Jonathan Pager (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 7 by:

- (a) Mr Pager or his nominee;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting ("**the Chair**") 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.

8. RESOLUTION 8 – RELATED PARTY APPROVAL – MICHAEL POLLAK

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue of:

- a. up to 31,666,667 First Placement Shares;*
- b. up to 15,833,333 First Placement Options; and*
- c. up to 2,500,000 Second Placement Shares,*

to Michael Pollak (or his nominee), a proposed Director of the Company, on the terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting."

Voting exclusion statement: The Company will disregard any votes cast on Resolution 8 by:

- (a) Mr Pollak or his nominee;
- (b) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (c) an associate of any person described in (a) or (b).

However, the Company need not disregard a vote if:

- (i) it is cast by a person acting as a proxy for another person entitled to vote, in accordance with the direction on the proxy form; or
- (ii) it is cast by the person chairing the meeting ("**the Chair**") 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.

9. RESOLUTION 9 – ELECTION OF MR ADAM DAVIS AS A DIRECTOR

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, pursuant to clause 6.1(m)(ii) of the Company’s constitution, Mr Adam Davis, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

10. RESOLUTION 10 – ELECTION OF PETER MOBBS AS A DIRECTOR

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, pursuant to clause 6.1(m)(ii) of the Company’s constitution, Mr Peter Mobbs, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

11. RESOLUTION 11 – ELECTION OF MR JONATHAN PAGER AS A DIRECTOR

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, pursuant to clause 6.1(m)(ii) of the Company’s constitution, Mr Jonathan Pager, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

12. RESOLUTION 12 – ELECTION OF MR MICHAEL POLLAK AS A DIRECTOR

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -16 (inclusive)) being passed, pursuant to clause 6.1(m)(ii) of the Company’s constitution, Mr Michael Pollak, being eligible and having consented to act, be elected as a Director of the Company, effective immediately after the removal and/or resignation of the current Board of Directors.”

13. RESOLUTION 13 – REPEAL AND ADOPTION OF A CONSTITUTION

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

“That, subject to all other Resolutions (other than Resolutions 14 -16 (inclusive)) being passed, in accordance with section 136 of the Corporations Act, the constitution of the Company be repealed and replaced with a constitution in the form of the document entitled “Constitution of UCW Limited” tabled at this Meeting, and signed by the Deed Administrators or a director for the purposes of identification, effective immediately.”

14. RESOLUTION 14 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 and 15-16 (inclusive)) being passed, pursuant to section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “UCW Limited”, effective immediately.”

15. RESOLUTION 15 – REMOVAL OF AUDITOR

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -14 (inclusive) and 16) being passed, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of Grant Thornton Audit Pty Ltd (ACN 130 913 594) as the current auditor of the Company, effective immediately.”

16. RESOLUTION 16 – APPOINTMENT OF AUDITOR

To consider and, if thought fit, to pass with or without amendment, the following resolution as a **special resolution**:

“That, subject to all other Resolutions (other than Resolutions 13 -15 (inclusive)) being passed, pursuant to s 327D of the Corporations Act and for all other purposes, having been nominated by a Shareholder and consented in writing to act in the capacity of auditor, approval is given for the appointment of Stantons International Audit and Consulting Pty Ltd (ABN 84 144 581 519), effective immediately.”

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders of Undercoverwear Limited (ACN 108 962 152) (subject to Deed of Company Arrangement) in connection with the business to be conducted and Resolutions in this Notice to be considered at the Extraordinary General Meeting of Shareholders to be held at 11:00am (AEDT) on 23 December 2014 at FTI Consulting, Level 15, 50 Pitt Street, Sydney NSW 2000.

Shareholders should read this Explanatory Statement in full because individual sections do not give a comprehensive review of the Resolutions. In addition, this Explanatory Statement should be read in conjunction with the accompanying Notice and the Independent Expert's Report prepared by Stantons International Securities Pty Ltd (ACN 128 908 289) trading as Stantons International Securities (**Stantons**) contained in Annexure D.

Please refer to the end of this Explanatory Statement for a glossary of terms and abbreviations used in the Notice and this Explanatory Statement.

If you are in any doubt about what to do in relation to the Resolutions contemplated in this Notice and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Background to the Recapitalisation

1. Summary of the terms of the Proposal

The Proposal involves:

- (a) The Syndicate arranging for the injection of approximately \$2,076,875 of cash into the Company in return for an issue of fully paid ordinary shares in the Company representing an interest of approximately 94.9% of the total issued capital of the Company.
- (b) The Company either retaining or transferring to a newly created wholly owned subsidiary, all of the unencumbered assets of UCW including all of the Company's remaining assets including (to the extent it exists) but not limited to remaining stock, servers, plant & equipment (if any), registered business names, intellectual property, goodwill, domain names (including www.undercoverwear.com.au & www.ucw.com.au), websites, trademarks & patents (if any), customer/supplier lists, contracts (if any, and if required by the Syndicate), business processes and procedures, marketing material and all other assets to operate the business (**UCW Business**). The UCW Business must remain as an unencumbered asset of the Company to enable the Company to be reinstated to trading on the ASX.
- (c) The Company entering into a Creditors' Trust Deed for the purposes of satisfying approved creditor claims.
- (d) The Company making a payment of \$715,000 (which the Syndicate will forward to UCW as a loan that will subsequently be repaid via funds raised by the Company) to the Deed Administrators for the benefit of the Creditors Trust (**Cash Consideration**) for control of UCW and 100% of the UCW Business. All other liabilities and obligations of the Company up until the appointment of the Administrators will be compromised under the DOCA. The Syndicate has (as of

the date of this Notice of Meeting) already made a non-refundable deposit of \$15,000 upon execution of the DOCA towards the Cash Consideration amount. It should be noted that out of the Cash Consideration amount, \$5,000 (plus GST) will be paid to the Company's subsidiary in exchange for agreed assets.

- (e) The consolidation of the existing capital of the Company on a one (1) for five (5) basis (**Consolidation**), leaving the Company with approximately 17,280,000 Shares on issue (**prior to any other Securities being issued pursuant to the Resolutions proposed by this Notice**).
- (f) The Company raising new equity by way of the following placements (which will be made pursuant to a prospectus and as noted in paragraph (e) above, on a post-Consolidation basis):
 - (i) a first placement of:
 - (A) 150 million fully paid ordinary shares in the Company (**First Placement Shares**) at an issue price of \$0.0025 per First Placement Share to raise \$375,000 to the Syndicate (or its nominees) and other investors that are invited by the Company as part of the Proposal; and
 - (B) 75 million unlisted options (**First Placement Options**), each to acquire 1 fully paid ordinary share in the Company at an issue price of \$0.000025 per First Placement Option to raise \$1,875 with each First Placement Option exercisable at \$0.01 on or before 30 June 2018 to the Syndicate (or its nominees); and

(issue of First Placement Shares and First Placement Options collectively referred to as the **First Placement**)
 - (ii) a second placement of up to 170 million fully paid ordinary shares in the Company (**Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share to raise up to \$1,700,000 to general investors, that may include members of the Syndicate (or its nominees) (**Second Placement**).

A total of up to 135 million First Placement Shares, up to 67.5 million First Placement Options and up to 57.5 million Second Placement Shares (collectively referred to as the **Related Party Securities**) are proposed to be placed to the proposed Directors (or their nominees) referred to in Resolutions 4 – 8 inclusive in this Notice of Meeting.

Note: completion of the Proposal is not conditional on the capital raising.

- (g) The current Directors, Montgomery James Palmer Grant, Tracie-Lee Symons and Christine Pamela Kennedy being either removed by the Deed Administrators or resigning from the Board of the Company after the Company obtains Shareholder approval for the Proposal. The current Company Secretary, Richard Lynn Rodgers also being either removed by the Deed Administrators or resigning as an officer of the Company after the Company obtains Shareholder approval for the Proposal.
- (h) The proposed Directors, Adam Davis, Peter Mobbs, Jonathan Pager and Michael Pollak being appointed to the Board of the Company, immediately after

the removal and/or resignation of the current Directors (collectively known as the **New Board**). Resolutions 9 – 12 inclusive in this Notice of Meeting seek Shareholder approval for these appointments.

- (i) The Company making available any cash at bank, its rights in its sundry debtors (and any other assets not purchased by the Syndicate) for the benefit of the Company's creditors pursuant to the terms of the DOCA.
- (j) The change of the Company's name to "UCW Limited" (as proposed by Resolution 14 of this Notice).

2. Summary of the conditions of the Proposal

In addition to the required Shareholder approvals (as detailed in this Notice), the Proposal is also subject to the following general conditions:

- (a) All liabilities and long-term commitments of UCW as at 6 March 2014 being released and compromised via a DOCA. It is a term of the DOCA that it is wholly effectuated and the appointment of the Deed Administrators terminate contemporaneously with the payment by the Company of the Cash Consideration to the Deed Administrators;
- (b) The secured creditors, if any, agreeing to release all security over UCW;
- (c) All creditors as at 6 March 2014 are bound by the DOCA. All creditors will be required to prove in accordance with the terms of the DOCA and Creditors Trust and no creditor shall have a right to claim payment against the Company (for the avoidance of doubt, the DOCA shall clearly state that the claims of all creditors shall be released and that all creditors shall only have an entitlement to prove in the Creditors Trust and not against the Company);
- (d) All subsidiaries of UCW shall be excised from UCW and dealt with by the Deed Administrators in accordance with the DOCA (unless otherwise required by the Syndicate);
- (e) Termination of the employment of all employees of UCW, if any, at no cost to the Company post the DOCA;
- (f) ASX providing written confirmation to UCW that it will lift the suspension on the trading of the securities of the Company without the need to re-comply with Chapters 1 and 2 of the ASX Listing Rules on finalising the DOCA;
- (g) All secured creditors, if any, voting in favour of this Proposal at a meeting of creditors convened for that purpose of otherwise agreeing to be bound by this Proposal;
- (h) The Syndicate being satisfied that all convertible notes on issue, if any, are simply debt obligations and the holders of such convertible notes being required to prove as creditors in accordance with the terms of the DOCA and Creditors Trust and no convertible noteholder shall have a right to claim payment against the Company or convert to equity after the termination of the DOCA;
- (i) All employee options, if any, being cancelled or consolidated;

- (j) The receipt of Shareholder approval of the Proposal, the subject of this Notice of Meeting. The Syndicate shall bear its own costs in relation to the preparation of materials to obtain Shareholder approval which sums shall be reimbursed by the Company in the event that the Proposal is approved and the Company is reinstated to trading on the ASX; and
- (k) If Shareholders do not approve the Proposal, unless otherwise agreed between Pager Partners and the Deed Administrators, the DOCA is to be terminated and the Company placed into liquidation.

General conditions (a) – (d) above will be satisfied at the point the DOCA is effectuated, which would be shortly after this Meeting takes place. The Deed Administrators have advised the Company that general condition (e) has already taken place. The Company has received written confirmation from the ASX satisfying general condition (f). General condition (g) has been waived but all secured creditors will be required to release their security prior to the effectuation of the DOCA. The Company is not aware of any convertible notes or employee options subject to general conditions (h) and (i). Conditions (j) and (k) above will depend on the outcome of the Meeting subject of this Notice.

3. Proposed pro-forma capital structure of the Company

The proposed capital structure of the Company following completion of the Proposal is summarised below:

Table 1 – Proposed pro-forma capital structure

Capital structure	Shares	Unlisted Options
Pre-Consolidation Securities	86,400,000	0
Post 5:1 Consolidation Securities (Resolution 1)	17,280,000	0
First Placement Securities (Resolution 2) ^(a)	150,000,000	75,000,000
Second Placement Securities (Resolution 3) ^(b)	170,000,000	0
<u>Completion of all Resolutions</u>	<u>337,280,000</u>	<u>75,000,000</u>

Notes:

^(a) The First Placement Securities include the issue of the Shares to the Related Parties and Syndicate pursuant to Resolutions 4 – 8 of this Notice.

^(b) Assumes that the Second Placement is fully subscribed. The Second Placement Securities include the issue of the Related Party Securities to the Directors pursuant to Resolutions 4 – 8 of this Notice and others.

4. The proposed use of funds raised by the Company

The Company's plans are the best indicators available to the Company at this time as to the proposed use of the funds to be raised from the Capital Raising. It is important to recognise that the proposed use of funds is subject to change in line with emerging results, circumstances and opportunities.

It is proposed that the Company's principal activities will continue to be the online and direct sales distribution of apparel. It is also proposed the Company invests and focus on its digital model via actively marketing to its customer base using social media and online marketing. In addition, the Company and the New Board are proposing to investigate re-launching the party plan direct distribution model via the recruitment, education and training of sales

consultants who would actively manage and monitor field sales under the Undercoverwear brand.

The Company intends to leverage UCW Group's assets including the 'Undercoverwear' registered business names, domain names, website, trademarks (live or lapsed), software and source code, stock, plant & equipment (if any), intellectual property and know how such as catalogues, work manuals, check lists, process and procedure manuals, training manuals, marketing materials, industry knowledge, customer/supplier lists, CRM systems, sales consultant lists and all other assets necessary to operate the UCW business.

In order to initially operate with low fixed overheads, the New Board will consider forming strategic partnerships with other players in the apparel industry to provide the Company fulfilment capability, utilising direct sourcing and drop shipping wherever possible.

Furthermore, the Company will investigate introducing complementary products and services to expand the UCW business model and provide its clients a broader product offering. Initially it is intended to utilise the Company's distribution capability, both online and potentially via the 'party planner' (consultant) model, to sell complementary products, which may include men's apparel and accessories, beauty and cosmetic products.

The Company will also investigate offering education and training services to its client base and consultants including covering topics such as fashion and style, makeover courses, health and nutrition, personal training and alternative therapy courses as well as in other areas of self-improvement and personal development.

By offering these products and services via an online model, the Company believes an opportunity exists to build a scalable, holistic business, focusing on self-development of its customer base.

Whilst the Company endeavours to develop its current operations, it will continue to seek to achieve greater scale as a company through business acquisition opportunities, utilising the existing infrastructure, foundation and know-how from which to acquire, absorb and integrate new value accretive businesses.

The Company will also consider the acquisition and development of any other investments, both within its broader industry sector as well as in unrelated market segments, as identified by the Company and always subject to compliance with the ASX Listing Rules and the Corporations Act.

If the full amount of **\$2,076,875** is raised from the Capital Raising (assuming the Second Placement is fully subscribed), the Company intends to apply the funds raised as follows:

Table 2 – Proposed use of funds

Proposed use of funds	Year 1	Year 2	Total
Review and development of existing business	210,000	220,000	430,000
Review of new projects	180,000	180,000	360,000
Total general working capital budget	390,000	400,000	790,000
Payment to the Creditors Trust ^(b)	715,000	Nil	715,000
Working capital ^(a)	295,000	276,875	571,875
Total	<u>1,400,000</u>	<u>676,875</u>	<u>2,076,875</u>

Notes:

- (a) This includes expenses associated with the recapitalisation proposal to be repaid to the Syndicate.
- (b) The Company will use the cash consideration of \$715,000 as repayment of loan funds arranged by the Syndicate for payment to the Deed Administrators to satisfy obligations under the DOCA.

5. Reinstatement to Official quotation of the ASX

As already mentioned, subject to all the Resolutions (apart from Resolutions 13 -16 (inclusive)) being passed at this General Meeting, the Company intends to seek reinstatement to Official Quotation on ASX. The Company will therefore need to satisfy ASX's requirements prior to reinstatement. ASX has confirmed, however, that the Company will not be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in their entirety.

Under ASX Listing Rule 17.7, the ASX has the discretion to reinstate the Securities of the Company to trading. ASX can exercise its discretion if it is satisfied that the Company is capable of meeting the ongoing requirements for listing, including that:

- (a) there is sufficient level of operations to warrant the continued quotation of its securities;
- (b) there is sufficient level of shareholder spread;
- (c) its financial condition is adequate to warrant the continued quotation of its securities;
- (d) the New Board (in the event that the proposed Directors of the New Board are elected under this Notice of Meeting) completes all outstanding reports required by the ASX Listing Rules (including without limitation, its audited financial report for the last year end); and
- (e) it pays all outstanding fees to the ASX.

Full details of the business to be considered at the General Meeting are set out below.

RESOLUTION 1 – CONSOLIDATION OF CAPITAL

General

Resolution 1 seeks Shareholder approval to consolidate the existing issued capital of the Company (before any Securities are issued pursuant to this Notice of Meeting) on issue on a five (5) to one (1) basis (**Consolidation**).

If Resolution 1 is passed, the existing issued capital of the Company will be reduced as follows: 86,400,000 Shares to 17,280,000 Shares (subject to rounding).

The Deed Administrators are not aware of any other classes of securities on issue by the Company. If any other classes of securities are found to exist as at the time of this Meeting, these securities will also be subject to the Consolidation on a five (5) to one (1) basis.

Legal Requirements

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

Fractional entitlements

Not all Shareholders will hold that number of Shares which can be evenly divided by 5. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share.

Taxation

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

Holding statements

From the date of the Consolidation, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those Shares.

It is the responsibility of each Shareholder to check the number of Shares held prior to disposal or exercise (as the case may be).

Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the Table 1.

Indicative timetable

If Resolution 1 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 5) of the ASX Listing Rules):

Action	Date
Company tells ASX that Shareholders have approved the Consolidation	23 December 2014
Last day for trading in pre-reorganised securities	24 December 2014
If the details of holdings change as a result of the reorganisation, trading in the reorganised securities on a deferred settlement basis starts	29 December 2014
Record date for shares to be consolidated	31 December 2014
First day for Company to send notice to each Shareholder of the change in their details of holdings	2 January 2014
First day for the Company to register Securities on a post- Consolidation basis and first day for issue of holding statements	
Lodgement of the Prospectus in relation to the Capital Raising, opening of the offers under First Placement and Second Placement	7 January 2014
Dispatch date. Deferred settlement market ends	8 January 2014
Closing date of offer under First Placement	14 January 2014
Closing date of offer under Second Placement	21 January 2014
Reinstatement to official quotation on the ASX	Early February 2015

RESOLUTION 2 – ISSUE OF SECURITIES PURSUANT TO FIRST PLACEMENT

General

Resolution 2 seeks Shareholder approval for the issue and allotment (on a post-Consolidation basis) of the following:

- (a) up to 150,000,000 fully paid ordinary shares to investors that are invited by the Company to subscribe for securities under the First Placement (**First Placement Shares**) at an issue price of \$0.0025 per First Placement Share (post-Consolidation) to raise up to \$375,000; and
- (b) up to 75,000,000 unlisted options, each to subscribe for one (1) fully paid ordinary share in the Company, to investors that are invited by the Company to subscribe for securities under the First Placement (**First Placement Options**) at an issue price of \$0.000025 per First Placement Option (post-Consolidation) to raise up to \$1,875, with each First Placement Option exercisable at \$0.01 on or before 30 June 2018.

(issue of First Placement Shares and First Placement Options collectively referred to as the **First Placement**)

Other than the proposed Directors of the Company (whom collectively form the **Related Parties**) whose participation in the First Placement (either directly or through their nominee) must be approved pursuant to Resolutions 4 to 8 inclusive, none of the remaining subscribers (if any) pursuant to this First Placement issue will be related parties 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.

The effect of Resolution 2 will be to allow the Company to issue the Shares pursuant to the First Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the First Placement:

- (a) Maximum of 150,000,000 First Placement Shares (post-Consolidation) and 75,000,000 First Placement Options (post-Consolidation) are to be issued.
- (b) The First Placement Securities will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date.
- (c) The issue price of each First Placement Share will be \$0.0025 (post-Consolidation) and the issue price of each First Placement Option will be \$0.000025 (post-Consolidation).
- (d) The allottees are investors that are invited by the Company to subscribe for securities under the First Placement.
- (e) The First Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis). The terms and conditions of the First Placement Options are set out in Annexure B.
- (f) The Company intends to use the funds raised from the First Placement in accordance with the plan outlined in Table 2. Should the First Placement Options be exercised the Company intends to use the funds raised as general working capital.

RESOLUTION 3 – ISSUE OF SECOND PLACEMENT SHARES

General

Resolution 3 seeks Shareholder approval for the issue and allotment (on a post-Consolidation basis) of up to 170,000,000 fully paid ordinary shares to general investors (**Second Placement Shares**) at an issue price of \$0.01 per Second Placement Share to raise up to \$1,700,000 (**Second Placement**).

Other than the Related Parties whose participation in the Second Placement (either directly or through their nominee) must be approved pursuant to Resolutions 4 – 8 inclusive, none of the remaining subscribers (if any) pursuant to this Second Placement issue will be related parties 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.

The effect of Resolution 3 will be to allow the Company to issue the Shares pursuant to the Second Placement during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Second Placement:

- (a) Maximum of 170,000,000 Second Placement Shares (post-Consolidation) are to be issued.
- (b) The Second Placement Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date.
- (c) The issue price will be \$0.01 per Second Placement Share (post-Consolidation).
- (d) The allottees are general investors invited by the Company to invest in the Company.
- (e) The Second Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (f) The Company intends to use the funds raised from the Second Placement in accordance with the plan as outlined in Table 2.

RESOLUTION 4 – ACQUISITION OF A RELEVANT INTEREST

Syndicate

As set out in the Letter to Shareholders, the Creditors of the Company together with the Deed Administrators, agreed to a proposal presented by Pager Partners (**Proposal**).

Pager Partners has acted in its capacity as the nominee of various parties involved in the negotiation and finalisation of the Proposal (**Syndicate**). The Syndicate consists of parties associated with the proposed Directors. Further details of members of the Syndicate are set out in Table 3.

The relevant interest in the Company to be acquired by the Syndicate (or their nominees) in the First Placement Securities and Second Placement Shares are the subject of this Resolution.

The individual interests to be acquired by each of the proposed Directors (or their respective nominees) are the subject of Resolutions 4 – 8 inclusive.

Information Required pursuant to Chapter 6 of the Corporations Act

Section 606(1) of the Corporations Act states that a person must not acquire a relevant interest in the issued voting shares in a listed 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:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%

The voting power of a person in a body corporate 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 (**Second Person**) will be an 'associate' of the other person (**First Person**) if one or more of the following paragraph applies:

- (a) the First Person is a body corporate and the Second Person is:
 - (i) a body corporate the First Person controls;
 - (ii) a body corporate that controls the First Person; or
 - (iii) a body corporate that is controlled by an entity that controls the First Person;
- (b) the Second Person has entered or proposes to enter into a relevant agreement with the First Person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs;
- (c) the Second Person is a person with whom the First Person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have 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.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

The following information is required to be provided to Shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval under the exception for the passing of this Resolution. Shareholders are also

referred to Independent Expert's Report (**IER**) contained in Annexure D of this Notice of Meeting.

Why is approval under the exception in item 7 of section 611 of the Corporations Act needed?

Shareholder approval under item 7 of section 611 of the Corporations Act is required because the Syndicate (or their nominees) are arguably acting in concert in relation to the First Placement and the Second Placement.

Following completion of the First Placement and the Second Placement, the Syndicate (or their nominees) will no longer be acting in concert. However, for present purposes, given that the nature of the Proposal, it is arguable that the interests of the Syndicate should be aggregated, thus triggering Chapter 6 of the Corporations Act. Accordingly, the relevant interest of the Syndicate in the Company after implementation of all Resolutions (when aggregated) will exceed 20% of the issued capital of the Company.

Relevant interests, voting power and proposed capital structure of the Company

Annexure A outlines the dilutive effect and the maximum Securities that the Syndicate (or their nominees) will be entitled to, and the following Table 3 outlines the voting power of members of the Syndicate (or their nominees) after implementation of all Resolutions under this Notice of Meeting.

Table 3 – Proposed Voting Power of the Syndicate

Syndicate	Existing Holding	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Max. Total Holding (Fully diluted)	Max. Voting Power ^(a)
Adam Davis	Nil	56,666,666	28,333,334	37,500,000	122,500,000	29.71%
Peter Mobbs	Nil	15,000,000	7,500,000	15,000,000	37,500,000	9.10%
Jonathan Pager	Nil	31,666,667	15,833,333	2,500,000	50,000,000	12.13%
Michael Pollak	Nil	31,666,667	15,833,333	2,500,000	50,000,000	12.13%
Total	Nil	135,000,000	67,500,000	57,500,000	260,000,000	63.06%

Notes:

^(a) The maximum voting power is calculated by dividing the total maximum Shareholdings by the total Shares issued (fully diluted), consisting of 17,280,000 (Consolidation of existing Shares) + 150,000,000 (First Placement Shares) + 75,000,000 (First Placement Options) + 170,000,000 (Second Placement Shares – assumes that the Second Placement is fully subscribed) = 412,280,000.

The maximum relevant interest the Syndicate will hold after implementation of all Resolutions except the exercise of the First Placement Options (which may never be exercised) is 57.07%. This represents an increase from 0% to 57.07%. The maximum voting power of the Syndicate will hold after implementation of all Resolutions (assuming that all First Placement Options are exercised) on a fully diluted basis is 63.06%. Similar to the above calculation, this represents an increase from 0% to 63.06%. A summary of the background of the proposed Directors are set out in the Explanatory Statement of Resolutions 9 – 12 inclusive under this Notice of Meeting.

Intentions of the Syndicate (or their nominees)

The Company understands that, in the event that all the Resolutions under this Notice of Meeting are passed by Shareholders, it is the Syndicate's intention to:

- (a) leverage the Company's assets in online and direct sales distribution of apparel;
- (b) introduce complementary products/services to expand the Company's business model; and
- (c) not either transfer any property between the Company and any person associated with it, or change the Company's existing policies in relation to financial matters.

Whilst the Company's current operations are, to some extent developed, it will continue to seek greater scale as a Company through business acquisition opportunities both within and outside of the apparel sector.

The Syndicate's review and development plans are the best estimates for the Company at this time, and may change in line with emerging results, circumstances and opportunities.

Advantages, disadvantages and risks of the Proposal

The Deed Administrators consider that the Proposal has the following advantages and disadvantages:

- *Advantage – improved financial condition:* The Proposal will inject the Company with an approximate net cash amount of \$1.36 million (after the payment to the creditors trust but before the costs of the Proposal) and the Company will have minimal or no liabilities. Currently, the Company does not have positive net assets.
- *Advantage – increased return to Creditors:* It is a condition of the DOCA that if Shareholders do not approve the Proposal, the Company will go into liquidation (unless otherwise agreed between Pager Partners and the Deed Administrators), a position that has been endorsed by the Deed Administrators. Therefore, the alternative to this Proposal is liquidation, which may not result in a better return for creditors.
- *Disadvantage – concentration of ownership within members of the Syndicate:* The Securities to be placed to the Syndicate pursuant to the Proposal will constitute up to approximately 63.06% of the Company's fully diluted capital (as set out in Table 3). There will therefore be a concentration of ownership of the Company among the members of the Syndicate (and their nominees). This may allow members of the Syndicate to exert significant influence over matters relating to the Company, including the election of future Directors or the approval of future transactions involving the Company. Also, given the size of the Shareholdings, there may be an impact on the liquidity of the Company's securities.

However, it should be noted that (as noted previously) following completion of the First Placement and the Second Placement, the Syndicate (or their nominees) will no longer be acting in concert. Therefore, this disadvantage should not be taken as a representation that the members of the Syndicate (and their nominees) will act in concert with one another; would likely to be exercise their voting rights as Shareholders in the same manner; or that the Syndicate members (and their nominees) as a whole are associated parties, post-completion of the Proposal.

- *Disadvantage – control by incoming New Board:* As outlined in Table 3, the proposed maximum voting power of the proposed Directors of the Company is 63.06% on a fully diluted basis. Therefore, there will be a concentration of ownership of the Company with the New Board. This may allow the New Board to exert significant influence over matters relating to the Company.

- *Risk – inability to meet objectives and future capital requirements:* Despite the incoming Board's present intentions, the Company may be unable to meet the objectives set out in this Notice of Meeting. The Company's ongoing activities will require substantial expenditure. There can be no guarantee that the funds raised under the Proposal will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Proposal, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Securityholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Independent Expert's Report

The Corporations Act provides that an IER on the Proposal (which includes the acquisition of the relevant interest in the Company by the Syndicate (or their nominees) must be provided to shareholders. The IER provides an opinion as to whether the acquisition of the voting power and interest referred to in this Explanatory Statement for Resolution 4 by the Syndicate (or their nominees) is fair/not fair and reasonable/not reasonable to the non-associated Shareholders of the Company.

Accordingly, the Syndicate has appointed Stantons (**Independent Expert**), a professional services firm based in Perth as an independent expert to produce the IER. The IER is contained in Annexure D of this Notice of Meeting.

The Independent Expert has concluded that the acquisition of the voting and interest by the Syndicate (or their nominees) may on balance collectively be considered to be fair and reasonable to the non-associated Shareholders of the Company, as of the date of the IER.

The advantages and disadvantages of the acquisition of the voting power and interest by Consortium are outlined in the IER and are provided to enable non-associated shareholders of the Company to determine whether they are better off if the acquisition of the voting power and interest proceeds as opposed to if it did not proceed.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 4.

Deed Administrators' Recommendation

The Deed Administrators recommend that Shareholders vote on this Resolution based upon the opinion expressed in the IER.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

RESOLUTION 5 – RELATED PARTY APPROVAL – ADAM DAVIS

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company’s members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval, unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval.

A “related party” for the purposes of the ASX Listing Rules is widely defined and includes a proposed director of a public company or a spouse of a proposed director of a public company. The definition of ‘related party’ also includes a person whom there is reasonable grounds to believe will become a ‘related party’ of a public company.

Adam Davis (**Mr Davis**) is a proposed Director of the Company and therefore a related party.

For the purposes of Chapter 2E, Mr Davis is a related party and the issue of securities to him (or his nominee) constitute the giving of a financial benefit. Accordingly, the grant of Securities to Mr Davis (or his nominee) requires the Company to obtain Shareholder approval.

Accordingly, this Resolution 5 seeks Shareholder approval to issue Securities to Mr Davis (or his nominee) as follows:

Table 4 – Issue of Securities to Mr Davis (on a post-Consolidation basis)

Proposed Director	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Max. Total Holding (Fully diluted)
Adam Davis	56,666,666	28,333,334	37,500,000	122,500,000

The number of Securities proposed to be issued to Mr Davis (or his nominee) was agreed based on each of the Syndicate members’ capacity and appetite to contribute to the fundraising and recapitalisation.

Assuming that all Resolutions under this Notice of Meeting are approved by Shareholders, Table 4 shows that the total Shares to be issued to Mr Davis (or his nominee) (on a fully diluted basis) is 122,500,000.

Information Required by ASX Listing Rule 10.13

The following information in relation to the securities is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The maximum number of First Placement Shares to be issued to Mr Davis (or his nominee) under the First Placement is 56,666,666.

- (b) The maximum number of First Placement Options to be issued to Mr Davis (or his nominee) under the First Placement is 28,333,334.
- (c) The maximum number of Second Placement Shares to be issued to Mr Davis (or his nominee) under the Second Placement is 37,500,000.
- (d) The issue price of each First Placement Share being issued to Mr Davis (or his nominee) is \$0.0025 (post-Consolidation). The First Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (e) The issue price of each First Placement Option being issued to Mr Davies (or his nominee) is \$0.000025 (post-Consolidation). The full terms of the First Placement Options are set out in Annexure B.
- (f) The issue price of each Second Placement Share being issued to Mr Davis (or his nominee) is \$0.01 (post-Consolidation). The Second Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (g) The issue of the Securities as outlined in Table 4 to Mr Davis (or his nominee) will occur no later than one month from the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (h) The Company intends to use the funds raised from Mr Davis (or his nominee) in accordance with Table 2.

Information Required by Chapter 2E of the Corporations Act

The related party to whom the proposed Resolutions would permit the financial benefit to be given

- (a) As outlined earlier in this Explanatory Statement, Mr Davis is a related party of the Company to whom this Resolution 5 would permit the financial benefit to be given, as he is a proposed Director of the Company.

The nature of the financial benefit and other remuneration

- (b) The nature of the financial benefit to be given to Mr Davis (or his nominee) is the issue of Securities as outlined in Table 4.
- (c) As of the date of this Notice of Meeting, Mr Davis does not have any current holdings in the Securities of the Company.
- (d) As of the date of this Notice of Meeting, Mr Davis has not received any remuneration from the Company for both the current and previous financial years. However, subject to successful reinstatement of the Company to Official Quotation on the ASX, Mr Davis may be paid for his services from the time of appointment as follows.

Table 5 – Proposed Remuneration for Director (Mr Davis)

Proposed Director	Proposed Role	Proposed Remuneration
Adam Davis	Executive Chairman	Up to \$80,000

- (e) As noted above, the First Placement Shares and Second Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (f) As noted above, the full terms of the First Placement Options are set out in Annexure B.
- (g) Table 4 sets out the possible Shareholding for Mr Davis (or his nominee) on a fully diluted basis. This assumes that all First Placement Options have been exercised. Table 3 sets out the possible voting power of Mr Davis (or his nominee) on a fully diluted basis.

Deed Administrators' recommendation and basis of financial benefit

- (h) The Deed Administrators recommend that Shareholders vote on this Resolution based upon the opinion expressed in the IER.
- (i) As consideration for the issue of Securities to Mr Davis (or his nominee) under the First Placement and Second Placement, the Company will raise up to \$517,375 in funds. The breakdown of these funds and the financial benefit that will be given to Mr Davis (or his nominee) is depicted in the table below:

Table 6 – Funds Raised from Mr Davis

Related Party	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Funds Invested
Adam Davis	56,666,666	28,333,334	37,500,000	\$517,375

- (j) The Company intends to use the funds raised from the Related Parties in accordance with Table 2.

Capital Structure if Shareholder approval is obtained for all Resolutions

- (k) The proposed capital structure of the Company (on a post-Consolidated basis) is outlined in Table 1.
- (l) The dilutionary effect of the issue of Securities to Mr Davis (or his nominee) is set out in Table 3 and Annexure A. On a fully diluted basis (assuming that the Second Placement is fully subscribed and all First Placement Options proposed to be issued under this Notice of Meeting are exercised), Mr Davis (or his nominee) will hold a Shareholding of 29.71%.

Existing and potential relevant interests

- (m) As of the date of this Notice of Meeting, Mr Davis currently does not, either directly or indirectly, hold any Shares or Options in the Company.
- (n) The potential relevant security interest in the Company to be held by Mr Davis (or his nominee) is outlined in Table 4.
- (o) The potential voting power to be held by Mr Davis (or his nominee) is outlined in Table 3. The fully diluted percentages have been calculated on the assumption that certain Options in the Company are exercised, and therefore, should be treated with

caution as there is no certainty that any of the First Placement Options will be exercised.

Trading history

- (p) The Company's Shares were suspended from trading on the ASX on 3 March 2014. The closing price of the Shares on its final day of trade is set out below.

Table 7 – Trading History

Price	Date
\$0.023	28 February 2014

Valuation of the First Placement Options

- (q) The First Placement Options will not be quoted on ASX. Stantons has valued the First Placement Options to be granted to the Related Parties using the Black and Scholes Option Pricing model. Summary of the valuation inputs are outlined in clause 8.9 of the IER. Based on the value ascribed in the IER, the First Placement Options to be granted to Mr Davis (or his nominee) under Resolution 5 have been valued as follows:

Table 8 – First Placement Options Valuation

Description	Expiry Date	Exercise Price	Volatility	Value for one First Placement Option before discounting	Discount rate	Value for one First Placement Option after discounting
First Placement Options	30 June 2018	\$0.01	75%	0.551 cents	25%	0.413 cents

- (r) Based on Table 8, the value of the First Placement Options to be issued to Adam Davis (or his nominee) is as follows:

Table 9 – First Placement Option Holdings Value

Proposed Director	Max. First Placement Options	Value of First Placement Options
Adam Davis	28,333,334	\$117,080.76

Information Required pursuant to Chapter 6 of the Corporations Act

As set out in the Explanatory Statement for Resolution 4, Mr Davis is a member of the Syndicate. The members of the Syndicate propose to collectively acquire a relevant interest in the Company of over 20% under Resolution 4 of this Notice of Meeting. Therefore, as section 606(1) of the Corporations Act is triggered, Shareholder approval under item 7 of section 611 of the Corporations Act is being sought under Resolution 4 of this Notice of Meeting, as it provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares with Shareholder approval.

As set out in Table 3, Mr Davis (or his nominee) in his individual capacity, will acquire a relevant interest in the Company of over 20%. Therefore, the same considerations and information provided pursuant to Chapter 6 of the Corporations Act under Resolution 4, applies to this Resolution 5.

The following information is required to be provided to Shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval under the exception for the passing of this Resolution. Shareholders are also referred to Independent Expert's Report (**IER**) contained in Annexure D of this Notice of Meeting.

Why is approval under the exception in item 7 of section 611 of the Corporations Act needed?

Shareholder approval under item 7 of section 611 of the Corporations Act is required because, following the implementation of all Resolutions under this Notice of Meeting, Mr Davis (or his nominee)'s relevant interest in the Company will exceed 20% of the issued capital of the Company.

Relevant interests, voting power and proposed capital structure of the Company

As set out in Annexure A and Table 3, the maximum relevant interest Mr Davis (or his nominee) will hold after implementation of all Resolutions except the exercise of the First Placement Options (which may never be exercised) is 27.92%. This represents an increase from 0% to 27.92%. The maximum voting power of Mr Davis (or his nominee) will hold after implementation of all Resolutions (assuming that all First Placement Options are exercised) on a fully diluted basis is 29.71%. Akin to above the calculation above, this represents an increase from 0% to 29.71%. Summary of the background of Mr Davis is set out in the Explanatory Statement of Resolution 9 under this Notice of Meeting.

Intentions of Mr Davis

As a member of the Syndicate, Mr Davis (or his nominee)'s intentions will be consistent as those of the Syndicate, which are set out in the Explanatory Statement for Resolution 4.

Advantages, disadvantages and risks of the Proposal

The advantages, disadvantages and risks of the Proposal are set out in the Explanatory Statement for Resolution 4.

Independent Expert's Report

Mr Davis is a member of the Syndicate, and the issue of these Securities under this Resolution forms part of the Proposal. Therefore, the IER provides an opinion as to whether the acquisition of the voting power and interest referred to in this Explanatory Statement for Resolution 5 by Mr Davis (or his nominee) is fair/not fair and reasonable/not reasonable to the non-associated Shareholders of the Company.

Accordingly, as noted previously, the Syndicate has appointed Stantons (**Independent Expert**), a professional services firm based in Perth as an independent expert to produce the IER. The IER is contained in Annexure D of this Notice of Meeting.

The Independent Expert has concluded that the acquisition of the voting and interest by the Syndicate (or their nominees) may on balance collectively be considered to be fair and reasonable to the non-associated Shareholders of the Company, as of the date of the IER.

The advantages and disadvantages of the acquisition of the voting power and interest by Consortium are outlined in the IER and are provided to enable non-associated shareholders of the Company to determine whether they are better off if the acquisition of the voting power and interest proceeds as opposed to if it did not proceed.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 5.

Deed Administrators' Recommendation,

The Deed Administrators recommend that Shareholders vote on this Resolution based upon the opinion expressed in the IER.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

RESOLUTIONS 6, 7 and 8 – OTHER RELATED PARTY APPROVALS

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval, unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

ASX Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval.

A "related party" for the purposes of the ASX Listing Rules is widely defined and includes a proposed director of a public company or a spouse of a proposed director of a public company. The definition of 'related party' also includes a person whom there is reasonable grounds to believe will become a 'related party' of a public company.

Peter Mobbs (**Mr Mobbs**) is a proposed Director of the Company and therefore a related party.

Jonathan Pager (**Mr Pager**) is a proposed Director of the Company and therefore a related party.

Michael Pollak (**Mr Pollak**) is a proposed Director of the Company and therefore a related party.

For the purposes of Chapter 2E, Mr Mobbs, Mr Pager and Mr Pollak are related parties and the issue of securities to each of them (or their nominees) constitute the giving of a financial benefit (collectively known as the **Other Related Parties**). Accordingly, the grant of Securities to the Other Related Parties requires the Company to obtain specific Shareholder approval for each Director.

Therefore, Resolutions 6 – 8 inclusive seek Shareholder approval to issue Securities to the Other Related Parties as follows:

Table 10 – Issue of Securities to Other Related Parties (on a post-Consolidation basis)

Resolution under this Notice of Meeting	Proposed Director	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Max. Total Holding (Fully diluted)
6	Peter Mobbs	15,000,000	7,500,000	15,000,000	37,500,000
7	Jonathan Pager	31,666,667	15,833,333	2,500,000	50,000,000
8	Michael Pollak	31,666,667	15,833,333	2,500,000	50,000,000
Total		78,333,334	39,166,666	20,000,000	<u>137,500,000</u>

The specific number of Securities proposed to be issued to each of the Other Related Parties was agreed based on commercial negotiations between the Syndicate and took into account their capacity and appetite to contribute to the fundraising and recapitalisation.

Assuming that all Resolutions under this Notice of Meeting are approved by Shareholders, Table 10 shows that the total Shares to be issued to the Other Related Parties (on a fully diluted basis) is 137,500,000.

Information Required by ASX Listing Rule 10.13

The following information in relation to the securities is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The maximum number of First Placement Shares to be issued to the Other Related Parties under the First Placement is outlined in Table 10.
- (b) The maximum number of First Placement Options to be issued to the Other Related Parties under the First Placement is outlined in Table 10.
- (c) The maximum number of Second Placement Shares to be issued to the Other Related Parties under the Second Placement is outlined in Table 10.
- (d) The issue price of each First Placement Share being issued to the Other Related Parties is \$0.0025 (post-Consolidation). The First Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (e) The issue price of each First Placement Option being issued to the Other Related Parties is \$0.000025 (post-Consolidation). The full terms of the First Placement Options are set out in Annexure B.
- (f) The issue price of each Second Placement Share being issued to the Other Related Parties is \$0.01 (post-Consolidation). The Second Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (g) The issue of the Securities as outlined in Table 10 to the Other Related Parties will occur no later than one month from the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (h) The Company intends to use the funds raised from the Other Related Parties in accordance with Table 2.

Information Required by Chapter 2E of the Corporations Act

The related party to whom the proposed Resolutions would permit the financial benefit to be given

- (a) As outlined earlier in this Explanatory Statement, each of the Other Related Parties are a related party of the Company to whom Resolutions 6, 7 and 8 would permit the financial benefit to be given, as they are proposed Directors of the Company.

The nature of the financial benefit and other remuneration of the relevant directors

- (b) The nature of the financial benefit to be given to the Other Related Parties is the issue of Securities as outlined in Table 10.
- (c) As of the date of this Notice of Meeting, the Other Related Parties do not have any current holdings in the Securities of the Company.
- (d) As of the date of this Notice of Meeting, the Other Related Parties have not received any remuneration from the Company for both the current and previous financial years. However, subject to successful reinstatement of the Company to Official Quotation on the ASX, the Other Related Parties may be paid for their services from the time of appointment as follows.

Table 11 – Proposed Remuneration for Directors (Other Related Parties)

Related Parties	Proposed Role	Proposed Remuneration
Peter Mobbs	Non-Executive Director	Up to \$40,000
Jonathan Pager	Non-Executive Director	Up to \$50,000
Michael Pollak	Non-Executive Director	Up to \$50,000

- (e) As noted above, the First Placement Shares and Second Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidated basis).
- (f) As noted above, the full terms of the First Placement Options are set out in Annexure B.
- (g) Table 10 sets out the possible Shareholdings of each of the Other Related Parties on a fully diluted basis. This assumes that all First Placement Options have been exercised. Table 10 sets out the possible voting power of each of the Other Related Parties on a fully diluted basis.

Deed Administrators' recommendation and basis of financial benefit

- (h) The Deed Administrators recommend that Shareholders vote on this Resolution based upon the opinion expressed in the IER.
- (i) As consideration for the issue of Securities to the Other Related Parties under the First Placement and Second Placement, the Company will raise up to \$396,812.50 in funds. The breakdown of these funds and the financial benefit that will be given to Other Related Parties is depicted in the table below:

Table 12 – Funds Raised from Other Related Parties

Related Party	Max. First Placement Shares	Max. First Placement Options	Max. Second Placement Shares	Funds Invested
Peter Mobbs	15,000,000	7,500,000	15,000,000	\$187,687.50
Jonathan Pager	31,666,667	15,833,333	2,500,000	\$104,562.50
Michael Pollak	31,666,667	15,833,333	2,500,000	\$104,562.50
Total	78,333,334	39,166,666	20,000,000	\$396,812.50

- (j) The Company intends to use the funds raised from the Other Related Parties in accordance with Table 2.

Capital Structure if Shareholder approval is obtained for all Resolutions

- (k) The proposed capital structure of the Company (on a post-Consolidated basis) is outlined in Table 1.
- (l) The dilutionary effect of the issue of Securities to each of the Other Related Parties is set out in Table 3 and Annexure A. On a fully diluted basis (assuming that the Second Placement is fully subscribed and all First Placement Options proposed to be issued under this Notice of Meeting are exercised):
- (i) Mr Mobbs will hold a Shareholding of 9.10%;
 - (ii) Mr Pager will hold a Shareholding of 12.13%; and
 - (iii) Mr Pollak will hold a Shareholding of 12.13%.

Existing and potential relevant interests

- (m) As of the date of this Notice of Meeting, each of the Other Related Parties currently do not, either directly or indirectly, hold any Shares or Options in the Company.
- (n) The potential relevant security interest in the Company to be held by each of Other Related Parties is outlined in Table 10.
- (o) The potential voting power to be held by each of the Other Related Parties is outlined in Table 3. The fully diluted percentages have been calculated on the assumption that certain Options in the Company are exercised, and therefore, should be treated with caution as there is no certainty that any of the First Placement Options will be exercised.

Trading history

- (p) The Company's Shares were suspended from trading on the ASX on 3 March 2014. The closing price of the Shares on its final day of trade is set out below.

Table 13 – Trading History

Price	Date
\$0.023	28 February 2014

Valuation of the First Placement Options

- (q) The First Placement Options will not be quoted on ASX. Stanton's has valued the First Placement Options to be granted to the Related Parties using the Black and Scholes Option Pricing model. Summary of the valuation inputs are outlined in clause 8.9 of the IER. Based on the value ascribed in the IER, the First Placement Options to be granted to the Other Related Parties under Resolutions 6 – 8 inclusive have been valued as follows:

Table 14 – First Placement Options Valuation

Description	Expiry Date	Exercise Price	Volatility	Value for one First Placement Option before discounting	Discount rate	Value for one First Placement Option after discounting
First Placement Options	30 June 2018	\$0.01	75%	0.551 cents	25%	0.413 cents

- (r) Based on Table 14, the value of the First Placement Options to be issued to each of the Other Related Parties are as follows:

Table 15 – First Placement Option Holdings Value

Proposed Director	Max. First Placement Options	Value of First Placement Options
Peter Mobbs	7,500,000	\$30,991.97
Jonathan Pager	15,833,333	\$65,427.48
Michael Pollak	15,833,333	\$65,427.48

RESOLUTIONS 9, 10, 11 and 12 – ELECTION OF DIRECTORS

Resolutions 9 – 12 inclusive seek Shareholder approval for the election of Messrs Adam Davis, Peter Mobbs, Jonathan Pager and Michael Pollak as Directors of the Company pursuant to clause 53.3 of the Company's constitution and section 201E of the Corporations Act.

Set out below is a summary of the background for each of the proposed Directors and their respective titles.

Mr Adam Davis, Executive Chairman – Resolution 9

Adam Davis has extensive experience in the for-profit education sector, having founded and then acted as Chief Executive Officer and Managing Director of ASX-listed Tribeca Learning Limited. The company was acquired in 2006 by Kaplan, Inc., a division of NYSE-listed The Washington Post Company, to form the foundation of its Australian operations.

Under Adam's stewardship, Tribeca acquired and integrated numerous education businesses servicing the Australian financial services sector, consolidating a fragmented market and creating the leading national provider to that sector. Tribeca offered a broad range of accredited courses and continuing education programs and its customers included most of the major financial institutions in Australia.

Adam has invested in and fostered the growth of several other businesses in diverse sectors including technology, media and hospitality.

Adam holds a Bachelor of Applied Finance degree from Macquarie University.

Mr Peter Mobbs, Non-Executive Director – Resolution 10

Peter is an experienced and respected leader in education with 13 years' experience in the sector. He is currently CEO of online vocational provider, Ivy College. In previous roles, Peter was the Director of Operations, Career Education within Study Group - a global education provider - and held the role of Managing Director, Martin College, also a Study Group business.

In earlier years Peter established Australia's leading private real estate education business, Agency Training Australia, which in 2006 was acquired by Kaplan Inc., a division of NYSE-listed The Washington Post Company. Peter became Kaplan's General Manager, Product Development and Delivery for the stock broking, insurance, accounting, real estate and financial services industries. As a member of Kaplan's senior executive team Peter was involved in acquisitions, integrations and new product development.

Prior to entering the education sector Peter worked as a lawyer in both the U.K. and Australia in the areas of commercial litigation and tax. While working as a lawyer Peter also gained extensive experience in training and compliance. He holds degrees in both commerce and law, a Graduate Diploma in Legal Practice, Certificate IV in Workplace Training and Assessment and is admitted to practise in the Supreme Court of NSW. He is a member of the Law Society of NSW.

Mr Jonathan Pager, Non-Executive Director – Resolution 11

Mr Pager has over 20 years' experience as an adviser across a wide range of industries in Australia and overseas and is currently Managing Director of Pager Partners Business Consultants and Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. Jonathan has recapitalised several ASX-listed companies across both the resources and industrial sectors. He is currently a director of INT Corporation Limited and Montech Holdings Limited and was more recently a director of Rhye Limited, PLD Corporation Limited and Prospect Resources Limited.

Mr Michael Pollak, Non-Executive Director – Resolution 12

Mr Pollak holds a bachelor of Commerce, is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers over 15 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Michael is currently a director of ASX-listed Montech Holdings Limited and HJB Corporation Limited, and was previously a director of Rhye Limited, Disruptive Investment Group Limited, Prospect Resources Limited and PLD Corporation Limited, being companies he previously recapitalised. In addition to these, Michael has been involved in the restructuring, recapitalisation and relisting of a number of other ASX listed entities.

Proposed Directors' interests

As at the date of this Notice of Meeting, none of the proposed Directors mentioned above have an interest (direct or indirect) in the current issued capital of the Company.

RESOLUTION 13 – REPEAL AND ADOPTION OF A CONSTITUTION

The Company's current amended constitution was adopted by the Company on 29 October 2010. Prior to the small amendment made at the 2010 Annual General Meeting, the Company's current constitution was not amended since its publication on 24 June 2004.

The Company intends to change its constitution (**New Constitution**) so that it is more appropriate for an ASX listed company, given that since its original publications, there have been amendments to the Corporations Act and ASX Listing Rules which should be reflected in the Company's constitution.

A complete signed copy of the New Constitution will be tabled at the Meeting.

This Resolution is a special resolution, and as such, it can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from a solicitor or other professional advisor.

RESOLUTION 14 – CHANGE OF COMPANY NAME

The Proposal will change the Company in a number of different ways, including the appointment of a New Board together with revised business objectives for the Company. Consistent with these developments, the Company proposes to change its name from "Undercoverwear Limited" to "UCW Limited".

This change in name will not, in itself, affect the legal status of the Company or any of its assets or liabilities.

Pursuant to section 157 of the Corporations Act, a change in company name can only be enacted by Shareholders via a special resolution. Therefore, Resolution 14 can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

RESOLUTIONS 15 and 16 – REMOVAL AND APPOINTMENT OF AUDITORS

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution of a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 15 is an ordinary resolution seeking the removal of Grant Thornton Audit Pty Ltd as the auditor of the Company. An auditor may be removed in a general meeting provided that the notice of intention to remove the auditor has been received by the Company.

In accordance with section 329(2) of the Corporations Act, the Company has sent a copy of the notice to Grant Thornton Audit Pty Ltd and ASIC.

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

Resolution 16 is a special resolution seeking the appointment of Stantons International Audit and Consulting Pty Ltd as the new auditor of the Company. As required by the Corporations Act, a nomination for Stantons International Audit and Consulting Pty Ltd to be appointed as the auditor of the Company has been received from Shareholders of the Company. A copy of the nomination of Stantons International Audit and Consulting Pty Ltd as auditor is set out at Annexure C.

Stantons International Audit and Consulting Pty Ltd has given its written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act, subject to Shareholder approval of this Resolution.

If all Resolutions (other than Resolutions 13 -14 (inclusive)) under this Notice of Meeting are passed, the appointment of Stantons International Audit and Consulting Pty Ltd as the Company's auditor will take effect immediately, at the close of this Meeting.

ENQUIRIES

Shareholders are asked to contact Ms Ginette Muller or Mr Lachlan McIntosh, Deed Administrators, on +617 3225 4900 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

AEDT means Australian Eastern Daylight Time as observed in Sydney, Australia.

ASIC means Australian Securities and Investment Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules means the official listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Company and **UCW** means Undercoverwear Limited (ACN 108 962 152) (Subject to Deed of Company Arrangement) care of FTI Consulting (Australia) Pty Ltd, 22 Market Street, Brisbane QLD 4001.

Constitution means the Company's constitution.

Consolidation refers to the consolidation of the number of securities on issue in the Company on a five (5) for one (1) basis.

Corporations Act means the *Corporations Act* 2001 (Cth) as amended or replaced from time to time.

Creditor means creditors of the Company who have accepted the Proposal.

Creditors Trust means the trust established pursuant to the Creditors' Trust Deed for the purposes of satisfying approved creditor claims.

Creditors Trust Deed means the Creditors Trust Deed that will be entered into by the Company for the purposes of satisfying approved creditor claims.

Deed Administrators and **Administrators** means Ms Ginette Muller and Mr Lachlan McIntosh of FTI Consulting (Australia) Pty Ltd, 22 Market Street, Brisbane QLD 4001.

Director means a current or proposed director of the Company, as the context requires.

DOCA means the Deed of Company Arrangement entered into by the Company on 9 July 2014.

Dollar or "\$" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

First Placement means the placement subject of Resolution 2, being the issue of up to 150,000,000 First Placement Shares and up to 75,000,000 First Placement Options to the Syndicate (or their nominees) and other investors that are invited by the Company as part of the Proposal.

First Placement Options means an unlisted Option to subscribe for one (1) Share in the Company at an issue price of \$0.000025 per Option (post-Consolidation), which each unlisted

Option exercisable at \$0.01 per Option (post-Consolidation) on or before 30 June 2018 that is being issued as part of the First Placement.

First Placement Shares means a Share in the Company at an issue price of \$0.0025 per Share (post-Consolidation) that is being issued as part of the First Placement.

Independent Expert means Stantons International Securities Pty Ltd (ABN 42 128 908 289) of Level 2, 1 Walker Avenue, West Perth, WA 6005.

Independent Expert's Report means the report by the Independent Expert dated 7 November 2014 annexed to this Notice of General Meeting as Annexure D.

Meeting means the meeting of the Company's members convened by this Notice of Meeting.

New Board means the proposed Board of Directors of the Company constituting of Messrs Adam Davis, Peter Mobbs, Jonathan Pager and Michael Pollak.

New Constitution means the constitution that will be tabled at this Meeting and proposed to be adopted by the Company as its constitution. A copy of the New Constitution can be viewed before the Meeting by sending a written request to the Company.

Notice of Meeting or **Notice of Extraordinary General Meeting** means this notice of extraordinary general meeting dated on or around 21 November 2014 including the Explanatory Statement.

Official List means the official list of ASX.

Official Quotation means official quotation of the Company's Shares on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Pager Partners means Pager Partners Corporate Advisory Pty Ltd (ACN 123 845 401) as trustee for The Pager Partners Investment Trust.

Post-Consolidation refer to the numbers of Securities on issue in the Company after the Consolidation contemplated by Resolution 1 under this Notice of Meeting is approved by Shareholders.

Proposal means the proposal presented by the Syndicate for the restructure and recapitalisation of the Company that was accepted by the Creditors of the Company, together with the Deed Administrators on 18 June 2014.

Proxy Form means the proxy form attached to this Notice of Meeting.

Related Party means each of Messrs Adam Davis, Peter Mobbs, Jonathan Pager and Michael Pollak.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Second Placement means the placement subject of Resolution 3, being the issue of up to 170,000,000 Second Placement Shares to general investors (that may include members of the Syndicate (or its nominees)).

Second Placement Shares means a Share in the Company at an issue price of \$0.01 per Share (post-Consolidation) that is being issued as part of the Second Placement.

Share means a fully paid ordinary share in the capital of the Company and **Shares** means more than one fully paid ordinary share in the capital of the Company.

Shareholder(s) means a holder of a Share or Shares in the Company.

Syndicate means the syndicate headed by Pager Partners that made the Proposal to the Company.

UCW Business means the existing unencumbered assets of the Company which is being retained by the Company, or transferred to the Company, as part of the Proposal.

Undercoverwear Limited (Subject to Deed of Company Arrangement)

ACN 108 962 152

Proxy Form

STEP 1: APPOINT A PROXY TO VOTE ON YOUR BEHALF

Full name of security holder(s):.....

Address:.....

I/We being a member/s of Undercoverwear Limited (ACN 108 962 152) (Subject to Deed of Company Arrangement) ("**Company**") and entitled to attend and vote at the meeting of the Company to be held at 11:00am (AEDT) on 23 December 2014 appoint:

the Chairman of the
meeting.

OR

(mark
box)

(mark box)

.....
(Full name of proxy or the office of the
proxy)

or if the person or body corporate named above fails to attend the General Meeting, or if no person/body corporate is named, the Chairman of the General Meeting as my/our proxy to attend that meeting and vote on my/our behalf at that General meeting and any adjournment or postponement of that General Meeting in accordance with the following directions (or if no directions have been given, as the proxy sees fit). If two proxies are appointed, the proportion of voting rights this proxy represent is%.

STEP 2: VOTING DIRECTIONS ON ALL RESOLUTIONS

You may direct your proxy (which may be the Chairman, if so appointed) on how to vote on Resolutions 1 to 16 (inclusive) by marking one of the boxes with an "X" for each Resolution. If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that particular Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

The Chairman of this General Meeting intends to vote undirected proxies IN FAVOUR ("FOR") of all Resolutions.

I/We direct that my proxy vote in the following manner (please mark relevant boxes with (X) to indicate your directions):

Resolution		For	Against	Abstain*
1	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Issue of Securities Pursuant to First Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Issue of Second Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Acquisition of a Relevant Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5	Related Party Approval – Adam Davis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Related Party Approval – Peter Mobbs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Related Party Approval – Jonathan Pager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Related Party Approval – Michael Pollak	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Election of Adam Davis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Election of Peter Mobbs as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Election of Jonathan Pager as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Election of Michael Pollak as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Repeal and Adoption of a Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Removal of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Please note if you mark **abstain**, you are directing your proxy not to vote on that Resolution.

STEP 3: SIGNATURE OF SECURITYHOLDER(S)

	Individual or Securityholder 1	Securityholder 2	Securityholder 3

	Sole Director and Sole Company Secretary	Director	Director/Company Secretary
Date:	/ /	/ /	/ /

In addition to signing this Proxy Form, please provide the following information in case we need to contact you:

Contact name	Contact daytime telephone
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STEP 4: LODGING YOUR PROXY FORM

You must lodge your Proxy Form at least 48 hours before the commencement of the Meeting.

Please read carefully and follow the instructions overleaf.

How to complete this Proxy Form

For your proxy vote to be effective, your completed Proxy Form must be received at least 48 hours before the commencement of the Meeting.

Step 1: Appointing a proxy

If you are entitled to attend and vote at the meeting, you may appoint a proxy to attend the meeting and vote on your behalf. A proxy can be an individual or a body corporate and need not be a securityholder. You may select the Chairman of the meeting as your proxy.

Appointing a second proxy: You can appoint up to two proxies. If you appoint two proxies, you must specify the proportion or number of votes each proxy may exercise. If no percentage is specified, each proxy may exercise half of your votes. Fractions of votes will be disregarded. A separate Proxy Form must be used for each proxy.

Default to the Chairman of the meeting: Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the meeting, who is required to vote those proxies as directed.

Additional Proxy Forms: You can obtain additional Proxy Forms by telephoning the Company or you may copy this Form. Please lodge both Proxy Forms together.

Step 2: Voting directions

You may direct your proxy how to vote by placing a mark (✖) in one of the boxes opposite each item of business. All your securities will be voted in accordance with your directions. If you mark the "Abstain" box for an item, you are directing your proxy not to vote on that item. If you mark more than one box for an item, your vote on that item will be invalid.

Voting a portion of your holding: You may indicate that only a portion of your voting rights are to be voted on any item by inserting a percentage or the number of securities you wish to vote in the appropriate box or boxes. The total of votes cast, or the percentage for or against, an item must not exceed your voting entitlement or 100%.

No directions: If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses.

Step 3: Signing instructions

Individual: The Proxy Form must be signed by the securityholder personally or by Power of Attorney (see below).

Joint holding: The Proxy Form must be signed by each of the joint securityholders personally or by Power of Attorney (see below).

Power of Attorney: To sign under Power of Attorney, you must have already lodged the Power of Attorney with the Company. If you have not previously lodged that document, please attach a certified copy of the Power of Attorney to this Proxy Form when you return it.

Companies: For a corporate securityholder, if the company has a sole director who is also the sole company secretary, that person must sign this Proxy Form. If the company does not have a company secretary (under section 204A of the Corporations Act 2001 ("Act")), its sole director must sign this Proxy Form. Otherwise, a director must sign jointly with either another director or a company secretary in accordance with section 127 of Act. Please indicate the office held by signing in the appropriate place.

Corporate representative: If a representative of a corporate securityholder or proxy is to attend the meeting, the appropriate *Certificate of appointment of Corporate Representative* must be produced before the meeting. A form of the certificate may be obtained by telephoning the Company.

Step 4: Lodging your Proxy Form

This Proxy Form must be received by the Company at least 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be effective for the meeting. You can return this Proxy Form (and any Power of Attorney under which it is signed):

- **by post** to Undercoverwear Limited, c/- PO Box 231, Brighton VIC 3186;
- **by facsimile** to (+61 2) 9283 1970; or
- **by hand delivery** to Suite 115, 3 Male Street, Brighton VIC 3186.

ANNEXURE A – PRO-FORMA CAPITAL STRUCTURE

	Issued Shares as at the date of this Notice of Meeting	Post-Consolidation issued Shares	First Placement Shares to be issued	Second Placement Shares to be issued	Total Shares issued ¹	Dilutionary effect upon issue of First and Second Placement Shares (undiluted) ²	First Placement Options to be granted	Issued Shares upon issue of First and Second Placement Securities (fully diluted)	Dilutionary effect upon issue of First and Second Placement Securities (fully diluted) ³
Syndicate									
Adam Davis	0	0	56,666,666	37,500,000	94,166,666	27.92%	28,333,334	122,500,000	29.71%
Peter Mobbs	0	0	15,000,000	15,000,000	30,000,000	8.89%	7,500,000	37,500,000	9.10%
Jonathan Pager	0	0	31,666,667	2,500,000	34,166,667	10.13%	15,833,333	50,000,000	12.13%
Michael Pollak	0	0	31,666,667	2,500,000	34,166,667	10.13%	15,833,333	50,000,000	12.13%
Related Parties Total	0	0	135,000,000	57,500,000	192,500,000	57.07%	67,500,000	260,000,000	63.06%
Syndicate Total	0	0	135,000,000	57,500,000	192,500,000	57.07%	67,500,000	260,000,000	63.06%
Other Shareholders	0	0	15,000,000	112,500,000	127,500,000	37.80%	7,500,000	135,000,000	32.74%
Existing Shareholders	86,400,000	17,280,000	0	0	17,280,000	5.12%	0	17,280,000	4.19%
Final Total	86,400,000	17,280,000	150,000,000	170,000,000	337,280,000	100%	75,000,000	412,280,000	100%

Notes

- 1 On a post-Consolidation basis.
- 2 On a post-Consolidation basis, assuming all 150 million and 170 million First and Second Placement Shares, respectively, are issued.
- 3 Assumes a total of 412,280,000 Shares are on issue (post-Consolidation and including the First and Second Placement Shares) and all 75 million First Placement Options are exercised, resulting in a total issued.

ANNEXURE B – TERMS OF FIRST PLACEMENT OPTIONS

- (a) Each Option gives the Optionholder the right to subscribe for 1 Share for every Option they own in the Company. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with these terms and conditions.
- (b) The Options will expire at 5:00pm (AEST) on 30 June 2018 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon the exercise of each Option will be \$0.01 (**Exercise Price**).
- (d) The Options may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
- (e) Optionholders may exercise their Options by lodging with the Company, before the Expiry Date:
 - (a) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.

(Exercise Notice)

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are freely transferrable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Options on ASX immediately after the allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of the Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give the Optionholder the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the exercise price of the Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issue of the Options, the number of securities over which an Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.
- (o) In the event the Options are exercised by the Optionholders, the Company intends to use the funds raised for general working capital and assessing potential acquisitions. Refer to the Table 1 in this Notice for further details.

ANNEXURE C – NOTICE OF NOMINATION OF AUDITOR

Nomination of Auditor


To:

Company Secretary
Undercoverwear Limited (Subject to Deed of Company Arrangement)
ACN 108 962 152
c/- FTI Consulting (Australia) Pty Ltd
22 Market Street
Brisbane, QLD 4001

We, Recone Pty Ltd ATF The Everingham Family Trust, Mr Ian Gamsey Everingham & Mrs Christine Mary Everingham ATF Rosebank Staff Super Fund, Mr Ian Gamsey Everingham & Mr George Allan Felming ATF The Everingham Family Super Fund, being members of Undercover Wear Limited ACN 108 962 152 (Subject to Deed of Company Arrangement) (**Company**), hereby nominate Stantons International Audit and Consulting Pty Ltd (ABN 84 144 581 519) of Level 2, 1 Walker Avenue, West Perth 6005, Western Australia for appointment as auditors of the company.

Dated 5 November 2014

Signed by and for the Members:



Recone Pty Ltd ATF The Everingham Family Trust



Mr Ian Gamsey Everingham & Mrs Christine Mary Everingham ATF Rosebank Staff Super Fund



Mr Ian Gamsey Everingham & Mr George Allan Felming ATF The Everingham Family Super Fund

ANNEXURE D – INDEPENDENT EXPERT’S REPORT

7 November 2014

The Directors
Undercoverwear Limited (Administrators Appointed)
C/o FTI Consulting
Level 15,
50 Pitt St
SYDNEY NSW 2000

Summary of Opinion

For the purposes of Section 611 (item 7) of TCA, in relation to the approval to issue 150,000,000 First Placement Shares, 75,000,000 First Placement Options and 170,000,000 Second Placement Shares, in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, the proposals as outlined in paragraph 1.1 and Resolutions 4, 5, 6, 7 and 8 may on balance collectively be considered to be fair and reasonable at the date of this report.

Dear Sirs

RE: UNDERCOVERWEAR LIMITED (“UCW” OR “THE COMPANY”) (ACN 108 962 152) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE ISSUE OF UP TO 150,000,000 SHARES AT 0.25 CENTS EACH, UP TO 75,000,000 OPTIONS AT AN ISSUE PRICE OF 0.0025 CENTS PER OPTION AND UP TO 170,000,000 SHARES AT 1 CENT EACH AS NOTED BELOW AND IN RESOLUTIONS 4, 5, 6, 7, AND 8 TO CUMULATIVELY RAISE \$2,076,875. MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 (“TCA”).

1. Introduction

1.1 We have been requested by the Directors of Undercoverwear Limited to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposals as set out in Resolutions 4, 5, 6, 7 and 8 of the Notice of Meeting (“the Notice”) to be disseminated to shareholders of UCW in November 2014.

Resolution 2 relates to issue a total of up to 150,000,000 ordinary shares (“First Placement Shares”) in UCW at an issue price of 0.25 cents each to raise a gross \$375,000 and the proposal to issue up to 75,000,000 options in UCW (“First Placement Options”) at an issue price of 0.0025 cents per option to raise up to \$1,875 to be exercisable at 1 cent per First Placement Option with an expiry date on or before 30 June 2018, whilst Resolution 3 deals with the proposal to issue up to 170,000,000 ordinary shares (“Second Placement Shares”) in UCW at an issue price of 1 cent per share to raise up to a gross \$1,700,000. Refer paragraphs 1.5 and 1.6 below relating to the issue of various shares and share options that, in effect, are part of the shares and share options to be issued pursuant to Resolution 4.

1.2 Resolution 1 relates to a 1 for 5 consolidation of capital proposed to be voted upon by shareholders of UCW. Accordingly, for the purposes of this report, First Placement Shares, First Placement Options and Second Placement Shares relate to shares being issued on a post consolidated basis.

1.3 The First Placement Options, relate to the proposed issue of up to 75,000,000 options at a placement price of 0.0025 cents per option raising a total of up to \$1,875, and being exercisable at 1 cent per option on or before 30 June 2018. The total number of 75,000,000 First Placement Options will be granted post consolidation as proposed in Resolution 2 within three months of the date of the meeting and the options must be exercised in multiples of 100,000 options being converted into shares at any one time.

1.4 The issue of the First Placement Shares includes the issues of up to 135,000,000 ordinary UCW shares to a consortium comprising of Adam Davis (or nominee) (“Davis”), Michael

Pollak (or nominee) (“Pollak”), Jonathan Pager (or nominee) (“Pager”) and Peter Mobbs (or nominee) (“Mobbs”) (together “the Consortium”). The Consortium is also to be issued a further up to 67,500,000 First Placement Options and a further up to 57,500,000 Second Placement Shares, as part of the total 150,000,000 First Placement Shares, the 75,000,000 First Placement Options and the 170,000,000 Second Placement Shares.

- 1.5 The proposed issue of up to 135,000,000 First Placement Shares, up to 67,500,000 First Placement Options and up to the 57,500,000 Second Placement Shares to the Consortium, is referred to in this report as the “Consortium Subscription” as part of a total \$2,076,875 capital raising as noted below. The issue of First Placement Shares and Second Placement Shares to the Consortium is referred to as “Consortium Subscription Shares”, whilst the issue of First Placement Options to the Consortium is referred to as “Consortium Subscription Options”. The Consortium Subscription, which is included as part of the proposals as set out in Resolution 2, 3 and 4, is also individually voted upon by non-associated shareholders of UCW (that is shareholders not associated with the Consortium), for each proposed new related party. Please note that Davis, individually, or through a nominee, is likely to exceed the 20% shareholding threshold, and thus shareholders vote also in respect of resolution 5. Accordingly, Resolutions 5, 6, 7 and 8, which cumulatively form part of Resolutions 2, 3 and 4, also relate to the proposed issue of First Placement Shares, First Placement Options and Second Placement Shares to Messer’s Davis, Mobbs, Pager and Pollak individually. Accordingly, the issue of the Company’s shares to each of Davis, Mobbs, Pager and Pollak are being dealt with individually under Resolutions 5, 6, 7 and 8 of the Notice as they are related parties to the Company.
- 1.6 The Resolutions pertaining to the issue of First Placement Shares, First Placement Options and Second Placement Shares amongst the Consortium is as follows:

Resolution	Related Party	Maximum First Placement Shares to be issued	Issue and Exercise of First Placement Options	Maximum Second Placement Shares to be issued	Total Potential Share Issue	Maximum Voting Power*
5	Davis	56,666,666	28,333,334	37,500,000	122,500,000	29.71%
6	Mobbs	15,000,000	7,500,000	15,000,000	37,500,000	9.10%
7	Pager	31,666,667	15,833,333	2,500,000	50,000,000	12.13%
8	Pollak	31,666,667	15,833,333	2,500,000	50,000,000	12.13%
	Total Consortium Subscription	135,000,000	67,500,000	57,500,000	260,000,000	63.06%
	Other Non Associated Parties	15,000,000	7,500,000	112,500,000	135,000,000	32.74%
2, 3 & 4**	Total	150,000,000	75,000,000	170,000,000	395,000,000	95.81%

**In an expanded share capital structure of UCW assuming existing 17,280,000 post-consolidation shares on issue (the number of shares on issue prior to 1 for 5 consolidation totals 86,400,000). That is should the maximum First Placement Shares, First Placement Options and Second Placement Shares be issued to the relevant holder and assuming the 1 for 5 share consolidation proposed as part of Resolution 1 (refer to paragraph 1.2).*

***This IER does not relate to the total of these Resolutions, rather Resolutions 5 through to 8 as noted above.*

1.7 UCW entered into voluntary administration on 6 March 2014. On 9 July 2014, the administrators of the Company, entered into a Deed of Company Arrangement ("DOCA") with Pager Partners Corporate Advisory Pty Ltd. As referred to in the Explanatory Statement in the Notice, it is proposed that the Company will be restructured (hereinafter referred to as the "Restructure"), subject to shareholder approval such that:

- i) UCW's existing business assets (which may include some remaining stock, servers, plant and equipment), registered business names, contacts, intellectual property, goodwill, customer/supplier lists, domain names, source code, trademarks (live or lapsed), business processes and procedures etc. will be transferred unencumbered other than excluded assets (which include cash at bank, debtors and the proceeds of debtors of UCW prior to the execution of the DOCA and the subsidiary shares);
- ii) the Company enters into a Creditors Trust Deed for the purpose of satisfying approved creditor claims;
- iii) the Company making any rights in its sundry debtors and other assets not acquired by the Consortium for the purposes of satisfying the Company's Creditors;
- iv) the payment of \$715,000 in cash for the partial satisfaction of the Company's Creditor's claims (a non-refundable \$15,000 deposit was already paid to the administrator);
- v) the Consolidation of the Company's existing share capital subject to a 1 for 5 share consolidation;
- vi) a new Capital Raising be undertaken (refer to proposal put to existing UCW shareholders as part of Resolutions 2 and 3 of the Notice); and
- vii) new Directors, namely Messer's Davis, Mobbs, Pager and Pollak be appointed as Directors of UCW.

1.8 The total value of the restructure is set as below:

- i) 150,000,000 shares being issued at 0.25 cents per share to raise \$375,000 (First Placement Shares);
- ii) 75,000,000 options being issued to the Consortium (or their nominees) at 0.0025 cents per option, exercisable at 1 cent, to raise \$1,875 (First Placement Options);
- iii) 170,000,000 shares being issued at 1 cent per share to raise \$1,700,000 (Second Placement Shares); and
- iv) Payment of \$715,000 to the administrator for the satisfaction of Creditor's claims.

1.9 The above Restructure is subject to the Company obtaining necessary shareholder approvals and any ASX regulatory re-quotation approvals, as well as UCW being released from all liabilities and long term commitments through the contemporaneous effectuation of the DOCA and payment of cash consideration. Inter alia, the Company's secured creditors (if any) must also vote to release security over assets, and all creditors will be required to be satisfied from the Creditors Trust. Furthermore, all subsidiaries of UCW shall be excised from UCW (unless required by the Consortium).

- 1.10 Under section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.

Under section 611 (Item 7) of TCA, section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a section 611 (Item 7) meeting.

- 1.11 Prior to the Restructure, UCW has 86,400,000 shares on issue. On a post consolidated basis, UCW would have 17,280,000 shares on issue (subject to rounding due to consolidation). Following completion of the Restructure and the other proposals noted in paragraph 1.1 above and in the Notice, the Consortium who currently holds Nil shares in UCW would own a total of up to 192,500,000 shares in UCW (not including the potential issue and exercise of First Placement Options) representing approximately 57.07% of the then shares on issue (assuming no other shares are issued or options converted). There would be 337,280,000 UCW shares on issue.

Accordingly, should all the First Placement Options be issued and exercised, the Consortium could own up to 260,000,000 shares in the expanded capital of UCW, and this would represent approximately up to 63.06% of the then expanded shares on issue in UCW (total shares on issue would increase to 412,280,000).

As it is envisaged that the Consortium (or their nominees) would collectively hold up to approximately 57.07% of the issued capital of UCW (post issuance of the First Placement Shares and Second Placement Shares, but before the issue and exercise of the First Placement Options), and hold up to approximately 63.06% of the expanded share capital of UCW (post issuance and exercise of First Placement Options), the Consortium will be deemed to have control of UCW and will have effective Board control post the effectuation of the Restructure.

Individually, or through a nominee, Davis will own up to 94,166,666 shares (post the issue of the First Placement Shares and Second Placement Shares, but before the issue and exercise of First Placement Options) representing approximately 27.92% of the expanded issued share capital of the Company. Should the First Placement Options be issued and exercised, Davis individually, or through a nominee, may increase his shareholding up to 122,500,000 shares representing 29.71% of the fully diluted issued share capital of the Company.

- 1.12 Individually, members of the Consortium, namely Messer's Davis, Mobbs, Pager and Pollak, would own up to 27.92%, 8.89%, 10.13% and 10.13% respectively of the issued capital of UCW (after the 1 for 5 share consolidation, the issue of First Placement Shares and Second Placement Shares, but before the issue and potential exercise of First Placement Options) assuming Resolutions 5 to 8 are passed and consummated. Should the First Placement Options be issued and fully exercised, Messer's Davis, Mobbs, Pager and Pollak would individually own up to 29.71%, 9.10%, 12.13% and 12.13% of the Company respectively.
- 1.13 A notice prepared in relation to a meeting of shareholders convened for the purposes of section 611 (Item 7) of TCA should be accompanied by an independent expert's report stating whether it is fair and reasonable to approve the issue of up to 150,000,000 First Placement Shares, up to 75,000,000 First Placement Options and up to 170,000,000 Second Placement Shares to raise a gross \$2,076,875, and whether it is fair and reasonable to approve a potential issue of up to 29.71% of the ordinary expanded and fully diluted share capital of UCW to Davis. It is noted that Davis, on a diluted basis should the First Placement Shares and Second Placement Shares be issued, will acquire individually or through a nominee, a relevant interest of over 20% in UCW. Accordingly, this requires shareholders' approval under Item 7 of Section 611 of TCA. To assist shareholders in making a decision on the proposals outlined in Resolutions 4 and 5 of the Notice, (and Resolutions 6, 7 and 8) relating to individual

members of the Consortium, namely Messer's Mobbs, Pager and Pollak respectively which also form part of Resolutions 2, 3 and 4 of the Notice), the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal under Resolutions 4, 5, 6, 7 and 8 are fair and reasonable to the non-associated shareholders of UCW.

1.14 We are not reporting on the fairness and reasonableness of the other resolutions referred to in the Notice and Explanatory Statement, other than Resolutions 4, 5, 6, 7, and 8 as outlined above. However, we note that the share consolidation (Resolution 1) is part of the overall Restructure.

1.15 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals with the Consortium
- Corporate history and nature of business
- Future direction of UCW
- Basis of valuation of UCW shares
- Premium for control
- Consideration as to fairness
- Conclusion on fairness
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A and Financial Services Guide

1.16 In determining the fairness and reasonableness of the transactions pursuant to Resolutions 4 to 8 we have had regard to the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". The Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non associated shareholders if the transactions proceed compared with if they do not.

1.17 Accordingly, our report in relation to Resolution 4 comprising the approval to issue up to 135,000,000 First Placement Shares, up to 67,500,000 First Placement Options and up to 57,500,000 Second Placement Shares to the Consortium or their nominees is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of UCW and whether the Consortium is paying a premium for control.

Summary of Opinions

1.18 **For the purposes of section 611 (item 7) of TCA, the proposals in relation to the approval to issue up to 135,000,000 First Placement Shares, up to 57,500,000 Second Placement Shares and up to 67,500,000 First Placement Options together the Consortium as set out in Resolution 4 and the proposals to issue:**

- up to 56,666,666 First Placement Shares, up to 28,333,334 First Placement Options, and up to 37,500,000 Second Placement Shares to Davis individually (or his nominee) (Resolution 5);
- up to 15,000,000 First Placement Shares, up to 7,500,000 First Placement Options, and up to 15,000,000 Second Placement Shares to Mobbs individually (or his nominee) (Resolution 6);
- up to 31,666,667 First Placement Shares, up to 15,833,333 First Placement Options, and up to 2,500,000 Second Placement Shares to Pager individually (or his nominee) (Resolution 7); and
- up to 31,666,667 First Placement Shares, up to 15,833,333 First Placement Options, and up to 2,500,000 Second Placement Shares to Pollak individually (or his nominee) (Resolution 8);

and as set out in Resolution 5, the issue of up to 56,666,666 First Placement Shares, up to 28,333,334 First Placement Options and up to 37,500,000 Second Placement Shares to Davis individually (or his nominee), thus potentially allowing Davis to obtain a shareholding in UCW of more than 20% in the expanded capital of UCW;

are in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, may on balance collectively be considered to be fair and reasonable to the non associated shareholders at the date of this report.

- 1.19 Each shareholder needs to examine the share price of UCW, market conditions and announcements made by UCW up to the date of the shareholders meeting at the time of exercise of vote to ascertain the impact, if any, on Resolutions 4 to 8. The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. Implications of the Proposals

- 2.1 As at 3 November 2014, there are 86,400,000 pre-consolidated ordinary fully paid shares on issue in UCW. Post the implementation of all of the recapitalisation proposals, the number of shares may be:

Number of Pre-consolidated shares on issue	<u>86,400,000</u>
1 for 5 Consolidation of capital	17,280,000
Issue of First Placement Shares	150,000,000
Issue of Second Placement Shares	<u>170,000,000</u>
Shares on issue prior to exercise of share options	<u>337,280,000</u>
Exercise of the First Placement Options	75,000,000
Potential shares on issue	<u>412,280,000</u>

Further details on the shares that could be on issue and the shareholding interests of the Consortium are noted in Annexure A attached to the Notice.

- 2.2 Post the 5 for 1 capital consolidation and the issue of the First Placement Options, the following unlisted share options will be outstanding:
- 75,000,000 First Placement Options (see paragraph 1.2 above).
- 2.3 Following completion of the Subscription Agreements and the other proposals noted in paragraph 1.1 above and in the Notice, the Consortium who currently holds nil shares in UCW could own a total of up to 260,000,000 shares in UCW representing approximately 63.06% of the then shares on issue (assuming all other share issues as envisaged and options issue have been made and the full exercise of options completed by the option holders as described in the Notice and Explanatory Statement). There would be 412,280,000 UCW shares on issue (approximately up to 63.06% after exercise of the First Placement Options if collectively the Consortium own up to 260,000,000 shares in UCW as envisaged under Resolutions 5 to 8 in the Notice).

The Company will raise \$2,076,875 from the issue of First Placement Shares, Second Placement Shares and First Placement Options, of which it is expected that up to \$914,188 will come from the Consortium or their nominees (excludes a further 15,000,000 First Placement Shares, 112,500,000 Second Placement Shares and 7,500,000 First Placement Options issued to other parties). Should the Consortium receive its full allotment of First Placement Options, and exercise all the aforementioned options, a further \$675,000 would be raised upon exercise of the First Placement Options at a future point in time from the Consortium.

The Company seeks approval for the issue and allotment of up to 135,000,000 First Placement Shares, up to 57,500,000 Second Placement Shares and potential issue and exercise of up to 67,500,000 First Placement Options in the capital of the Company to the Consortium under the Consortium Placement. Should the Consortium exercise its allotment of First Placement Options, the amount raised from the Consortium would increase by \$675,000 to a total amount raised of \$1,589,188.

- 2.4 We understand that the Subscription monies raised will be used for working capital, development of the existing UCW business, payment to the Deed Administrator under the DOCA and identifying new opportunities for UCW shareholders.
- 2.5 The incoming Board of UCW, should all Resolutions as part of the Notice be consummated, would consist of Messer's Adam Davis, Peter Mobbs, Jonathan Pager and Michael Pollak. Further new directors may be appointed in the future as the needs arise and subject to the Consortium nominating any new directors.
- 2.6 As at 3 November 2014, it is believed that the number of ordinary shares on issue in UCW prior to consolidation of capital is 86,400,000 (and post consolidation will be 17,280,000, subject to rounding). If all the Resolutions are consummated, the Consortium could collectively own up to approximately 63.06% of the expanded (post consolidated) share capital of the Company if collectively the Consortium own up to 260,000,000 shares in UCW as envisaged under Resolutions 5 to 8 in the Notice. The actual non-Consortium holding of the capital of the Company, post consummation of all Resolutions put to the shareholders in the Notice by existing shareholders will be 36.94%. Messrs Davis, Mobbs, Pager and Pollak will each own approximately 29.71%, 9.10%, 12.13% and 12.13% respectively of the expanded post consolidated capital of the Company (assuming the issue and exercise of all the First Placement Options).
- 2.7 The estimated costs of the Notice for the meeting of shareholders and other costs including corporate and advisory fees, GST, ASX listing fees and other costs will be around \$120,000. Under the Recapitalisation Proposal the Company will also pay \$715,000 in total to the Creditors Trust (\$15,000 as already been paid as a non-refundable deposit).
- 2.8 Set out below is a statement of financial position of the Company based on the Administrators records as at 9 October 2013 (not adjusted to exclude approximately \$1,010,950 of creditors which will have been transferred to the Creditors Trust when the Company comes out of the DOCA), together with the pro-forma balance sheet (statement of financial position) if all resolutions are passed and consummated.

	Estimated Statement of Financial Position*	Statement of Financial Position after Resolutions passed
	\$	\$
Current Assets		
Cash Assets	-	1,361,875
	-	1,361,875
Non Current Assets		
UCW Business (see paragraph 3.3 below)	50,000	50,000

Intellectual Property	-	-
Total Assets	50,000	1,411,875
Liabilities		
Trade Creditors and Accruals	1,010,950	-
Other Payables**	-	120,000
Total Current Liabilities	1,010,950	120,000
Net Deficiency/Surplus	(960,950)	1,291,875
Equity		
Issued Capital***	23,241,146	25,316,146
Reserves	-	1,875
Accumulated Losses	(24,202,096)	(24,026,146)
Total Equity	(960,950)	1,291,875

*The estimated assets and liabilities of the Company are unknown, as the Company was in administration.

**Relates to Costs of the Notice, Listing fees and other costs to be paid for the proposed relisting of UCW.

***Last known balance sheet made available as at 30 June 2014 with the addition of a capital raising of \$432,000 in November 2013 – Estimated including under administration

Note 1

The movement in the cash assets is reconciled as follows:

Cash Assets:	
Opening Balance	-
First Placement Option Issue	1,875
Placement of Shares at approximately \$0.0025 each	375,000
Placement of Shares at approximately \$0.01 each	1,700,000
Payment to the Creditors Trust**	(715,000)
Net cash on hand	\$1,361,875

Thus estimated net cash after the capital raisings and payment for costs of the Notice and other costs and the payment to the Creditors Trust will be \$1,241,875 and no other material liabilities (after taking into account cash of \$1,361,875 less \$120,000 other payables).

3. Corporate History and Nature of Business

- 3.1 UCW is currently suspended from its listing on the ASX. UCW's main business was a fashion house and lingerie company which concentrated upon the importation, distribution, and export of underwear and garments, and fashion to end customers. The Company will evaluate the economic viability of this business and related intellectual property and other remaining assets and may possibly look to acquire complimentary or other projects in the future.
- 3.2 A summarised unaudited consolidated balance sheet (statement of financial position) of the UCW Group post ratification of all Resolutions are passed and consummated is outlined in paragraph 2.8 of this report.
- 3.3 The retention of the Company's existing assets (unencumbered) includes, to the extent it exists, the Company's remaining stock, servers, plant and equipment (if any), registered business names, contacts, intellectual property, goodwill, customer/supplier lists, domain names, source code, trademarks (live or lapsed), business processes and procedures etc. ("UCW Business"). The Administrator did not sell the UCW Business, but has realised some assets (eg. stock) to partly satisfy creditors. Accordingly, it is our view, that the value of the UCW Business retained has limited value, however the Promoters (Consortium members) in a submission to the ASX has ascribed a value of \$50,000. This value cannot be substantiated at this point of time. The pro-forma statement of financial position has included the \$50,000 notwithstanding that the value has not been substantiated. Notwithstanding, the net asset

position of the company is currently estimated to be negative (prior to the above recapitalisation) and is therefore valued at nil.

4. Future Directions of UCW

4.1 We have been advised by the proposed incoming directors of UCW that post shareholder approval:

- The immediate short-term plan is to reapply for trading on the ASX so that the shares are freely tradable on the ASX;
- To complete all the Resolutions in the Notice to raise \$2,076,875 (not including the effect of any further funds from the exercise of First Placement Options) and such funds will be used for working capital, development of the existing UCW business, payment to the Deed Administrator under the DOCA and identifying new opportunities for UCW shareholders;
- Composition of the Board of directors of UCW may change in the near future as outlined in paragraph 2.5;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company may seek to raise further capital if required but no further capital raisings are expected in early to mid 2015 (other than the \$2,076,875 monies raised as noted in this report).

5. Basis of Valuation of UCW

5.1 Shares

5.1.1 In considering the proposals as outlined in Resolution 4 (and individually Resolutions 4, 5, 6, 7 and 8), we have sought to determine whether the issue price of the Consortium Subscription Shares to the Consortium (or their nominees) is in excess of the current fair value of the shares in UCW on issue and whether the proposed Consortium Subscription is at a price that UCW could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of UCW.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a UCW share are:

- capitalised maintainable earnings/discounted cash flow;
- takeover bid - the price at which an alternative acquirer might be willing to offer;
- adjusted net asset backing and windup value; and
- the recent market prices of UCW shares.

5.2 Capitalised maintainable earnings and discounted cash flows

5.2.1 UCW currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not considered to be appropriate, particularly given the fact that the Company entered into voluntary administration on 6 March 2014.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for UCW could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. Currently the Company is in voluntary administration, and the Company has undertaken a Deed of Company Arrangement with Pager Partners Corporate Advisory Pty Ltd (a related entity to Pager), for the Company to emerge from Administration. To our knowledge, there were rival bids to recapitalise the Company, however in the view of the Administrator and UCW's creditors, the Pager Partners Corporate Advisory Pty Ltd bid was the most appropriate for all creditors of UCW. However, if all of the Consortium Subscription Shares are issued and the Consortium

Subscription Options are issued and exercised, the Consortium (either individually or via nominees) would control up to approximately 63.06% of the expanded ordinary issued capital of UCW, before any other further share issues as referred to in this report and the Notice and Explanatory Statement.

5.4 **Adjusted Net Asset Backing**

5.4.1 Net asset backing and windup value

As noted above prior to the recapitalisation process, UCW has no cash and limited other assets (apart from an ascribed value of \$50,000 put to the existing UCW business by the proposed incoming Directors of UCW, which may be a lower or greater value upon further evaluation) and minimal business activities and the Administrator considers that on a windup basis, the return to shareholders would be nil (refer paragraph 3.3 of this report).

5.4.2 Purely based on the net cash value of a recapitalised UCW, the net assets would be disclosed at approximately \$1,291,875 (assuming the Company raises \$2,076,875 as noted above) which would be equivalent to approximately \$0.00383 per share, assuming 337,280,000 shares would be on issue after the recapitalisation process (but before the exercise of First Placement Options). This compares with the estimated current net value of an UCW share of nil cents. Should First Placement Options be exercised to raise a further \$750,000, and the total number of shares on issue would increase to 412,280,000 share on issue or approximately \$0.00495 cents per share (assuming no further share are issued).

5.5 **Market price of UCW shares**

5.5.1 As the Company is suspended from the ASX, we do not believe it is appropriate to value the UCW share based on prior quoted prices of UCW shares on the ASX.

Summary conclusion on value of a share in UCW

5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of a UCW share (prior to the recapitalisation process) is nil cents. As disclosed above the Company has no material assets with minimal business activities.

5.7 If the recapitalisation process is finalised, the net value of an UCW share immediately post recapitalisation would approximate \$0.00383 per share (assuming the \$2,076,875 is raised as noted in the Resolutions in the Notice, but before the exercise of the Consortium Subscription Options) and accepting the unsubstantiated value of \$50,000 to the UCW Business (\$0.00330 cash backing only).

6. Premium for Control

6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, the Consortium could hold up to approximately 63.06% of the expanded issued capital of UCW (the related parties individually namely, Davis, Pollak, Pager and Mobbs would individually own 29.71%, 9.10%, 12.13% and 12.13% of the Company respectively). In take-over offers, it is often the case that a premium for control falls in the normal range of 15% to 40% and it is often accepted

that a 20% premium for control should be payable. The actual premium may be more or less. In this case, we assume a reasonable premium for control should be 20%.

- 6.3 The UCW shares that are proposed to be issued to the Consortium (the subject of Resolution 4), are deemed to be theoretically worth nil cents. After certain transaction costs, a net cash balance of approximately \$1,291,875 will remain in the Company (assuming the raising of the \$2,076,875 referred to above).

In our opinion, it is possible that the Consortium are paying a premium for control, however, the non associated shareholders of UCW are benefiting in that the theoretical value of a UCW share rises from nil cents (with \$50,000 of net business assets and minimal business activities) to a company with a theoretical cash backed value of approximately \$0.00383 per share.

If the recapitalisation proposal is completed the Company may be in a position to seek new funds and new businesses in the future and depending on whether it is required to comply with Chapters 1 and 2 of the ASX Listing Rules may seek re-quotations of the Company's shares on the ASX. No major fund raising or new business acquisitions have yet been identified.

- 6.4 Our preferred methodology is to value UCW and a UCW share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.2 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transaction control basis.

- 6.5 We set out below the comparison of the low, preferred and high values of a UCW share compared to the issue price for the Subscription Shares.

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of a UCW Share	5.6	0.00	0.00	0.00
Issue price of the First and Second Placement Shares (average rate)		0.648	0.648	0.648
Excess between Subscription Price and fair value		<u>0.648</u>	<u>0.648</u>	<u>0.648</u>

The 0.648 cents is a blended rate of the issue of 150,000,000 First Placement Shares at 0.25 cents each and 170,000,000 Second Placement Shares at 1.0 cents each.

- 6.6 On a pre Proposed Transaction control basis, the value of a UCW share is nil cents per share. The recapitalisation is expected to raise \$2,076,875 post consummation of all Resolutions. Based on the preferred value of nil cents per share, a premium for control of is being paid by the Consortium.

- 6.7 We note that the Consortium does not have Board control of UCW, and has a nil interest in UCW at the date of this report.

7. Fairness of the Proposals

- 7.1 The concept of "fairness" is to be taken to be the value of the offer price, or the consideration being equal to or greater than the value of the securities in the above mentioned offer. As noted above the UCW shares that are proposed to be issued to the Consortium, (the subject of Resolutions 2 and 3) are deemed to be theoretically worth nil cents. Assuming a 20% premium for control, the deemed theoretical value is still nil.

7.2 If the recapitalisation proposal is completed, the theoretical value of a UCW share increases to approximately \$0.00383 before the potential exercise of any options. The theoretical value of a UCW share post recapitalisation from a non associated shareholder's perspective, based on the estimated net assets of \$1,291,875 is \$0.00383 (prior to the potential exercise of any options) which is in excess of the theoretical value pre recapitalisation of nil cents per share. Based on a fully diluted basis (after the exercise of the 75,000,000 First Placement Options at 1 cent each), the potential cash on hand increases by \$750,000, the net assets increase to \$2,041,875, and the theoretical value of a UCW share increases from nil to \$0.00495 based on the potential shares on issue of 412,280,000 shares. The theoretical value of a UCW share post recapitalisation from a non associated shareholder's perspective on a fully diluted basis, based on the estimated net assets of \$2,041,875 is \$0.00495 which is in excess of the theoretical value pre recapitalisation of nil cents per share

7.3 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

- (a) the fair market value of a UCW share pre-transaction on a control basis; versus
- (b) the fair market value of a UCW share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

7.4 The low, preferred and high values of an UCW share pre the Proposed Transactions on a control basis is:

	Para.	Low (cents)	Preferred (cents)	High (cents)
Estimated fair value of an UCW Share	5.6	nil	nil	nil

7.5 The preferred fair market value of a UCW share has been estimated at nil cents on a pre Proposed Transaction control basis. The Consortium Subscription yields to an adjusted value of \$0.00383 cents per UCW share (refer below). As the preferred fair market value of a UCW share is greater on a post transaction basis, the proposed Consortium Subscription is considered to be fair to the non associated shareholders.

7.6 We set out below the range of estimated technical net asset values of UCW based on the Pro-forma Balance Sheet as detailed in paragraph 2.8 (after adjusting for the following transactions):

Option Issue	\$1,875
Placement of Shares at approximately \$0.0025 each	\$375,000
Placement of Shares at approximately \$0.01 each	\$1,700,000
	\$
UCW Business Asset (see paragraph 3.3 above)	50,000
Cash	1,361,875
Other current assets	-
Other current liabilities	(120,000)
Total net assets	<u>1,291,875</u>
Number of shares on issue	337,280,000
Net asset value per share	\$0.00383
Minority interest discount	16.67%
Minority value per share	\$0.00319
Issue Price (Blended Rate) (see paragraph 6.5 above)	\$0.00648

- 7.7 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 6.2.
- 7.8 As noted above the fair market value of an UCW share Post-Transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction has a preferred fair value of approximately \$0.00319.
- 7.9 We set out below a comparison of:
- the fair market value of a UCW share pre-transaction on a control basis; versus
 - the fair market value of an UCW share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

	Para.	Low (\$)	Preferred (\$)	High (\$)
Estimated fair value of an UCW Share Pre Transaction on a control basis	5.6	nil	nil	nil
Estimated fair value of an UCW Share Post Transaction on a minority basis	7.6	0.00319	0.00319	0.00319
Excess/(shortfall) between Pre transaction Price and Post transaction Price		<u>0.00319</u>	<u>0.00319</u>	<u>0.00319</u>

Using the preferred net asset fair values, the estimated fair value of a UCW share Pre Transaction on a control basis is less than the estimated fair value of a UCW share Post Transaction on a minority basis and on this basis the Consortium Subscription is considered fair to the non associated shareholders of UCW.

7.10 Conclusion as to fairness

After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 4 (and Resolutions 5, 6, 7 and 8 for related parties Davis, Mobbs, Pager and Pollak respectively) are on balance fair to the non-associated shareholders of UCW as at the date of this report.

8. Reasonableness of the Proposals

Advantages

- 8.1 The passing and consummation of Resolution 4 (and collectively Resolutions 4, 5, 6, 7 and 8) in conjunction with the completion of the recapitalisation process would result in a net cash injection of approximately \$1,241,875 (assuming the capital raising of the \$2,076,875 referred to above) into the Company and having a company with minimal or no liabilities, compared with the current position whereby the Company has net assets of approximately \$nil.
- 8.2 If the proposals per Resolution 4 (and collectively Resolutions 4, 5, 6, 7 and 8) are consummated along with the completion of the recapitalisation process, the net cash asset backing of a UCW share rises from nil cents to approximately \$0.00383 (assumes \$2,076,875 worth of shares and options are issued and no exercise of First Placement Options).

- 8.3 If Resolution 4 (and collectively Resolutions 4, 5, 6, 7 and 8) are passed together with the completion of the recapitalisation process (and other Resolutions not reported upon in this Report), the Company's chances to seek re-quotations of its shares on the ASX are enhanced in that without the recapitalisation, it is likely that the Company would be dissolved and struck off. By obtaining re-quotations of the Company's shares, the existing shareholders are offered liquidity to sell their shares on the ASX.
- 8.4 The proposed directors bring expertise to the Company in that Messer's Davis, Mobbs, Pager and Pollak have financial, accounting, marketing and corporate experience and/or experience as directors or managers of public listed companies or other trading entities. The Explanatory Statement discloses the background of the proposed directors.

Disadvantages

- 8.5 A significant shareholding in the Company is being given to the Consortium, and in particular Messer's Davis, Pollak, Pager and Mobbs combined would own (either directly or via their nominees) up to approximately 63.06% of the expanded issued capital of the Company. Davis, individually, or through a nominee may hold up to 29.71% of the expanded ordinary capital in UCW. However, we note that UCW will be recapitalised with approximately \$1,241,875 in net cash (assuming the \$2,076,875 capital raising and payment of \$120,000 of other payables and less the value of the UCW business), will have no debt and will have the opportunity to grow its existing business and/or consider the acquisition of other assets or businesses. The existing/other shareholders are diluted to approximately 36.94% (including the new non-associated shareholders). It is assumed that all Consortium investors will obtain a benefit particularly if the Company's shares can be re-quoted on ASX. The large aggregate shareholding of the Consortium may reduce the appetite for other parties to make a takeover bid for the Company.
- 8.6 UCW would only have approximately net cash of \$1,241,875 (assuming the raising of \$2,076,875 as noted above, and payment of \$120,000 other payables) after the consummation of the recapitalisation process is complete. Further fundraisings may be required to be undertaken in the near future. If further shares are issued, the percentage shareholding of the existing shareholders of UCW may be diluted down even further. However as noted above, the shares in UCW prior to the recapitalisation process is considered to be of nil value with the possibility of the Company being placed into liquidation.
- 8.7 If the Company seeks new business opportunities, there is no guarantee that such businesses will be profitable. Refer to the Letter to Shareholders accompanying the Notice on the proposed expenditure post the recapitalisation process.

Other

- 8.8 The 75,000,000 First Placement Options, if exercised, would result in a further inflow of funds to UCW of \$750,000. The exercise price of the 75,000,000 First Placement Options is 1 cent each. The trading price of a UCW share (after re-quotations of the Company's shares on the ASX that is dependent upon completion of the recapitalisation process) at the date of exercise of the share options could be in excess of 1 cent before option holders exercised the share options.
- 8.9 The 75,000,000 First Placement Options to be issued for a total of \$1,875 have been valued using the Black Scholes option valuation methodology with the key assumptions of an exercise price of 1.0 cents, a share price of 1.0 cents, an interest rate of 2.815%, an issue date of 4 November 2014 and a volatility factor of 75%. The value ascribed is 0.055 cents per share option for a total value of approximately \$309,900, but against which a discount of 25% is applied for the unlisted status of the options issued. The total value of the options issued to the Consortium, after applying a 25% discount for the unlisted status of the options issued amounts to \$278,900.

9. Conclusion as to Reasonableness

9.1 After taking into account the matters referred to in 8 above and elsewhere in this report, we are of the opinion that the proposals as outlined in Resolution 4 and 5 (and collectively Resolutions 4, 5, 6, 7 and 8) are on balance reasonable to the non-associated shareholders of UCW as at the date of this report.

10. Sources of Information

10.1 In making our assessment as to whether the proposals pursuant to Resolutions 4 to 8 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of UCW which is relevant in the current circumstances. In addition, we have held discussions with Jonathan Pager, a party associated with the Promoter and a proposed director, and Michael Pollak, a proposed director, about the present state of affairs of UCW. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the representative of the Promoter/proposed directors and publicly filed information on the financial position of the Company lodged via the ASX website.

9.2 Information we have received includes, but is not limited to:

- drafts of the November 2014 Notice of General Meeting of Shareholders of UCW (and draft of the ESS attached);
- discussions with representatives of the Promoter and proposed directors of UCW;
- shareholding details of UCW;
- Administrators report to Creditors;
- announcements, if any, made by UCW to the ASX to 7 November 2014;
- the audited financial report of UCW for the year ended 30 June 2013;
- the reviewed financial report of UCW for the 6 months ended 31 December 2012; and
- the Deed of Company Arrangement dated 9 July 2014.

9.3 Our report includes Appendix A and Financial Services Guide, attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



Martin Michalik
Director

APPENDIX A

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 7 November 2014, relating to Resolutions 4, 5, 6, 7 and 8 outlined in the Notice of Meeting of Shareholders and the accompanying ES to be distributed to shareholders of UCW in early February 2014.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with UCW other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$8,500 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities Pty Ltd nor Martin Michalik or John P Van Dieren have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities Pty Ltd or any directors of Stantons International Securities Pty Ltd do not hold any securities in UCW. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, Martin Michalik and John Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. Stantons International Securities Pty Ltd has prepared other independent expert reports for parties associated with the Promoter or its Nominees.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Investment Advisers Licence (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr Martin Michalik CA and John Van Dieren (FCA) the persons responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of the proposed Directors and the Promoter in order to assist the shareholders of UCW to assess the merits of the proposals (Resolutions 4, 5, 6, 7 and 8) to which this report relates. This report has been prepared for the benefit of the UCW shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities Pty Ltd opinion as to the longer term value of UCW. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of UCW or any of its subsidiaries. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolutions 4, 5, 6, 7 and 8 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolutions 4, 5, 6, 7 and 8.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by the Promoter (represented by Jonathan Pager of Pager Partners), its officers and other parties (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), the Promoter has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which UCW may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by the Promoter and UCW's Deed Administrators; and
- (b) to indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from the Promoter or any of its officers and UCW providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of the Promoter, UCW and their officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to the proposed Directors and the Promoter for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 7 November 2014**

1. Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated entities receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (trading as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Telephone: 08 9481 3188
Facsimile: 09 9321 1204

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399