



FLAGSHIP
INVESTMENTS

For personal use only

Offer of unsecured
convertible notes to raise
up to \$20 million

Flagship Investments Ltd
ACN 080 135 913

Joint Lead Managers
Morgans Financial Limited
Taylor Collison Limited

Legal Adviser
McCullough Robertson

IMPORTANT INFORMATION

FSI Notes offered under this Prospectus may not be suitable for some investors. Their overall complexity may make them difficult to understand and the risks associated with the FSI Notes could result in the loss of all your investment. If you do not fully understand how they work or the risks associated with them, you should obtain professional advice.

Flagship Investments Limited (FSI)

Unsecured Convertible Notes Offer

Issuer	Flagship Investments Limited (FSI)
Security Name	Flagship Investments Unsecured Convertible Note
Security Price	\$2.70
Interest Rate	(a) From the Issue Date until the First Step-Up Date: Fixed at 5.50% per annum paid quarterly; and (b) From First Step-Up Date 6.50% per annum. First Step-Up Date: 30 September 2024 Step-Up will only occur if the 2 year Bank Bill Swap Rate (or its successor) as set on the First Step-Up Date, is above 1.2832%. If Step-Up does not occur, the Interest Rate will remain fixed at 5.50%.
Maturity Date	1 October 2026
Conversion Period	The Conversion Period commences on the second anniversary of the Initial Issue Date of the Securities and ends 10 Business Days prior to the Maturity Date.
Conversion Price	\$2.70, subject to adjustment for certain dilutionary and other capital transactions by FSI.
Priority Offer	Any person who has a registered address in Australia and who, as at the Priority Offer Record Date, was a shareholder in FSI or any other party as determined by FSI in its discretion.
Size	\$20 million

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IMPORTANT NOTICE

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. Your investment decision regarding the Offer should be based upon the information contained in this Prospectus, the information disclosed by the Company to the ASX in compliance with its continuous disclosure obligations, and any advice which you determine is necessary or appropriate to inform your decision regarding the Offer. If you do not understand any part of this Prospectus, you should consult your accountant, tax adviser, stockbroker, solicitor or other professional adviser.

Please refer to the instructions in section 8 of this Prospectus regarding your application under the Offer.

General

This Prospectus is issued by Flagship Investments Limited (ABN 99 080 135 913) (**FSI, Flagship Investments, Company or Issuer**) in connection with the issue of redeemable, unsecured, unsubordinated, convertible notes (**FSI Notes**).

This Prospectus is dated 30 August 2021. A copy of this Prospectus was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of any investment under this Prospectus. No FSI Notes will be issued on the basis of this Prospectus after the expiry date. This Prospectus expires on 30 September 2022.

No person may give any information or make a representation about the Offer, which is not in this Prospectus. Information or representations not in this Prospectus must not be relied on as authorised by the Company, or any other person, in connection with the Offer.

This Prospectus provides information for investors to decide if they wish to invest in Flagship Investments. Read this document in its entirety. Examine the assumptions underlying the risk factors that could affect the financial performance of Flagship Investments. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Offer does not take into account the investment objectives, financial situation or needs of particular investors.

Letter from the Managing Director

30 August 2021

Dear Investors and fellow Shareholders,

I am pleased to invite you to participate in Flagship Investments Limited's (**FSI**) convertible note offer. The listed, redeemable, unsecured convertible notes (**FSI Notes**) are an invitation for new investors to take an interest in our business and to provide existing Shareholders with a further avenue to benefit from their ownership in our Company. The Offer is subject to Shareholder Approval which will be sought at the Annual General Meeting of the Company and a notice of meeting will be sent to Shareholders shortly.

This Prospectus contains further details of the Offer, the terms of the FSI Notes and a description of the risks associated with an investment in the FSI Notes and FSI. I encourage you to read the entire Prospectus carefully and consider the risks before deciding whether to participate in the Offer.



Benefits to Shareholders

The Board first and foremost respect the rights of our Shareholders and will seek opportunities to add value for our loyal Shareholder base. The FSI Notes will provide an immediate injection of capital which will be utilised by the Investment Manager in accordance with the existing Investment Mandate. Based on the since inception portfolio performance of 13.5% per annum there should be respectable uplift in Net Tangible Assets (**NTA**) over the period after payment of note interest. The uplift in NTA generally culminates in an uplift in FSI's share price and allows for increased dividends over time.

At the point of conversion, the increased market capitalisation of the Company means greater coverage from LIC research houses – expanding the marketability and visibility of FSI.

Benefits to Investors

The FSI Notes are an attractive product that could form a defensive component of an investment portfolio. Currently the returns on cash are negligible and therefore investors are looking for fixed income alternatives. The FSI Notes will provide a return of 5.5% per annum with liquidity subject to market pricing should you wish to exit early. Additionally, the note holder has the conversion option that provides an opportunity to capitalise on share price appreciation after the second anniversary date and 10 days before the 5 year maturity date. Shares in FSI have been tightly held by a loyal Shareholder base, the FSI Notes provide a unique opportunity for a fixed price entry to the Company's diversified portfolio.

FSI currently does not have any other debt and makes a commitment not to extend indebtedness beyond the \$20 million raising. This provides Investors with relatively low-risk access to a 5.5% return with additional upsides.

As mentioned above the proceeds from the FSI notes will be fully incorporated into the FSI Investment Portfolio and deployed in accordance with the investment mandate and investment process. To date, the Company has enjoyed enviable success, culminating in an investment performance which establishes it as a leading performer in active management. The one characteristic that distinguishes successful investors is a disciplined approach to researching the merits of each particular investment – a philosophy to which the Company subscribes and which has significantly contributed to the success of the Company. The Board continues to back our Investment Manager in delivering future returns and believe the FSI Notes will provide benefits to all stakeholders.

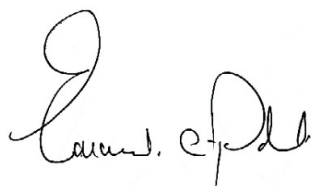
If you are unsure whether the FSI Notes are a suitable investment for you, you should consult your stockbroker, accountant or other professional adviser.

The Board fully support the FSI Notes offer and, subject to Shareholder approval being obtained in respect of such, intend to participate on the following basis:

	Value \$	Number of Notes
Dominic McGann	\$50,000	18,518
Sophie Mitchell	\$50,000	18,518
Manny Pohl AM	\$5,000,000	1,851,851
Angela Obree	\$5,000	1,851
Scott Barrett	\$100,000	37,037

I look forward to welcoming new Investors to our Company and providing existing Shareholders another avenue to enjoy the performance of FSI. On behalf of the Board, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully



Dr Manny Pohl AM
Managing Director
Flagship Investments Limited

OTHER IMPORTANT NOTICES

Transaction specific prospectus

This Prospectus is a transaction specific prospectus for an offer of FSI Notes and has been prepared in accordance with section 713 of the *Corporations Act 2001* (Cth) as modified by ASIC Corporations (Offers of Convertibles) Instrument 2016/83.

As such it does not contain the same level of disclosure as an initial public offering prospectus or a prospectus prepared in accordance with section 710 of the Corporations Act.

This Prospectus is therefore intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. In providing information in this Prospectus, regard has been had to the fact that FSI is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Intermediary authorisation

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act necessary to carry out the Offer under this Prospectus. Accordingly, the Offer will be made under an arrangement between the Company and Morgans Financial Limited as holder of an AFSL under section 911A(2)(b) of the Corporations Act, to act as Authorised Intermediary. The Company has authorised the Authorised Intermediary to invite people to apply for and to arrange for the issue of the FSI Notes under the Offer and the Company will only issue the FSI Notes in accordance with those offers and no others.

The Joint Lead Managers will manage the Offer on behalf of the Company.

The Joint Lead Managers and the Authorised Intermediary's functions must not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. The Joint Lead Managers do not guarantee the success or performance of the Company or the returns (if any) to be received by an investor. Neither the Joint Lead Managers nor any other Licensee is responsible for, or has caused the issue of, this Prospectus.

Electronic prospectus

This Prospectus is available electronically at www.flagshipinvestments.com.au/fsi-notes/.

The Corporations Act prohibits any person passing onto another person an Application Form for the Offer unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus. A paper copy of this Prospectus will be made available free of charge by contacting the Company.

Exposure period

The Corporations Act prohibits the acceptance by FSI of applications for FSI Notes in respect of the Offer during the seven day period after the date this Prospectus was lodged with ASIC. This period is referred to as the 'Exposure Period' and ASIC may extend this period by a further seven days (that is up to 14 days in total).

The purpose of the Exposure Period is to enable materials in the Prospectus, which relate to the Offer, to be examined by ASIC and market participants before the Offer may be accepted by investors. No applications will be processed until after the end of the Exposure Period.

No representation other than in this prospectus

You should rely only on information in this Prospectus. No person is authorised to provide any information or to make any representations in connection with the Offer which are not contained in this Prospectus. Any information or representations not contained or incorporated by reference in this Prospectus may not be relied upon as having been authorised by FSI in connection with the Offer.

Restrictions in foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for FSI Notes in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

No action has been taken to register or qualify the FSI Notes or the Offer, or to otherwise permit a public offering of the FSI Notes, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Any person who has a registered address in a country outside of Australia and who receives this Prospectus outside Australia may only apply for FSI Notes if that person is able to reasonably demonstrate to the satisfaction of FSI that they may participate in the Offer relying on a relevant exception from, or are otherwise not subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have such registered address.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The FSI Notes have not been, and will not be registered under the US Securities Act and may not be offered or sold in the United States or to US Persons except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Past performance

Past performance and pro forma financial information included in this Prospectus is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance or condition. Investors should note that past performance, including past share price performance, of FSI cannot be relied upon as an indicator of (and provides no guidance as to) FSI's future performance including future share price performance.

The historical information included in this Prospectus is, or is based on, information that has previously been released to the market.

Investors should also be aware that certain financial data included in this Prospectus may be 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-

IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios (if any) included in this Prospectus.

No withdrawal of application

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

Privacy

The Company and the share registry collect, hold and use personal information received from you to communicate and provide services to you as a Shareholder. The Company may disclose information to its agents, service providers (such as the share registry) and government bodies. The Company's privacy policy sets out how you may access, correct and update the personal information that the Company holds about you (by contacting the share registry), how you can complain about privacy related matters and how the Company responds to complaints.

Defined terms

Capitalised terms used in this Prospectus are defined in the Glossary.

Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

Future performance

Certain statements in this Prospectus are about the future and are forward looking in nature. Generally, you can identify forward-looking statements by terms such as 'may', 'will', 'should', 'could', 'would', 'aim', 'assumes', 'intends', 'objectives', 'positioned', 'targets', 'expects', 'plans', 'anticipates', 'believes', 'estimates', 'projects', 'predicts', 'potential' and other similar expressions that are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on current expectations, estimates, forecasts and projections about FSI's business and the industry in which FSI operates and management's beliefs and assumptions.

These forward-looking statements are not guarantees of future performance. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors, some of which are beyond the control of the Company that could cause the actual conduct, results, performance or achievements of the Company to be materially different from those expressed or implied by such statements or that could cause future conduct or results to be materially different from the historical conduct or results. This Prospectus details some important risk factors that could cause FSI's actual results to differ from the forward-looking statements made in this Prospectus. Further details regarding these risks, and other risks which may affect FSI or an investment in FSI, are contained in section 4 of this Prospectus.

Deviations as to future conduct, results, performance and achievements are both normal and to be expected.

Except as required by law and then only to the extent required, neither FSI nor its related bodies corporate, and their respective directors, officers, partners, employees, agents, representatives or advisors, or any other person makes any representation, or gives any assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Prospectus will occur. Investors are cautioned about relying on forward-looking statements included in this Prospectus.

The forward-looking statements in this Prospectus reflect views held as at the date of this Prospectus, unless otherwise specified. Subject to the Corporations Act, the Listing Rules and any other applicable laws or regulations, FSI does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports filed from time to time with the ASX after the date of this Prospectus.

Responsibility statement by the Trustee

The Trustee, Equity Trustees Limited:

- (a) has not authorised or caused the issue, submission, dispatch or provision of this Prospectus and does not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- (b) does not, nor do any of its directors, employees, officers, affiliates, agents, advisors, intermediaries or related body corporate (each a 'related person') assume any responsibility for the accuracy or completeness of any information contained in this Prospectus;
- (c) to the maximum extent permitted by law expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with its written consent;
- (d) has given, and has not, before the lodgement of this Prospectus with ASIC withdrawn, its written consent to be named in this Prospectus in the form and content in which it is named;
- (e) does not, nor does any related person, make any representation as to the truth and accuracy of the contents of this Prospectus;
- (f) has relied on FSI for the accuracy of the contents of this Prospectus; and
- (g) does not, nor does any related person, make any representation or warranty as to the performance of the FSI Notes or the payment of interest or redemption of FSI Notes.

Guidance for retail investors

The Notes are 'unsecured notes' for the purposes of section 283BH of the Corporations Act.

If you are considering applying for any FSI Notes under the Offer, this Prospectus is important and should be read in its entirety before making an Application. In particular you should have regard to:

- 'Key features of the Offer' and the 'Key terms of the FSI Notes' in section 1 and information about 'FSI' in section 2;
- 'Risk factors' in section 4; and
- 'FSI Note Terms' in section 9.

You should carefully consider the risks and other information regarding an investment in FSI Notes and FSI in light of your investment objectives, financial situation and particular needs (including financial and taxation issues).

Speak to your professional adviser

FSI Notes are a complex investment and may be difficult to understand, even for experienced investors, and involve different risks from a simple debt or ordinary equity security. You should ensure that you understand the FSI Note Terms and risks of investing in FSI Notes and consider whether FSI Notes are an appropriate investment for your particular circumstances.

FSI recommends that you seek guidance from your licensed financial adviser or other professional adviser before deciding whether to invest. ASIC has published guidance on how to choose a licensed adviser on its MoneySmart website. You can read this guidance by searching for the term 'choosing a financial adviser' at www.moneysmart.gov.au.

Consider the ASIC guidance for retail investors

ASIC has published guidance on its MoneySmart website which may be relevant to your consideration of whether to invest in FSI Notes – namely, information for retail investors who are considering investing in hybrid securities. You can find this guidance by searching 'hybrid securities' at www.moneysmart.gov.au. ASIC's guidance includes a series of questions you should ask before you invest in hybrid securities, and a short quiz you can complete to check your understanding of how hybrids work, their features and the risks of investing in them.

Obtain further information about FSI

FSI is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. FSI must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about it that a reasonable person would expect to have a material effect on the price or value of its securities. While the FSI Notes are on issue, FSI will also produce quarterly reports about the FSI Notes that are provided to ASIC and the Trustee in accordance with the requirements of section 283BF of the Corporations Act (283BF Report).

Copies of documents lodged with ASIC, which are publicly available, can be obtained from ASIC's website at www.asic.gov.au (a fee may apply) and FSI's ASX announcements may be viewed at www.asx.com.au.

Enquiries

If you have any questions in relation to the Offer or an Application, please visit www.flagshipinvestments.com.au/fsi-notes/, email the Registrar at enquiries@boardroom.com.au or call the FSI Notes Offer Information Line on 1800 352 474 (within Australia) or on +61 7 5644 4406 (International) Monday to Friday 8:30am to 5:30pm, Brisbane time.

Key dates

Summary of key dates¹

Event	Date
Priority Offer Record Date	27 August 2021
Lodgement of Prospectus with ASIC and announcement of FSI Notes Offer	30 August 2021
Notice of meeting issued to Shareholders	30 August 2021
Offer Opening Date	7 September 2021
Offer Closing Date	24 September 2021
Shareholder meeting to approve Offer	29 September 2021
Settlement Date	30 September 2021
Allotment Date of FSI Notes	1 October 2021
Despatch of holding statements	4 October 2021
Commencement of trading on ASX (on normal settlement basis)	4 October 2021
First Interest Payment Date	31 December 2021
First Step-Up Date	30 September 2024
Maturity Date	1 October 2026

¹ These dates are indicative only. FSI reserves the right to change the dates without prior notice. FSI and the Joint Lead Managers may (without notice to any investor or other person) accept late Applications (either generally or in particular cases), extend the Closing Date, close the Offer early or withdraw the Offer at any time before the FSI Notes are issued. If the Offer is withdrawn before the issue of the FSI Notes, all Application Monies received by FSI will be refunded (without interest) to Applicants as soon as practicable after the withdrawal. In addition, ASIC may extend the Exposure Period by up to seven calendar days in which case the Opening Date for the Offer and other dates may be varied accordingly without notice.

1 Investment overview

1.1 About the Company

Question	Answer	More information
Who is the Issuer?	Flagship Investments Limited (ABN 99 080 135 913) (FSI). FSI is an investment company, primarily investing in listed Australian securities. The Company provides investors with access to a diversified Australian investment portfolio. FSI's Ordinary Shares are listed on the ASX (ASX: FSI).	Section 2.1
Who is the Investment Manager?	EC Pohl & Co Pty Ltd is the investment manager of FSI (EC Pohl & Co or Investment Manager).	Section 2.4
What is the Company's investment approach?	The investment strategy centres on the view that the economics of a business drives long-term investment returns and investing in high quality business franchises that have the ability to generate predictable, above-average economic returns will produce superior investment performance.	Section 2.2
What is the Company's net tangible asset position?	The net tangible assets (NTA) before tax on unrealised gains of FSI at 31 July 2021 were \$69 million, which equates to \$2.70 per Ordinary Share. The NTA after tax on unrealised gains of FSI at 31 July 2021 were \$62 million, which equates to \$2.42 per Ordinary Share.	
What is the Company's dividend policy?	FSI aims to deliver shareholders a sustainable growing stream of fully franked dividends, provided FSI has sufficient profit reserves and franking credits and it is within prudent business practices to do so. Whilst past performance is not indicative of future performance, since inception of the Investment Portfolio, FSI maintained a compound annual growth rate of fully franked dividends of 5.1%.	
Who are the Directors?	The Directors of FSI are: (a) Mr Dominic McGann, Independent Chairman; (b) Dr Manny Pohl AM, Managing Director; and (c) Ms Sophie Mitchell, Independent Director. Alternate Directors: (a) Angela Obree (alternate to Sophie Mitchell); and (b) Scott Barrett (alternate to Dominic McGann).	Section 1.1

1.2 Key features of the Offer

Question	Answer	More information																																																				
What are the FSI Notes?	The FSI Notes are redeemable, unsecured, unsubordinated, convertible notes.	Section 9																																																				
What is the Offer size?	Up to \$20 million.	Section 3																																																				
What is the purpose of the Offer?	<p>Proceeds of the Offer will be used to fund further investments in securities and costs associated with the Offer.</p> <p>The deployment of the funds raised from the Offer will be consistent with FSI’s investment objectives as detailed at section 2.2.</p> <p>FSI maintains its focus on protecting capital and aims to deliver shareholders a sustainable growing stream of fully franked dividends, whilst providing capital growth over the longer term.</p>	Section 2																																																				
Is the Offer conditional upon Shareholder Approval?	Yes, the Offer is conditional on FSI obtaining Shareholder Approval. Shareholder Approval is being sought at the Annual General Meeting of Shareholders. If Shareholder Approval is not obtained, FSI will not proceed with the Offer, no FSI Notes will be issued and Application Monies will be returned to Applicants without interest.	Section 7.1																																																				
What is the effect of the Offer on FSI’s financial position?	<p>The unaudited pro forma statement of financial position shows the adjustments that would be made to FSI’s statement of financial position as at 30 June 2021, assuming an issue of \$20 million of FSI Notes, net of associated costs and is set out below.</p> <table><tr><th></th><th>30 June 2021 Historical</th><th>Offer</th><th>30 June 2021 Pro forma Historical</th></tr><tr><th></th><th>\$’000</th><th>\$’000</th><th>\$’000</th></tr><tr><td colspan="4">Assets</td></tr><tr><td>Cash and cash equivalents</td><td>3,061</td><td>19,346</td><td>22,407</td></tr><tr><td>Financial Assets at Fair Value</td><td>71,536</td><td>-</td><td>71,536</td></tr><tr><td>Other assets</td><td>194</td><td>-</td><td>194</td></tr><tr><td>TOTAL ASSETS</td><td>74,791</td><td>19,346</td><td>94,137</td></tr><tr><td colspan="4">Liabilities</td></tr><tr><td>Convertible notes</td><td>-</td><td>20,000</td><td>20,000</td></tr><tr><td>Deferred tax liabilities</td><td>7,682</td><td>-</td><td>7,682</td></tr><tr><td>Other liabilities</td><td>3,985</td><td>-</td><td>3,985</td></tr><tr><td>TOTAL LIABILITIES</td><td>11,667</td><td>20,000</td><td>31,667</td></tr><tr><td>NET ASSETS / TOTAL EQUITY</td><td>63,124</td><td>(654)</td><td>62,470</td></tr></table>		30 June 2021 Historical	Offer	30 June 2021 Pro forma Historical		\$’000	\$’000	\$’000	Assets				Cash and cash equivalents	3,061	19,346	22,407	Financial Assets at Fair Value	71,536	-	71,536	Other assets	194	-	194	TOTAL ASSETS	74,791	19,346	94,137	Liabilities				Convertible notes	-	20,000	20,000	Deferred tax liabilities	7,682	-	7,682	Other liabilities	3,985	-	3,985	TOTAL LIABILITIES	11,667	20,000	31,667	NET ASSETS / TOTAL EQUITY	63,124	(654)	62,470	Section 3
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Question	Answer			More information
What is the effect of the Offer on FSI's capital structure?		Pre-Offer	Post-Offer	
	Ordinary Shares	25,792,720	25,792,700	
	Options	None	None	
	FSI Notes ¹	None	7,407,407	
	1 Assumes an issue size of \$20 million.			

1.3 Key terms of the FSI notes




Question	Answer	More information
Security	Redeemable, unsecured, unsubordinated, convertible notes.	Section 9
Issue Date	Subject to Shareholder Approval being obtained, on or around 1 October 2021.	
Maturity Date	Unless converted, redeemed earlier, or purchased by FSI and cancelled, FSI will redeem all outstanding FSI Notes 1 October 2026.	Section 9
Issue Price/Face Value	\$2.70 per FSI Note.	Section 9
Shareholder Approval	The Offer is conditional on FSI obtaining Shareholder Approval. If Shareholder Approval is not obtained, FSI will not proceed with the Offer, no FSI Notes will be issued and Application Monies will be returned to Applicants without interest.	Section 7.1
Interest Rate	<p>(a) From the Issue Date until the First Step-Up Date: Fixed at 5.50% per annum; and</p> <p>(b) From the First Step-Up Date: Fixed at 6.50% per annum.</p> <p>Step-Up will only occur if the 2 year Bank Bill Swap Rate (or its successor) as set on the First Step-Up Date, is above 1.2832%. If Step-Up does not occur, the Interest Rate will remain fixed at 5.50%.</p>	Section 9
First Step-Up Date	30 September 2024	Section 9
Interest payment	<p>Payable quarterly in arrears on each Interest Payment Date. Interest will be paid on 31 March, 30 June, 30 September and 31 December during the term of the FSI Notes, with the first interest payment payable on 31 December 2021.</p> <p>Interest payments are not deferrable by FSI nor are they discretionary.</p>	Section 9
Conversion Period	The Conversion Period commences on the second anniversary of the Initial Issue Date of the Notes and ends 10 Business Days prior to the Maturity Date.	Section 9
Noteholder conversion	A Noteholder may from time to time elect to convert some or all of its FSI Notes into Ordinary Shares during the Conversion Period or after any Tax Redemption Notice has been given by the Company by issuing a Conversion Notice (provided the aggregate Face Value of the FSI Notes the	Section 9

Question	Answer	More information
	subject of the Conversion Notice is at least \$10,000, or the aggregate Face Value of all Notes held by that Noteholder). A Conversion Notice will only be valid if received by FSI at least 10 Business Days before the end of the Conversion Period. A Noteholder's conversion rights are subject to certain restrictions where a Tax Event, Delisting Event or a Change of Control Event has previously occurred.	
Conversion basis	The Noteholder has the right to convert some or all of its Notes into Shares on a one for one basis.	Section 9
Conversion Amount	Equal to the aggregate Face Value of the total number of Notes the subject of the relevant Conversion Notice plus, any accrued (but unpaid) interest up to (but excluding) the Conversion Date.	Section 9
Conversion Price	\$2.70, subject to adjustment for certain dilutionary and other capital transactions by FSI.	Section 9
Redemption	Those FSI Notes not converted by the Maturity Date will be redeemed by FSI at the Issue Price together with the payment of any accrued but unpaid interest.	Section 9
Noteholder exit rights	<p>If a Change of Control Event or a Delisting Event occurs, the Noteholder may require FSI to redeem all of the FSI Notes held by that Noteholder prior to the Maturity Date for an amount equal to their Face Value together with any accrued (but unpaid) interest.</p> <p>As soon as reasonably practicable after the occurrence of a Change of Control Event or a Delisting Event, FSI must deliver a Noteholder Redemption Event Notice in writing to the Trustee with a copy to the Noteholders, the Registrar and ASX specifying the occurrence of a Change of Control Event and/or Delisting Event and other information as described under the FSI Note Terms.</p> <p>A Noteholder may exercise its right to redeem all (but not some) of its FSI Notes (arising in the above circumstances) by delivery to FSI of a duly completed and signed Noteholder Redemption Election Notice at any time within 30 Business Days from the date it has received a Noteholder Redemption Event Notice.</p> <p>If not previously redeemed or converted, the FSI Notes will be redeemed on the Maturity Date for an amount equal to 100% of the Face Value of the Note together with any accrued (but unpaid) interest.</p>	Section 9
Optional early redemption by FSI	<p>If a Tax Event or Change of Control Event occurs, FSI may redeem all of the FSI Notes before the Maturity Date for an amount equal to 101% of their Face Value together with any accrued (but unpaid) interest.</p> <p>FSI may also redeem all of the FSI Notes before their Maturity Date on the First Step-Up Date or any subsequent Interest Payment Date, or if a Clean-Up Event occurs, for an amount equal to 100% of their Face Value together with any accrued (but unpaid) interest.</p>	Section 9

Question	Answer	More information
	In each of the above circumstances, the FSI Note Terms set out a strict process by which FSI may effect early redemption. This process includes (among other requirements) the giving of appropriate notice by FSI to the Trustee, the Registrar, the Noteholders and ASX of the relevant event and of FSI's intention to redeem the FSI Notes.	
Change of Control Event	<p>This occurs where:</p> <ul style="list-style-type: none"> (a) the investment management agreement between the Investment Manager and FSI lapses or is terminated and no replacement investment management agreement has been entered into by the Investment Manager and FSI on, or as soon as reasonably practicable after, such lapse or termination; or (b) a takeover bid is made to acquire all of the Ordinary Shares and the offer under the takeover bid is, or becomes, unconditional and: <ul style="list-style-type: none"> (i) the bidder has acquired at any time during the offer period a relevant interest in more than 50 per cent of the Ordinary Shares on issue; or (ii) the Directors of FSI unanimously recommend the acceptance of the offer under the takeover bid, and acceptance of that offer would result in the bidder having a relevant interest in 100 per cent of the Ordinary Shares on issue; or (c) a court approves a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in more than 50 per cent of the Ordinary Shares on issue. 	Section 9
Delisting Event	<p>This occurs where:</p> <ul style="list-style-type: none"> (a) Ordinary Shares or FSI Notes are no longer quoted on ASX; or (b) Ordinary Shares or FSI Notes are suspended from trading on ASX for a period of 20 consecutive Business Days, <p>in each case, other than as a result (directly or indirectly) of a Change of Control Event.</p>	Section 9
Tax Event	<p>A Tax Event occurs where, on or after the Issue Date, FSI receives an opinion of a nationally recognised legal counsel or tax adviser in Australia, experienced in such matters, that, as a result of a change in a law, or in the application or interpretation of a law, there is a more than insubstantial risk that:</p> <ul style="list-style-type: none"> (a) any payment to a Noteholder under a FSI Note will be subject to an amount of withholding or deduction in respect of any Taxes or other governmental charges for which FSI must pay an Additional Amount; or (b) payment of interest will not be allowed as a deduction for the purposes of FSI's Australian tax purposes. 	Section 9

Question	Answer	More information
Events of Default	<p>Each of the following is an Event of Default in relation to any FSI Notes:</p> <ul style="list-style-type: none"> (a) (non-payment) FSI fails to pay or repay any amount payable by it under the FSI Notes within 10 Business Days after the date on which it is due and, where the sole reason for the default is a technical or administrative difficulty within the banking system being used to effect payment, such default is not remedied within five Business Days; (b) (non-issue of Ordinary Shares) FSI fails to issue Ordinary Shares on Conversion in accordance with the FSI Note Terms within 10 Business Days after the date on which such issue is to be made; (c) (breach of other obligations) FSI fails to comply with any of its other material obligations under the FSI Note Terms or the FSI Trust Deed and such failure remains unremedied for a period of 30 Business Days after FSI has received written notice from the Trustee in respect of the failure; (d) (cross default) any debt of FSI greater than \$500,000 (or its equivalent in any other currencies) becomes due and payable before its stated maturity due to the occurrence of a default event (however described); (e) (insolvency) an Insolvency Event occurs in respect of FSI; (f) (unlawfulness) it is, at any time unlawful for FSI to perform any of its payment obligations under the FSI Notes; or (g) (vitiation) all or any obligations of FSI or rights of the Noteholders or the Trustee under the FSI Trust Deed or the FSI Note Terms are terminated or become void, illegal, invalid, unenforceable or of limited force and effect. 	Section 9
Default interest	<p>Interest accrues on the Face Value of each Note at the sum of the most recent Interest Rate plus a default rate of 2.0% per annum while:</p> <ul style="list-style-type: none"> (a) an Event of Default occurs and is continuing; or (b) an LTV Ratio Event occurs and is continuing (other than while default interest following an Event of Default applies). 	Section 9
Financial information and financial undertakings	<p>For so long as any of the FSI Notes remain outstanding, FSI must not, without the approval of Noteholders by way of Special Resolution:</p> <ul style="list-style-type: none"> (a) make any In-specie Distribution or return of capital to ordinary shareholders; (b) make any other Distribution that would result in an LTV Ratio Event immediately after such Distribution; or (c) incur any Financial Indebtedness other than Permitted Financial Indebtedness. 	Sections 3 and 9

Question	Answer	More information
Permitted Financial Indebtedness	<p>FSI may incur Financial Indebtedness in any of the following circumstances:</p> <ul style="list-style-type: none"> (a) under FSI Notes issued on the Initial Issue Date; (b) where the Financial Indebtedness is incurred or guaranteed after the Initial Issue Date for the purpose of replacing, refinancing or extending the maturity of any other Permitted Financial Indebtedness; (c) where the Financial Indebtedness does not result in FSI's total Financial Indebtedness exceeding \$35 million and also does not result in an LTV Ratio Event in each case immediately after the incurrence of such Financial Indebtedness; or (d) where the Financial Indebtedness has been approved by the Noteholders by way of Special Resolution pursuant to the Meeting Provisions. 	Section 9
Negative pledge	<p>For so long as the FSI Notes are outstanding FSI must not create or permit to subsist any Security Interest upon the whole or any part of its present or future assets to secure any Financial Indebtedness other than a Permitted Security Interest, unless in any such case, before or at the same time as the creation of the Security Interest:</p> <ul style="list-style-type: none"> (a) all amounts payable by FSI under the FSI Notes and the FSI Trust Deed are secured equally and rateably with the Financial Indebtedness; or (b) such other Security Interest is provided in respect of all amounts payable by FSI under the FSI Notes and the FSI Trust Deed as the Trustee shall in its absolute discretion determine to be not materially less beneficial to the interests of the Noteholders as a whole. 	Section 9
Quarterly reports	FSI will publish a copy of each 283BF Report on its website as soon as practicable after providing to the Trustee.	Section 9
Trustee	<p>Equity Trustees Limited was appointed as trustee of the FSI Note Trust pursuant to the FSI Trust Deed executed on 30 August 2021.</p> <p>The FSI Trust Deed provides for the obligations of FSI and the Trustee to the Noteholders. All rights in relation to the FSI Notes may generally only be enforced by the Trustee in accordance with the FSI Trust Deed as summarised in section 6.</p>	Section 6.5
Ranking	<p>FSI Notes are direct, unsecured and unsubordinated debt obligations and rank without preference or priority:</p> <ul style="list-style-type: none"> (a) behind FSI's secured debt; (b) equally amongst themselves and at least equally with all other unsubordinated and unsecured obligations of FSI, other than those obligations mandatorily preferred by law including employee entitlements and secured creditors; and (c) ahead of ordinary equity of FSI and any of FSI's obligations that are expressed to be subordinated to FSI Notes. 	Sections 9 and 4.1

Question	Answer	More information																						
	<table><tr><td></td><td>Ranking</td><td>Existing FSI debt obligations and equity</td><td>Facility capitalisation^{1, 2, 3}</td></tr><tr><td>Higher Ranking</td><td>Secured debt</td><td>None</td><td>None</td></tr><tr><td rowspan="3"></td><td>Unsecured debt</td><td>FSI Notes</td><td>\$20 million</td></tr><tr><td>Unsecured subordinated debt</td><td>None</td><td>None</td></tr><tr><td>Preference shares</td><td>None</td><td>None</td></tr><tr><td>Lower Ranking</td><td>Ordinary shares</td><td>Ordinary shares</td><td>\$63.1 million</td></tr></table> <p>Notes</p> <p>1 Assuming that \$20 million of the FSI Notes are issued under the Offer.</p> <p>2 FSI's total shareholders' equity as at 30 June 2021, as set out in section 3 of this Prospectus.</p> <p>3 These amounts may vary during the term of this Prospectus and during the term of the FSI Notes.</p>		Ranking	Existing FSI debt obligations and equity	Facility capitalisation ^{1, 2, 3}	Higher Ranking	Secured debt	None	None		Unsecured debt	FSI Notes	\$20 million	Unsecured subordinated debt	None	None	Preference shares	None	None	Lower Ranking	Ordinary shares	Ordinary shares	\$63.1 million	
	Ranking	Existing FSI debt obligations and equity	Facility capitalisation ^{1, 2, 3}																					
Higher Ranking	Secured debt	None	None																					
	Unsecured debt	FSI Notes	\$20 million																					
	Unsecured subordinated debt	None	None																					
	Preference shares	None	None																					
Lower Ranking	Ordinary shares	Ordinary shares	\$63.1 million																					
Credit rating	Unrated.																							
Participation rights	If there is a securities issue before the Maturity Date, the Noteholder will not have any participation rights except to the extent that the Noteholder exercises its rights under the FSI Note Terms and is issued Ordinary Shares prior to the Record Date for any such securities issue or is otherwise a holder of Ordinary Shares.	Section 9																						
Voting rights	Noteholders may not attend or vote at meetings of members of FSI unless provided for by the Listing Rules or the Corporations Act.	Section 9																						
ASX quotation	Application will be made for the FSI Notes to be quoted on ASX under the code 'FSIGA'.	Section 9																						

1.4 Key risks associated with FSI Notes

The following highlights the key risks associated with an investment in FSI Notes. Please refer to section 4 for further information on the risks relating to an investment in FSI generally and to the market for FSI Notes generally. Please note the risks highlighted are not intended to be exhaustive.

Before applying for FSI Notes, you should consider whether FSI Notes are a suitable investment for you.

Question	Answer	More information
FSI Notes are complex instruments and may not be a suitable	Each potential investor in the FSI Notes must determine the suitability of that investment in light of their own circumstances. A potential investor should not invest in the FSI Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the FSI Notes will perform	Section 4.1

Question	Answer	More information
investment for all investors	under changing conditions, the resulting effects on the value of such FSI Notes and the impact this investment will have on the potential investor's overall investment portfolio.	
FSI may not be able to redeem the FSI Notes when due	FSI expects to be able to redeem the FSI Notes using the proceeds from cash flows from operations (if available) or proceeds from the sale of investments. While unlikely, there is a risk that FSI would be unable to procure or raise sufficient cash resources from the sale of investments and would, in that case, have insufficient cash flows to redeem the FSI Notes at the Maturity Date. Neither FSI, nor the Trustee, nor any other entity have guaranteed the redemption of the FSI Notes.	Section 4.1
Investment performance risk	FSI invests in a portfolio of ASX listed investments using a defined investment process. Investment risks associated with the volatility of the equities market could mean a sustained period of under-performance and would impact the Company earnings and/or value of its holdings.	Section 4
Other key risks	Other key risks include: (a) Market price volatility of Ordinary Shares; (b) Noteholders have no voting rights; and (c) Lack of public market for FSI Notes. These risks are set out in further detail in section 4.	Section 4

1.5 Further information about the offer

Question	Answer	More information
Offer structure	The offer consists of: (a) a Priority Offer; and (b) a Broker Firm Offer. If there is excess demand, Applications may be scaled back by FSI. There is no general public offer of the FSI Notes.	Section 8
Application process	If you are applying under the Priority Offer, you must apply online at http://notes.flagshipinvestments.com.au/ . Instructions on how to complete the Application Form are set out online. Further information can be obtained by contacting the FSI Notes Offer Information Line on 1800 352 474 (within Australia) or on +61 7 5644 4406 (International) (Monday to Friday 8:30am to 5:30pm, Brisbane time). If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you a Broker Firm Allocation for information about how and when to lodge your Application. For further information on how to apply for FSI Notes, see section 8.	Section 8
Brokerage, commission or	Applicants under the Broker Firm Offer may pay brokerage or other fees to their Broker in relation to their Application. Any	Section 8

Question	Answer	More information
stamp duty payable	such fees will be on terms agreed between the applicant and their Broker. No brokerage, commission or stamp duty is payable by you on your application under the Priority Offer. You may be required to pay brokerage if you sell FSI Notes on ASX after FSI Notes have been quoted on ASX.	
Minimum Application	Applications must be for a minimum of 740 FSI Notes (approximately \$2,000). If your Application is for more than 740 FSI Notes, you must apply in multiples of 185 FSI Notes (approximately \$500) thereafter.	Section 8
Participation in the Priority Offer	The Priority Offer is open to any person who has a registered address in Australia and who, as at the Priority Offer Record Date, was a shareholder in FSI or any other party as determined by FSI in its discretion.	Section 8
Participation in the Broker Firm Offer	The Broker Firm Offer is open to Australian clients of Syndicate Brokers including Wholesale and Sophisticated Clients and Retail Clients.	Section 8
Allocation policy	FSI will seek to provide Applicants under the Priority Offer with an allocation of at least 740 FSI Notes (where such Applicants have applied for 740 or more FSI Notes) on a reasonable endeavours basis. FSI does not guarantee any minimum allocation and the extent of any allocation will ultimately depend on the number of Applicants under the Priority Offer and total level of Applications under the Offer. Allocations to brokers and institutional investors under the Broker Firm Offer will be determined by FSI, in agreement with the Joint Lead Managers.	Section 8
Fees and expenses of the Offer	In consideration for management services provided to the Company in relation to the Offer, the Company will pay Morgans Financial Limited \$168,750 (plus GST) and Taylor Collison Limited \$93,750 (plus GST). In addition, each Joint Lead Manager will be paid an application fee of 1.25% (plus GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and their associated Brokers from participating Wholesale and Sophisticated Clients and Retail Clients. Retail Clients who participate in the Broker Firm Offer will be rebated the Application Fee paid in respect of their allocation by their Broker. To find out more about this rebate, including whether you are eligible contact your Broker. No application fees will be paid (or rebated) in respect of proceeds raised via the Priority Offer. The costs of the Offer, net of tax and GST, include legal, accounting, marketing and other costs associated with the preparation of the Prospectus and the issue of Shares. These costs are estimated to be \$444,000 the full amount is raised through the Offer.	Section 6
Underwriting	The Offer is not underwritten.	Section 8

Question	Answer	More information
Tax implications of investing in FSI Notes	A general description of the Australian taxation consequences of investing in FSI Notes is set out in section 5. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.	Section 5
Issue Date	FSI expects that FSI Notes will be issued on 1 October 2021.	Key dates
Commencement of trading on ASX	FSI expects that FSI Notes will begin trading on ASX on 4 October 2021.	Key dates
Holding Statements	FSI expects that Holding Statements will be despatched by 4 October 2021.	Key dates
Withdrawal of Offer	FSI reserves the right not to proceed with the Offer or any part of it at any time before the issue of FSI Notes to Successful Applicants. If FSI withdraws the Offer, FSI Notes will not be issued and all relevant application monies will be refunded (without interest).	
Further information about FSI and the FSI Notes	FSI is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. In addition, FSI must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about FSI that is not generally available, and that a reasonable person would expect to have a material effect on the price or value of its securities, including the FSI Notes.	Further information about FSI and the FSI Notes

2 Flagship Investments – The Business

2.1 Company overview

FSI commenced operations in April 1998 and is a Listed Investment Company (**LIC**) quoted on the ASX.

Investing in FSI provides investors with access to an expertly crafted quality portfolio of Australian growth companies.

The portfolio is managed by EC Pohl & Co which has a strong funds management investment team renowned for its stability, track record and sound investment process.

The portfolio of investments comprises investments in well managed companies whose operations cover a wide spectrum of business activities and is constructed from the perspective of a business owner and not simply by tracking the index weighting of various index component stocks.

2.2 Investment objectives and process

- achieve medium to long-term capital growth and income through investing in a diversified portfolio of Australian companies;
- preserve and enhance the NTA backing per share; and
- provide Shareholders with a fully franked dividend, which, over time, will grow at a rate in excess of the rate of inflation.

2.3 Investment Portfolio Performance

Performance at 30 June 2021						
	3 months	1 year	3 years p.a.	5 years p.a.	10 years p.a.	Since Inception p.a.
Portfolio[^]	13.5%	40.7%	21.2%	18.2%	16.0%	13.5%
Bloomberg Bank Bill Index	0.0%	0.1%	1.0%	1.3%	2.2%	4.1%
ASX All Ordinaries Index	8.1%	26.4%	6.4%	7.4%	5.0%	4.5%
ASX All Ord Accumulation Index	8.7%	30.2%	10.3%	11.5%	9.4%	8.8%

[^] Source: EC Pohl & Co Pty Ltd

Gross performance before impact of fees, taxes and charges. Past performance no predictor of future returns

2.4 Description of Investment Manager

The management of FSI's investment portfolio is undertaken by EC Pohl & Co. Dr Manny Pohl AM is the Managing Director and founder of EC Pohl & Co and has managed the investment portfolio of FSI since its inception.

There is no fixed management fee attached to the investment portfolio or administration of the Company. The Investment Manager receives only a performance-based fee which is payable annually in arrears if the Company's investments outperform the returns on a cash investment. If the Company's net performance is less than the returns on a cash investment, no performance fee is payable ensuring the Investment Manager is focused on absolute returns to Shareholders.

2.5 Investment philosophy

The investment philosophy is built on the belief that the economics of a business drives long-term investment returns. Investing in sustainable, high quality, growth businesses that have the ability to generate predictable, above average economic returns will produce superior investment performance over the long-term.

When assessing companies, the focus is on:

- Valuing potential, not just performance;
- Choosing high-quality, growing businesses; and
- Ignoring market turbulence.

There is no substitute for due diligence.

Through in-depth, detailed analysis, the Investment Manager will come to a conclusion as to whether a business is a quality franchise, has a sustainable competitive advantage, is operating in a favourable industry and has the appropriate management in place to execute on an appropriate strategy.

The six pillars of a quality franchise:



2.6 The Board

Mr Dominic McGann

Chairman

Mr McGann has served on the Board of FSI since 2009 and is a member of the Audit and Risk Committee. Dominic has experience as a Partner with McCullough Robertson Lawyers and a Solicitor with the Supreme Court of Queensland. Dominic is Director of TRI Foundation Limited, Director of Frazer Family Foundation Pty Ltd, Director of Queensland Music Festival Limited, Co-Chair of the Carumba Institute at QUT, Member of the Academic Board, Law School at QUT and Chair of McCullough Robertson Foundation.

Dr Manny Pohl AM

Managing Director

Dr Pohl has been Managing Director since the inception of the Company. He has extensive experience in the funds management industry. Manny is Managing Director of Global Masters Fund Limited, Managing Director of Athelney Trust Plc, Chairman of EC Pohl & Co, Chairman of ECP Asset Management Pty Ltd, Chairman and President of Bond University Rugby Club, Director of Bond University Limited and Director of Huysamer International Holdings (Pty) Ltd.

Ms Sophie Mitchell

Non-Executive Director

Ms Mitchell has served on the Board since 2008 and is the Chair of the FSI Audit and Risk Committee. Sophie is an experienced financial services professional and a former Director of Morgans Corporate Limited and is currently a non-executive Director of Morgans Holdings (Australia) Limited, a Member of the Queensland Advisory Board for Australian Super, a board member of the Australia Council for the Arts, Chair of Apollo Tourism and Leisure, Director of Corporate Travel Management and Director of Myer Family Investments Pty Ltd.

Angela Obree

Alternate Director

Mrs Obree was appointed Alternate Director to Sophie Mitchell in February 2021. Angela has almost 25 years' experience in management consulting in the UK, South Africa, Ireland and Germany, and is a Director of Congrua Limited and an Alternate Director of Global Masters Fund Limited.

Scott Barrett

Alternate Director

Mr Barrett is an Alternate Director for Dominic McGann. Scott has been the Company Secretary and Chief Financial Officer for FSI since 2017, he is the CFO of EC Pohl & Co and is an Alternate Director of ECP Emerging Growth Limited.

3 Financial information and effect of the Offer

3.1 Historical and pro forma consolidated balance sheet as at 30 June 2021

This section contains a summary of the historical financial information for Flagship Investments as at 30 June 2021 (**Historical Financial Information**) and a pro forma historical statement of the financial position as at 30 June 2021 (**Pro Forma Historical Financial Information**) (collectively, **Financial Information**). The Financial Information has been prepared to illustrate the effect of the Offer.

	30 June 2021 Historical	Offer	30 June 2021 Pro forma Historical
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents	3,061	19,346	22,407
Trade and other receivables	189	-	189
Financial Assets at Fair Value	71,536	-	71,536
Intangible assets	5	-	5
TOTAL ASSETS	74,791	19,346	94,137
Liabilities			
Trade and other payables	3,630	-	3,630
Tax payable	355	-	355
Deferred tax liabilities	7,682	-	7,682
Convertible notes	-	20,000	20,000
TOTAL LIABILITIES	11,667	20,000	31,667
NET ASSETS	63,124	(654)	62,470
Equity			
Issued capital	36,179	-	36,179
Reserves	26,675	-	26,675
Accumulated losses	270	(654)	(384)
TOTAL EQUITY	63,124	(654)	62,470

3.2 Basis of preparation of financial information

The stated basis of preparation for the Historical Financial Information is in accordance with the recognition and measurement principles of the Australian Accounting Standards.

The stated basis of preparation for the Pro Forma Historical Financial Information is in a manner consistent with the recognition and measurement principles of the Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in this section of the Prospectus, as if those events or transactions had occurred as at 30 June 2021.

FSI is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC.

FSI's financial statements for the year ended 30 June 2021 have been audited by Connect National Audit Pty Ltd in accordance with Australian Auditing Standards. A complete version of FSI's financial reports are available from ASX's website, www.asx.com.au.

The Financial Information should be read in conjunction with the notes set out in the 2021 Annual Report, the risks described in section 4 and other information contained in the Prospectus.

The Directors are responsible for the preparation and presentation of the Financial Information.

The Pro Forma Historical Financial Information has been prepared by the Directors and assumes completion of the Offer. The accounting policies used in preparation of the Pro Forma Historical Financial Information are consistent with those set out in FSI's Annual Report for the year ended 30 June 2021.

3.3 Pro forma adjustments to consolidated balance sheet

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and has been prepared on the basis that the following significant transactions occurred as at 30 June 2021:

Material transactions since 30 June 2021

- (a) Nil

Due to the nature of the pro forma adjustments, they do not represent the actual or prospective financial position of Flagship Investments.

3.4 Pro forma cash flow statement as at 30 June 2021

The Company's pro forma historical cash position as at 30 June 2021, adjusted for the Offer, is derived from actual cash as follows:

	\$000
Cash as at 30 June 2021	\$'000
Gross proceeds of the Offer	3,061
Offer costs of the Offer	20,000
Pro forma historical cash balance	(654)
	22,407

3.5 FS's existing debt facilities and debt maturity

As at the date of this Prospectus:

- (a) FSI had no outstanding interest bearing loans and borrowings; and
- (b) the Board of FSI have no intention to engage future borrowings or loans until beyond the Maturity Date.

4 Risk factors

4.1 Risks associated with FSI Notes

FSI Notes are complex instruments and may not be a suitable investment for all investors

Each potential investor in the FSI Notes must determine the suitability of that investment in light of their own circumstances. A potential investor should not invest in the FSI Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the FSI Notes will perform under changing conditions, the resulting effects on the value of such FSI Notes and the impact this investment will have on the potential investor's overall investment portfolio.

FSI may not be able to redeem the FSI Notes when due

FSI expects to be able to redeem the FSI Notes using the proceeds from cash flows from operations (if available) or proceeds from the sale of investments. While unlikely, there is a risk that FSI would be unable to procure or raise sufficient cash resources from the sale of investments and would, in that case, have insufficient cash flows to redeem the FSI Notes at the Maturity Date.

FSI must redeem the FSI Notes on the request of a Noteholder if a Change of Control Event or a Delisting Event (each as defined in the FSI Note Terms) occurs. While unlikely, FSI cannot assure Noteholders that, if required, it would have sufficient cash or other financial resources at the time such a redemption obligation arises or would be able to arrange financing to redeem the FSI Notes in cash.

Neither FSI, nor the Trustee, nor any other entity have guaranteed the redemption of the FSI Notes.

FSI may redeem the FSI Notes before the Maturity Date

FSI Notes may or may not be redeemed early by FSI in certain circumstances. There is a risk that the redemption amount may be less than the previously prevailing market value of FSI Notes or the timing of such redemption may not accord with a Noteholder's individual financial circumstances or tax position.

Additionally, in the event of an early redemption of FSI Notes, Noteholders may not receive the returns they expected to achieve on FSI Notes (if held until maturity) by investing the proceeds in alternative investment opportunities available at that time.

Interest rate risk

Interest on the FSI Notes is fixed and payable quarterly in arrears in accordance with the FSI Note Terms. Other than where a First Step-Up Event occurs, no adjustment will be made to the rate of interest paid to Noteholders as other market-based interest rates rise or fall.

The market price of FSI Notes on ASX may fluctuate due to changes in interest rates generally, credit spreads on other corporate securities or investor sentiment towards FSI.

FSI Notes are unsecured and will rank behind the claims of FSI's secured creditors

Neither the FSI Trust Deed nor the FSI Notes create any Security Interest in favour of Noteholders to secure the payment obligations arising under the FSI Notes. The Company does not currently have any secured creditor arrangements in place. Subject to security being granted through the negative pledge detailed in clause 6.1 of the FSI Note Terms, if FSI is wound-up, Noteholders will rank equally with other unsecured and unsubordinated creditors of FSI and ahead of Shareholders.

Volatility of market price for Ordinary Shares

The Ordinary Shares held by Noteholders following Conversion of their FSI Notes will have the same rights as other Ordinary Shares, which are different from the rights attached to FSI Notes.

The trading price of the Ordinary Shares may directly affect the trading price of the FSI Notes. The market price of the Ordinary Shares may be volatile and may cause volatility in the price of FSI Notes and affect the ability of Noteholders to sell the FSI Notes at an acceptable price. There may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

Interest payments are not guaranteed

FSI expects to make interest payments using available cash balances and cash flow from FSI's investments.

FSI's ability to generate cash flows from FSI's operations will depend substantially on the dividends and interest received from its investments. If the dividends and interest from the investments are insufficient to make the interest payments then FSI will generate cash from the realisation of investments. The early realisation of investments could have a long term detrimental effect on the portfolio and on the long term performance of FSI as a whole.

The interest payments on the FSI Notes are not guaranteed by the Investment Manager, the Trustee or any other entity.

Future issues of securities may result in Shareholder dilution

FSI may undertake additional offerings of securities in the future. While FSI is subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period, any issuance of equity securities by FSI after the offer of the FSI Notes could dilute the interest of the existing shareholders and could substantially decrease the market price of the Ordinary Shares. The FSI Note Terms provide for an adjustment to the Conversion Price in relation to some but not all future offerings of securities or in situations where it is lawful to do so.

Payment of dividends on Conversion of FSI Notes to Ordinary Shares is not guaranteed

Payment of any dividends on Ordinary Shares issued on Conversion of the FSI Notes is at the discretion of Directors. Noteholders whose FSI Notes are converted after the record date for a dividend will have no entitlement to that dividend.

Directors may only declare or determine a dividend if there are funds legally available to pay dividends. FSI Notes will not be entitled to participate in any dividends on the Ordinary Shares.

The amount of future dividends actually paid will be determined by the Board of FSI having regard, amongst other things, to FSI's operating results, financial position, and available profit reserves from which to pay a dividend. A change in dividend policy or dividend levels may impact the market value of FSI Notes.

Payment of franked dividends on Conversion of FSI Notes to Ordinary Shares is not guaranteed

There is no guarantee that dividends on Ordinary Shares will be franked. FSI's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax. Changes to the corporate tax rate may also affect the franking rate attached to any dividends on Ordinary Shares and also the franking rate attached to dividends received from investments. If dividends are franked, the value and availability of any franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances.

Shareholders should be aware that the ability to use any franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Shareholder and could change if there is a change in applicable law.

Noteholders have limited anti-dilution protection

As a result of any issue of Ordinary Shares, the voting power and proportionate economic interest of FSI's existing shareholders (and, indirectly, of Noteholders) would be diluted.

FSI may undertake additional offerings of securities in the future. The FSI Note Terms provide for an adjustment to the Conversion Price in relation to only a limited class of future offerings of securities or in situations where it is lawful to do so (refer to FSI Note Terms described in section 9).

The FSI Notes are subject to changes in Australian tax law

Any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding, Conversion or disposal of FSI Notes.

Noteholders have no voting rights

There is a risk that Noteholders may be affected by corporate decisions made by FSI. Noteholders have no voting or other rights in relation to the Ordinary Shares until Ordinary Shares are issued to them. In addition, FSI Notes do not confer on Noteholders any right to subscribe for new securities in FSI or to participate in any bonus issue of securities. The rights attaching to Ordinary Shares, if Ordinary Shares are issued, will be the rights attaching to Ordinary Shares at that time. Noteholders have no right to vote on or otherwise to approve any changes to the Constitution in relation to the Ordinary Shares that may be issued to them upon Conversion. Therefore, Noteholders will not be able to influence decisions that may have adverse consequences for them.

Modifications and waivers

FSI may in certain circumstances amend the FSI Note Terms and the FSI Trust Deed without the consent of Noteholders (refer to clause 11.1 of the FSI Note Terms).

FSI may only amend the FSI Note Terms or the FSI Trust Deed in other circumstances if the amendment has been approved by a Noteholder Resolution or (where required under the Meeting Provisions) a Special Resolution of Noteholders. There is a risk that an amendment of the FSI Note Terms or the FSI Trust Deed will be made, and with which Noteholders may not agree.

Noteholders have limited means to enforce their rights under the FSI Notes and FSI Trust Deed

The FSI Note Terms provide that rights under the FSI Notes and the FSI Trust Deed may generally only be enforced by the Trustee and not by the Noteholders directly. Noteholders must therefore rely on enforcement by the Trustee, except in certain circumstances where the Trustee has failed to take action after being requested by Noteholders to do so.

Noteholders may, by Noteholder or Special Resolution, waive breaches or amend the FSI Trust Deed. A Noteholder with a large holding of FSI Notes may influence the outcome of any such vote.

Lack of a public market for the FSI Notes

The FSI Notes are a new issue of securities for which there is currently no established trading market and one may never develop. FSI will seek quotation of the FSI Notes on the ASX to permit on-market trading of the FSI Notes in Australia.

Any trading market for FSI Notes may be less liquid than the market for Ordinary Shares. Illiquidity may have an adverse effect on the market value of FSI Notes.

If an active trading market were to develop, the FSI Notes could trade at a price that may be lower than the Issue Price of the FSI Notes. Whether or not the FSI Notes will trade at lower prices depends on many factors, including:

- (a) prevailing interest rates and the market for similar securities;
- (b) general economic, market and political conditions;
- (c) FSI's financial condition, financial performance and future prospects as well as the market price and volatility of the Ordinary Shares;
- (d) the publication of earnings estimates or other research reports and speculation in the press or investment community;
- (e) trading activity of individual Noteholders; and
- (f) changes in the industry and competition affecting FSI.

There can be no assurance that investors will be able to buy or sell FSI Notes on the ASX at a price acceptable to them, or at all.

FSI Notes are unrated

FSI Notes are unrated. The market price and liquidity of an unrated security may be adversely affected compared to securities that are rated.

Market price of the FSI Notes may fluctuate

FSI will apply for quotation of FSI Notes on ASX, but FSI is unable to forecast the market price and liquidity of the market for FSI Notes. The market price for the FSI Notes may fluctuate due to various factors, including:

- (a) operating results of FSI that vary from expectations of securities analysts and investors;
- (b) changes in expectations as to FSI's future financial performance, including financial estimates by securities analysts and investors;
- (c) announcement of acquisitions, strategic partnerships, joint ventures or capital commitments by FSI or its competitors;
- (d) changes in the market price of Ordinary Shares;
- (e) macroeconomic conditions, interest rates, credit spreads on other corporate securities, general movements in the Australian and international equity markets;
- (f) other major Australian and international events such as hostilities and tensions, health pandemics and acts of terrorism; and
- (g) other factors beyond the control of FSI and its Directors.

It is possible that FSI Notes will trade at a market price above or below the Face Value as a result of these and other factors. As a result, Noteholders who wish to sell their FSI Notes may be unable to do so at an acceptable price (if at all). Additionally, this may result in greater volatility in the market price of the FSI Notes than would be expected for non-convertible debt securities. Where markets are volatile, there is the potential for fluctuations in the price of securities, sometimes

markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

Inflation risk

An increase in the inflation rate may erode in real terms the value of the capital invested in FSI Notes. It may also negatively impact the profitability of the companies in which FSI invests and the market value of the shares of those companies.

4.2 Risks associated with FSI

Key risks relating to FSI are set out below. It is not, however, possible to describe all the risks to which FSI may become subject and which may impact adversely on FSI's prospects and performance.

Market risk

There is a risk that investments that form part of FSI's Investment Portfolio may fall in value over short or extended periods of time due to movements in the broader equity market. Noteholders are exposed to this risk both through their holdings as well as through FSI's Investment Portfolio. A prolonged decline in macroeconomic conditions (such as increased and sustained unemployment, subdued consumer confidence, economic recessions, downturns or extended periods of uncertainty or volatility) may adversely impact the value and liquidity of FSI's securities (including the FSI Notes) and may also adversely affect the value of shares held by FSI in any of its portfolio companies which may adversely impact the value of FSI's NTA per Ordinary Share.

Equity investment risks

As FSI is a LIC that seeks to invest in ASX listed companies, FSI is exposed to risks inherently associated with investing in listed securities, including:

- (a) the performance of the companies in which FSI invests;
- (b) the level of dividend payments made by the companies in which FSI invests;
- (c) the market prices of the securities in which FSI invests;
- (d) the market liquidity of the securities in which FSI invests;
- (e) the size of FSI's Investment Portfolio; and
- (f) the ability to diversify risk.

Economic risk

The investment returns of FSI's Investment Portfolio are influenced by market factors including changes in the economic conditions (e.g. changes in interest rates and inflation), changes in the financial markets, changes to the legislative and political environment, as well as changes in investor sentiment. In addition, unexpected and unpredictable events affecting the economy (for example, natural disasters, pandemic outbreaks, acts of terrorism and war) could add to wider equity market volatility.

Regulatory risk

FSI is exposed to the risk of changes to applicable laws and regulations or their interpretation, which could have a negative effect on FSI, its investments or returns to shareholders and FSI is also exposed to risks of non-compliance with reporting or other legal obligations.

Investment strategy risk

The success and profitability of FSI significantly depends on the ability of the Investment Manager to successfully and profitably manage FSI's Investment Portfolio and invest in securities that have the ability to generate a return for FSI. There is a risk that the Investment Manager may fail to make investments that generate a return and may make investments that lose money.

Reputational risk

There is a risk of impairment of FSI's reputation arising from factors which could include poor performance, failure to meet regulatory obligations, involvement in public controversy in companies in which it invests or other high-profile issues, shareholder dissatisfaction, inappropriate director remuneration or contagion from reputational concerns of other LICs.

Industry risk

There are industry risk factors that may affect the future operations or performance of FSI. These factors are outside the control of FSI. Such factors include increased regulatory and compliance costs and variations in legislation and government policies generally.

Key person risk

FSI is exposed to the risk that the Investment Manager may cease to manage FSI's Investment Portfolio. The ability of the Investment Manager to continue to manage the Investment Portfolio is dependent on a range of factors including, the maintenance of its AFSL, its continued solvency and the retention of its investment team. The loss of key personnel within the Investment Manager could have a negative effect on the performance of the Investment Manager and FSI.

5 Australian taxation implications

This section contains a general description of the Australian tax consequences of acquiring, holding, converting or disposing of the FSI Notes.

The description applies only to Noteholders who are individuals who are not otherwise associates of FSI and who acquire, hold and dispose of the FSI Notes on capital account. It does not apply to Noteholders which are companies, trusts or other types of entities and it does not apply to Noteholders who acquire, hold or dispose of the FSI Notes as part of the conduct or carrying on of a business (in any jurisdiction), or who otherwise hold the FSI Notes on revenue account or as trading stock nor to Noteholders who are subject to the taxation of financial arrangements rules contained in Division 230 of the Tax Act in relation to gains and losses on their FSI Notes.

The actual taxation consequences of acquiring, holding and disposing of the FSI Notes will vary depending upon the particular circumstances of each Noteholder. Therefore, prospective Noteholders should obtain independent professional advice relating to their own specific circumstances and they should not rely on the summary below.

This summary assumes that all relevant transactions are carried out in the manner described in this Prospectus and is based upon the law and the commonly understood administrative practices of the Australian Taxation Office (**ATO**) as in effect at the date of this Prospectus. Prospective investors should note that taxation law and its interpretation is subject to change and is open to challenge. Prospective investors should treat the following comments as a guide only. No ruling has been sought from the ATO to confirm the views below.

5.1 FSI Notes as debt interests

The FSI Notes should be 'debt interests' issued by FSI, notwithstanding that the Noteholders will have the right to convert their FSI Notes into Ordinary Shares in FSI in accordance with the FSI Note Terms. Therefore, interest payable on the FSI Notes should not be frankable distributions for tax purposes but treated as interest, as discussed below.

5.2 Australian resident individuals

Payments of interest

Payments of interest in respect of the FSI Notes should be included in the assessable income of Noteholders who are residents of Australia for Australian income tax purposes, generally in the year of income in which the payments are received.

Noteholders are not required to quote their tax file number to FSI in connection with their acquisition of the FSI Notes, but FSI may be required to withhold and remit to the ATO a portion (currently 47%) of any interest payable on the FSI Notes to a Noteholder who has not validly quoted their tax file number in connection with their acquisition of the FSI Notes (or provided evidence of an applicable exemption from withholding). Where withholding is required, the Noteholder would be entitled to claim from the ATO a credit for the amount which FSI withheld from that Noteholder and remitted to the ATO.

No additional amounts are payable to a Noteholder if withholding is required because that Noteholder did not validly quote a tax file number or provide evidence of an applicable exemption.

Sale or redemption of FSI Notes

The FSI Notes held by Australian resident individuals should be subject to the rules applicable to traditional securities because the FSI Notes would not be issued at a discount to their face value nor would they have any deferred income features such as indexation of invested capital.

Therefore, any gain made on the sale or redemption of the FSI Notes (where the amount received on sale or redemption exceeds the cost of subscribing for or purchasing the FSI Notes), should be included in the assessable income of the Australian resident Noteholder, usually in the year of income in which the Noteholder becomes entitled to receive the proceeds of sale or the redemption amount. In those circumstances, the gain would generally not be subject to the capital gains tax (**CGT**) provisions and the CGT discount would not apply, even if the FSI Notes were held for more than 12 months.

Any loss made by an Australian resident individual Noteholder from the sale or redemption of the FSI Notes (where the amount received on sale or redemption is less than the cost of subscribing for or purchasing the FSI Notes) should generally be an allowable deduction, subject to certain exceptions, usually in the year of income in which the Noteholder becomes entitled to receive the proceeds of sale or the redemption amount. Noteholders should seek their own advice regarding their entitlement to a deduction for any loss made from the sale or redemption of the FSI Notes.

Conversion to Ordinary Shares

A Noteholder of a FSI Note may request Conversion of the FSI Note into Ordinary Shares. The Conversion would generally be ignored for the purposes of both the traditional securities rules described above and the CGT rules, such that there will be no taxing point (and no loss) at the time of Conversion under those rules. Instead, the Ordinary Shares acquired pursuant to the Conversion will be treated as having a cost base that is, in broad terms, equal to the cost base of the FSI Notes at the time of Conversion, plus any amount paid on Conversion (where applicable).

Any gain or loss on the ultimate disposal of the Ordinary Shares held on capital account will be subject to the CGT provisions.

A Noteholder will be taken to have acquired the Ordinary Shares acquired pursuant to a Conversion at the time of the Conversion. The acquisition date of the Ordinary Shares does not go back to the date of the acquisition of the FSI Notes. Therefore, the Ordinary Shares would need to be held for a further 12 months from the time of Conversion in order to be eligible for any available CGT discount. Noteholders should seek their own advice regarding their entitlement to the CGT discount upon an ultimate disposal of any Ordinary Shares acquired pursuant to a Conversion.

5.3 Other taxes

Noteholders will generally not be subject to any Australian goods and services tax or stamp duties in any Australian State or Territory in respect of their acquisition, holding, sale, redemption or Conversion of FSI Notes or the receipt of interest payable on FSI Notes.

6 Material agreements

6.1 Key documents

The Board considers that certain agreements relating to FSI are significant to the Offer, the operations of FSI or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

6.2 Investment management agreement

The management of the Company's investment portfolio is undertaken by EC Pohl & Co.

There is no fixed management fee attached to the investment portfolio or administration of the Company. The Investment Manager receives only a performance-based fee which is payable annually in arrears if the Company's investments outperform the returns on a cash investment. If the Company's net performance is less than the returns on a cash investment, no performance fee is payable ensuring the Investment Manager is focused on absolute returns to Shareholders.

The Company's portfolio of investments comprises companies with a sustainable competitive advantage whose operations cover a wide spectrum of business activities. The portfolio is constructed from the perspective of a business owner, by investing in well managed companies and not simply by tracking the index weighting of various component stocks.

Dr Manny Pohl AM is the Managing Director and major Shareholder of EC Pohl & Co.

Further information on the Investment Manager is available from www.ecpohl.com.

6.3 Constitution

The following is a summary of the major provisions of the Company's constitution:

(a) Meeting procedures

Each Shareholder, the Directors, the ASX and the auditor of the Company are entitled to receive notice of any general meeting of the Company. The Company is obliged to convene and hold an annual general meeting once every year within 5 months of the end of the Company's financial year.

(b) Rights of Shareholders

Each Shareholder has the right to receive notices of and to attend general meetings of the Company. The Shares in the Company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid Share held, and for each partly paid Share held, a vote having the same proportionate value as the proportion to which the Shares have been paid up. Voting may be in person or by proxy, attorney or representative.

All Shares rank, in a winding up of the Company and entitlement to dividends, equally with each other in proportion to the amount paid up or deemed to be paid up on the Shares.

Shareholders have the right, on a winding up of the Company, to participate in surplus assets and profits of the Company equally with each other in proportion to the amount paid up or deemed to be paid up on the Shares.

(c) **Dividends**

Subject to the rights of or restrictions on the holders of Shares created or raised under any special arrangements as to dividends, the Directors may from time to time declare a dividend, which is payable on all Shares in proportion to the amount of capital paid up on the Shares. No dividends are payable except out of the profits of the Company.

(d) **Alteration of rights**

At present, the Company only has Ordinary Shares on issue and has no current plans to create further classes of shares. The rights and restrictions attaching to a class of shares in the Company can only be altered with the consent of a special resolution passed at a separate meeting of the holders of that class of shares by 75% of those holders who, being entitled to do so, vote at that meeting or with the written consent of shareholders with at least 75% of votes in the class.

(e) **Right to refuse registration of transfer**

The Directors may only refuse to register a transfer of securities of the Company as permitted by the Listing Rules or the ASTC Settlement Rules.

(f) **Directors' remuneration**

The Directors are to be paid out of the funds of the Company as remuneration for their services as directors such amount as the Company in general meeting determines, to be divided among them as they agree or in default of agreement equally. The Directors' remuneration may not be increased except at a general meeting.

Any Director who serves or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a director, or who at the request of the Board engages in any journey on the business of the Company, may be paid extra remuneration as determined by the Board.

Every Director is entitled to be paid from Company funds all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of the Company or of the Board or of any committees or while engaged on the business of the Company. Any Director may be paid a retirement benefit, as determined by the Board, in accordance with the Law and the Listing Rules.

(g) **Partial takeover bids**

Subject to the Law and Listing Rules, the Company may prohibit registration of transfers purporting to accept partial takeover offers unless and until a resolution of the Company has been passed approving the offers in accordance with the provisions of the constitution.

6.4 Offer Management Agreement

FSI and the Joint Lead Managers have entered into the Offer Management Agreement dated 30 August 2021 pursuant to which the Joint Lead Managers will manage and act as sole book runner for the Offer. FSI has also appointed Morgans Financial Limited as the Authorised Intermediary (for the purposes of section 911A(2)(b) of the Corporations Act) to make offers to arrange for the issue of the FSI Notes under the Offer.

Fees and expenses

In consideration for management services provided to the Company in relation to the Offer, the Company will pay Morgans Financial Limited \$168,750 (plus GST) and Taylor Collison Limited \$93,750 (plus GST).

In addition, each Joint Lead Manager will be paid an application fee of 1.25% (plus GST) of the total proceeds of the Broker Firm Offer raised by the relevant Joint Lead Manager and their associated Brokers from participating Wholesale and Sophisticated Clients and Retail Clients.

The Company has agreed to pay or reimburse the Joint Lead Managers for all reasonable legal costs and expenses incurred by them in connection with the Offer, of up to \$15,000 (plus GST and disbursements), as well as other additional out of pocket expenses.

Retail Clients who participate in the Broker Firm Offer will be rebated the Application Fee paid in respect of their allocation by their Broker. The Joint Lead Managers have given undertakings to the Company that they will each rebate, and ensure that their associated Brokers rebate, the application fees paid in respect of Retail Clients within 3 months of receipt. To find out more about this rebate, including whether you are eligible contact your Broker.

The Joint Lead Managers will have sole responsibility to pay all commissions and fees payable to any co-managers or brokers appointed in connection with the Offer.

FSI has agreed to pay or reimburse the Joint Lead Managers for all reasonable legal costs and expenses incurred by them in connection with the Offer, as well as other additional out-of-pocket expenses.

No additional fee is payable to the Authorised Intermediary.

Representations and warranties, undertakings and other terms

The Offer Management Agreement contains certain standard representations and warranties and undertakings by FSI to the Joint Lead Managers (as well as various standard conditions precedent).

The representations and warranties given by FSI relate to matters such as the power to enter into the Offer Management Agreement, corporate approvals, authorities and licences, information in this Prospectus, the conduct of the due diligence process and ongoing due diligence, litigation, the conduct of the Offer, information provided to the Joint Lead Managers, compliance with laws, the Listing Rules and other legally binding requirements, the FSI Trust Deed and the financial position of FSI. FSI also provides additional representations and warranties in connection with matters including in relation to its securities, compliance with continuous disclosure obligations and eligibility of the FSI Notes for quotation on ASX.

FSI's undertakings include that it will not, during the period following the date of the Offer Management Agreement until 180 days after FSI Notes have been issued under the Offer, vary any term of the FSI Trust Deed, issue any equity securities or vary its capital structure without the prior written consent of the Joint Lead Managers, subject to certain exceptions. FSI has also undertaken, not before the issue of the FSI Notes under the Offer, to vary the composition of its board or the board of FSI's portfolio manager of this Prospectus without the prior written consent of the Joint Lead Managers.

Termination events

The Joint Lead Managers may terminate the Offer Management Agreement prior to Completion, without cost or liability to the Joint Lead Managers, by giving a written notice to if any of the following events occurs:

- (a) **(withdrawal)** FSI withdraws the Prospectus, any supplementary prospectus, the Offer or any part of the Offer, or indicates that it intends to do any of those things.
- (b) **(no confirmation certificate)** FSI does not provide the Confirmation Certificates (as defined in the Offer Management Agreement) in the manner required by the Offer Management Agreement.
- (c) **(quotation)** ASX makes an official statement to FSI or the Joint Lead Managers that it will not approve the granting of official quotation to the FSI Notes or that it will impose conditions which are not customary or reasonably satisfactory to FSI and the Joint Lead Managers, before 5:00pm on the Business Day immediately preceding the Settlement Date.
- (d) **(prospectus / disclosure documents)** any of the following occurs:
 - (i) there is a material omission from the Prospectus or any other document issued or published by FSI or on behalf of FSI in respect of the Offer **(Disclosure Document)** of information required by the Corporations Act or any other applicable law or requirement;
 - (ii) the Prospectus or any other Disclosure Document contains a misleading or deceptive statement;
 - (iii) a statement in the Prospectus or any other Disclosure Document becomes misleading or deceptive; or
 - (iv) a Disclosure Document does not comply with any other applicable law or the Listing Rules.
- (e) **(investigation)** any person makes an application for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Disclosure Documents or ASIC of a governmental authority commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Offer or the Disclosure Documents, except where such investigation, proceeding or hearing does not become publicly known and is withdrawn within two Business Days of being made (or if it is made within two Business Days prior to the Settlement Date it has been withdrawn prior to the Settlement Date).
- (f) **(Corporations Act)** any of the following occur in respect of the Prospectus or the Offer:
 - (i) ASIC applies for an order under section 1324B of the Corporations Act and the application is not dismissed or withdrawn before the Closing Date;
 - (ii) ASIC gives notice of intention to hold a hearing, or makes an interim order or any other order under section 1020E of the Corporations Act, except where such hearing does not become publicly known and is withdrawn within two Business Days of being made (or if it is made within two Business Days prior to the Settlement Date it has been withdrawn prior to the Settlement Date); or
 - (iii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth), except where such

investigation or hearing does not become publicly known and is withdrawn within two Business Days of being made (or if it is made within two Business Days prior to the Settlement Date it has been withdrawn prior to the Settlement Date).

- (g) **(insolvency event)** an Insolvency Event (as defined in the Offer Management Agreement) occurs or there is an act or omission which is likely to result in an Insolvency Event occurring with respect to FSI, its investment manager, EC Pohl & Co, or the Trustee.
- (h) **(repayment of application monies)** any circumstance arising after lodgement of the Prospectus that results in FSI being required, by ASIC or under any applicable law, to either:
- (i) repay the funds received from Applicants for FSI Notes under the Offer; or
 - (ii) give Applicants under the Offer an opportunity to withdraw their Applications for FSI Notes and be repaid their Application Monies.
- (i) **(consent)** any person (other than the Joint Lead Managers) whose consent to the issue of the Prospectus is required by the Corporations Act who has previously consented to the issue of the Prospectus withdraws such consent, or any person otherwise named in the Prospectus with their consent (other than the Joint Lead Managers) withdraws such consent.
- (j) **(supplementary prospectus)** a supplementary prospectus must, in the reasonable opinion of the Joint Lead Managers, be lodged with ASIC under the Corporations Act or FSI lodges a supplementary prospectus (other than in accordance with the Offer Management Agreement) in a form that has not been approved by the Joint Lead Managers.
- (k) **(director)** a Director or responsible manager of FSI:
- (i) is charged with an indictable offence or any regulatory body commences any public action against the director or responsible manager in his or her capacity as a director or responsible manager of FSI or announces that it intends to take any such action;
 - (ii) is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act or under any law of any jurisdiction; or
 - (iii) otherwise engages in any fraudulent conduct or activity.
- (l) **(prosecution)** a member of EC Pohl & Co's executive team or the investment team responsible for FSI is charged with an indictable offence or engages in any fraudulent conduct or activity.
- (m) **(market fall)** between the date of the Offer Management Agreement and the date prior to the Settlement Date, the S&P ASX All Ordinaries Index closes 12.5% or more below the closing level on the day prior to execution of the Offer Management Agreement for two consecutive trading days.
- (n) **(no issue)** FSI is or becomes unable, for any reason, to issue or allot the FSI Notes within the time required by the Timetable, the Disclosure Documents, the Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, or an order of a court of competent jurisdiction or a governmental agency.
- (o) **(manager)** Manny Pohl AM is removed from office by FSI or EC Pohl & Co.

- (p) **(illegality)** there is an event or occurrence, including any statute, order, rule or regulation, official directive or request (including on compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Offer Management Agreement, or to market, promote or settle the Offer in accordance with the Offer Management Agreement.
- (q) **(fraud)** FSI or EC Pohl & Co engages in any fraudulent conduct or activity whether or not in connection with the Offer.
- (r) **(timetable)** the Offer is not conducted in accordance with the Timetable or any event specified in the Timetable is delayed for more than two Business Days without the prior written consent of the Joint Lead Managers.
- (s) **(material contract)** any of the following occurs:
- (i) the FSI Trust Deed or the investment management agreement between FSI and EC Pohl & Co (**Investment Management Agreement**) is terminated;
 - (ii) an event occurs which entitles a party to terminate the FSI Trust Deed or the Investment Management Agreement;
 - (iii) there is a material breach of the FSI Trust Deed or the Investment Management Agreement including a failure to satisfy a condition precedent to performance of the FSI Trust Deed;
 - (iv) a condition precedent to performance the FSI Trust Deed becomes incapable of being satisfied; or
 - (v) the FSI Trust Deed or the Investment Management Agreement is amended in a material respect without the Joint Lead Managers' prior written consent.

Termination events subject to materiality

In addition, the Joint Lead Managers may terminate the Offer Management Agreement prior to the issue of the FSI Notes under the Offer, without cost or liability to the Joint Lead Managers, by giving a written notice to FSI if any of the following occurs, but only if the Joint Lead Managers have reasonable grounds to believe that event has, or is likely to have, a materially adverse effect on the Offer, Completion or the willingness of investors to pay the Offer price for the FSI Notes, or will lead to or is reasonably likely to lead to a liability for the Joint Lead Managers under the Corporations Act or any other applicable law or regulation (including a contravention of the Corporations Act or any other applicable law or regulation):

- (a) **(adverse change)** there is or is expected to be, individually or in aggregate with a separate event, a material adverse change or effect on the general affairs, business, reputation, operations, assets, liabilities, financial position or performance, profits, losses, prospects, earnings position, unit or shareholder's equity, or results of operations of FSI (taken as a whole) occurs, other than as publicly disclosed by FSI to ASX prior to the date of the Offer Management Agreement.
- (b) **(certificate incorrect)** a statement in a Confirmation Certificate is untrue, incorrect or misleading or deceptive.
- (c) **(change in law)** in Australia:
 - (i) a law or regulation is introduced or there is a public announcement of a proposal to introduce a law or regulation; or

- (ii) a new government policy is adopted or there is a public announcement of a proposal to adopt a new government policy,

other than a law, regulation or policy which has been announced before the date of the Offer Management Agreement, which will, or will likely, prohibit or otherwise regulate or affect the Offer, capital issues by FSI, the implementation of FSI's investment strategy on the terms set out in this Prospectus or the taxation treatment of the FSI Notes and FSI.

- (d) **(political or economic conditions)** any adverse change or disruption occurs in the existing financial markets, political or economic conditions currency exchange rates or controls or financial markets in Australia, the United States, the United Kingdom, Hong Kong or any Member State of the European Union or any development involving a prospective adverse change in political, financial or economic conditions in any of those countries, in each case existing in those countries as at the date of the Offer Management Agreement.
- (e) **(moratorium)** a general moratorium on commercial banking activities in Australia is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries.
- (f) **(market disruption)** trading in all securities quoted or listed on ASX, New York Stock Exchange, London Stock Exchange or the Hong Kong Stock Exchange, is suspended or limited in a material respect for 1 trading day (or a substantial part of 1 trading day).
- (g) **(default)** a party is in default of any of the terms or conditions of the Offer Management Agreement or breaches any warranty, undertaking or covenant given or made by it under this agreement (including any conditions precedent).
- (h) **(charge)** other than as disclosed from those identified in this Prospectus, FSI charges or agrees to charge, the whole, or a substantial part of the assets of FSI.
- (i) **(representations and warranties)** any representation or warranty contained in the Offer Management Agreement on the part of FSI is breached or becomes false, misleading or incorrect.
- (j) **(prescribed occurrence)** except as contemplated by this Prospectus, a Prescribed Occurrence (as described in the Offer Management Agreement) occurs in respect of FSI.
- (k) **(hostilities)** in respect of Australia, the People's Republic of China, the United States, the United Kingdom, Hong Kong or any Member State of the European Union, there occurs or they are involved in:
- (i) an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing; or
- (ii) an escalation in existing hostilities,
- or a major terrorist act is perpetrated in any of those countries.
- (l) **(disclosures in due diligence report)** the Due Diligence Report or Verification Material (as defined in the Offer Management Agreement) or any other information supplied by or on behalf of FSI to the Joint Lead Managers in relation to FSI or the Offer is or becomes false or misleading or deceptive or likely to mislead or deceive, including by way of omission.

- (m) **(AFSL)** any AFSL, or other licence, approval or permit required by FSI to perform FSI's business is terminated, rescinded, revoked or withdrawn or otherwise amended or varied in a manner that impedes FSI's its ability to discharge its obligations under this agreement.

Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or gross negligence of an indemnified party, FSI has agreed in the Offer Management Agreement to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

6.5 FSI Trust Deed

FSI will enter into the FSI Trust Deed with Equity Trustees Limited ACN 004 031 298 (as **Trustee**) on or about the date of this Prospectus. The Trustee has agreed to act as trustee of the assets and rights held on trust for the benefit for itself and the Noteholders pursuant to the terms of the FSI Trust Deed.

The FSI Trust Deed governs the terms and conditions on which the FSI Notes are to be issued and is subject to the Corporations Act and the Listing Rules. Schedule 2 to the FSI Trust Deed contains the FSI Note Terms. The FSI Note Terms are also set out in section 9.

The following is a summary of the material provisions of the FSI Trust Deed. To obtain a complete understanding of the FSI Trust Deed it is necessary to read it in full. A complete copy of the FSI Trust Deed is available for inspection, without charge, during normal office hours at the registered office of FSI at Level 12, 2 Corporate Court, Bundall, Queensland 4217 within 7 days after lodgement of this Prospectus.

The FSI Trust Deed will also be released to ASX and will be available from its website (www.asx.com.au) during the Offer Period.

Legal nature of the FSI Notes

The FSI Trust Deed provides that the FSI Notes:

- (a) constitute separate and independent acknowledgments of the indebtedness of FSI;
- (b) are direct, unsecured and unsubordinated obligations of FSI;
- (c) are convertible into Ordinary Shares on and in accordance with the FSI Note Terms;
- (d) confer no rights on Noteholders to participate in the profits or property of FSI, except as set out in the FSI Note Terms and the FSI Trust Deed;
- (e) rank equally and without any preference amongst themselves and at least equally with all other present and future unsubordinated and unsecured obligations of FSI as described in the FSI Note Terms;
- (f) are 'unsecured notes' for the purposes of section 283BH of the Corporations Act; and
- (g) do not carry a right to vote at any general meeting, unless provided for by the Listing Rules or the Corporations Act.

FSI's obligations in relation to the FSI Notes, as constituted by and specified in the FSI Trust Deed, are to the Trustee and to those persons who are registered as Noteholders. Certificates in respect of the FSI Notes will not be issued unless FSI determines that certificates should be made available or are required to be made available by law.

To the extent of any inconsistency between the FSI Note Terms and the FSI Trust Deed, the FSI Note Terms will prevail to the extent permitted by law.

FSI's undertakings

Under the FSI Trust Deed, FSI undertakes that it will among other things:

- (a) comply with the FSI Trust Deed and the FSI Note Terms;
- (b) comply with its reporting obligations to the Trustee, the Noteholders and ASIC under the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules (as applicable);
- (c) carry on and conduct its business in a proper and efficient manner;
- (d) notify the Trustee after it becomes aware of an Event of Default or a breach by FSI of Chapter 2L of the Corporations Act;
- (e) pay all Moneys Owning (as defined in the FSI Trust Deed) to the Noteholders from time to time as and when due in accordance with the FSI Trust Deed and FSI Note Terms;
- (f) provide to the Trustee and to each Noteholder who requests it, a copy of FSI's audited financial statements in respect of each financial year;
- (g) make all of its financial and other records available for inspection by the Trustee, and provide the Trustee, and any auditors appointed by the Trustee to carry out the inspection, any information, explanations or other assistance which they may reasonably require about matters relating to those records;
- (h) promptly give the Trustee copies of all documents and notices given to Noteholders and any annual reports produced;
- (i) use all reasonable endeavours and furnish any documents, information and undertakings as may be reasonably necessary in order to ensure that the FSI Notes are, and until redeemed, converted or purchased by FSI and cancelled, remain, quoted on ASX; and
- (j) do anything reasonably requested by the Trustee to enable the Trustee to comply with its obligations under the FSI Trust Deed, the Corporations Act (or any other laws binding on the Trustee with respect to the FSI Note Trust or the FSI Notes) and the Listing Rules.

Trustee's undertakings

Under the FSI Trust Deed, the Trustee undertakes that it will, among other things:

- (a) fulfil its duties under Chapter 2L of the Corporations Act;
- (b) act honestly and in good faith and comply with all applicable laws in performing its duties and in the exercise of its discretions under the FSI Trust Deed and the FSI Note Terms;
- (c) exercise such diligence and prudence as a person carrying on the business of a professional trustee would exercise in performing its duties and in the exercise of its discretions under the FSI Trust Deed and the FSI Note Terms.

Powers of the Trustee

In addition to those powers arising under law, the Trustee has certain powers and discretions as set out in the FSI Trust Deed, including (subject to certain limitations specified in the FSI Trust Deed) the power:

- (a) to waive any breach or proposed breach (including an Event of Default or other default) by FSI under the FSI Trust Deed or the FSI Note Terms, if in the opinion of the Trustee the interests of the Noteholders will not be materially prejudiced by such waiver;
- (b) to delegate the exercise of any right power, authority or discretion conferred on the Trustee by the FSI Trust Deed or by law; and
- (c) to amend the FSI Trust Deed or the FSI Note Terms by agreement with FSI (depending on circumstances set out in the FSI Trust Deed and the FSI Note Terms, with or without the consent of the Noteholders).

Subject to the Corporations Act and always acting in good faith to the Noteholders, the Trustee and any Related Body Corporate of the Trustee may, among other things, without in any such case being liable to account to any trust, FSI or to any Noteholder, hold FSI Notes and may deal in any capacity with FSI or with any Related Body Corporate of FSI.

Limited liability of the Trustee

The liability of the Trustee is limited in the manner set out in the FSI Trust Deed. The Trustee will not be liable to FSI, a Noteholder or any other person except in the case of the Trustee's fraud, negligence or wilful default. The FSI Trust Deed contains various provisions which, subject to the Corporations Act, entitle the Trustee to make assumptions as to various matters, rely on information, statements and opinions provided to it and exercise various other discretions.

Indemnity of the Trustee

The Trustee will be indemnified for all fees, costs, losses, liabilities, claims, demands, Taxes (as defined in the FSI Trust Deed) and expenses incurred by the Trustee in the execution of the FSI Note Trust, the performance of, or the exercise of any of the powers, rights, authorities or discretions vested in the Trustee under the FSI Trust Deed or the FSI Note Terms, except to the extent that such costs, losses, liabilities, claims, demands, Taxes and expenses arise out of the Trustee's fraud, negligence or wilful default or breach of section 283DA of the Corporations Act, or any Taxes (excluding any GST) imposed on the Trustee's remuneration for its services as trustee.

Enforcement by Trustee

Only the Trustee is entitled to enforce the FSI Trust Deed or the FSI Note Terms, except in the circumstances described below. The Trustee is not required to notify any person of the occurrence of any default or breach of the FSI Trust Deed or the FSI Notes.

Enforcement on direction by Noteholders

The Trustee is only obliged to take action in relation to an Event of Default or to otherwise enforce the FSI Trust Deed or the FSI Note Terms where all the following conditions are met:

- (a) the Trustee has been directed to take that action by a Noteholder Resolution (or, if required by, a Special Resolution) (ignoring any FSI Notes held by or on behalf of FSI and not cancelled);
- (b) the Trustee is indemnified and/or secured to its satisfaction;
- (c) such action is permitted under the FSI Trust Deed and the FSI Note Terms;

- For personal use only
- (d) the Trustee liability for taking such action is limited in a manner consistent with section 283DC of the Corporations Act; and
 - (e) the Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

Enforcement by Noteholders

No Noteholder is entitled to commence any action or proceedings directly against FSI to enforce any right, power or remedy under the FSI Note Terms or the FSI Trust Deed unless:

- (a) the Trustee, having become bound to proceed in accordance with the FSI Trust Deed and the FSI Note Terms, fails to do so within 14 days and that failure is continuing; or
- (b) 30 Business Days have lapsed since the date on which one or more Noteholders gave notice to the Trustee that they intend to commence such action or proceedings and the Trustee has not commenced such action or proceedings notwithstanding a request from such Noteholders to do so.

Any such action must be brought in the name of the Noteholders and not the Trustee.

Appointment of Trustee and declaration

The Trustee is appointed to hold on trust for Noteholders:

- (a) the right to enforce FSI's duty to repay the FSI Notes;
- (b) the right to enforce FSI's obligation to pay all other Moneys Owed in respect of the FSI Notes;
- (c) the right to enforce any other duties that FSI has under the FSI Trust Deed, the FSI Note Terms or Chapter 2L of the Corporations Act; and
- (d) any other powers and property which the Trustee may receive or which may be vested in the Trustee.

Each Noteholder (and any person claiming through or under a Noteholder) is bound by, and is taken to have notice of, the FSI Trust Deed and the FSI Note Terms and to have irrevocably authorised the Trustee to enter into the FSI Trust Deed and to exercise its rights under the FSI Trust Deed, the FSI Note Terms and Chapter 2L of the Corporations Act, in its capacity as trustee. It is a condition of receiving any of the rights or benefits under a Note that a Noteholder complies with the FSI Trust Deed and the FSI Note Terms.

Meetings of Noteholders

Subject to the Corporations Act, the Trustee or FSI may at any time convene a meeting of Noteholders. FSI must convene such meeting on receipt of a direction in writing by Noteholders of at least 10% or more of the aggregate Face Value of the FSI Notes then outstanding.

A meeting of Noteholders has the power to:

- (a) by Special Resolution, amongst other things, approve certain amendments to the FSI Note Terms or the FSI Trust Deed or subject to the provisions of the FSI Note Terms and the FSI Trust Deed, give any release or waiver in respect of anything done or omitted to be done by FSI or any breach or default by FSI; and
- (b) by a Noteholder Resolution, give directions to the Trustee to do anything for which a Special Resolution is not required by the FSI Note Terms or the FSI Trust Deed.

A resolution duly passed at a meeting of Noteholders held in accordance with the FSI Trust Deed is binding on all Noteholders whether or not they are present or voting at the meeting. The FSI Trust Deed may also be amended without the approval of Noteholders in certain circumstances, as described in the FSI Note Terms.

Retirement and removal

The Trustee may retire by giving notice to FSI, which will not be effective until the day upon which the appointment of a new Trustee becomes effective. The Trustee may also be removed by FSI in various circumstances. Any removal of the Trustee will only take effect upon the appointment of a new Trustee.

Registrar

The FSI Trust Deed contains arrangements relating to the maintenance of the Register of Noteholders. FSI, the Trustee and the Registrar may treat Noteholders as the absolute beneficial owners of Notes held by them and despite any notice of ownership, trust or interest in the FSI Note.

6.6 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for 13 months after the date of this Prospectus:

- (a) the constitution of Flagship Investments; and
- (b) the consents to the issue of this Prospectus.

7 Additional information

7.1 Offer subject to Shareholder Approval

The Offer is conditional on FSI obtaining Shareholder Approval under Listing Rule 7.1.

Listing Rule 7.1 prohibits, subject to certain exceptions, a company from issuing or agreeing to issue equity securities that would represent more than 15% of the company's ordinary securities on issue 12 months prior to the date of issue (or agreement to issue) of such securities, without prior approval of a company's shareholders (**Listing Rule 7.1 Capacity**).

As the Ordinary Shares that may be issued on conversion of the FSI Notes to be offered under the Offer would exceed FSI's Listing Rule 7.1 Capacity, Shareholder Approval is required to be obtained prior to the issue of the FSI Notes.

If Shareholder Approval is granted, the issue of the FSI Notes will be excluded from FSI's Listing Rule 7.1 Capacity. This will provide FSI with flexibility to issue further securities in the next 12 months, if the Board considers it is in the interests of the Company and its Shareholders to do so.

Shareholder Approval will be sought at the Annual General Meeting of Shareholders. The notice of meeting will be despatched to Shareholders on or about 30 August 2021.

If Shareholder Approval is not obtained, FSI will not proceed with the Offer, no FSI Notes will be issued and Application Monies will be returned to Applicants without interest.

Shareholder Approval will also be sought under Listing Rule 10.11 to enable the Directors to acquire FSI Notes under the Offer. The Directors' participation in the Offer is subject to such approval being obtained.

7.2 No breaches of loan covenants or debt obligations

FSI has not breached any loan covenants or capital market debt obligations in the two years prior to the date of this Prospectus.

7.3 Compliance with chapter 2M and section 674 of the Corporations Act

As at the date of this Prospectus, FSI has complied with the provisions of Chapter 2M of the Corporations Act as they apply to FSI and with section 674 of the Corporations Act.

7.4 Continuous reporting and disclosure obligations

This Prospectus is a transaction specific prospectus issued by FSI in accordance with the applicable provisions of the Corporations Act for a prospectus for continuously quoted securities. It has been prepared in accordance with section 713 of the Corporations Act and ASIC Corporations (Offers of Convertibles) Instrument 2016/83.

In general terms, a transaction specific prospectus is only required to contain information about the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information about all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

The Company is subject to regular reporting and disclosure obligations because it is a 'disclosing entity' for the purposes of the Corporations Act. Additionally, as a listed company, Flagship Investments is subject to the Listing Rules which require disclosure to ASX of any information the Company has which a reasonable person would expect to have a material effect on the price or value of its Shares.

Section 713 of the Corporations Act (as modified by ASIC Corporations (Offers of Convertibles) Instrument 2016/83) enables a company to issue a transaction specific prospectus where the securities offered are continuously quoted securities (within the meaning of that term in the Corporations Act) or securities convertible into continuously quoted securities. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 3 months before the date of the prospectus and that, during the 12 months before the date of the prospectus, the issuing company was not exempted from the continuous disclosure regime and disclosing entity requirements provided for under the Corporations Act and the Listing Rules.

The content requirements for a transaction specific prospectus under Section 713 of the Corporations Act require that the prospectus contain:

- (a) information regarding the effect of the Offer on FSI;
- (b) information regarding the rights and liabilities attaching to the FSI Notes and the Ordinary Shares (underlying securities that the FSI Notes may be converted into);
- (c) statements detailing that, as a disclosing entity, FSI is subject to regular reporting and disclosure obligations, and that copies of documents lodged with ASIC in relation to FSI may be obtained from, or inspected at, an ASIC office; and
- (d) a statement informing people of their right to obtain a copy of certain financial documents and continuous disclosure notices, and noting that copies will be provided free of charge if requested during the application period for the prospectus.

FSI believes, after having made reasonable enquiry, that it has complied in full with, and has not been exempted from, the general and specific requirements of ASX (as applicable throughout the 12-month period prior to the date of this Prospectus) which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of the ASX making that information available to the stock market conducted by ASX.

To meet the specific disclosure requirements for a transaction specific prospectus set out in section 713(5) of the Corporations Act, the prospectus must also incorporate information if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the body; and
 - (ii) the rights and liabilities attaching to the securities being offered.

The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus.

In addition, FSI has committed to publish on its website at the end of each quarter, a copy of each 283BF Report (as soon as practicable after providing to the Trustee) and the LTV Ratio and the Conversion Price in respect of the FSI Notes.

Copies of ASX announcements are available on the ASX website or the Company's website at www.flagshipinvestments.com.au.

The Company's ASX announcements since 30 June 2021 to the date of this Prospectus are set out below.

Date	Announcements
2 July 2021	Monthly NTA – June 2021
15 July 2021	Shareholders' Quarterly Report – June 2021
2 August 2021	Dividend/Distribution - FSI
2 August 2021	Preliminary Final Report – Appendix 4E
2 August 2021	Annual Report to Shareholders
2 August 2021	Appendix 4G – June 2021
2 August 2021	FSI Corporate Governance Statement - June 2021
3 August 2021	Monthly NTA – July 2021
18 August 2021	Update Dividend/Distribution – FSI
18 August 2021	Application for quotation of securities
23 August 2021	Change of Director's Interest Notice
23 August 2021	Change of Director's Interest Notice

In addition, copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The information in the Annual Report and the ASX announcements described in the table above may be of interest to investors and their financial advisers as these documents contain information regarding the Company's financial position and operations that investors may consider relevant to any decision to apply for FSI Notes under the Offer.

The Directors rely upon section 712(3) of the Corporations Act with the inclusion by reference of:

- (a) the Annual Report; and
- (b) the Company's ASX announcements since 30 June 2021 set out in the table above, for the purposes of section 711 of the Corporations Act.

The Company will give free of charge, to any person who requests it before the Record Date, a copy of the Annual Report and any continuous disclosure notices lodged by the Company from 30 June 2021 to the date of this Prospectus.

7.5 Rights attaching to FSI Notes

The rights attaching to FSI Notes are contained in the FSI Note Terms, which are contained in section 9.

7.6 Rights attaching to Ordinary Shares

The rights attaching to Ordinary Shares in the Company are set out in the Company's constitution and summarised in section 6.3 of this Prospectus.

7.7 Existing Options

As at the date of this Prospectus, the Company has no options on issue.

7.8 Litigation

To the best of the Directors' knowledge and belief, no litigation, mediation, conciliation or administrative proceeding is taking place, pending or threatened against the Company.

7.9 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and the statement included in this Prospectus with the consent of that party, as specified below.

Morgans Financial Limited has given, and has not withdrawn, its written consent to be named as Joint Lead Manager to the Offer in the form and context in which it is named.

Taylor Collison Limited has given, and has not withdrawn, its written consent to be named as Joint Lead Manager to the Offer in the form and context in which it is named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to the Company in the form and context in which it is named.

Boardroom Pty Limited has given, and not withdrawn, its written consent to be named as share Registrar in the form and context in which it is named.

Equity Trustees Limited has given, and not withdrawn, its written consent to be named as Trustee in the form and context in which it is named.

7.10 Interests of Joint Lead Managers

Other than as set out elsewhere in this Prospectus:

- (a) the Joint Lead Managers have not, and have not had in the two years before lodgement of this Prospectus, any interest in:
 - (i) the formation or promotion of Flagship Investments;
 - (ii) the offer of the FSI Notes; or
 - (iii) any property proposed to be acquired by Flagship Investments in connection with the formation or promotion of Flagship Investments or the offer of the FSI Notes; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to the Joint Lead Managers for services rendered by them in connection with the formation or promotion of Flagship Investments or the offer of the FSI Notes.

7.11 Interests of experts and advisers

Except as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has any interest or has had any interest during the last two years:
 - (i) in the formation or promotion of Flagship Investments;

- (ii) in property acquired or proposed to be acquired by Flagship Investments in connection with its formation or promotion or the offer of the FSI Notes; or
 - (iii) the offer of the FSI Notes; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus in connection with the services provided by the person in connection with the:
- (i) formation or promotion of Flagship Investments, or
 - (ii) offer of the FSI Notes.

Morgans Financial Limited has acted as Joint Lead Manager to the Offer. Morgans Financial Limited will be paid fees, details of which are disclosed in section 6.4 of this Prospectus.

Taylor Collison Limited has acted as Joint Lead Manager to the Offer. Taylor Collison Limited will be paid fees, details of which are disclosed in section 6.4 of this Prospectus.

McCullough Robertson has acted as legal adviser to the Company for the Offer and has undertaken due diligence enquiries and provided legal advice on the Offer. McCullough Robertson will be paid an amount of \$60,000 for these services.

7.12 Substantial Shareholders

The following Shareholders have a substantial holding in Flagship Investments:

Shareholder	Shares	Percentage interest
Dr Manny Pohl AM	10,421,075	40.4%

The table above shows the current shareholding of each substantial Shareholder and not the position after taking up any FSI Notes.

7.13 Effect of Offer on control of the Company

As noted in section 7.14 below, Shareholder Approval will be sought under Listing Rule 10.11 to enable the Directors to acquire FSI Notes under the Offer. Subject to such approval being obtained, Dr Manny Pohl AM intends to apply for FSI Notes under the Offer.

Dr Pohl currently holds voting power in the Company of 40.4%.

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the acquisition would result in that person or someone else's Voting Power increasing:

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

The issuance of any FSI Notes to Dr Pohl will not increase his relevant interest in the Company. Accordingly, it is not anticipated that the Offer will have any immediate impact on the control of the Company.

Any issuance of Shares to Dr Pohl upon the conversion of FSI Notes will increase his relevant interest in the issued voting shares in the Company. Any such issuance shall therefore be subject

to the Company complying with the Corporations Act at that time in respect of such issuance, which may include the requirement for the Company to seek the prior approval of Shareholders for the purposes of Chapter 6 of the Corporations Act.

7.14 Interests of Directors

Other than as set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of Flagship Investments has, or has had in the two years before lodgement of this Prospectus, any interest in:
 - (i) the formation or promotion of Flagship Investments;
 - (ii) any property acquired or proposed to be acquired by Flagship Investments in connection with the formation or promotion or the offer of the FSI Notes; or
 - (iii) the offer of the FSI Notes; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of Flagship Investments either:
 - (i) to induce him or her to become, or to qualify him or her as, a Director; or
 - (ii) otherwise for services rendered by him or her in connection with the formation or promotion of Flagship Investments or the offer of the FSI Notes.

Shareholdings

The Directors or their associates have a beneficial interest in the following securities at the date of this Prospectus:

Director	Shareholder	Existing Shares	Existing Options
Mr Dominic McGann	Direct	447,562	Nil
Dr Manny Pohl AM	Direct and indirect	10,421,075	Nil
Ms Sophie Mitchell	Direct	30,000	Nil
Alternate directors			
Angela Obree	N/A	Nil	Nil
Scott Barrett	Direct and indirect	16,465	Nil

The Directors intend to apply for FSI Notes under the Offer. Shareholder Approval will also be sought under Listing Rule 10.11 to enable the Directors to acquire FSI Notes under the Offer. The Directors' participation in the Offer is subject to such approval being obtained.

Transactions with related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

- A performance fee is payable in accordance with the Management Services Agreement, Dr Manny Pohl AM has an interest in the transaction as he is a Director, employee and Shareholder of EC Pohl & Co.

- McCullough Robertson Lawyers provides legal services on an as needed basis. Dominic McGann is a partner of McCullough Robertson Lawyers.
- Allegiant IRS provides insurance advice for D & O Policy. Allegiant IRS is owned by McCullough Robertson Lawyers, of which Dominic McGann is a partner.
- Morgans Financial Limited is joint lead manager for the FSI Notes. Morgans Financial Limited is owned by Morgans Holdings (Australia) Limited, of which Sophie Mitchell is a Non-executive Director.

Payments to Directors

The constitution of Flagship Investments provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by the Shareholders in general meeting, with that sum to be divided among the Directors as they agree.

The maximum aggregate amount which has been approved by the Shareholders for payment to the Directors is \$200,000 per annum. The current non-executive directors' fees are \$45,000 per annum for the Chairman and \$40,000 per annum for each of the non-executive directors.

7.15 Expenses of the Offer

The total estimated expenses of the Offer payable by the Company including ASX and ASIC fees, offer management fees, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be \$654,000.

7.16 Remuneration of Trustee

Equity Trustees Limited has agreed to act as trustee of the FSI Note Trust in respect of the FSI Notes. The Trustee will be paid by way of a fee for its services such amounts as may be agreed between FSI and the Trustee from time to time. In this regard, the parties have agreed to an initial engagement fee of \$5,000 (excluding GST) and a minimum annual ongoing trustee fee of \$50,000 (excluding GST).

7.17 ASX waivers and approvals

FSI has received ASX confirmations in relation to the FSI Note Terms and the Offer that the FSI Note Terms are appropriate and equitable for the purposes of Listing Rule 6.1. No further ASX waivers or confirmations are required.

7.18 Other foreign jurisdictions

No action has been taken to register or qualify the FSI Notes or the Offer, or to otherwise permit a public offering of the FSI Notes, in any jurisdiction outside Australia.

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to apply for FSI Notes in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The FSI Notes have not been, and will not be registered under the US Securities Act and may not be offered or sold in the United States or to US Persons except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there

be any sale of the FSI Notes in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful.

7.19 Electronic Prospectus

This Prospectus is available in electronic form at www.flagshipinvestments.com.au/fsi-notes/. Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by Flagship Investments free of charge until the Closing Date.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Application Form.

Flagship Investments will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered in any way.

While Flagship Investments believes that it is extremely unlikely that during the period of the Offer the electronic version of the Prospectus will be altered in any way, Flagship Investments cannot give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from Flagship Investments or a financial adviser.

7.20 Privacy

Eligible Shareholders may be asked to give personal information to Flagship Investments directly, and through the share registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the share registry collect, hold and use that personal information to provide facilities and services to Eligible Shareholders and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). The Company's privacy policy sets out how Shareholders may request access to and correction of their personal information held by or on behalf of the Company (by contacting the share registry), how Shareholders can complain about privacy related matters and how the Company responds to complaints.

8 How to apply

8.1 Obtaining a prospectus and Application Form

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.flagshipinvestments.com.au/fsi-notes/ and may be available through your Syndicate Broker.

This Prospectus is available to you electronically only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia. If you access this Prospectus electronically, you must download the entire Prospectus.

Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. Please contact your Syndicate Broker for further information on the application process.

Eligible Participants may, during the Offer Period, request a paper copy of this Prospectus and an Application Form free of charge by contacting FSI on 1800 352 474 (Monday to Friday 8.30am to 5.30pm, Brisbane time). However, Eligible Participants should note that Applications under the Priority Offer can only be made by completing the online Application Form and making a BPAY® payment in respect of the required application payment (see section 8.3).

Applications will only be considered where Applicants have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have provided the Application Monies. You cannot withdraw your online Application once it has been lodged, except as permitted under the Corporations Act.

8.2 Applying for FSI notes

The Offer is comprised of:

- (a) the Priority Offer (see section 8.3); or
- (b) the Broker Firm Offer (see section 8.4).

Applications for FSI Notes pursuant to the Broker Firm Offer must be made through your Syndicate Broker. Please contact your Syndicate Broker for further information on the application process.

8.3 Priority Offer applications

The Priority Offer opens on 7 September 2021. The Closing Date for the Priority Offer is expected to be 24 September 2021.

The Priority Offer is open to Eligible Participants, being any person who has a registered address in Australia and who, as at the Priority Offer Record Date, was a shareholder in Flagship Investments.

The Priority Offer is also open to any other party as determined by FSI in its discretion.

Applications for the Priority Offer must be made online. If you are an Eligible Participant, you can apply at <http://notes.flagshipinvestments.com.au/>.

Instructions on how to complete the Application Form are provided online. As part of your application, you will be asked to provide your Priority Code which is contained within the Priority Offer email you will have received. Once you have completed your online Application Form, you will be required to complete your Application by making a BPAY® payment. You will be given a BPAY® biller code and unique Customer Reference Number for your Application. Follow the

BPAY® instructions to complete your Application. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by FSI.

Your completed online Application Form and Application Monies must be received by the Registrar by the Closing Date of the Priority Offer, which is expected to be 5.00pm on 24 September 2021.

8.4 Broker Firm Offer applications

The Broker Firm Offer opens on 7 September 2021. The Closing Date for the Broker Firm Offer is expected to be 24 September 2021.

The Broker Firm Offer is open to Australian clients of Syndicate Brokers who are participating Wholesale and Sophisticated Clients and Retail Clients.

If you are a client of a Syndicate Broker, you must contact your broker directly for instructions as to how to participate in the Broker Firm Offer. You must contact your Syndicate Broker for their specific instructions on how to submit your Application Form and your Application Monies to your Syndicate Broker. Your Syndicate Broker must have received your completed Application Form and your Application Monies (as applicable) in time to arrange settlement on your behalf by the relevant closing date for the Broker Firm Offer. Your Syndicate Broker will act as your agent in processing your Application Form and providing your Application details and Application Monies to FSI.

8.5 Brokerage, commission and stamp duty

Applicants under the Broker Firm Offer may pay brokerage or other fees to their Broker in relation to their Application. Any such fees will be on terms agreed between the applicant and their Broker.

No brokerage, commission or stamp duty is payable by you on your Application under the Priority Offer. However, you may be required to pay brokerage if you sell FSI Notes on ASX after FSI Notes have been quoted on ASX.

8.6 Refunds

Applicants who are not allotted any FSI Notes, or are allotted fewer FSI Notes than the number applied and paid for as a result of a scale back, will have all or some of their Application Monies (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

8.7 Minimum applications

Applications for FSI Notes must be for a minimum of 740 FSI Notes (approximately \$2,000). If your Application is for more than 740 FSI Notes, you must apply in multiples of 185 FSI Notes (approximately \$500) thereafter.

8.8 Allocation policy

The basis of the allocations of FSI Notes between the Priority Offer and Broker Firm Offer will be determined by FSI, in agreement with the Joint Lead Managers.

FSI will seek to provide Applicants under the Priority Offer with an allocation of at least 740 FSI Notes (where such Applicants have applied for 740 or more FSI Notes) on a reasonable endeavours basis. FSI does not guarantee any minimum allocation and the extent of any allocation will ultimately depend on the number of Applicants under the Priority Offer and total level of Applications under the Offer.

The allocation of FSI Notes within the Broker Firm Offer will be determined by FSI, in agreement with the Joint Lead Managers.

Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.

8.9 Underwriting

The Offer is not underwritten.

8.10 Application to ASX for quotation of FSI notes

FSI will apply to ASX for FSI Notes to be quoted on ASX under the code 'FSIGA'.

If ASX does not grant permission for FSI Notes to be quoted by the Issue Date, FSI Notes will not be issued and all application payments will be refunded (without interest) to Applicants as soon as practicable.

8.11 CHESS and issuer sponsored holdings

FSI will apply for FSI Notes to participate in CHESS. No certificates will be issued for FSI Notes. FSI expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to Successful Applicants by 4 October 2021.

8.12 Provision of TFN and/or ABN

When your Holding Statement is mailed to you, you will also be mailed a form on which to provide your TFN and/or ABN should you wish to do so. The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the *Privacy Act 1988* (Cth).

9 Note terms

1 Form of Notes

1.1 Constitution and status

The Notes are unsecured and unsubordinated debt obligations of the Issuer constituted by, and owing under, the Trust Deed. Noteholders are entitled to the benefit of and are bound by the provisions of the Trust Deed and these Note Terms.

1.2 Form

The Notes are redeemable, unsecured, convertible notes of the Issuer issued in registered form by entry in the Register.

1.3 Face Value and Issue Price

- (a) Each Note is issued fully paid and with a Face Value of A\$2.70.
- (b) Each Note will be issued by the Issuer at an Issue Price of A\$2.70. The Issue Price must be paid in full on application.

1.4 Currency

The Notes are denominated in Australian dollars.

1.5 Quotation of Notes

The Issuer must use all reasonable endeavours and furnish any documents, information and undertakings as may be reasonably necessary in order to procure official quotation of:

- (a) the Notes; and
- (b) the Ordinary Shares issued on conversion of Notes,

on the ASX and to ensure such quotation of Notes is maintained until Redeemed, Converted or purchased by the Issuer and cancelled.

1.6 Clearing System

So long as the Notes are quoted on the ASX, the rights of a person holding an interest in the Notes are subject to the rules and regulations of the Clearing System.

1.7 Evidence of holdings

- (a) The Issuer or the Registrar (as applicable) must issue to each Noteholder a Statement of Holding in respect of the Notes inscribed in the Register in the relevant Noteholder's name, as soon as reasonably practicable after the Issue Date for those Notes. A Statement of Holding is no assurance or guarantee that any amounts will be paid to the Noteholder.
- (b) Certificates in respect of the Notes will not be issued unless the Issuer determines that certificates should be made available or are required to be made available by law.

1.8 **Provision of Information by Noteholders**

If requested by the Issuer, the Noteholders must provide information required by the Issuer or the Trustee in order to comply with any applicable law.

1.9 **Unsecured notes**

The Notes are unsecured notes for the purposes of section 283BH of the Corporations Act.

1.10 **No other rights**

Subject to these Note Terms and the Trust Deed, the Notes confer no rights on a Noteholder:

- (a) to become a Member of the Issuer;
- (b) to attend or vote at any meeting of Members of the Issuer, unless provided for by the ASX Listing Rules or the Corporations Act;
- (c) to subscribe for or participate in any new issue of securities by the Issuer; or
- (d) to otherwise participate in the profits or property of the Issuer, except as set out in these Note Terms or the Trust Deed.

2 Interest

2.1 **Interest**

Subject to and in accordance with this clause 2, each Note bears interest at the Interest Rate.

2.2 **Period of accrual of Interest**

Subject to clause 2.6, Interest accrues on the Face Value of each Note on and from the Issue Date for the Note at the applicable Interest Rate, and ceases to accrue Interest on the Maturity Date for the Note (or if the Note is Redeemed or Converted earlier, on the date the Note is so Redeemed or Converted).

2.3 **Calculation of Interest payable**

The Interest payable on each Note in respect of each Interest Period is the amount calculated in accordance with the following formula:

$$\text{Interest} = \frac{I \times \text{Face Value} \times N}{365}$$

Where:

N means the number of days in the Interest Period; and

I means the Interest Rate in respect of the Interest Period, subject to adjustment in accordance with clause 2.6,

provided that in respect of any Interest Period during which an LTV Ratio Event or an Event of Default has occurred or ceased to occur, the Interest Rate in respect of that Interest Period will be determined through the use of straight-line interpolation by reference to two rates based on the relevant Interest Rate, one of which shall be determined as if 'N' were the number of days in the relevant Interest Period prior to the occurrence (or ceasing to

occur) of the relevant LTV Ratio Event or Event of Default (as applicable), and the other of which shall be determined as if 'N' were the number of days in the relevant Interest Period from and including the occurrence (or ceasing to occur) of the relevant LTV Ratio Event or Event of Default (as applicable).

2.4 **Interest payments**

The Interest payable in respect of each Interest Period is payable in arrears on the Interest Payment Date on which the relevant Interest Period ends. Any Interest payable on the Redemption Date or Conversion Date of a Note, will be payable as part of the Redemption Price or Conversion Amount (as applicable), for such Note.

2.5 **Determination and notification of Interest Rate, Interest payable and other items**

- (a) The Issuer must provide notice to the Trustee, the Registrar and the ASX of the following:
 - (i) the amount of Interest payable in respect of each Interest Period, which notice must not be less than 4 Business Days before the Record Date in relation to the payment of that Interest; and
 - (ii) any amendment to the amount referred to in clause 2.5(a)(i) above arising from any extension or reduction in an Interest Period or calculation period, which notice must be provided as soon as practicable after the relevant amendment.
- (b) The Issuer may amend its calculation or determination of any amount, item or date (or make appropriate alternative arrangements by way of adjustment) as a result of the extension or reduction of any Interest Period or calculation period without prior notice but must notify the Trustee, the Registrar and the ASX after doing so.

2.6 **Default interest**

- (a) Other than where clause 2.6(b) applies, if an LTV Ratio Event occurs and is continuing, Interest accrues on the Face Value of each Note at the sum of the most recent Interest Rate plus a default rate of 2.00% per annum while the LTV Ratio Event continues.
- (b) If an Event of Default occurs and is continuing, Interest accrues on the Face Value of each Note at the sum of the most recent Interest Rate plus a default rate of 2.00% per annum while the relevant Event of Default continues.

2.7 **Determination final**

The determination by the Issuer of all amounts, rates and dates to be calculated or determined by it under these Note Terms is, in the absence of manifest or proven error, final and binding on the Issuer, the Trustee and each Noteholder.

2.8 **Rounding**

For the purposes of any calculations required under these Note Terms:

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with 0.00005% being rounded up to 0.0001%);

- (b) all figures resulting from the calculations must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable to a Noteholder in respect of the Noteholder's aggregate holding of Notes must be rounded to the nearest one Australian cent (with 0.5 of a cent being rounded up to one cent).

3 Conversion

3.1 Conversion Right into Ordinary Shares

Subject to these Note Terms, each Noteholder has the right (**Conversion Right**) to convert any Note that it holds into a number of Ordinary Shares determined by the application of the following formula:

$$\frac{A}{B}$$

Where:

- A** means the Conversion Amount in relation to the relevant Note; and
- B** means the Conversion Price.

3.2 Conversion at Noteholder's election

- (a) Subject to clauses 3.2(b), 3.3 and 3.4, on any Business Day during the Conversion Period or after a Tax Redemption Notice has been given by the Issuer, a Noteholder may elect in its absolute discretion to convert some or all of the Notes held by it into Ordinary Shares by giving the Issuer (with a copy to the Registrar and the Trustee) a notice in writing (**Conversion Notice**):
 - (i) specifying its intention to convert some or all of the Notes held by it; and
 - (ii) in the form set forth in Schedule 4 of the Trust Deed or as otherwise determined by the Issuer or required by the ASX Listing Rules.
- (b) The aggregate Face Value of Notes which are the subject of a Conversion Notice given by a Noteholder must be at least A\$10,000, or the aggregate Face Value of all Notes held by that Noteholder.

3.3 Conversion Notice

- (a) A Conversion Notice must:
 - (i) be in writing;
 - (ii) specify the number of Notes to be converted; and
 - (iii) be signed by the Noteholder or an authorised representative or officer of the Noteholder.
- (b) Once a Conversion Notice has been given by a Noteholder:
 - (i) the notice cannot be withdrawn without the written consent of the Issuer;

- (ii) the Noteholder must not deal with, transfer, dispose or otherwise encumber any Notes which are the subject of the Conversion Notice; and
- (iii) the Noteholder must provide such evidence of title to the Notes which are the subject of the Conversion Notice as may be reasonably required by the Issuer and the Registrar.

3.4 **Restrictions on Conversion Notices**

- (a) Following receipt by a Noteholder of a Noteholder Redemption Event Notice or an Issuer Redemption Event Notice, a Noteholder may only give a Conversion Notice (for some or all of its Notes) if the relevant notice is:
 - (i) a Noteholder Redemption Event Notice that specifies a Change of Control Event or a Delisting Event; or
 - (ii) a Tax Redemption Notice.
- (b) A Conversion Notice received by the Issuer 10 or more Business Days before an Interest Payment Date will be effective on such date as may be determined by the Issuer (in its absolute discretion), provided such date is no later than the Interest Payment Date immediately following the date on which the Issuer has received the Conversion Notice.
- (c) If a Conversion Notice is received by the Issuer less than 10 Business Days before an Interest Payment Date, the Conversion Notice will be effective on such date as may be determined by the Issuer (in its absolute discretion), provided such date is no later than the second Interest Payment Date after the date on which the Issuer has received the Conversion Notice.
- (d) In no circumstances will a Conversion Notice be effective if:
 - (i) prior to the Noteholder giving the Conversion Notice, a Noteholder has received a Tax Redemption Notice and the Conversion Notice is received by the Issuer less than 10 Business Days before the earlier of the last day of the Conversion Period and the Redemption Date specified in such Tax Redemption Notice;
 - (ii) prior to the Noteholder giving the Conversion Notice a Noteholder has exercised its rights under clause 4.6(a) to require the Notes to be Redeemed following a Change of Control Event or a Delisting Event, and the Conversion Notice is received by the Issuer less than 10 Business Days before the earlier of the last day of the Conversion Period and the relevant Noteholder Redemption Event Date; or
 - (iii) otherwise, the Conversion Notice is received by the Issuer less than 10 Business Days before the last day of the Conversion Period.

3.5 **Effect of Conversion**

On the Conversion Date of a Note held by a Noteholder:

- (a) the Note will be taken to have been Redeemed, and the Noteholder will be taken to have paid the Conversion Amount for that Note to the Issuer by way of subscription for the number of new Ordinary Shares into which the Notes are to be converted in accordance with clause 3.1 (Conversion Shares) at an issue price per Conversion Share that is equal to the Conversion Price in effect on the relevant Conversion Date;

- (b) the Issuer will be taken to have issued to the Noteholder, and must register the Noteholder as the Holder of, the Conversion Shares, and will notify the Trustee and Registrar accordingly;
- (c) the Noteholder will be deemed to have consented to be registered as the holder of the Conversion Shares in the register of Members;
- (d) the Issuer (or the Registrar, on the Issuer's behalf) will send a holding notice in respect of the Conversion Shares to the Noteholder at the address for the Noteholder shown in the Register at the close of business on the day which is five Business Days before the Conversion Date;
- (e) the Issuer must use all reasonable endeavours to procure and maintain quotation of the Conversion Shares on the ASX; and
- (f) upon issue of the Conversion Shares, all other rights conferred or restrictions imposed by the Note under these Note Terms will no longer have effect.

3.6 **Ranking of Conversion Shares**

Each Conversion Share Issued on a Conversion Date will be fully paid and rank pari passu in all respects with all other fully paid Ordinary Shares on issue on the relevant Conversion Date, except the holder of the Conversion Share will not be entitled to any dividend or other distribution to which holders of Ordinary Shares are entitled that has not been paid as at the Conversion Date, where the applicable record date for determining such entitlements or other distributions occurred prior to the Conversion Date.

3.7 **No fractional shares**

No fractional Ordinary Shares will be issued on Conversion of a Note and no cash adjustment will be made. If the calculation under this clause 3 results in an entitlement to a number of Ordinary Shares which includes a fraction of a Share, the fraction will be disregarded.

3.8 **Adjustments to Conversion Price for bonus issues**

- (a) Subject to clause 3.8(b), if the Issuer makes a bonus issue of Ordinary Shares to the Shareholders generally, the Conversion Price will be adjusted immediately under the following formula:

$$CP = CPo \times \frac{RD}{(RD + RN)}$$

Where:

- CP** means the Conversion Price applying immediately after the application of this formula;
- CPo** means the Conversion Price applying immediately before the application of this formula;
- RD** means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the bonus issue; and
- RN** means the number of Ordinary Shares issued under the bonus issue.

- (b) For the purpose of clause 3.8(a), an issue will be regarded as a bonus issue notwithstanding that the Issuer does not make offers to some or all Shareholders

with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the applicable ASX Listing Rules.

- (c) Such adjustment shall become effective on the date of the relevant bonus issue.

3.9 Adjustments to Conversion Price for off market buy-backs

- (a) Subject to clause 3.9(b), if the Issuer undertakes an off market buy-back under a buy-back scheme which but for any applicable restrictions on transfer would be generally available to Shareholders (or otherwise cancels Ordinary Shares for consideration), the Conversion Price will be adjusted immediately using the following formula:

$$CP = CPo \times \frac{1}{P} \times \frac{(BD \times P) - (BN \times A)}{(BD - BN)}$$

Where:

- CP** means the Conversion Price applying immediately after the application of this formula;
- CPo** means the Conversion Price applying immediately before the application of this formula;
- P** means the VWAP during the 20 Business Days before the announcement to the ASX of the buy-back (or cancellation);
- BD** means the number of Ordinary Shares on issue immediately before the buyback (or cancellation);
- BN** means the number of Ordinary Shares bought back (or cancelled); and
- A** means the buy-back (or cancellation) price per Ordinary Share.

- (b) No adjustment to the Conversion Price will occur if P exceeds A.
- (c) Such adjustment shall become effective on the date of the relevant buy-back (or cancellation).

3.10 Adjustment to Conversion Price for issues at less than current market price

- (a) If and whenever the Issuer will issue (otherwise than as mentioned in clauses 3.8 or 3.11) any Ordinary Shares (other than Conversion Shares issued or other Ordinary Shares issued on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) wholly for cash or for no consideration at a price per Ordinary Share which is less than 90% of the VWAP during the five Business Days immediately preceding the date of the first public announcement of the terms of such issue, the Conversion Price will be adjusted immediately using the following formula:

$$CP = CPo \times \frac{1}{P} \times \frac{(RD \times P) - (RN \times A)}{(RD - RN)}$$

Where:

- CP** means the Conversion Price applying immediately after the application of this formula;
- CPo** means the Conversion Price applying immediately before the application of this formula;
- P** means the VWAP during the five consecutive Business Days up to the announcement of the terms of such issue or grant to the ASX;
- RD** means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the rights or bonus issue;
- RN** means the number of Ordinary Shares issued at a price per Ordinary Share which is less than 90% of the VVAP during the five Business Days immediately preceding the date of the first public announcement of the terms of such issue or grant; and
- A** means the subscription price per Ordinary Share for the issue.

- (b) Such adjustment shall become effective on the date of the relevant issue of Ordinary Shares.

3.11 Adjustment to Conversion Price for issues under a share purchase plan or dividend reimbursement plan at a discount

- (a) If and whenever the Issuer will issue any new Ordinary Shares under a share purchase plan or dividend reinvestment plan where the pricing of new Ordinary Shares under that plan is expressly calculated as a discount to a market price and that discount is greater than 10%, the Conversion Price will be adjusted immediately using the following formula:

$$CP = CPo \times \frac{(RD + ((1-D) \times RN))}{(RD - RN)}$$

Where:

- CP** means the Conversion Price applying immediately after the application of this formula;
- CPo** means the Conversion Price applying immediately before the application of this formula;
- RD** means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the share purchase plan or dividend reinvestment plan;
- RN** means the number of Ordinary Shares issued under the plan; and
- D** means the discount at which new Ordinary Shares are issued under the plan.

- (b) Such adjustment shall become effective on the date of the relevant issue of new Ordinary Shares.

3.12 Adjustment to Conversion Price for return of capital

- (a) If the Issuer makes a pro rata return of capital to holders of Ordinary Shares without cancellation of any Ordinary Shares, the Conversion Price will be adjusted

under the following formula:

$$CP = CPo \times \frac{P+C}{P}$$

Where:

CP means the Conversion Price applying immediately after the application of this formula;

CPo means the Conversion Price applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement to the ASX of the return of capital up to and including the last Business Day of trading cum the return of capital (or if there is no period of cum return of capital, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the return of capital); and

C means with respect to a return of capital (other than by way of extraordinary distribution, special dividend (being a dividend that is paid other than in accordance with the Issuer's dividend policy from time to time), or special distribution), the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

- (b) Such adjustment shall become effective on the date of the relevant return of capital, or if later, the first date upon which the amount of the relevant cash and/or the value of property distributed to holders of Ordinary Shares is capable of being determined as provided in this clause 3.12.

3.13 Adjustments for a Change of Control Event

Where a Change of Control Event occurs, then upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price will be the Change of Control Conversion Price, as calculated using the following formula:

$$COCCP = \frac{SSP}{(1+(\text{Premium} \times c/t))}$$

Where:

COCCP means the Change of Control Conversion Price;

SSP means the Conversion Price in effect on the relevant Conversion Date, disregarding the application of this clause 3.13;

Premium
(expressed
as a decimal)

means the premium of 0.15;

c

means the number of days from (and including) the date the Change of Control Event occurs to (but excluding) the Maturity Date; and

t means the number of days from (and including) the Initial Issue Date to (but excluding) the Maturity Date.

3.14 **Notice of amendment**

Any adjustment of the Conversion Price under this clause 3 will be notified to the Trustee, the Noteholders and the ASX promptly after such adjustment has been determined.

3.15 **On market buy-backs**

No adjustment to the Conversion Price shall occur as a result of an on market buy-back of Ordinary Shares.

4 Redemption and buy-back

4.1 **Redemption on Maturity Date**

Each Note must be Redeemed by the Issuer on the Maturity Date by payment of the Redemption Price unless:

- (a) the Note has been previously Converted;
- (b) the Note has been previously Redeemed; or
- (c) the Note has been purchased by the Issuer under clause 4.2 and cancelled.

4.2 **Buy-back**

Subject to compliance with any applicable law or requirement of the ASX:

- (a) the Issuer may at any time purchase Notes in the open market or otherwise and at any price;
- (b) the Notes purchased under this clause 4.2 may be held, resold, dealt with or cancelled at the discretion of the Issuer; and
- (c) the Notes so purchased, while held by or on behalf of the Issuer, will not entitle the Noteholder to vote at any meetings of the Noteholders and will not be taken to be outstanding for certain purposes set out in clause 7 and the Meeting Provisions, including without limitation, calculating quorums at meetings of the Noteholders.

4.3 **Redemption at the option of the Issuer- Optional Early Redemption**

The Issuer may on the First Step-up Date or on any Interest Payment Date after the First Step-up Date, elect to Redeem all (but not some) of the Notes in whole before the Maturity Date at the Redemption Price for each such Note by giving not less than 15 nor more than 45 days' notice in writing of such Redemption (an **Optional Early Redemption Notice**) to the Noteholders, the Trustee, the Registrar and the ASX, nominating the Redemption Date upon which the Issuer proposes to Redeem the relevant Notes.

4.4 **Redemption at the option of the Issuer - Tax Event**

- (a) If a Tax Event occurs prior to the Maturity Date, the Issuer may elect to Redeem all (but not some) of the Notes in whole before the Maturity Date at the Redemption Price for each such Note by giving not less than 15 nor more than

45 days' notice in writing of such Redemption (a Tax Redemption Notice) to the Noteholders, the Trustee, the Registrar and the ASX, nominating the Redemption Date upon which the Issuer proposes to Redeem the Notes.

- (b) Prior to the giving of any Tax Redemption Notice pursuant to this clause 4.4, the Issuer will deliver to the Trustee:
 - (i) a certificate signed by two directors of the Issuer specifying details of the relevant Tax Event; and
 - (ii) an opinion of independent legal or tax advisors of recognised standing in Australia, and experienced in such matters, confirming that the Tax Event has occurred.
- (c) The Trustee will be entitled to accept and conclusively rely upon such certificate and opinion as sufficient evidence thereof in which event it will be conclusive and binding on the Noteholders. Upon the expiry of the Tax Redemption Notice, the Issuer must redeem the Notes at the Redemption Price.

4.5 **Redemption at the option of the Issuer. Clean-Up Event**

If a Clean-Up Event occurs prior to the Maturity Date, the Issuer may elect to Redeem all (but not some) of the Notes in whole before the Maturity Date at the Redemption Price for each such Note by giving not less than 15 nor more than 45 days' notice in writing of such Redemption (a **Clean-Up Event Redemption Notice**) to the Noteholders, the Trustee, the Registrar and the ASX, nominating the Redemption Date upon which the Issuer proposes to Redeem the Notes.

4.6 **Noteholder Redemption Event**

- (a) If a Noteholder Redemption Event occurs:
 - (i) a Noteholder may require the Issuer to Redeem all (but not some) of the Notes held by that Noteholder in whole; and
 - (ii) where the relevant Noteholder Redemption Event is a Change of Control Event, the Issuer may Redeem all (but not some) of the Notes, on the Noteholder Redemption Event Date at the applicable Redemption Price for each such Note.
- (b) As soon as reasonably practicable after the occurrence of a Noteholder Redemption Event, the Issuer must give notice of the Noteholder Redemption Event to the Trustee with a copy to the Noteholders, the Registrar and the ASX (Noteholder Redemption Event Notice). The Noteholder Redemption Event Notice must contain:
 - (i) a statement informing Noteholders of:
 - (A) their entitlement to require the Notes to be Redeemed pursuant to this clause 4.6 or Converted pursuant to clause 3.2; or
 - (B) where the relevant Noteholder Redemption Event Is a Change of Control Event, whether the Issuer will elect to Redeem the Notes, and will also specify:
 - (ii) details of the relevant Noteholder Redemption Event;

- (iii) the closing price of the Notes on the day that the Notes were trading on the ASX immediately prior to the occurrence of the relevant Noteholder Redemption Event; and
 - (iv) the last day of the Noteholder Redemption Event Period.
- (c) A Noteholder may exercise its rights under clause 4.6(a) to require the Notes to be Redeemed by delivering a Noteholder Redemption Election Notice to the Issuer at any time on or prior to the last day of the Noteholder Redemption Event Period.
- (d) If a Noteholder delivers a Noteholder Redemption Election Notice to the Issuer In accordance with clause 4.6(c), the Issuer must Redeem all Notes the subject of the Noteholder Redemption Election Notice on the relevant Noteholder Redemption Event Date.

4.7 Effect of notice

Any notice given under this clause 4 is irrevocable once given. The accidental or inadvertent failure to give notice to an individual Noteholder will not invalidate a Noteholder Redemption Event Notice or an Issuer Redemption Event Notice.

4.8 Failure to Redeem

If the Issuer fails to Redeem the Notes when due, Interest will continue to accrue on the Notes at the rate applicable to them on their Redemption Date and must be paid to the relevant Noteholders upon Redemption of the Notes.

4.9 Cancellation

Notes that have been Redeemed will be cancelled by the Issuer and may not be resold.

5 Status and ranking

5.1 Status

The Notes at all times constitute direct, unsubordinated and (subject to clause 6.1) unsecured obligations of the Issuer.

5.2 Ranking

- (a) The Notes rank equally with each other and without any preference amongst themselves and at least equally with all other present and future unsubordinated and unsecured obligations of the Issuer (other than any obligations preferred by mandatory provisions of applicable law).
- (b) The ranking of Notes is not affected by the date of registration of any Noteholder in the Register.

6 Covenants

6.1 Negative pledge

For so long as any Notes remain outstanding, the Issuer must not create or permit to subsist any Security Interest upon the whole or any part of its present or future assets to secure any Financial Indebtedness other than a Permitted Security Interest, unless in any such case, before or at the same time as the creation of the Security Interest

- For personal use only
- (a) all amounts payable by the Issuer under the Notes and the Trust Deed are secured equally and rateably with the Financial Indebtedness; or
 - (b) such other Security Interest is provided in respect of all amounts payable by the Issuer under the Notes and the Trust Deed as the Trustee shall in its absolute discretion determine to be not materially less beneficial to the interests of the Noteholders as a whole.

6.2 **Limit on the Incurrence of Financial Indebtedness**

For so long as any Notes remain outstanding, the Issuer must not, without the approval of the Noteholders by way of Special Resolution, incur any Financial Indebtedness other than Permitted Financial Indebtedness.

6.3 **Limit on making Distributions**

For so long as any Notes remain outstanding, the Issuer must not without the approval of the Noteholders by way of Special Resolution make:

- (a) any In-specie Distribution;
- (a) any return of capital to ordinary shareholders; or
- (b) any other Distribution which would result in an LTV Ratio Event immediately after such Distribution.

6.4 **Other covenants**

So long as any Notes remain outstanding, the Issuer must:

- (a) do everything necessary to maintain its corporate existence;
- (b) do everything necessary to maintain the authorisations it is required to maintain in order to conduct its business;
- (c) comply with all laws binding on it where a failure to comply would have a Material Adverse Effect; and
- (d) not, without the approval of the Noteholders by way of Special Resolution, substantially change its core business activity of being a listed investment company with the value of the unlisted Marketable Securities that it holds, as at the time of their acquisition, being no greater than 15% of the value of all Marketable Securities then held by the Issuer.

7 **Events of Default**

7.1 **Events of Default**

An Event of Default occurs and is continuing in relation to the Notes if:

- (a) **(non-payment)** the Issuer fails to pay or repay any amount payable by it under these Note Terms within 10 Business Days after the date on which it is due and where the sole reason for the default is a technical or administrative difficulty within the banking system being used to effect payment, such default is not remedied within five Business Days;

- (b) **(non-issue of Ordinary Shares)** the Issuer fails to issue Ordinary Shares on Conversion in accordance with these Note Terms within 10 Business Days after the date on which such issue is to be made;
- (c) **(breach of other obligations)** the issuer fails to comply with any of its other material obligations under these Note Terms or the Trust Deed and such failure remains unremedied for a period of 30 Business Days after the Issuer has received written notice from the Trustee in respect of the failure;
- (d) **(cross default)** any debt of the Issuer greater than A\$500,000 (or its equivalent in any other currencies) becomes due and payable before its stated maturity due to the occurrence of a default in the observance by the Issuer of any of the terms of that debt;
- (e) **(insolvency)** an Insolvency Event occurs in respect of the Issuer;
- (f) **(unlawfulness)** at any time, it is unlawful for the Issuer to perform any of its payment obligations under the Notes; or
- (g) **(vitiation)** all or any obligations of the Issuer or rights of the Noteholders or the Trustee under the Trust Deed or these Note Terms are terminated or are or become void, illegal, invalid, unenforceable or of limited force and effect.

7.2 Notification

If an Event of Default occurs, the Issuer must, promptly after becoming aware of it, notify the Noteholders, the Trustee, the Registrar and the ASX of the occurrence of the Event of Default.

7.3 Consequences of an Event of Default

- (a) If an Event of Default occurs and is continuing in relation to the Notes, the Trustee may declare, by written notice to the Issuer (with a copy to the Noteholders), that the Face Value (together with any accrued and unpaid Interest) of each Note is due and payable immediately or on such other date as specified in that notice.
- (b) The Trustee will not be bound to take any action referred to in clause 7.3(a) above or any other proceedings or action to enforce the obligations or covenants of the Issuer pursuant to or in connection with the Trust Deed or these Note Terms unless:
- (i) it is directed to take such action by a Noteholder Resolution (or, If required by, a Special Resolution) (ignoring any Notes held by or on behalf of the Issuer and not cancelled);
 - (ii) it is indemnified and/or pre-funded to its satisfaction as contemplated by the Trust Deed;
 - (iii) its liability for taking such action is limited in a manner consistent with section 283DC of the Corporations Act;
 - (iv) such action is permitted under the Trust Deed and these Note Terms; and
 - (v) it is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.
- (c) If the Trustee forms the view that such action is or could be inconsistent with the Trust Deed, these Note Terms, the Corporations Act, the ASX Listing Rules or any

applicable law, it must take steps to seek (and, if the court so determines, to obtain) as soon as reasonably practicable a court direction or order to set aside or vary the direction given by Noteholder Resolution (or, if required, by Special Resolution), and, while those steps are underway, the Trustee is not obliged to take any action or proceedings it has been directed to take by such Noteholder Resolution or Special Resolution (as applicable).

7.4 Noteholders' right to take action

No Noteholder is entitled to commence action or proceedings directly against the Issuer to enforce any right, power or remedy under these Note Terms or the Trust Deed unless, subject to clause 7.3(c):

- (a) the Trustee, having become bound to proceed in accordance with the Trust Deed and these Note Terms, fails to do so within 14 days of being obliged to do so and such failure is continuing; or
- (b) each of:
 - (i) 30 Business Days have lapsed since the date on which one or more Noteholders gave notice to the Trustee that they intend to commence such action or proceedings (with such notice to specify the details, including legal basis for, such action or proceedings, and to be copied to the Issuer); and
 - (ii) the Trustee has not commenced such action or proceedings (it being acknowledged that the Trustee is only required to commence such action or proceeding where bound to so proceed in accordance with the Trust Deed and these Note Terms),

in which case any such Noteholder may itself institute such actions or proceedings against the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. Any such proceedings must be brought in the name of the Noteholders that gave such notice and not in the name of the Trustee.

8 Title and transfer of Notes

8.1 Title

Title to a Note passes when details of the transfer are entered in the Register.

8.2 Effect of entries in Register

- (a) Each entry in the Register in respect of a Note constitutes:
 - (i) an unconditional and irrevocable undertaking by the issuer to the Noteholder to pay principal, Interest and any other amount in accordance with these Note Terms;
 - (ii) an entitlement to the other benefits given to the Noteholders under these Note Terms and the Trust Deed in respect of the Note; and
 - (iii) (subject to rectification for fraud or manifest or proven error) conclusive evidence of validly issued Note under the Trust Deed, regardless of any noncompliance by the Issuer with the provisions of the Trust Deed.

- (b) For the avoidance of doubt, an entry in the Register does not make the Noteholder a member of the Issuer or confer rights on a Noteholder to become a member of the Issuer or to attend or vote at meetings of members of the Issuer.

8.3 **No certificates**

Except to the extent required by law or otherwise determined by the Issuer, no certificates in respect of the Notes will be issued by the Issuer, the Registrar or the Trustee.

8.4 **Register conclusive as to ownership**

Notes are regarded as issued or transferred to a person if and when the person's name is recorded in the Register as the Noteholder in accordance with the Trust Deed. Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the absolute owner of the Note subject to correction for fraud or manifest or proven error.

8.5 **Non-recognition of Interests**

Except as required by law, the Issuer, the Trustee and the Registrar must treat the person whose name is entered in the Register as the Noteholder as the absolute owner of that Note. This clause 8.5 applies whether or not a Note is overdue and despite any notice of ownership, trust or Interest in the Note.

8.6 **Joint holders**

- (a) Where two or more persons are entered in the Register as the joint holders of a Note then they are taken to hold the Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than four persons as joint holders of any Note.
- (b) On the death of a joint holders, the survivor or survivors are the only person or persons whom the Issuer or the Trustee will recognise as having any title to the Notes (but the Issuer or the Trustee may require any evidence of death which it thinks fit).
- (c) The joint holders are counted as a single Noteholder of the Note for the purposes of calculating the number of Noteholder or requisitioners who have requested a Meeting of Noteholders.
- (d) The giving of notice to, or receipt of notice for, any one of the joint holders is taken to be the giving of notice to, or receipt of notice for, all of the joint holders.
- (e) Any one of the joint holders may give an effective receipt for payment on the Notes and a payment to any one of the joint holders will discharge the Issuer's liability with respect to that payment.
- (f) The Registrar is not bound to register more than four persons as joint holders of any Note

8.7 **Transfers in whole**

A Note may be transferred in whole but not in part.

8.8 **Transfer**

- (a) A Noteholder may, subject to this clause 8.8, transfer any Notes:
- (i) if the Notes are quoted on the ASX, by a transfer in accordance with the rules of the Clearing System;
 - (ii) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
 - (iii) by any proper or sufficient instrument of transfer of marketable securities under applicable law.
- (b) The Issuer must not charge any fee on the transfer of a Note.

8.9 **Market obligations**

The Issuer must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of a Note.

8.10 **Issuer may request holding lock or refuse to register transfer**

If the Notes are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- (a) request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Notes approved by and registered on the CS Facility Operator's electronic sub-register or Notes registered on an issuer sponsored sub-register, as the case may be; or
- (b) refuse to register a transfer of Notes.

8.11 **Issuer must request holding lock or refuse to register transfer**

- (a) The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Notes approved by and registered on the CS Facility Operator's electronic sub-register or Notes registered on an issuer-sponsored sub-register, as the case may be, if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (b) The Issuer must refuse to acknowledge a disposal (including registering any transfer) of Notes if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (c) In the event of a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Noteholder of the Restricted Securities is not entitled to any Interest (or other distribution on), or voting rights in respect of, the Restricted Securities.

8.12 **Notice of holding lock and refusal to register transfer**

If, in the exercise of its rights under clause 8.10 and 8.11 the Issuer requests the application of a holding lock to prevent a transfer of Notes or refuses to register a transfer of Notes, it must, within five Business Days after the date it requests the holding lock or the date it refuses to register a transfer, give written notice of the request or refusal to the Noteholder, to the transferee and the broker lodging the transfer. Any failure to give such notice does not, however, invalidate the exercise by the Issuer of its rights.

8.13 **Delivery of instrument**

If an instrument is used to transfer the Notes according to clause 8.8, it must be delivered to the Registrar, together with such evidence (if any) as the Issuer or the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Notes.

8.14 **Refusal to register transfers**

- (a) The Issuer may only refuse to register a transfer of any Notes if such refusal is required or permitted by Applicable Regulation or these Note Terms.
- (b) If the Issuer refuses to register a transfer, the Issuer must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

8.15 **Transferor to remain Noteholder until registration**

A transferor of a Note remains the Noteholder in respect of that Note until the transfer is registered and the name of the transferee is entered in the Register.

8.16 **Effect of transfer**

Upon registration and entry of the transferee in the Register, the transferor ceases to be entitled to future benefits under the Trust Deed and these Note Terms in respect of the transferred Notes and the transferee becomes so entitled in accordance with clause 8.8.

8.17 **Death, legal disability**

- (a) If a Noteholder dies, becomes subject to a legal disability, becomes bankrupt or is liquidated the legal representative or the person entitled to Notes as a result of bankruptcy or liquidation, will be recognised as being entitled to require the transfer to it of Notes registered in the Noteholder's name.
- (b) The Issuer need not register any transfer or transmission under this clause 8.17 unless the transferee provides evidence of its entitlement satisfactory to the Issuer and an indemnity in favour of the Issuer in a form determined by the Issuer in respect of any consequence arising from the transfer or transmission.

8.18 **Transfer of unidentified Notes**

Where the transferor executes a transfer of less than all the Notes registered in its name, and the specific Notes to be transferred are not Identified, the Registrar may register the transfer in respect of such of the Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Face Value of all the Notes registered as having been transferred equals the aggregate of the Face Value of all the Notes expressed to be transferred in the transfer.

9 Payments

9.1 Summary of payment provisions

Payments in respect of the Notes will be made in accordance with this clause 9.

9.2 **Record Date**

All payments under or in respect of a Note will be made only to those persons registered as the Noteholder at the nominated time on the relevant Record Date.

9.3 **Payments subject to applicable laws**

All payments are subject to applicable laws, but without prejudice to the provisions of these Note Terms relating to the payments of Additional Amounts. If a payment cannot lawfully be made by the Issuer to a particular Noteholder due to any circumstance or matter affecting the Noteholder without the approval of a Government Agency or the satisfaction of some other condition, then the Noteholder is not entitled to receive that payment, and the Issuer is not obliged to make that payment, unless that approval has been obtained or that other condition is satisfied. The Issuer is not obliged to pay any further interest to the affected Noteholder in such circumstances on account of the delay.

9.4 **Payment delays**

If the Issuer has determined that a person other than a Noteholder is or may be entitled to be registered as a Noteholder and receive a payment in respect of a Note, the Issuer may withhold the payment until it has established the respective entitlements of that person to its satisfaction and (if applicable) the person so entitled has been registered as Noteholder and provided details for the payment to be made to the satisfaction of the Issuer. The Issuer is not obliged to pay any further interest on account of the delay.

9.5 **Payments on Business Days**

If a payment:

- (a) is due on a day which is not a Business Day then the due date for payment will be postponed to the first following day that is a Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the first following day on which banks are open for general banking business in that place, and in either case, no Noteholder is entitled to any interest or amount in respect of that delay.

9.6 **Payments to accounts**

Moneys payable by the Issuer to a Noteholder may be paid in any manner the Issuer decides, including by direct credit into a nominated account of the Noteholder at an Australian branch of a financial institution.

9.7 **Unsuccessful attempts to pay**

Subject to applicable law and the ASX Listing Rules, where the Issuer:

- (a) decides that an amount is to be paid to a Noteholder by a method of direct credit and the Noteholder has not nominated an account to which amounts are to be paid by that method;
- (b) attempts to pay an amount to a Noteholder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful;
- (c) has made reasonable efforts to locate a Noteholder but is unable to do so; or

- (d) has issued a cheque which has not been presented within six months of its date and, as a consequence, the Issuer has cancelled such cheque,

then, in each case:

- (e) the amount will be taken to have been duly paid to the Noteholder and will not bear Interest; and
- (f) the amount will be held by the Issuer for the Noteholder in a non-interest bearing deposit with a bank selected by the Issuer until the Noteholder (or any legal personal representative of the Noteholder) nominates an account for payment or otherwise claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

9.8 Payment to joint Noteholders

A payment to any one of the joint Noteholders of a Note will discharge the Issuer's liability in respect of the payment.

9.9 Fractions

For the purposes of making any payment to a Noteholder in respect of its aggregate holding of Notes, any fraction of a cent will be disregarded.

10 Taxation

10.1 No set-off, counterclaim or deductions

All payments in respect of the Notes must be made in full without set-off or counterclaim, and will be made free and clear of, and without any withholding or deduction in respect of Taxes, unless such withholding or deduction is required by applicable law.

10.2 Withholding tax

Subject to clause 10.3, if a law requires the Issuer to withhold or deduct an amount for Taxes imposed in connection with a payment on a Note such that the Noteholder would not actually receive on the due date the full amount provided for under the Notes, then:

- (a) the Issuer agrees to withhold or deduct the amount for the Taxes; and
- (b) if the amount deducted or withheld is in respect of Taxes imposed in Australia, the Issuer will pay an additional amount (Additional Amount) so that, after making the deduction or withholding, the Noteholder is entitled to receive (at the time the payment is due) the amount it would have received if no deduction or withholding had been required to be made from a payment in respect of a Note.

10.3 Gross-up exceptions

- (a) No Additional Amounts are payable under clause 10.2 in respect of any Note:
- (i) to, or to a third party on behalf of, a Noteholder who is liable to such Taxes in respect of such Note by reason of having some connection with Australia other than the mere holding of or receipt of payment in respect of such Note;
- (ii) to, or to a third party on behalf of, a Noteholder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any

third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any Tax Authority;

- (iii) to, or to a third party on behalf of, a Noteholder who is an Offshore Associate and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act;
 - (iv) to, or to a third party on behalf of, a Noteholder that is not the beneficial owner of such Notes to the extent that the beneficial owner thereof would not have been entitled to the payment of such Additional Amounts had such beneficial owner been the Noteholder of such Notes;
 - (v) to, or to a third party on behalf of, a Noteholder where such withholding or deduction is required to be made pursuant to a notice or direction issued by the Commissioner of Taxation under section 255 of the Tax Act or section 260-5 of Schedule 1 to the *Taxation Administration Act 1953* (Cth) or any similar law;
 - (vi) to, or to a third party on behalf of, a Noteholder, if that person has not supplied an appropriate Australian tax file number, an Australian business number or other exemption details from these requirements before the Record Date; or
 - (vii) in respect of any combination of any or all of clauses 10.3(a)(i) to (vi) above.
- (b) Notwithstanding any other provision of these clauses, if the Issuer, any agent, or any other person through whom payments on the Notes are made, is required to withhold or deduct amounts under or in connection with applicable law, the Issuer or that other person will be permitted to make such withholding or deduction, and the Noteholders and beneficial owners of Notes will not be entitled to receive any gross up, additional amount or other amount for such withholding or deduction had payment been made on the due date.

11 Amendments and waivers of Note Terms

11.1 Amendments without the consent of the Noteholders

Subject to the Trust Deed and compliance with the Corporations Act and all other applicable laws, the Issuer may at any time and from time to time, with the approval of the Trustee, but without the consent of the Noteholders, amend these Note Terms or the Trust Deed if the Trustee agrees with the Issuer that such amendments are:

- (a) of a formal or minor or technical nature;
- (b) made to cure any ambiguity or correct any manifest error;
- (c) necessary to facilitate the listing or quotation of the Notes on the ASX;
- (d) necessary to comply with any laws, regulations, legislation or the ASX Listing Rules; or
- (e) not materially prejudicial to the interests of Noteholders as a whole.

11.2 Amendments with the consent of the Noteholders

Without limiting clause 11.1, subject to the Trust Deed and compliance with the Corporations Act and all other applicable laws, the Issuer may at any time and from time to time, amend these Note Terms or the Trust Deed if a Noteholder Resolution or (where required under the Meeting Provisions) a Special Resolution is passed in favour of such amendment. If the amendment sought alters or conflicts with any of the personal rights or obligations of the Trustee, it will not be effective without the prior written consent of the Trustee.

11.3 Interpretation

In this clause 11, 'amend' Includes modify, waive, vary, cancel, amend or add to and 'amendment' has a corresponding meaning.

12 Time limit for claims

A claim against the Issuer for a payment under the Notes is void unless made within five years after the date on which payment first became due and payable.

13 Notices

All notices and other communications to the Noteholders in connection with the Trust Deed or the Notes must be made in accordance with the notice provisions set out in clause 19 (Notices) of the Trust Deed.

14 Further issues of Notes

14.1 Issuer may issue further Notes

Subject to clauses 6.2, 14.2 and the ASX Listing Rules, the Issuer may from time to time create and issue additional Notes after the Initial Issue Date having the same terms and conditions as the Notes issued on the Initial Issue Date in all respects (or in all respects other than in respect of the Issue Date, the Issue Price, the date on which the additional Notes commence bearing Interest or the date of the first interest payment in respect of the additional Notes). Any Notes issued pursuant to this clause 14 will be consolidated and form part of the same single class as the Notes issued on the Initial Issue Date, and will be treated as such including for the purposes of voting and taking all other actions by the Noteholders, except as otherwise specified in the Trust Deed or these Note Terms.

References in these Note Terms to the Notes include (unless the context requires otherwise) any additional Notes issued pursuant to this clause 14 that form a single class with the Notes issued on the Initial Issue Date.

14.2 Notice of further issues

The Issuer must provide prior notice to the Trustee and the Noteholders of any additional Notes to be issued under clause 14.1, and execute such supplemental documents as the Trustee may require in connection with the issue of such Notes.

15 General

15.1 Reporting

In addition to any requirements of the Corporations Act and the ASX Listing Rules, each Noteholder (if requested by that Noteholder) will be provided with copies of all annual and half yearly reports and financial statements provided to Shareholders.

15.2 Further documents

The Issuer may request the Trustee to execute (and the Trustee may agree to execute), on behalf of all Noteholders, such documents as the Issuer considers necessary or desirable provided that the Trustee is indemnified to its satisfaction, acting reasonably, against any Taxes, fees, costs, charges, expenses or liabilities (including solicitor and client as well as party and party costs) which it may suffer or incur as a result of doing so.

15.3 Governing law and jurisdiction

- (a) These Note Terms and the Notes are governed by the laws of Queensland, Australia.
- (b) The Issuer and each Noteholder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland, Australia in connection with matters concerning the Notes or these Note Terms.
- (c) The Issuer and each Noteholder waives any right they have to object to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

16 Interpretation and definitions

16.1 Interpretation

In these Note Terms:

- (a) if there is any inconsistency between the provisions of these Note Terms and the Trust Deed, then, to the maximum extent permitted by law, the provisions of these Note Terms will prevail;
- (b) calculations, elections and determinations made by the Issuer under these Note Terms are binding on Noteholders in the absence of manifest error;
- (c) if an event under these Note Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the succeeding Business Day;
- (d) the singular includes the plural and vice versa, and a gender includes the other gender;
- (e) another grammatical form of a word or expression defined in these Note Terms has a corresponding meaning;
- (f) a reference to a document (including these Note Terms) includes all schedules, annexures, attachments or exhibits to it;
- (g) a reference to a clause or clauses is to a clause or clauses of these Note Terms;

- (h) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time and all schedules, annexures, attachments or exhibits to it;
- (i) a reference to Australian dollars, A\$, dollars, \$ or cents is a reference to the lawful currency of Australia;
- (j) a reference to time is to Brisbane time;
- (k) a reference to a person includes:
- (i) a reference to the person's executors, administrators, successors and permitted assigns and substitutes; and
 - (ii) any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person, including a natural person, partnership, joint venture, Government Agency, association, corporation or other body corporate;
- (l) a reference to a statute, ordinance, code, rule, directive or law (however described) includes a constitutional provision, a statutory provision, treaty, decree, convention, statute, regulation, ordinance, code, by-law, judgment, rule of common law or equity, whether inside or outside Australia, and is a reference to that law as amended, extended, re-enacted consolidated or replaced;
- (m) the meaning of general words is not limited by specific examples introduced by words 'such as', 'including', 'particularly' including, 'for example' or other similar expressions;
- (n) headings (including those in brackets at the beginning of clauses) and footnotes are for convenience only and do not affect the interpretation of these Note Terms;
- (o) an Event of Default is subsisting until it has been remedied or waived in writing by the Trustee on behalf of the Noteholders;
- (p) if a payment is required to be made under these Note Terms, unless the contrary intention is expressed, the payment will be made in Australian dollars; and
- (q) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally.

16.2 References to particular terms

Unless the contrary intention appears, in these Note Terms:

- (a) any reference to 'principal' is taken to include the aggregate principal amount of the Notes outstanding, any Additional Amounts in respect of principal which may be payable under these Note Terms and any other amount in the nature of principal payable in respect of the Notes under these Note Terms; and
- (b) any reference to 'interest' is taken to include any Additional Amounts in respect of interest and any other amount in the nature of interest payable in respect of the Notes under these Note Terms.

16.3 **Inconsistency with ASX Listing Rules**

So long as the Notes are quoted on the ASX, these Note Terms are to be interpreted in a manner consistent with the ASX Listing Rules.

16.4 **Definitions**

Unless the contrary intention appears, in these Note Terms:

Additional Amount has the meaning given to it in clause 10.2.

Applicable Regulations means such provisions of the ASX Listing Rules, the rules of the applicable Clearing System or the Corporations Act, and any regulations or rules under or pursuant to any such provisions, as may be applicable to the transfer of a Note and includes any Restriction Agreement.

ASX means ASX Limited (ABN 98 003 624 691) or the securities market operated by it, as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532), the body which administers CHESS.

ASX Settlement Operating Rules means the settlement rules of ASX Settlement as amended or replaced from time to time.

Australian Accounting Standards means the Australian Accounting Standards issued by the Australian Accounting Standards Board.

Business Day means a day which is a business day within the meaning of the ASX Listing Rules but where used in connection with any Redemption, Conversion or payment on the Notes, excludes a day on which major trading banks are not open for business in Sydney.

Cash and Cash Equivalents means, at any time, the aggregate amount in Australian dollars of cash and cash equivalents held by the Issuer as at such time, as determined in accordance with the Australian Accounting Standards, but excluding the amount of such cash or cash equivalents which are the subject of a Security Interest.

Change of Control Event means the occurrence of any of the following:

- (a) the investment management agreement between the investment manager and the Issuer lapses or is terminated and no replacement investment management agreement has been entered into by the investment manager and the Issuer on, or as soon as reasonably practicable after, such lapse or termination;
- (b) a takeover bid is made to acquire all of the Ordinary Shares and the offer under the takeover bid is, or becomes, unconditional and:
 - (i) the bidder has acquired at any time during the offer period a relevant interest in more than 50 per cent of the Ordinary Shares on issue; or
 - (ii) the Directors of the Issuer unanimously recommend the acceptance of the offer under the takeover bid, and acceptance of that offer would result in the bidder having a relevant interest in 100 per cent of the Ordinary Shares on issue; or

- (c) a court approves a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in more than 50 per cent of the Ordinary Shares on issue.

CHESS means the Clearing House Electronic Sub-register System operated by ASX Settlement.

Clean-Up Event means at any time the aggregate principal amount of the Notes outstanding is less than A\$5 million.

Clean-Up Event Redemption Notice means a notice provided by the Issuer in accordance with clause 4.5.

Clearing System means CHESS or any other applicable securities trading or clearance system through which the Notes are cleared and/or settled.

Conversion means the conversion of a Note in accordance with clause 3 and the words **Convert**, **Convertible**, **Converting** and **Converted** bear a corresponding meaning.

Conversion Amount means in relation to a Note the subject of a Conversion Notice, the Face Value of the Note, together with any accrued (but unpaid) Interest on the Note up to (but excluding) the Conversion Date for the Note.

Conversion Date in relation to a Note means the date (determined by the Issuer (in its absolute discretion) in accordance with these Note Terms) on which Ordinary Shares will be issued to the relevant Noteholder on the Conversion of that Note under clause 3.

Conversion Notice means a notice of Conversion given in accordance with clause 3.2 or as otherwise determined by the Issuer or required by the ASX Listing Rules.

Conversion Period in respect of a Note means the period commencing on the second anniversary of the Initial Issue Date and ending on (and including) the date that is 10 Business Days prior to the Maturity Date.

Conversion Price means A\$2.70 or such other price as is determined in accordance with clauses 3.8 to 3.13.

Conversion Right means the right of a Noteholder to convert principal and accrued but unpaid Interest due under a Note into Ordinary Shares in accordance with clause 3.1.

Conversion Shares has the meaning given to it in clause 3.5.

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

CS Facility has the same meaning as 'prescribed CS Facility' in the Corporations Act.

CS Facility Operator means the operator of a CS Facility.

a **Delisting Event** will occur if:

- (a) the Ordinary Shares or Notes cease to be quoted on the ASX; or
- (b) trading of the Ordinary Shares or Notes on the ASX is suspended for a period of more than 20 consecutive Business Days, in each case, other than as a result (directly or indirectly) of a Change of Control Event.

Directors means some or all of the directors of the Issuer acting as a board.

Distribution means a distribution to Shareholders in any form whatsoever, including without limitation, by way of dividend (whether in cash or in specie), share buy-back, reduction of capital, bonus securities issue or otherwise.

Early Redemption Notice means any of the following:

- (a) an Optional Early Redemption Notice;
- (b) a Tax Redemption Notice;
- (c) a Clean-Up Event Redemption Notice; or
- (d) a Noteholder Redemption Event Notice.

Event of Default means any event specified in clause 7.1.

Face Value means the nominal principal amount of each Note, being A\$2.70.

Financial Indebtedness means, without double counting, any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised under any acceptance credit, or bill acceptance, discount or endorsement facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with any applicable generally accepted accounting practices, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any redeemable shares where the holder has the right, or the right in certain conditions, to require redemption;
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;
- (h) consideration for the acquisition of assets (excluding inventory bought in the ordinary course of business) or services payable more than 180 days after acquisition;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) inclusive above, but excluding any increase or possible increase in Financial Indebtedness resulting from changes to accounting definitions.

First Step-up Date means, provided that a First Step-Up Event occurs, 30 September 2024.

First Step-Up Event means an event where the 2 year Bank Bill Swap Rate (or its successor) as set on the First Step-Up Date, is above 1.2832%% per annum. If this event does not occur, the Interest Rate will remain fixed at 5.50% per annum.

First Step-Up Interest Rate means, provided that a First Step-Up Event occurs, an Interest Rate of 6.50% per annum.

Fixed Interest Rate means an interest rate of 5.50% per annum.

Government Agency means a government, a government department or a governmental, semi-governmental, statutory, administrative, parliamentary, provincial, public, municipal, local, judicial or quasi-judicial body.

Initial Issue Date means the date on which Notes are first issued under these Note Terms.

Insolvency Event occurs in relation to a body corporate if:

- (a) it is (or states that it is) insolvent (as defined in the Corporations Act); or
- (a) it is in liquidation, in provisional liquidation, under administration (other than in circumstances where the appointment of the administrator or liquidator is stayed, withdrawn, dismissed or terminated within 30 Business Days) or wound up (each as defined in the Corporations Act).

In-specie Distribution means any non-cash Distribution of the Issuers' Investment Assets, direct or indirect, for the benefit of a Shareholder.

Interest means the interest payable from time to time on a Note under these Note Terms.

Interest Payment Date in relation to a Note means:

- (a) 31 March, 30 June, 30 September and 31 December in each year during the term of the Note, with the first Interest Payment Date being 31 December 2021, or if any such date is not a Business Day, the following Business Day;
- (b) where a Conversion Right attached to the Note has been exercised prior to the Redemption Date in respect of the Note, the Conversion Date in respect of the Note; and
- (c) the Redemption Date in respect of the Note.

Interest Period means in respect of a Note, each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Issue Date in respect of the Note; and
- (b) the final Interest Period ends on (but excludes) the first to occur in respect of the Note:
 - (i) the Maturity Date;
 - (ii) any other Redemption Date; and

- (iii) where the Conversion Right attached to the Note has been exercised prior to the Redemption Date in respect of the Note, the Conversion Date in respect of the Note.

Interest Rate means:

- (a) in respect of each Interest Period that commences during the period from (and including) the Initial Issue Date to (but excluding) the First Step-Up Date, the Fixed Interest Rate;
- (b) in respect of each Interest Period that commences during the period from (and including) the First Step-Up Date to (but excluding) the Maturity Date, the First Step-Up Interest Rate; and
- (c) (without double-counting) where no First Step-Up Event occurs, in respect of each Interest Period that commences during the period from (and including) the Initial Issue Date to (but excluding) the Maturity Date, the Fixed Interest Rate.

Investment Assets means the assets owned by the Issuer which may include, without limitation, any of the following:

- (a) securities, including, without limitation, equity and debt securities of all types, whether subordinated or unsubordinated, secured or unsecured, quoted or unquoted, rated or unrated, denominated in any currency;
- (b) deposits and currencies of all kinds;
- (c) any other debt and equity instruments, including without limitation, loans (and participations therein), warrants, trade claims and promissory notes; and
- (d) derivative instruments and other synthetic products, including, but not limited to, foreign exchange options and forwards (including on a non-deliverable basis), bond options and forwards (including on a non-deliverable basis), interest rate and currency swaps, forward rate agreements, total return swaps, credit default swaps and equity derivatives and in credit and/or convertibility linked notes; and pooled investment vehicles of any description.

Issue Date in relation to a Note means the date on which the Note is issued.

Issue Price has the meaning given to it in clause 1.3.

Issuer means Flagship Investments Limited ABN 99 080 135 913.

Issuer Redemption Event Notice means any of the following:

- (a) an Optional Early Redemption Notice;
- (b) a Tax Redemption Notice; or
- (c) a Clean-Up Event Redemption Notice.

LTV Ratio means, at any time, the loan-to-value ratio for the Issuer calculated as follows:

$$A = B/C$$

Where:

A = the LTV Ratio (expressed as a percentage) as at such time:

B = the Total Debt less the Cash and Cash Equivalents as at such time; and

C = the Market Value of all Marketable Securities held by or on behalf of the Issuer as such time.

LTV Ratio Event means the LTV Ratio exceeds 50%.

Market Value in relation to a Marketable Security means, at any time:

- (a) where that Marketable Security is listed on the ASX, the most recent traded price listed for such Marketable Security on the ASX; and
- (b) where that Marketable Security is not listed on the ASX, the redemption price (however described) specified in the terms for such Marketable Security unless there is no redemption price so specified, in which case the Market Value for such Marketable Security will be determined by reference to the higher of:
 - (i) the most recent price at which a marketable security comprising the same class as that Marketable Security was redeemed by the Issuer;
 - (ii) the most recent price (if any) at which the Issuer purchased that Marketable Security or purchased marketable securities comprising the same class as that Marketable Security (whichever purchase occurred most recently); and
 - (iii) the most recent price at which the Issuer sold marketable securities comprising the same class as that Marketable Security (whether together with other Marketable Securities or individually or whether in a single transaction or series of transactions) provided the aggregate purchase price for such marketable securities exceeded A\$1,000,000, provided that if the Market Value of an unlisted Marketable Security cannot be reasonably determined in accordance with paragraph (b) above, the Market Value of such Marketable Security will be determined by the reasonable estimate of the Issuer as is supported by reasonable calculations any other reasonable documentation.

Marketable Securities means:

- (a) any debentures, stocks, shares or bonds of any Government Agency, local government authority, body corporate, association or society, and includes any right or option in respect of shares in any body corporate and any Interest in a managed investment scheme; and
- (b) any unit (whatsoever called) or interest in a trust estate which represents a legal or beneficial interest in any of the income or assets of that trust estate and includes any options to acquire any units as described.

Material Adverse Effect means an event or circumstance which has, or would reasonably be expected to have, a material adverse effect on the ability of the Issuer to meet its obligations under these Note Terms or the Trust Deed.

Maturity Date means 1 October 2026.

Meeting Provisions means the provisions for meetings of the Noteholders set out in Schedule 3 of the Trust Deed.

Member or Shareholder means a person holding Ordinary Shares and entered in the register of members as a member, for the time being, of the Issuer.

Note means a debt obligation denominated in Australian dollars and issued, or to be issued, by the Issuer which is constituted by, and owing under, the Trust Deed, the details of which are recorded in, and evidenced by, entry in the Register.

Note Terms means, in relation to a Note, these clauses.

Noteholder means the person from time to time whose name is entered on the Register as the holder of a Note.

Noteholder Redemption Election Notice means a notice provided by the Noteholder in accordance with clause 4.6(c) in the form set forth in Schedule 5 of the Trust Deed or as otherwise determined by the Issuer or required by the ASX Listing Rules.

Noteholder Redemption Event means each of the following events:

- (a) a Delisting Event; or
- (b) a Change of Control Event.

Noteholder Redemption Event Date means the date that is the 20th Business Day after the expiry of the Noteholder Redemption Event Period.

Noteholder Redemption Event Notice means a notice provided by the Issuer in accordance with clause 4.6(b).

Noteholder Redemption Event Period means the period beginning on the date the Issuer provides a Noteholder Redemption Event Notice and ending 30 Business Days from that date.

Noteholder Resolution means:

- (a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:
 - (i) by more than 50% of the persons voting on a show of hands (unless paragraph (ii) below applies): or
 - (ii) if a poll is duly demanded, then by a majority consisting of more than 50% of the votes cast; or
- (b) a resolution passed by postal ballot or written resolution, then by Noteholders representing (in aggregate) more than 50% of the principal amount of the Notes outstanding as at the Notification Date or (in the case of resolutions passed by postal ballot) outstanding as at the date determined by the Issuer, with the Trustee's approval.

Officer means a director or secretary of the Issuer or any other person authorised by the Issuer as an Officer of the Issuer for the purposes of these Note Terms.

Offshore Associate means an 'associate' (as defined in section 128F(9) of the Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia that, if it acquires the Notes or an interest in the Notes, would not acquire the Notes or an interest in the Notes in carrying on a business at or through a permanent establishment of the associate in Australia: or
- (b) a resident of Australia that, if it acquires the Notes or an interest in the Notes, would acquire the Notes or an interest in the Notes in carrying on a business in a

country outside Australia at or through a permanent establishment of the associate in that country, and which does not acquire a Note or an interest in the Notes in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme.

Optional Early Redemption Notice means a notice given by the Issuer to the Trustee under clause 4.3.

Ordinary Share means an ordinary share in the capital of the Issuer.

Permitted Financial Indebtedness means any of the following Financial Indebtedness:

- (a) the Financial Indebtedness constituted by the Notes issued on the Initial Issue Date;
- (b) any Financial Indebtedness incurred or guaranteed after the Initial Issue Date for the purpose of replacing, refinancing or extending the maturity of any other Permitted Financial Indebtedness;
- (c) any Financial Indebtedness:
 - (i) that does not result in the Issuer's total Financial Indebtedness exceeding A\$35,000,000; and
 - (ii) does not result in an LTV Ratio Event,in each case, immediately after the incurrence of such Financial Indebtedness; or
- (d) any other Financial Indebtedness approved by the Noteholders by way of Special Resolution.

Permitted Security Interest means any of the following:

- (a) any Security Interests securing Financial Indebtedness or other obligations which do not exceed A\$5,000,000 in aggregate;
- (b) any Security Interest that is a deemed security interest under the PPSA that does not, in substance, secure payment or performance of an obligation;
- (c) any Security Interest arising by operation of law and in the ordinary course of trading so long as the Financial Indebtedness secured by that Security Interest is paid when due or contested in good faith and appropriately provisioned;
- (d) any Security Interest over the assets of the Issuer after the Initial Issue Date if:
 - (i) the Security Interest was not created in contemplation of the acquisition of that asset by the Issuer;
 - (ii) the principal amount secured has not been increased in contemplation of, or since, the acquisition of that asset by the Issuer; and
 - (iii) the Security Interest is removed or discharged within six months of the date of acquisition of such asset;
- (e) any netting and set-off arrangements arising in the ordinary course of the Issuer's banking arrangements for the purpose of netting debit and credit balances;

- (f) any title retention arrangement entered into by the Issuer in the ordinary course of trading on the supplier's usual terms of sale (or on terms more favourable to the Issuer) so long as the debt it secures is paid when due or contested in good faith and sufficient reserves of liquid assets have been set aside to pay the debt if the contest is unsuccessful;
- (g) any Security Interest over goods (and related insurance contracts) under, and relating to, documentary credit transactions arising or created in the ordinary course of business;
- (h) deposits or pledges to secure contracts in the ordinary course of business, other than by way of security for Financial Indebtedness;
- (i) any Security Interest over and limited to the interest in, or assets of, a joint venture owned by the Issuer to support the obligations of the Issuer in respect of any joint venture; and
- (j) any other Security Interest approved by the Noteholders by way of Special Resolution.

Prospectus means a prospectus under which Notes are offered for issue as supplemented from time to time and includes any replacement prospectus in respect of such prospectus.

Record Date means, in relation to any payment to be made under or in respect of the Notes:

- (a) subject to paragraphs (b) and (c) below, the date which is eight calendar days before the applicable due date for payment;
- (b) such other date as is determined by the Issuer in its absolute discretion, and communicated to the ASX not less than eight calendar days before the Record Date which would have been determined under paragraph (a) above; or
- (c) such other date as may be required by, or agreed with, the ASX.

Wherever it is necessary to determine the Noteholder as at a Record Date, such determination will be made as of such time as the Issuer reasonably determines.

Redemption means the redemption of a Note by payment of its Redemption Price in accordance with these Note Terms and the words Redeem, Redeemable and Redeemed have a corresponding meaning.

Redemption Date in relation to a Note means the date for Redemption of that Note in accordance with these Note Terms.

Redemption Price means:

- (a) in respect of any Note to be Redeemed under clause 4.3, an amount equal to 100% of the Face Value of the Note together with any accrued (but unpaid) Interest on the Note up to (but excluding) the Redemption Date for the Note;
- (b) in respect of any Note to be Redeemed under clause 4.4, an amount equal to 101% of the Face Value of the Note together with any accrued (but unpaid) Interest on the Note up to (but excluding) the Redemption Date for the Note;
- (c) in respect of any Note to be Redeemed under clause 4.5, an amount equal to 100% of the Face Value of the Note together with any accrued (but unpaid) Interest on the Note up to (but excluding) the Redemption Date for the Note;

- (d) in respect of any Note to be Redeemed under clause 4.6(a)(i) as a result of the occurrence of a Change of Control Event, an amount equal to 101% of the Face Value of the Note together with any accrued (but unpaid) Interest on the Note up to (but excluding) the Redemption Date for the Note; and
- (e) in respect of any other Note to be Redeemed on its Maturity Date or otherwise, an amount equal to 100% of the Face Value of the Note together with any accrued (but unpaid) Interest up to (but excluding) the Redemption Date for the Note.

Register means the register of Noteholders established and maintained under the Trust Deed and, where appropriate, includes:

- (a) a sub-register maintained by or for the Issuer under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules; and
- (b) any branch register.

Registrar means Boardroom Ply Limited (ABN 14 003 209 836) or any other person appointed by the Issuer to maintain the Register and perform any payment and other duties in relation to the Notes.

Related Bodies Corporate has the meaning given to it in the Corporations Act.

Restricted Securities has the same meaning as in the ASX Listing Rules and extends to Notes which are subject to voluntary restrictions by agreement between the Issuer and one or more Noteholders.

Restriction Agreement means an agreement which is required to be concluded under Chapter 9 of the ASX Listing Rules or in voluntarily concluded between the Issuer and one or more Noteholders.

Security Interest means any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset. It includes any retention of title other than in the ordinary course of trading and a deposit of money by way of security but it excludes a charge or lien arising in favour of a Government Agency by operation of statute unless there is default in payment of moneys secured by that charge or lien.

Special Resolution means:

- (a) a resolution passed at a meeting of the Noteholders duly called and held under the Meeting Provisions:
 - (i) by more than 66½% of the persons voting on a show of hands (unless paragraph (ii) below applies); or
 - (ii) if a poll is duly demanded, then by a majority consisting of more than 66½% of the votes cast; or
- (b) a resolution passed by postal ballot or written resolution, then by Noteholders representing (in aggregate) more than 66½% of the principal amount of the Notes outstanding as at the Notification Date or (in the case of resolutions passed by postal ballot) outstanding as at the date determined by the Issuer, with the Trustee's approval.

Statement of Holding means a statement of holding (in the form determined by the Issuer and the Registrar from time to time) which sets out details of the number of Notes inscribed in the Register in the Noteholder's name as at the date specified in the statement.

Subsidiary has the meaning given to it in the Corporations Act, but an entity will also be taken to be a Subsidiary of an entity if it is controlled by that entity (as defined in section 50M of the Corporations Act) and, without limitation:

- (a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and
- (b) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.

Tax means any tax (including any consumption tax, goods and services tax (including GST) and value added tax), levy, impost, charge, withholding, deduction, fee or duty (including stamp and transaction duties) assessed, levied, imposed or collected by a government authority and any related interest, penalty, fine or expense in connection with it, except if imposed on, or calculated having regard to, the net income of a Noteholder or the Trustee.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), as the context requires.

Tax Authority means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official, having power to tax.

Tax Event occurs where, on or after the Issue Date for a Note, the Issuer receives an opinion of a nationally recognised legal counsel or tax adviser in Australia, experienced in such matters, that as a result of a change in a law or in the application or interpretation of a law there is a more than insubstantial risk that:

- (a) any payment to a Noteholder under the Note will be subject to an amount of withholding or deduction in respect of any Taxes or other governmental charges for which the Issuer must pay an Additional Amount; or
- (b) payment of an amount of Interest on the Note will not be, or will cease to be, allowed as a deduction for Australian tax purposes.

Tax Redemption Notice has the meaning given to it in clause 4.4(a).

Total Debt means, at any time, the outstanding principal amount of all Financial Indebtedness of the Issuer as at such time.

Trust Deed means the trust deed entitled Trust Deed relating to the 'FSI Convertible Note Trust (2021)' dated on or about 30 August 2021, and entered into by the Issuer and the Trustee.

Trustee means Equity Trustees Limited ACN 004 031 298 in its capacity as trustee of the Trust or any successor or such other person appointed in accordance with the Trust Deed as trustee of the Trust.

VWAP for the purpose of determining adjustments to the Conversion Price in respect of a Note to be Converted means the average of the daily volume weighted average sale prices of the Ordinary Shares sold on the ASX during the period specified in these Note Terms, excluding any transaction defined in the applicable Clearing System rules as 'special', crossings prior to the commencement of normal trading, crossings during the after-hours adjust phase and any overseas trades or exchange traded option exercises, subject to the following adjustments:

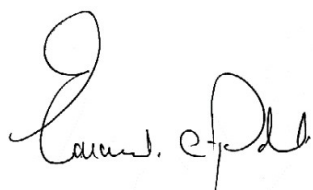
- (a) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement which is not extended to a Noteholder, and the Note will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, or cum any other distribution or entitlement will be reduced by an amount (Cum Value) equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or distribution (with no value included for any franking credits);
 - (ii) in the case of an entitlement which is traded on the ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on the ASX during the relevant period on the Business Days on which those entitlements were traded; or
 - (iii) in the case of an entitlement not traded on the ASX during the relevant period, the value of the entitlement as reasonably determined by the Directors.
- (b) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and the Note will convert into Ordinary Shares which carry entitlements for the holders of those Ordinary Shares to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement will be increased by the Cum Value.

10 Authorisation

10.1 Authorisation

This Prospectus is issued by the Company. Each Director has consented to the lodgement of the Prospectus with ASIC.

Dated 30 August 2021



Dr Manny Pohl AM
Managing Director

11 Glossary

In this document:

Annual General Meeting of Shareholders	means the annual general meeting of FSI Shareholders scheduled for 12pm on 29 September 2021.
Annual Report	means the annual report of the Company for the financial year ended 30 June 2021 which includes audited financial statements for the financial year ended 30 June 2021 and the auditor's report, which was lodged with ASX and ASIC on 2 August 2021.
Applicant	means a person or entity who submits an Application.
Application	means an application made to acquire FSI Notes under this Prospectus.
Application Form	means the application form referred to in, and accompanied by a copy of, this Prospectus.
Application Monies	means the monies submitted by Applicants in respect of their Applications.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Authorised Intermediary	means Morgans Financial Limited ACN 010 669 726.
Bank Bill Swap Rate	means the average mid-rate at approximately 10.00am for Prime Bank Eligible Securities (comprising bank accepted bills and negotiable certificates of deposit issued by banks that have met the eligibility criteria and conditions required to be a current bank bill swap rate Prime Bank) with tenors of one to six months on a Sydney business day.
Board	means the board of directors of the Company.
Broker Firm Offer	means the Offer of FSI Notes under this Prospectus to Australian clients of Syndicate Brokers who participating Wholesale and Sophisticated Clients and Retail Clients.
Business Day	means a business day as defined in the Listing Rules.
Change of Control Event	has the meaning given to that term in the FSI Note Terms.
CHESS	means Clearing House Electronic Subregister System, operated by ASX Settlement.
Closing Date	means the date on which the Offer closes, being 24 September 2021, or another date nominated by the Company, in consultation with the Joint Lead Managers, subject to the Listing Rules.
Company, Flagship Investments, FSI or Issuer	means Flagship Investments Limited ACN 080 135 913.
Constitution	means the constitution of FSI.

Conversion	means the conversion of a FSI Note in accordance with the FSI Note Terms and the words Convert, Convertible, Converting and Converted bear a corresponding meaning.
Conversion Amount	has the meaning given to that term in the FSI Note Terms.
Conversion Date	has the meaning given to that term in the FSI Note Terms.
Conversion Notice	has the meaning given to that term in the FSI Note Terms.
Conversion Price	has the meaning given to that term in the FSI Note Terms.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Delisting Event	has the meaning given to that term in the FSI Note Terms.
Directors	means the directors of the Company.
Early Redemption Notice	has the meaning given to that term in the FSI Note Terms.
Eligible Participant	means any person who has a registered address in Australia and who, as at the Priority Offer Record Date, was a shareholder in Flagship Investments.
Exposure Period	means the seven day period after the date of lodgement of the Prospectus with ASIC. This period may be extended by ASIC for a further period of up to seven days.
Face Value	has the meaning given to that term in the FSI Note Terms.
Financial Indebtedness	has the meaning given to that term in the FSI Note Terms.
FSI Note Terms	means the terms of issue of the FSI Notes as detailed in section 9.
FSI Note Trust	means the trust named the 'FSI Convertible Note Trust (2021)' established under the FSI Trust Deed.
FSI Notes or FSI Note	means the redeemable, unsecured, unsubordinated, convertible notes offered by FSI under this Prospectus.
FSI Note Terms	means the FSI Note Terms as detailed in section 9.
FSI Trust Deed	means the document entitled 'FSI Trust Deed relating to the FSI Convertible Note Trust (2021)' dated 30 August 2021 between FSI and the Trustee described in section 6.5 of this Prospectus.
Holding Statement	means a statement issued to Noteholders by the Registrar which sets out the number of FSI Notes issued to that Noteholder.
Insolvency Event	has the meaning given to that term in the FSI Note Terms.
Interest Rate	has the meaning given to that term in the FSI Note Terms.
Issue Date	has the meaning given to that term in the FSI Note Terms.
Joint Lead Managers	means Morgans Financial Limited and Taylor Collison Limited ACN 008 172 450.
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Maturity Date	has the meaning given to that term in the FSI Note Terms.
Noteholder	has the meaning given to that term in the FSI Note Terms.

Noteholder Redemption Election Notice	has the meaning given to that term in the FSI Note Terms.
Noteholder Redemption Event Notice	has the meaning given to that term in the FSI Note Terms.
Noteholder Resolution	has the meaning given to that term in the FSI Note Terms.
Offer	means the offer to subscribe for FSI Notes under this Prospectus at the Offer price of \$2.70 under this Prospectus, comprising the Priority Offer and the Broker Firm Offer.
Offer Management Agreement	means the offer management agreement dated on or around 30 August 2021 between Flagship Investments and the Joint Lead Managers.
Ordinary Shares	means fully paid ordinary shares in FSI.
Participating Broker	means any participating organisation of ASX selected by FSI in agreement with the Joint Lead Managers to participate in the Broker Firm Offer.
Priority Offer	means the Offer of FSI Notes under this Prospectus to Eligible Participants and any other party as determined by FSI in its discretion. The Priority Offer is also open to any other party as determined by FSI in its discretion
Priority Offer Record Date	means 5:00pm (Brisbane time) 27 August 2021.
Prospectus	means this prospectus.
Redemption	means the redemption of a FSI Note in accordance with the FSI Note Terms and the words Redeem, Redeemable and Redeemed bear their corresponding meanings.
Redemption Date	has the meaning given to that term in the FSI Note Terms.
Register	has the meaning given to that term in the FSI Note Terms.
Registrar	means Boardroom Pty Limited (ABN 14 003 209 836) or any other person appointed by FSI to maintain the Register and perform any payment and other duties as specified in that agreement.
Related Body Corporate	has the meaning given to that term in the Corporations Act.
Retail Client	means a person who is not a Wholesale and Sophisticated Client.
Security Interest	has the meaning given to that term in the FSI Note Terms.
Shareholders	means shareholders in Flagship Investments.
Shareholder Approval	means the approval by Shareholders of the issue of the FSI Notes pursuant to Listing Rule 7.1 and Listing Rule 10.11 at the Meeting of Shareholders.
Special Resolution	has the meaning given to that term in the FSI Note Terms.
Subsidiary or Subsidiaries	has the meaning given to that term in the FSI Note Terms.
Successful Applicant	means an Applicant who is allocated FSI Notes under the Offer.
Syndicate Broker	means any of the Joint Lead Managers or Participating Brokers.

Timetable	means the key dates for the Offer set out on page 6.
Trustee	means Equity Trustees Limited ACN 004 031 298 in its capacity as trustee of the FSI Note Trust or any successor or such other person appointed in accordance with the FSI Trust Deed as trustee of the FSI Note Trust.
Us or we	means the Company.
Wholesale and Sophisticated Clients	means a person who is either a 'professional investor' or 'sophisticated investor' within the meaning of sections 93708(11) and 708(8) of the Corporations Act.
You	means the investors under this Prospectus.

Corporate directory

Company

Flagship Investments Limited ACN 080 135 913
Level 12, 2 Corporate Ct
BUNDALL QLD 4217
www.flagshipinvestments.com.au

Directors

Mr Dominic McGann
Dr Manny Pohl AM
Ms Sophie Mitchell

Company Secretary

Mr Scott Barrett

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000
www.boardroomlimited.com.au

Joint Lead Managers to the Offer

Morgans Financial Limited

Level 29 Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
www.morgans.com.au

Taylor Collison Limited

Level 10, 151 Macquarie Street
SYDNEY NSW 2000
www.taylorcollison.com.au

Auditor

Connect National Audit Pty Ltd
Level 9
Wyndham Corporate Centre
1 Corporate Court
BUNDALL QLD 4217
www.connectaudit.com.au

Lawyers to the Offer

McCullough Robertson
Level 11
66 Eagle Street
BRISBANE QLD 4000
www.mccullough.com.au

Trustee

Equity Trustees Limited
Level 1, 575 Burke Street,
MELBOURNE VIC 3000
www.eqtl.com.au

For personal use only

Financial Services Guide

A guide to our relationship with you and others

July 2021



A guide to our relationship with you and others

Please refer to our website www.morgans.com.au for the most up to date version of our FSG.

This Financial Services Guide (FSG) is an important document for retail investors. It provides you with information about Morgans Financial Limited (ABN 49 010 669 726; AFSL 235410) ('Morgans', 'we', 'us' or 'our') to help you to fully understand the financial services we offer.

This guide contains important information about:

- The services we offer you
- How we and our associates are paid
- Any potential conflict of interest we may have
- Our internal and external dispute resolution procedures and how you can access them.

Not Independent

Disclosure of Lack of Independence required under 942B(2) (fa) of the Corporations Act

Morgans Financial Limited ('Morgans') and its representatives are not independent, impartial or unbiased (which are restricted words or expressions under the Corporations Act) in relation to the provision of personal advice to retail clients because Morgans Financial Limited ('Morgans') its representatives and its associates and affiliates may receive monetary benefits in connection with that advice.

For further information regarding how Morgans Financial Limited ('Morgans') is remunerated, please refer to the section titled with What will Morgans be paid for providing financial services and how are any commissions, fees or other benefits calculated on pages 3 through to 6.

It's important to understand that disclosing our lack of independence and detailing our remuneration structure does not reduce our obligation to act in your best interests. If you are a retail client and we give personal advice, we have a duty to act in your best interests when providing personal advice and are obliged to provide you with appropriate advice.

This FSG relates only to financial services provided by Authorised Representatives of Morgans Financial Limited to retail investors. Morgans Financial Planning Pty Ltd has its own FSG.

If we provide personal Financial product advice about a product (other than securities such as listed shares) or if we offer or arrange to issue a financial product, we will generally provide you with a Product Disclosure Statement (PDS) or other disclosure document in relation to the financial product. The PDS will contain information about the particular product including the features, benefits, fees and risk associated with that product to assist you in making an informed decision.

Who is responsible for the financial services provided?

Our advisers are Authorised Representatives of Morgans Financial Limited (ABN 49 010 669 726; AFSL 235410), which trades as

Morgans. Morgans is responsible for the financial services provided to you. Details of your individual adviser are included in the adviser profile.

Morgans has an Australian Financial Services Licence (AFSL) and is a Participant of ASX Group (ASX), Chi-X Australia Pty Limited (Chi-X), a Broker Participant in the CHESS system operated by ASX Settlement (a group company of ASX), a Clearing Participant of ASX Clear, and a Professional Partner of the Financial Planning Association of Australia Limited. Morgans is also a Participant of the National Stock Exchange of Australia Ltd (NSXA). As a Participant of ASX Group, Chi-X and NSXA, all transactions are issued subject to the ASIC Market Integrity Rules (Securities Markets) and the Rules, directions, decisions and requirements of ASX, Chi-X, NSXA, the Clearing Rules and the Settlement Rules.

Morgans Financial Limited is licensed to provide financial services under the Corporations Act 2001. You should also note that Morgans is obligated under the Anti-Money Laundering and Counter Terrorism Financing Act not to execute any trades for a client unless the client has been properly identified and verified to our satisfaction.

What financial services and products do we offer?

Morgans is authorised under its AFSL to provide the following financial services:

- Financial Products advice, both general and personal
- Deal in financial products by issuing securities
- Underwriting securities
- Deal in Financial Products on behalf of others

Morgans and its related companies are committed to providing advice appropriate to your personal circumstances and based on our comprehensive market and financial knowledge. Our aim is to work with you to determine, develop and maintain a tailored personal investment strategy.

We offer a comprehensive range of products and services to assist you to achieve your financial goals. These include:

- Strategic planning advice, including consideration of social security, estate planning, insurance, wealth protection, taxation and superannuation issues
- Stockbroking services, including quality research on a wide range of Australian companies and access to corporate issues
- Equity finance (margin lending) advice
- Advice on the use of derivatives (such as options and warrants) within your overall investment strategy
- Advice in relation to managed investment products, structured products, cash deposits and fixed interest investments, including government bonds, debentures and stocks
- A managed portfolio service (Wealth+) that provides effective, efficient and timely reports (including taxation reports) and qualifies participants to reduced brokerage rates.

A guide to our relationship with you and others

Morgans offers a Managed Discretionary Account (“MDA”) service to a limited number of approved clients. Such clients will be mandatory enrolled in Wealth+ and agree on an investment strategy, any exclusions, operating fees etc as part of the discretionary agreement. Refer to a separate section later in this FSG.

Morgans is also authorised to deal in foreign exchange in order to facilitate settlement of international transactions and to provide a custodial or depository service for its nominee company services, which is operated as part of its stockbroking business.

Best Execution Policy

There are multiple exchange markets operating in Australia. As a market participant, we must take reasonable steps when handling and executing an order in equity market products to obtain the best outcome for our clients. We have a Best Execution Policy that outlines how we will execute and deal with orders to ensure that we adhere to our best execution obligation. This policy is publicly available on our website.

What information should you provide to receive personalised advice?

You need to provide us with details of your personal objectives, risk profile, your current financial situation and any other relevant information, so that we can offer you the most appropriate advice possible.

You have the right not to provide this information. However, if you choose not to provide any or all of the information requested, the advice you receive from us will be limited accordingly and may not be appropriate to your needs, objectives and financial situation.

In these circumstances you should consider the appropriateness of our advice in the light of your own objectives, financial situation or needs prior to making any investment decision. If the advice relates to the acquisition of an unlisted Financial Product, you should consider the relevant Product Disclosure Statement before making a decision.

Statement of Advice

Whenever we provide you with any personal financial advice, you may be entitled to receive a Statement of Advice (SOA) from us. The SOA will tell you:

- The advice
- The basis on which the advice has been provided
- Our fees and commissions
- The basis of the remuneration received by your adviser
- Any associations we have with Financial Product Issuers or other parties which may have influenced the advice we give you.

Further Advice

However, whenever we provide you with further advice, which takes into account your relevant personal circumstances, a SOA generally will not be provided. In these circumstances, we will maintain brief details of the basis of advice and you may request, for a period of seven (7) years from when the advice is provided, a copy of the record of advice.

A record of your ‘relevant personal circumstances’ will be maintained and a SOA, detailing these personal circumstances and any agreed investment strategy and advice, will be provided to new retail clients. Thereafter, a new SOA will only be provided if you advise that your circumstances have changed materially.

Product Disclosure Statement

If we recommend to you a particular Financial Product (other than securities such as listed shares), we will provide you with information about the particular Financial Product in a Product Disclosure Statement to help you make an informed decision about the Financial Product.

The Morgans Network

All Morgans advisers are Authorised Representatives of Morgans under our AFSL. Morgans has a network of offices around Australia which are operated in one of two ways. Each office is either:

- An ‘Owned Office’ where the staff and Authorised Representatives are all employees of Morgans Holdings (Australia) Limited. Morgans Financial Limited is the operating company and a wholly owned subsidiary of Morgans Holdings (Australia) Limited.
- A ‘Managed Office’ where a service entity has entered into a Management Agreement with Morgans to manage the office of Morgans in a geographical location. The service entity employs all staff including Authorised Representatives for that office.

What will Morgans be paid for providing financial services and how are any commissions, fees or other benefits calculated?

Generally the payment we receive will be based on the amount you pay. It may vary from one Financial Product Issuer to another. Details of the payment we receive are contained in the Product Disclosure Statements for most Financial Product Issuers available from your adviser.

We will advise you about any commissions, fees and any other benefits, where possible, in actual dollar amounts prior to the transaction. This information will be provided verbally and/or, where a SOA is issued, in the written SOA or confirmation.

When personal advice is given, if the remuneration (including commission) or other benefits are not calculable at that time, the manner in which the remuneration (including commission) or other benefits are to be calculated will be disclosed at the time the personal advice is given or as soon as practicable after that time.

There are a number of ways we may be remunerated for our services depending on the type of advice you receive.

Payments you make to us

- Brokerage is payable by you when we buy or sell securities, such as shares, warrants and options, on an authorised market. The amount of brokerage you pay will be determined in consultation with your adviser. A minimum charge may also apply to transactions. You will also have to pay GST on brokerage.

A guide to our relationship with you and others

- We may charge you a fee, depending on the time we spend developing your plan, or depending on the value of funds you invest. This fee will be determined in consultation with your adviser but would normally be based on an hourly rate.
- We may charge you a management fee annually or in instalments, based on the value of your portfolio. This fee will normally be based on the amount under management.
- We may charge you administrative or miscellaneous fees covering (not fully inclusive) off market transfers, cancellations & rebooking, nominee fees, international custody, SRN enquiries, fail fees, late settlement or early settlement, bond custody and settlement etc.

Payments and other benefits we may receive from Financial Product Issuers (including GST)

- We may receive a payment called commission which is paid to us by the Financial Product Issuer(s) (e.g. fund manager, CMA provider, or life insurance company). This can be paid in the following manner:
 - We may receive a one off payment from the Financial Product Issuer at the time you invest or contract. These generally are calculated as a percentage of the amount you have invested, typically between 0% and 5.5%, and are deducted from the amount invested. Life insurance company first year commissions (upfront) range between 0% and 121%.
 - We may receive ongoing payments, called trailing commissions, from a Financial Product Issuer during the time you hold an investment product. On investment products these trails typically range between 0% and 1.1%.
- Renewal commissions on life insurance products range between 0% and 33%.
- Example – If you invested \$10,000 in an unlisted investment product and we charged you an initial commission of 1.65% and received an ongoing commission of 0.55% from the Financial Product issuer, then
 - Morgans would receive \$165 as an initial commission; and
 - Morgans would receive \$55 per annum as an ongoing commission for the period you continue to own the product.
- We do not charge clients any brokerage in connection with subscriptions for shares in IPOs. We may, however, receive a fee from the issuer for handling the application as disclosed in the relevant prospectus and/or allocation letter.
- In connection with on-market warrant purchases from warrant issuers, we may receive incentive fee payments from those warrant issuers as disclosed in the relevant Issuer Offering Circulars. As a guide these fees may range between 1.1% and 2.2% of the on-market transaction value.
- Morgans does not provide its own margin lending facilities. Where clients borrow through margin lending arrangements facilitated by our business connections, we may receive a trailing commission of up to 0.275%, and potentially an 'override commission' of up to 15 basis points, of the outstanding balance of such loans. As members

of the financial services industry, staff members of Morgans are entitled to receive a discount on personal margin loans they may hold from such suppliers. These discounts (depending on the issuer) may vary between 50 and 100 basis points and are not related to any client business.

- On cash deposit products we will receive a commission which is distributed to the service entity and the adviser as per the following example:
 - If we receive a commission of \$100, the service entity may receive \$85 from Morgans. Out of the amount the service entity receives, an adviser remunerated by commission will receive a share which is typically around 35%, or \$35.
- We may receive fees, normally determined as a percentage of revenue, from external parties where we have referred you to them for expert advice (eg insurance or mortgage agent/ broker).
- We may receive payments or benefits from Financial Product Issuers to assist in training of advisers or marketing of their products.
- We may be paid volume bonuses and other incentives directly from Financial Product Issuers, although the amount or percentage will vary from Issuer to Issuer.
- We may earn interest, at prevailing bank deposit rates, on the aggregate balance of any funds retained within our trust account.

Schedule of Fees (including GST)

Equities and Warrants brokerage

Depending on volume and size of orders, flat rates may be negotiated with your adviser, but as a guide minimum rates are (selling/buying per transaction).

Up to \$1,800	Minimum small transaction rate*
Over \$1,800	\$5.50 plus
	2.75% on first \$5,000*
	2.20% on next \$10,000
	1.65% on next \$35,000
	1.10% on the remainder

*Minimum small transaction brokerage rates may vary on an office by office basis. Clients should check with their adviser. As a guide the minimum rate may range from \$55 to \$110 per transaction. Brokerage is payable on or before the settlement date referred to in the confirmation.

Option brokerage and charges

When you trade an option, the value of the trade is generally lower than if you were to trade the same number of the underlying shares.

Because of this, options are generally a cost efficient way to trade your view of a stock or an index. The costs involved in trading an option are:

Brokerage

Brokerage is payable by you when Morgans buy or sell exchange traded options on your behalf on a sliding scale subject to a minimum of \$75:

Premium Value Brokerage
\$0 – \$5,000 2.75%
\$5,001 – \$15,000 2.20%
\$15,001 + 1.75%

A guide to our relationship with you and others

The brokerage charged by Morgans for LEPO's is 0.5% of the Premium Value subject to a minimum of \$75.

A different rate of brokerage may be negotiated with your adviser. Consideration will be given to a negotiated rate and could for instance, be dependent on the volume and size of option transactions that occur on your account. All brokerage charges are shown on your Trade Confirmation / Contract Note.

ASX Clear (AC) – Fees (Effective 1 June 2021)

AC charges a tiered transaction fee for Exchange Traded Options (ETO) ranging from \$0.05 up to \$0.31 (excluding GST) per ETO contract. For option contracts being \$0.01 or lower the AC fee will be zero. The AC fees are applied across five (5) Tiers and are subject to a six (6) monthly review. If you are exercised or assigned a share option, AC charges an exercise fee of \$0.55 per contract and in the case of Index options, AC charges \$0.50 per contract, including GST, for both the transaction fee and exercise fee.

Note: these fees are subject to change at any time by the AC.

Fixed Interest Products

Our remuneration depends on the duration and value of the investment and is usually without charge to the client.

For fixed term and short term money market investments arranged on behalf of clients, Morgans may receive a commission payment from the deposit taker of up to 0.44% which does not reduce the interest received by the client or the principal investment. In addition, some money market providers pay Morgans an 'override commission' of up to 15 basis points which may be volume related and may be partly distributed to the management entity employing the Authorised Representative.

Financial Planning Fees

Transaction based services

Entry Fees, including commissions	0%-5.5%
Ongoing commission	0%-1.1%

Clients may choose to have all entry fees / commissions rebated and pay for services on a fee basis.

Fee Based Services

Initial consultation	Nil or as agreed at interview
Written report	Negotiated fee**
Ongoing portfolio service	Negotiated fee**
Administration services	Negotiated fee**

Private superannuation Services

Written investment strategy up to a maximum of \$550

**Quoted in Statement of Advice

Hourly rates for professional time in attendance vary and will depend on the seniority and experience of the adviser and will be quoted in the Statement of Advice or other written report.

International Investments and Custody Fees (incl. gst where applicable) (Effective 1 June 2021)

Morgans, in conjunction with the relationships it has with international brokers, can enable its clients to access approximately 22 select

exchanges including in North America, Europe, Asia and New Zealand. For clients already holding International Investments, Morgans can also offer a Custody service to assist in managing those holdings. International stocks are held within the custodial services of Morgans Financial Limited. Morgans as the custodian establishes broker, global- and sub-custodial and nominee relationships with various parties in their respective jurisdictions as required to facilitate trading and safekeeping. All stock held within Morgans custody is held in an omnibus structure for and on behalf of the beneficial owners. Morgans maintains a sub-register of clients and holdings reflected on the client's portfolios.

Outlined below is a summary of the International transaction and custody related fees associated with these services which may be charged, in conjunction with the standard brokerage charges outlined earlier in the FSG. The fees outlined below are negotiable with your adviser, taking into account factors like the value of your overall portfolio, existing international holdings and / or frequency of international transactions.

Please note: majority of the fees outlined below are subject to change due to exchange rate fluctuations and / or at the discretion of international exchanges and brokers.

Transaction related fees

Overseas Agent brokerage charge: Between 0.12% - 0.8% of the value of the transaction, based on the exchange.

Foreign Exchange Costs: up to 1% over the spot rate, charged by Morgans on the day of the trade.

Native Currency Settlement Fee: AUD\$100

International Exchange market fees/taxes: vary from exchange but will be passed on where applicable.

Custody related Fees

Security Transfer Fees: min. AUD\$55.00

Certificate Lodgement: min. AUD\$82.50

Invalid Certificate Lodgement: min. AUD\$100

Request to Certificate Holding: min. AUD\$150

Bond Custody Fees: min. fee of \$550 up to \$2,750 including GST, where Bond portfolio value around \$2million. Fees are negotiable if Bond portfolio above \$2million.

Annual Custody fee: Morgans also reserves the right to charge an annual custody fee.

Taxation: Different taxation rules apply in international markets, as such, you may be required to complete additional forms to avoid additional taxes being applied (e.g. W-8BEN form for US investments to avoid withholding taxes). **W-8BEN Fee:** Morgans reserves the right to charge a W-8BEN processing fee. **New Form processing:** AUD\$214.50, **Renewal:** AUD\$143.00.

Where applicable, any additional fees charged by the company or registry will be passed on to the client.

A guide to our relationship with you and others

Managed Portfolio Service (Wealth+)

Wealth+ is offered under a fee-for-service arrangement. The Wealth+ fee structure is determined in consultation with your adviser to ensure that a cost effective, total solution is tailored to your specific requirements and may be dependent on many factors such as the level of service required, type and number of investments held as well as the nature and cost of other services you require.

The fee structure for the Wealth+ service will be clearly detailed in a personalised Statement of Advice (where personal advice is provided) and confirmed in your Wealth+ Client Agreement.

As a guide the minimum annual fees (incorporating the administration and adviser fees) will be:

- 1.32% on the first \$250,000 of portfolio value
- 0.66% on the next \$250,000 of portfolio value
- 0.44% on the value of the portfolio exceeding \$500,000.

These fees are inclusive of GST and are charged to your account in arrears. In most cases the fees are tax deductible. A minimum annual fee, establishment fee and/or exit fees may also apply and will be negotiated with your adviser.

Please note that brokerage and other fees may also apply.

Life Insurance Products

When we arrange Life Insurance products on your behalf we will receive commission on the placement of these products. The commission we receive on these products will vary between different insurance companies. Commission paid in the first year will vary between 0% to 121% of the first year's premium depending on the type of product recommended. Upon renewal of your insurance in subsequent years we receive commission between 0% to 33% of the yearly premium.

If you have any queries regarding remuneration, fees or charges, you may request from your adviser full details of the calculation of a particular commission, fee or other benefit for providing a specific financial service.

How are our service entities, advisers and referral sources paid?

Service Entities

For our Managed Offices, the service entities are paid monthly in accordance with the Management Agreement between Morgans and the service entity. The amount that the service entity is paid depends on the various products, volume levels, agreed commission distribution, and fixed costs associated with the business written by advisers at the relevant managed office. For example, on a brokerage charge to the client of \$100, the service entity may receive around \$85 from Morgans. Out of the amount the service entity receives, the service entity will then pay its fixed costs and remunerate its employees in accordance with their employment contracts.

If your adviser is employed by a service entity, this manner of calculation will be disclosed at the time that personal advice is given to you or as soon as practicable afterwards.

Advisers

Advisers are remunerated by their employer by way of salary and/ or a percentage share of commissions earned by Morgans from business written by the adviser (ranging from 33 1/3% to 55% depending on the products and volume levels) and/or a share of any profits of the service entity or Morgans Holdings (Australia) Limited where the adviser is a shareholder or unit holder of such entity. Advisers may also earn bonus payments based on the individual and the company's performance.

Referral Services

If a third person such as a financial planner or an accountant has referred you to us, we may pay to that person a part of any fees or commissions we receive from you. This will be disclosed to you at the time of transacting business.

What information do you hold on my file and can I access it?

We maintain a record of your personal and other information including details of your objectives, financial situation and needs. We also maintain records of any recommendations made to you and details of specific transactions.

We are committed to implementing and promoting a Privacy Policy, which will ensure the privacy and security of your personal information. A copy of our Privacy Policy is available from your adviser and on our website. If you wish to examine your file please ask us. We will make arrangements for you to do so.

Managed Discretionary Accounts ('MDA') Only

For select clients we may offer the ability to access our MDA service. You must first enter into an MDA Agreement ("the MDA Agreement") with us before we can provide those services to you. Before entering into the MDA Agreement it is essential that you consider the significance of the risks associated with investing through the MDA service. The MDA Agreement can be terminated by providing written instructions within the required time frame outlined in the agreement.

Risks

Generally, there are a number of inherent risks associated with any investment in the stock market. These include, but are not limited to, movements in domestic and international markets, the current and future economic environment, company liquidity, investor sentiment, interest rates and market volatility. As a consequence of these risks, a MDA client should be prepared for falls in the market and the possibility of a negative return on their investment.

Please note that Morgans does not guarantee the maintenance of capital or a specific rate of return on any MDA portfolio or any other products, including those in an MDA portfolio.

Our obligations to MDA clients

As an MDA client we will provide you with the following:

- The manner in which you may give instructions to us on how rights relating to your portfolio are to be exercised

A guide to our relationship with you and others

- An investment program or SOA prepared in accordance with the Corporations Act 2001. This program will include the following:
 - Information about the nature and scope of the discretions you will authorise and require us to exercise on your behalf
 - Any significant risks associated with the MDA
 - The basis on which the MDA is considered to be suitable for your relevant circumstances
 - Any warnings that the investment program may not be suitable for you if you have provided us with limited or inaccurate information about your personal circumstances, and
 - A warning that the investment program may cease to be suitable for you if your relevant personal circumstances change
- An Annual review of the investment program/strategy for the MDA by your adviser(s), and
- In regards to corporate actions and other rights (including voting rights), you can elect to provide verbal or written instructions to your adviser in respect of such rights. In the event your adviser doesn't receive any instructions, they can use their discretion under the MDA to take any action they deem suitable.
- If the Investment Program / strategy includes investing in or utilising non-limited recourse products, you will be advised of the: type of product, key features and risks associated, potential degree of leverage and maximum liability, Morgans policy for communicating / satisfying margin calls and for closing positions.

What should you do if you have a complaint?

If you are not happy with the service you receive from us you are entitled to complain. We have established procedures in place to ensure that all enquiries and complaints are properly dealt with. Our internal dispute resolution process is free to all complainants.

To save yourself valuable time, gather all the facts and documents about the complaint, think about the questions you want answered and decide what action you want us to take.

The following process has been established to address your concerns as quickly as possible:

- Contact your adviser or their immediate superior and explain the problem. Most issues can be resolved quickly in this way.
- If you are unable to resolve the issue within three (3) days, please contact the Complaints Officer on (07) 3334 4888 or send your details in writing to:

GPO Box 202,
Brisbane QLD 4001.

- If we are unable to resolve the matter to your satisfaction, you can refer your case to a free and independent complaint handling body.

Morgans is a member (Member No 10690) of
Australian Financial Complaints Authority (AFCA)
GPO Box 3,
Melbourne VIC 3001.

AFCA can be contacted on 1800 931 678

For complaints above the AFCA monetary limit contact

ASX Complaints Officer
(PO Box H224, Australia Square, 1215) or; Australian Securities and
Investment Commission (ASIC) operates an infoline on
1300 300 630.

- Please notify us if you require assistance with making a complaint because of a disability or language barrier.

若因殘障或語言障礙需要投訴幫助, 敬請通知我們。

بحاجة للمساعدة في تقديم شكوى بسبب إصابتك بإعاقة أو لديك عائق لغوي
يرجى إعلامنا إذا كنت

若您要投訴, 但因殘障或語言問題需要協助, 請知會我們。

Vui lòng thông báo cho chúng tôi biết nếu quý vị cần
trợ giúp để khiếu nại vì tình trạng khuyết tật của mình
hoặc vì bất đồng ngôn ngữ.

What compensation arrangements do we have?

We are required by the Corporations Act 2001, ASX Operating Rules and Chi-X Operating Rules to have adequate compensation arrangements in place. Morgans Holdings (Australia) Limited has a comprehensive Professional Indemnity insurance policy to cover claims in relation to the conduct of Authorised Representatives/employees at the time of the relative incident that gave rise to the claim. This professional indemnity policy includes Morgans.

Any questions?

Please contact your adviser if you have any further questions about the financial services we provide. This document should be retained for your future reference.

Queensland

Brisbane	+61 7 3334 4888
Stockbroking, Corporate Advice, Wealth Management	
Brisbane Edward Street	+61 7 3121 5677
Brisbane Tynan Partners	+61 7 3152 0600
Brisbane North Quay	+61 7 3245 5466
Bundaberg	+61 7 4153 1050
Cairns	+61 7 4222 0555
Caloundra	+61 7 5491 5422
Gladstone	+61 7 4972 8000
Gold Coast	+61 7 5581 5777
Holland Park	+61 7 3151 8300
Kedron	+61 7 3350 9000
Mackay	+61 7 4957 3033
Milton	+61 7 3114 8600
Newstead	+61 7 3151 4151
Noosa	+61 7 5449 9511
Redcliffe	+61 7 3897 3999
Rockhampton	+61 7 4922 5855
Springfield-Ipswich	+61 7 3202 3995
Spring Hill	+61 7 3833 9333
Sunshine Coast	+61 7 5479 2757
Toowoomba	+61 7 4639 1277
Townsville	+61 7 4725 5787

Northern Territory

Darwin	+61 8 8981 9555
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New South Wales

Sydney	+61 2 9043 7900
Stockbroking, Corporate Advice, Wealth Management	
Sydney Grosvenor Place	+61 2 8215 5000
Sydney Reynolds Securities	+61 2 9373 4452
Sydney Currency House	+61 2 8216 5111
Armidale	+61 2 6770 3300
Ballina	+61 2 6686 4144
Balmain	+61 2 8755 3333
Bowral	+61 2 4851 5555
Chatswood	+61 2 8116 1700
Coffs Harbour	+61 2 6651 5700
Gosford	+61 2 4325 0884
Hurstville	+61 2 8215 5079
Merimbula	+61 2 6495 2869
Mona Vale	+61 2 9998 4200
Neutral Bay	+61 2 8969 7500
Newcastle	+61 2 4926 4044
Orange	+61 2 6361 9166
Port Macquarie	+61 2 6583 1735
Scone	+61 2 6544 3144
Wollongong	+61 2 4227 3022

Australian Capital Territory

Canberra	+61 2 6232 4999
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Victoria

Melbourne	+61 3 9947 4111
Stockbroking, Corporate Advice, Wealth Management	
Brighton	+61 3 9519 3555
Camberwell	+61 3 9813 2945
Domain	+61 3 9066 3200
Geelong	+61 3 5222 5128
Richmond	+61 3 9916 4000
South Yarra	+61 3 9006 9955
Southbank	+61 3 9037 9444
Traralgon	+61 3 5176 6055
Warrnambool	+61 3 5559 1500

Western Australia

West Perth	+61 8 6160 8700
Stockbroking, Corporate Advice, Wealth Management	
Perth	+61 8 6462 1999

South Australia

Adelaide	+61 8 8464 5000
Stockbroking, Corporate Advice, Wealth Management	
Exchange Place	+61 8 7325 9200
Norwood	+61 8 8461 2800
Unley	+61 8 8155 4300

Tasmania

Hobart	+61 3 6236 9000
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Get in touch:



morgans.com.au



1800 777 946



info@morgans.com.au

Morgans Financial Limited ABN 49 010 669 726 AFSL 235410 Level 29 123 Eagle Street Brisbane QLD 4000 Australia | A Participant of ASX Group. Personal Information held by Morgans Financial Limited may have been used to enable you to receive this communication. If you do not wish your personal information to be used for this purpose in the future please contact us, either at your local Branch or to GPO Box 202 Brisbane Qld 4001. Our privacy policy is available online at morgans.com.au.

Broker Firm Application Form

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

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A Number of FSI Notes you are applying for <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <p style="font-size: small; text-align: center;">Minimum of 740 FSI Notes to be applied for then in multiples of 185 Notes thereafter</p>	B Total amount payable <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
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x \$2.70 per FSI Note
=

C Write the name(s) you wish to register the FSI Notes in (see reverse for instructions) Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> Name of Applicant #2 or <Account Designation> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> Name of Applicant #3 or <Account Designation> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	D Write your postal address here Number/Street <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>Suburb/Town <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> <div>State <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> <div>Postcode <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> </div>
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E CHESS participant – Holder Identification Number (HIN) <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<p style="font-size: x-small;"><i>Important please note if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any FSI Notes issued as a result of your Application will be held on the Issuer Sponsored subregister.</i></p>
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F Enter your Tax File Number(s), ABN, or exemption category <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> Applicant #3 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> <div style="width: 45%;"> Applicant #2 <div style="border: 1px solid black; height: 20px; width: 100%;"></div> </div> </div>	
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G Cheque payment details – PIN CHEQUE(S) HERE. Cheque to be made in accordance with the instruction from your broker. If payment is made by cheque, enter cheque details below. <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%;">Name of drawer of cheque</div> <div style="width: 15%;">Cheque no.</div> <div style="width: 15%;">BSB no.</div> <div style="width: 20%;">Account no.</div> <div style="width: 20%;">Cheque Amount A\$</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 30%; border: 1px solid black; height: 20px;"></div> <div style="width: 15%; border: 1px solid black; height: 20px;"></div> <div style="width: 15%; border: 1px solid black; height: 20px;"></div> <div style="width: 20%; border: 1px solid black; height: 20px;"></div> <div style="width: 20%; border: 1px solid black; height: 20px;"></div> </div>	
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H Contact telephone number (daytime/work/mobile) <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	Contact name <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
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E-mail address

Declaration By submitting this Application Form with your Application Monies, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- ✓ declare that the Application Form and all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of FSI Notes that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- ✓ authorise the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the FSI Notes to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the FSI Notes, nor do they guarantee the repayment of capital;
- ✓ acknowledge and agree that the Offer may be withdrawn by the Company or may not otherwise proceed in the circumstances described in the Prospectus;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia or New Zealand.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

- A** If applying for FSI Notes insert the **number** of FSI Notes for which you wish to subscribe at Item **A** (not less than 740 FSI Notes representing a minimum investment of approximately \$2,000.00). Multiply by A\$2.70 to calculate the total Application Monies for FSI Notes and enter the **A\$amount** at Item **B**.
- C** Write your **full name**. Initials are not acceptable for first names.
- D** Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Australian tax file number ("TFN") or **ABN** or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus medicare levy.
- G** Applicants pay their Application Monies to their Broker in accordance with the relevant Broker's directions. Please contact your broker for further instructions.
- H** Enter your **contact details**, including name, phone number and e-mail address, so we may contact you regarding your Application Form or Application Monies.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the FSI Notes. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to your broker, and complete the broker details below:

Broker Contact Number	Broker Name
<div></div>	<div></div>

Do NOT lodge this Application Form with the Registrar.
The Broker Firm Offer is expected to open on Tuesday, 7 September 2021 and close at 5:00 p.m. (Brisbane Time) on Friday, 24 September 2021, unless varied in accordance with the Corporations Act and ASX Listing Rules. Your broker must receive your completed Application Form and Application Monies in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer.
It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.

Privacy Statement

Flagship Investments Limited advises that Chapter 2C of the Corporations Act requires information about its noteholders (including names, addresses and details of notes held) to be included in the Company's note register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and disclosures your information please contact the Company at the address or telephone number shown in the Prospectus.
The Registrar's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on the website <https://www.boardroomlimited.com.au/corp/privacy-policy>.