

**Angas Securities Limited**  
**ACN 091 942 728**

**NOTICE OF MEETING OF DEBENTURE HOLDERS AND  
EXPLANATORY STATEMENT**

**Meeting to be held at Riverbank Rooms 7 & 8, Adelaide Convention Centre, North Terrace, Adelaide,  
South Australia on 16 August 2017 commencing at 10:30am (ACST)**

*and video linked to*

**Meeting Room 8, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western  
Australia on 16 August 2017 commencing at 9:00am (AWST).**

This Notice of Meeting and Explanatory Statement should be read in its entirety.

If Debenture Holders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Capitalised terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary unless otherwise indicated.

This Notice of Meeting and Explanatory Statement has not been independently verified and does not constitute a view or opinion of the Run-Off Proposal or the Updated Run-Off Proposal expressed by the Trustee, the Federal Court or the Australian Securities and Investments Commission.

## LETTER FROM THE CHAIRMAN OF ANGAS

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26 July 2017

Dear Debenture Holders,

In the course of recent Debenture Holder Run-Off Updates, I have informed Debenture Holders of the upcoming meeting in connection with the Run-Off Proposal approved by Debenture Holders at the August 2015 Meeting and varied at the August 2016 Meeting.

Angas will be unable to complete the realisation of its assets by the time required to make payment to Debenture Holders of the final amount of their Principal Balance by 30 September 2017.

Accordingly, Angas proposes to extend the redemption date for all Debentures to provide it with additional time to complete the realisation process.

Enclosed is a Notice of Meeting and Explanatory Statement giving notice of a further meeting of Debenture Holders pursuant to the Trust Deed to be held on 16 August 2017 to vote on a resolution intended to enable Angas to give effect to the proposed changes to the Run-Off Proposal.

### **Background**

The events that led to the August 2015 Meeting and the August 2016 Meeting being called have previously been disclosed to Debenture Holders.

At the August 2015 Meeting Debenture Holders passed an extraordinary resolution authorising Angas and the Trustee to give effect to the Run-Off Proposal by amending the Trust Deed. The purpose of the Run-Off Proposal was for Angas to wind down its Debenture funded business and to enable the repayment in full of all Debentures in an orderly manner by 31 December 2016. The key features of the Run-Off Proposal included an extension to the redemption date for all Debentures and a reduction in the interest rate for all Debentures to 4% per annum.

At the August 2016 Meeting Debenture Holders passed an extraordinary resolution authorising Angas and the Trustee to amend the Run-Off Proposal. The key amendments included suspending all interest payments from 1 August 2016 (but with payment of interest accrued from that date to be made at the end of the Run-Off Period to the extent that Angas has remaining assets after all Debentures have been redeemed in full) and extending the redemption date for all Debentures to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee.

In March 2017, Angas requested that the Loans Realisation Committee extend the redemption date for all Debentures to 30 September 2017. The Loans Realisation Committee determined that it could only extend the redemption date if it believed it was highly likely that Debenture Holders would receive the full repayment of their outstanding Principal Balance and accrued interest by 30 September 2017. The Loans Realisation Committee did not consider this highly likely and accordingly directions were sought from the Federal Court.

On 13 April 2017, the Federal Court noted it was highly unlikely that Debenture Holders would receive the full repayment of their outstanding principal and accrued interest by 30 September 2017. However, the Court noted it made commercial sense for the extension to be given to enable the Meeting the subject of the "Notice of Meeting and Explanatory Statement" enclosed with this letter to be held.

On 19 April 2017 the Loans Realisation Committee extended the redemption date for all Debentures to 30 September 2017. The extension was made by majority vote of the Loans Realisation Committee, with Mr Chris

Green, the Trustee's representative on the Loans Realisation Committee, voting against the extension. On 21 April 2017, the Federal Court directed the Loans Realisation Committee that it was the Court's opinion that the Loans Realisation Committee was justified in approving the extension of the Run-Off Period to 30 September 2017.

As at the date of this letter, pursuant to the Run-Off Proposal process Angas has made payments to Debenture Holders comprising 40.80 cents in the dollar of the Principal Balance. Angas is of the view that it will be unable to complete the asset realisation process by the time required to redeem all Debentures in full by 30 September 2017.

**Angas proposes that changes to the Run-Off Proposal be put to the Debenture Holders at the further meeting for their approval. The key features will include:**

- **An extension to the redemption date for Debentures to 30 June 2019.**
- **Interest to stop accruing on Debentures.**
- **Debenture Holders to forgive all interest that has accrued on Debentures since 1 August 2016. This means that Debenture Holders will not receive any further interest payments.**
- **Enabling the Angas subsidiary to which Angas proposes transfer the Angas managed investment scheme functions, so they can be more readily realised for the benefit of Debenture Holders, to provide an alternative form of guarantee to the Trustee to the one currently required by the Trust Deed.**
- **Limiting the circumstances in which the Trustee can claim additional remuneration in priority to Debenture Holders following any appointment of receivers to Angas or defaults by Angas under the Trust Deed.**

The purpose of these changes are to provide Angas with more time to complete the asset realisation process and, in its view, maximise the value it can recover for Debenture Holders from that process. The changes will involve Debenture Holders being asked to approve amendments to the Trust Deed as described in the "Notice of Meeting and Explanatory Statement" enclosed with this letter.

Angas acknowledges that Debenture Holders will be disappointed that they are yet to receive the full value of their Principal Balance, despite full payment originally being forecast by no later than 31 December 2016. Debenture Holders may also be frustrated at being asked to approve a second variation to the terms of the Run-Off Proposal. Angas assures Debenture Holders that it is using its best efforts to complete the loan realisation process as promptly as possible while also realising the remaining assets for maximum value. The Angas Board remains fully committed to completing this process and considers that Angas is best placed to do so.

Angas also remains firmly of the view that the Updated Run-Off Proposal will result in Debenture Holders receiving a better return than the alternative of Angas being placed in external administration (which would most likely involve receivers being appointed to Angas). Further, it is Angas' view that Debenture Holders will receive a better outcome if Angas continues to manage the extended loan realisation process. This is because Angas' management has in-depth knowledge of its invested assets, its borrowers, the status of the loan realisation process and the market for those loan assets. Angas has continued to realise loans above book value (on average) since the commencement of the Run-Off Proposal, albeit at a slower rate than anticipated. If the Updated Run-Off Proposal is effected then Debenture Holders would receive the full benefit of this experience without the erosion to their returns that may occur by reason of the significant additional layer of costs in a formal receivership. In addition, the returns obtained as part of the Updated Run-Off Proposal realisation process are, in Angas' opinion, likely to be higher than those that could be obtained as part of a formal receivership. Set out in section 8 are a number of reasons why Debenture Holders may consider voting in favour of the Extraordinary Resolution and enabling Angas to continue the loan realisation process.

Debenture Holders are advised that, as with previous iterations of the Run-Off Proposal, the returns forecast under the Updated Run-Off Proposal are based on a number of assumptions. These assumptions are outlined in section 5.3. There are risks associated with these assumptions and if any of these assumptions do not materialise then the amounts Angas is able to pay to Debenture Holders may be lower than forecast. In particular, if the

prices obtained for these security properties are in line with the valuations obtained by the Trustee rather than the valuations held by Angas this will cast significant doubt over Angas' ability to pay the Principal Balance in full. Indeed at the low end of the Trustee's valuations the return could be as low as approximately 91.02 cents in the dollar of the Principal Balance.

If Debenture Holders approve the Extraordinary Resolution to implement the Updated Run-Off Proposal, as noted above, the loan realisation process will continue to be overseen by the independent Loans Realisation Committee during the Updated Run-Off Period. The Loans Realisation Committee will continue to be comprised of Mr John Powell (an independent person appointed by the Federal Court who has been elected as Chairman of the Loans Realisation Committee), Mr Clive Guthrie (a representative and independent director of Angas so appointed to Angas with the approval of the Trustee) and Mr Chris Green (a representative of the Trustee).

There are a number of risks that may affect the amount of the Principal Balance that Angas is able return to Debenture Holders under the Updated Run-Off Proposal which Debenture Holders should consider. These risks are set out in section 5.3 of the enclosed Explanatory Statement. There are also a number of reasons why Debenture Holders may consider it is more appropriate to allow the Trustee to appoint an external administrator to complete the realisation of Angas' security properties and other assets. These are set out in section 9 of the Explanatory Statement. Notwithstanding these risks and other factors, the Angas Directors remain confident, based on the values they have achieved for loan assets realised to date, that Debenture Holders will ultimately achieve a superior return by providing Angas Directors and management with until 30 June 2019 to complete the Run-Off Proposal.

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

The purpose of the enclosed Notice of Meeting and Explanatory Statement is to give notice to Debenture Holders to attend a meeting to consider and vote on an extraordinary resolution pursuant to the Trust Deed to authorise Angas and the Trustee to make certain proposed amendments to the Trust Deed. The proposed amendments are intended to give effect to the Updated Run-Off Proposal and broadly provide for:

- the redemption date for all Debentures to be extended from 30 September 2017 to 30 June 2019;
- Angas must distribute by way of *pari passu* interim distribution to Debenture Holders, in part-satisfaction of all remaining principal due to Debenture Holders, all excess cash or cash-equivalent assets held above a \$2 million 'Cash Buffer' (reduced from \$5 million under the current Run-Off Proposal) on the last business day of each quarter of the calendar year (commencing on 29 September 2017), unless the Loans Realisation Committee approves otherwise in writing;
- interest to stop accruing on Debentures from 1 August 2017 and all interest accrued on Debentures from 1 August 2016 up to that date to be forgiven by Debenture Holders; and
- the release of Angas from certain of its obligations under the Trust Deed that were approved by Debenture Holders at the Previous Meetings being extended to match the proposed extension to the redemption date for Debentures.

Angas also proposes amendments to enable a subsidiary to provide an alternative form of guarantee to the Trustee than the one currently required by the Trust Deed. Angas proposes this change to assist it in transferring its managed investment scheme functions to a subsidiary to better enable the subsidiary to be realised for the benefit of Debenture Holders if required. Further details regarding this proposal are set out in section 2.1.3 of the enclosed Explanatory Statement.

Angas further proposes amendments to the Trust Deed to remove the Trustee's entitlement to claim, by agreement with any receiver or external administrator of Angas, additional remuneration during a receivership or other prescribed circumstances (which broadly relate to defaults by Angas under the Trust Deed) or to charge a fixed amount calculated as 5.5% of the balance of unredeemed Debentures in the absence of agreement. During the receiverships of Banksia and Gippsland, the Trustee agreed additional remuneration with the receivers under similar trust deed provisions and, in the case of Banksia, took legal action through to the Full Court of the Supreme Court of Victoria to enforce its right to additional remuneration.

Angas has proposed this additional change as the Trustee has indicated in its letter to Debenture Holders enclosed with this document that it does not intend to enforce its rights to claim additional remuneration as a percentage of unredeemed debentures under this provision should a receiver be appointed and has also agreed, on 25 July 2017, to cap at \$100,000 per annum its remuneration for the realisation of the remaining secured properties. However, the Trustee has reserved its rights to agree additional remuneration with a receiver or other external administrator and Angas notes that the cap excludes all remuneration unrelated to the realisation of the secured properties such as remuneration relating to any recovery actions against directors or officers or remuneration relating to the Trustee's rights and obligations under the Trust Deed, and does not include the Trustee's legal fees or the Trustee's annual fee (which is currently \$40,000). Angas has therefore also proposed removing the Trustee's ability to agree additional remuneration with a receiver or other external administrator as it did in the receiverships of Banksia and Gippsland referred to further in section 6. Angas proposes this removal as it considers that because any receiver would be appointed by the Trustee, the Trustee would be likely to seek to agree with the receiver on additional remuneration to be charged by the Trustee during the receivership. The Trustee's reservation of its rights to do so is consistent with this view. Angas does not consider the Trustee being able to agree an entitlement to additional fees in these circumstances (that is, without Angas', Debenture Holders' or the Court's consent) to be in the best interests of Debenture Holders.

Under the Trust Deed, the Trustee must agree to the change to the additional Trustee remuneration provisions for that change to be implemented. The Trustee has indicated to Angas that it does not currently agree to this proposed change. However, Angas is hopeful that if Debenture Holders pass the Extraordinary Resolution by the requisite majority then the Trustee will provide its agreement to the change. Even if the Trustee does not agree to the change, the Trustee has confirmed in its letter to Debenture Holders that it does not intend to enforce its rights to claim additional remuneration as a percentage of unredeemed Debentures under this provision should a receiver be appointed, regardless of the outcome of the Extraordinary Resolution. Here, the Trustee would still be able to agree additional remuneration with any receiver.

If the Debenture Holders pass the Extraordinary Resolution, then at a hearing scheduled for 9:30am (AEST) on 1 September 2017 Angas will request that the Federal Court amend the Court Orders to reflect the Updated Run-Off Proposal. If the Federal Court makes the orders sought by Angas it is intended that Angas and the Trustee will amend the Trust Deed in the manner set out in the Extraordinary Resolution and that Angas will then give effect to the Updated Run-Off Proposal.

If the Extraordinary Resolution is not passed, and Angas does not redeem the Debentures in full by 30 September 2017, then Angas will breach the Court Orders and the Trust Deed. As outlined above, Angas is of the view that it will be unable to redeem the Debentures in full by this date. In this case, Angas expects that the Trustee would seek orders from the Federal Court that would result, if granted, in Angas entering into external administration and the appointment of receivers and managers.

In order to facilitate the Updated Run-Off Proposal, the Extraordinary Resolution also proposes to approve the Trustee entering into a new forbearance arrangement with Angas in relation to certain breaches of the Trust Deed. The terms of this forbearance arrangement will be the same as those approved by Debenture Holders at the Previous Meetings except that the period of forbearance will be extended to reflect the proposed extension to the redemption date for Debentures.

Further details of the Updated Run-Off Proposal are set out in the enclosed Notice of Meeting and Explanatory Statement together with details of who to contact if Debenture Holders wish to discuss any aspect of these documents.

Yours faithfully



Andrew Luckhurst-Smith  
Executive Chairman  
Angas Securities Limited

## TIME AND PLACE OF MEETING, QUORUM AND HOW TO VOTE

### Venue

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The Meeting to which this Notice of Meeting and Explanatory Statement relates will be held at Riverbank Rooms 7 & 8, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on 16 August 2017 commencing at 10:30am (ACST) (“**Meeting**”).

A live video link of the Meeting will also be available in Meeting Room 8, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on 16 August 2017 commencing at 9:00am (AWST).

### Quorum

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No business may be transacted at the Meeting unless the requisite quorum is present. In accordance with the Trust Deed, the quorum that must be present is Debenture Holders holding 15% in nominal value of the outstanding Debentures. The quorum must be present at the commencement of business at the Meeting.

### Chairman of the Meeting

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Mr Bruce Debelle AO QC will again act as independent Chairman of the Meeting.

Mr Debelle AO QC was admitted to the South Australian Bar in 1962, he practised there as a barrister (QC, 1982) until his appointment as a Justice of the Supreme Court of South Australia in 1990. On retirement from that post in 2008 he was appointed an Acting-Justice of the Supreme Court of NSW. During his time at the Bar he served as a Commissioner in the Australian Law Reform Commission (1978-84) and held office in such bodies as the Law Society of South Australia (President, 1989-90) and the Law Council of Australia; subsequently he served as Deputy Chair (2004-06) and Chair (2006-08) of the Judicial Conference Australia.

Mr Debelle AO QC chaired the Previous Meetings.

### Important notice associated with Federal Court convening Meeting

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The Meeting is being convened by Angas pursuant to Federal Court orders made on 26 July 2017 pursuant to section 283HB(1)(g) of the Corporations Act and in accordance with the Trust Deed.

The fact that the Federal Court has ordered that the Meeting be convened and has approved the Notice of Meeting and Explanatory Statement does not mean that the Federal Court:

- (a) has formed any view as to the merits of the Run-Off Proposal or the Updated Run-Off Proposal (which the Extraordinary Resolution is being proposed in order to enable Angas to give effect to) or as to how Debenture Holders should vote (on this matter Debenture Holders must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the Notice of Meeting and Explanatory Statement.

### Your Vote is Important

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The business of the Meeting affects your Debenture holding in Angas and your vote is important.

Debenture Holders will be bound by the outcome of the proposed Extraordinary Resolution even if they do not attend the meeting or cast a vote in respect of the Extraordinary Resolution.

### Voting in Person

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To vote in person, attend the Meeting on 16 August 2017 at either of the times and places set out above.

### Voting by Proxy

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



- (a) hand delivery to Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, Victoria, 3067;
- (b) post using the reply paid envelope or reply paid Computershare Investor Services Pty Limited, GPO Box 2062, Melbourne, Victoria, 8060;
- (c) facsimile to +61 3 9473 2145; or
- (d) email to [votingservices@computershare.com.au](mailto:votingservices@computershare.com.au),

so that it is received not later than 10:30am (ACST) on 14 August 2017 (being 48 hours before the commencement of the meeting). Proxy Forms received later than this time will be invalid.

Please note that:

- (a) a proxy need not be a Debenture Holder;
- (b) a Debenture Holder may appoint a body corporate or an individual as its proxy;
- (c) a body corporate appointed as a Debenture Holder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Debenture Holder's proxy; and
- (d) Debenture Holders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Debenture Holder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate of appointment executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The certificate may be delivered to Angas in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

**Please note that if you lodge a Proxy Form prior to the Meeting and then attend the Meeting in person, your Proxy Form will be revoked and you will only be entitled to vote in person at the Meeting.**

### **Voting by attorney**

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To vote by attorney, have your duly authorised attorney attend the Meeting in person and vote on your behalf. The power of attorney, or a certified copy of the power of attorney, should be lodged with Computershare in advance of the Meeting or handed in at the Meeting when registering as an attorney.

### **Voting by corporate representative**

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Debenture Holders which are bodies corporate can also vote at the Meeting by having their corporate representative attend the Meeting in person and vote on their behalf. The certificate of appointment executed in accordance with the Corporations Act authorising the representative to act as that body corporate's representative, or a certified copy of the certificate of appointment, should be lodged with Computershare in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

### **Voting Entitlements**

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The Federal Court has ordered that the persons eligible to vote at the Meeting are those who were registered Debenture Holders of Angas at 9:30am (AEST) on 26 July 2017.

In accordance with the Trust Deed and consistent with the August 2016 Meeting, each Debenture Holder is entitled to one vote for each complete parcel of \$10,000 in outstanding value of Debentures they hold. This unfortunately means that Debenture Holders who are owed less than \$10,000 in outstanding Debentures will be unable to vote at the Meeting.

## **Voting on the Extraordinary Resolution will be by poll**

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In accordance with the Trust Deed, as the Extraordinary Resolution is an extraordinary resolution (within the meaning of the Trust Deed), voting on the Extraordinary Resolution will be determined by poll.

## **Previous Meetings**

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The matters set out in this Notice of Meeting and Explanatory Statement follow on from the events and proceedings that led to the Previous Meetings being called and the implementation of the Run-Off Proposal which was approved by Debenture Holders at the August 2015 Meeting (as amended at the August 2016 Meeting).

Debenture Holders who wish to obtain a copy of the August 2015 Meeting Notice or the August 2016 Meeting Notice may do so at no cost by contacting Natalie Gatis on (08) 8410 4343 or [natalie.gatis@angassecurities.com](mailto:natalie.gatis@angassecurities.com).

## **Enquiries**

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If Debenture Holders have any queries in respect of or wish to discuss any aspect of this Notice of Meeting or the Explanatory Statement:

- with Angas – they should contact the Angas investor relations staff in Adelaide, Perth or Sydney on 1800 010 800; or
- with a representative of the Trustee – they should contact the Angas Investor's Information Line on 1800 875 177 or by email to [Angas-Info@thetrustcompany.com.au](mailto:Angas-Info@thetrustcompany.com.au).

Debenture Holders may also speak at the Meeting.

Debenture Holders are advised that Angas has engaged Computershare to undertake management of the voting process at the Meeting.

Debenture Holders will have an opportunity to attend and be heard at the Federal Court hearing listed for 9:30am (AEST) on 1 September 2017 if they wish to do so.



## NOTICE OF MEETING

Notice is given that a Meeting of Debenture Holders of Angas Securities Limited (ACN 091 942 728) will be held at Riverbank Rooms 7 & 8, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on 16 August 2017 commencing at 10:30am (ACST). The Meeting will also be video linked to Meeting Room 8, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on 16 August 2017 commencing at 9:00am (AWST).

The Meeting is being convened by Angas pursuant to Federal Court order made on 26 July 2017 pursuant to section 283HB(1)(g) of the Corporations Act and in accordance with the Trust Deed.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting.

The Federal Court has ordered that the persons eligible to vote at the Meeting are those who were registered Debenture Holders of Angas at 9:30am (AEST) on 26 July 2017 and who presently have at least \$10,000 in outstanding value of Debentures.

### Resolution – Approval of amendments to Trust Deed and waiver and release of breaches

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

“That:

- (a) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by:
  - (i) in clause 6.6(aa) after the words “31 December 2016” inserting the words “to 30 September 2017”;
  - (ii) inserting between clause 6.6(aa) and 6.6(b) a new clause 6.6(ab) as follows:
 

“(ab) with effect from 30 September 2017, the maturity date for all Debenture Stock is varied to 30 June 2019;”
  - (iii) in clause 6.6(ba) after the words “1 August 2016” inserting the words “to 31 July 2017”: inserting between clause 6.6(ba) and 6.6(c), new clauses 6.6(bb) and 6.6(bc) as follows:
 

“(bb) with effect from 1 August 2017, interest will not accrue on Debenture Stock and no interest will be payable in respect of Debenture Stock;

“(bc) with effect from 1 August 2017, Debentureholders forgive, release and discharge Angas from all of its obligations to pay any interest accrued in accordance with or as described in clause 6.6(ba) and release Angas from and against any and all claims that they have or may have against Angas in respect of such interest;”
  - (iv) in clause 6.6(c) replacing the word “clause” with the word “clauses” and after the number “6.6(ba)” inserting the words “, 6.6(bb) and 6.6(bc)” so that clause 6.6(c) provides as follows:
 

“(c) subject to clauses 6.6(ba), 6.6(bb) and 6.6(bc), interest on Debenture Stock is payable monthly in arrears within 14 days of the end of each calendar month;”
  - (v) in clause 6.6(d) after the word “including” deleting “,” and replacing it with “.” then inserting a new sub clause “(i)”, between the words “clause 6.6(d)” and “was” inserting the words “for a first time”, after the words “was passed;” inserting the word “and” and then inserting a new subclause “(ii)” followed by the words “with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) for a second time was passed, in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution was passed;” so that clause 6.6(d) provides as follows:
 

“(d) the Company must make the payments of Principal Moneys to Debentureholders at the times, in the amounts and on the terms set out in the orders made by the Federal Court of Australia on 9 June 2015 in proceeding NSD 469 of 2015 as amended from time to time (“**Federal Court Orders**”), including:

    - (i) with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) for a first time was passed, in the manner described in the

- explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution was passed; and*
- (ii) *with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) for a second time was passed, in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution was passed;”*
- (vi) in clause 6.6(ea) after the words “Loans Realisation Committee” deleting the word “and”;
  - (vii) inserting between clause 6.6(ea) and 6.6(f) a new clause 6.6(eb) as follows:
    - “(ea) with effect from 1 October 2017, the Company is until 30 June 2019 or any later date as is approved by ordinary resolution of Debentureholders, released from and shall not be required to comply with its obligations under the following provisions of this Deed:*
      - (i) clauses 8.3 and 8.4;*
      - (ii) Schedule 7 paragraphs 1.4(c), (d), (g) and (h); and*
      - (iii) Schedule 8 paragraph (b) provided that the Company does not make any investment in real property between 1 October 2017 and 30 June 2019;”*
  - (viii) in clause 6.6(f) after the words “passed, and” deleting “,” and replacing it with “.” then inserting a new sub clause “(i)”, between the words “clause 6.6(f)” and “was” inserting the words “for a first time”, after the words “was passed;” inserting the word “and” and then inserting a new subclause “(ii)” followed by the words “with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) for a second time was passed, in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution to amend this clause 6.6(f) was passed;” so that clause 6.6(f) provides as follows:
    - “(f) the Company and the Trustee are authorised and permitted do all such things as are reasonably required to give effect to the Federal Court Orders and the “Run-Off Proposal” described in the explanatory statement for the meeting of Debentureholders at which the Extraordinary Resolution amending the Trust Deed to insert this clause 6.6 was passed, and:*
      - (i) with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) for a first time was passed, as amended in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution to amend this clause 6.6(f) was passed; and*
      - (ii) with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) for a second time was passed, as amended in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution to amend this clause 6.6(f) was passed.”*
  - (ix) inserting between clause 6.8(aa) and 6.8(b) a new clause 6.8(ab) as follows:
    - “(ab) clause 6.6(ab) has effect from 30 September 2017;”*
  - (x) inserting in clause 6.8(ba) after the words “1 August 2016” the words “to 31 July 2017”;
  - (xi) inserting between clause 6.8(ba) and 6.8(baa) new clauses 6.8(bb) and 6.8(bc) as follows:
    - “(bb) clauses 6.6(bb) and 6.6(bc) have effect from 1 August 2017;*
    - (bc) clause 6.6(eb) has effect from 1 October 2017;”*
  - (xii) in clause 20.1(b) after the words “clause 20.2” inserting the words “and clause 20.1(c)”;
  - (xiii) inserting after clause 20.1(b) a new clause 20.1(c) as follows:
    - “(c) Notwithstanding the terms of clause 20.1(b) above and any other provision of this Deed, if the Trustee requests Angas Mortgage Management Limited ACN 615 541 378 (“AMML”) to become a Guarantor, the amount guaranteed by AMML to the Trustee and the amount or value of any property charged or secured by AMML in favour of the Trustee in connection with such guarantee is to be limited to the greater of (from time to time):*
      - (i) \$1.00;*
      - (ii) the amount (if any) directed by the Federal Court of Australia on application by the Trustee; and*

- (iii) *the amount (if any) determined by Debentureholders by Extraordinary Resolution.*

*The Company must procure and ensure that AMML does not carry on any business other than acting as the responsible entity and manager of the two managed investment schemes known, as at the date that the Extraordinary Resolution to insert this clause 20.1(c) was passed, as the “Angas Contributory Mortgage Fund” and the “Angas Prime Income Fund” or acquire any property except as is reasonably necessary for the purposes of carrying on that business and those functions.”*

- (xiv) in clause 18.4 deleting the words “(or any Controller or liquidator of the Company)” and deleting the second sentence in its entirety so that clause 18.4 provides as follows:

**“18.4 Fee after Enforcement Date**

*After an Enforcement Date the Company must also pay the Trustee on demand such additional remuneration as is commensurate with any additional duties and responsibilities performed or undertaken by the Trustee in consequence of enforcing this Deed as agreed between the Company and the Trustee and approved by the Federal Court of Australia together with any goods and services tax payable in relation to that additional remuneration.”*

- (b) pursuant to Schedule 3 rule 12(b) of the Trust Deed, the Debenture Holders approve the Trustee entering into a forbearance arrangement with Angas pursuant to which the Trustee will reserve its rights in relation to any breach by Angas of any of its obligations under the Trust Deed existing or arising at any time between 29 April 2015 and 30 June 2019 but agrees not to enforce those rights for so long as Angas is in material compliance with the terms of the Updated Run-Off Proposal.”

**By Order of the Board**



**Andrew Luckhurst-Smith**

Executive Chairman, Angas Securities Limited, 26 July 2017

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Debenture Holders in relation to the business to be conducted at the Meeting.

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### 1 Action to be taken by Debenture Holders

Debenture Holders should read the Notice of Meeting and this Explanatory Statement before deciding how to vote on the Extraordinary Resolution.

For further details about voting please see the “Time and Place of Meeting, Quorum and How to Vote” section of the Notice of Meeting. For further details about voting by proxy, please also see the Proxy Form.

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### 2 Background and overview

#### 2.1 Background

Angas was established in 2000 and since then has raised over a quarter of a billion dollars on its own balance sheet, had issued \$219.65 million of fixed interest debenture securities as at 10 July 2015 and has paid more than \$162 million in interest on its debenture securities. Angas holds AFS Licence 232479 issued by ASIC to issue fixed interest securities. The fixed interest debenture investments are secured by a security interest in favour of the Trustee over the assets of Angas. This is a first ranking security interest which provides security to the Trustee for repayment of fixed interest debenture investments. The Trustee holds that security for the benefit of Debenture Holders.

Angas’ primary assets are loans advanced by Angas to borrowers which, as at the commencement of the Run-Off Proposal, were secured by first-ranking mortgages over real property assets. As part of the Run-Off Proposal loan realisation process, Angas has since restructured a limited number of these securities. If a borrower defaults on a loan, Angas can take possession of and take steps to sell the real property (or other security property) asset held as security for the loan to recover its investment. This has in fact occurred in respect of all of Angas’ remaining Debenture funded loans.

The Trustee is appointed to act as trustee pursuant to section 283AA of the Corporations Act. Under the terms of the Trust Deed and the Corporations Act and at law generally, the Trustee has duties and obligations to act in the interests of all Debenture Holders.

In around October 2012, the Trustee expressed concerns in relation to Angas’ financial position and performance. The Trustee commenced a more detailed review of Angas at that time, including an independent business review of Angas. This included extensive work undertaken by accountants engaged by the Trustee from time to time until the independent business review was concluded in March 2015.

##### 2.1.1 August 2015 Meeting

Angas has previously advised Debenture Holders of the events and proceedings of the years 2012 to 2015 that led to the Federal Court hearings that resulted in the August 2015 Meeting being called.

In the course of the 2015 Federal Court proceedings the Trustee and Angas agreed to orders being made by consent for a procedure to be put in place for Angas to put the Run-Off Proposal to a meeting of Debenture Holders. The agreement involved an extraordinary resolution being put to the Debenture Holders for their approval at the August 2015 Meeting. The objective of the extraordinary resolution was to amend the Trust Deed to enable Angas and the Trustee to give effect to the Run-Off Proposal.

The objective of the Run-Off Proposal is the realisation of Angas’ loan portfolio and other assets to enable the repayment of all Debentures in full and in an orderly and equitable manner, originally by 30 December 2016 (as subsequently extended following the August 2016 Meeting and proposed to be further extended at this Meeting).

ASIC was consulted prior to the Court Orders being entered and appeared at the hearing at which the Court Orders were made.

At the August 2015 Meeting almost 15,000 votes were cast on the proposed extraordinary resolution. Of those votes, 89.93% were in favour of the extraordinary resolution (including proxies exercised by the Chairman of the meeting). The extraordinary resolution was passed and on 14 August 2015 the Federal Court directed the Trustee that it was justified in proceeding on the basis that the making of the amendments to the Trust Deed approved by the extraordinary resolution and the implementation of the Run-Off Proposal accorded with the Trustee’s duties under the Trust Deed, the Corporations Act and at law.

Angas commenced implementation of the Run-Off Proposal from 14 August 2015.

### **2.1.2 August 2016 Meeting**

Angas has previously advised Debenture Holders of the events and proceedings that led to the Federal Court hearings that resulted in the August 2016 Meeting being called.

At the August 2016 Meeting, Angas sought Debenture Holder approval to amend the Run-Off Proposal to provide it with more time to complete the loan and asset realisation process. The key amendments were suspending all interest payments from 1 August 2016 (but with payment of interest accrued from that date to be made at the end of the Run-Off Period to the extent that Angas has remaining assets after all Debentures have been redeemed in full) and extending the redemption date for all Debentures to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee.

At the August 2016 Meeting 10,255 votes were cast on the proposed extraordinary resolution. Of those votes, 78.94% were in favour of the extraordinary resolution (including proxies exercised by the Chairman of the meeting). The extraordinary resolution was passed and on 19 August 2016, the Federal Court directed the Trustee that it was justified in proceeding on the basis that the making of the amendments to the Trust Deed approved by the extraordinary resolution and the implementation of the amended Run-Off Proposal accorded with the Trustee's duties under the Trust Deed, the Corporations Act and at law.

### **2.1.3 Angas Contributory Mortgage Fund, Angas Prime Income Fund and Angas Financial Services**

In addition to acting as issuer of the Debentures and carrying out its commercial property lending business, Angas also manages two managed investment schemes, the Angas Contributory Mortgage Fund ("ACMF") and the Angas Prime Income Fund ("APIF"), and holds equity in Angas Financial Services ("AFS").

Income generated by Angas as manager of these two managed investment schemes and AFS has been available to offset the expenses of Angas continuing to carry on business as a going concern during the Run-Off Period. Angas has received gross service fees and other income from ACMF and APIF totalling approximately \$2.82 million in the financial year ended 30 June 2015, \$3.39 million in the financial year ended 30 June 2016 and \$3.69 million in the financial year ended 30 June 2017 (made up of \$2.72 million in cash inflows and a further \$0.969 million in accrued income to be received upon settlement of the sale of a security property). The direct costs of operating these funds were \$65,431 in the financial year ended 30 June 2015, \$36,622 in the financial year ended 30 June 2016 and \$67,265 in the financial year ended 30 June 2017. The direct costs of operating ACMF and APIF include compliance costs such as accounting, taxation and audit fees, plus any loan related costs which the schemes are entitled to recover from the borrower. Most Angas staff perform work on both the Debenture and managed investment scheme components of Angas' business and there are other indirect costs that are incurred in relation to both businesses. These indirect costs of managing the ACMF and APIF cannot be readily determined and apportioned to the ACMF and APIF. However, examples of these indirect costs include general business operating costs such as staff wages, premises and office and administration costs.

The income generated by Angas as manager of ACMF and APIF would likely not be available in the event of Angas entering into external administration and the appointment of receivers and managers. This is because Angas' entry into external administration would be a breach of its financial services licence pursuant to which Angas manages ACMF and APIF, and also because Angas considers that investors in ACMF and APIF would likely redeem their investments at the earliest possible opportunity if Angas is placed in external administration.

Angas has been undertaking a process of restructuring the ACMF and APIF by transferring both the responsible entity and management roles of these schemes to a subsidiary of Angas. Angas has applied to ASIC for an Australian financial services licence ("AFSL") for the subsidiary.

The restructure has been underway for most of the Run-Off Period and is likely to take some further time. However, the restructure, if completed, may create an asset for Angas which Angas will have the ability to realise together with its equity in AFS, if necessary, during the Updated Run-Off Period.

If these assets are realised, Angas will be able to apply the proceeds to Debenture Holders as part of the Updated Run-Off Proposal. Angas continues to forecast receiving \$10 million for the realisation of these assets. Details of how this amount was calculated are set out in section 5.3.1 of this Explanatory Statement.

Angas needs to ensure the subsidiary is able to satisfy certain net tangible asset ("NTA") requirements in order for ASIC to consider granting the subsidiary with an AFSL. The subsidiary's ability to satisfy the NTA requirement is largely dependent on the terms of the guarantee to be agreed between Angas and the Trustee. If Angas's subsidiary is unable to meet ASIC's requirement for obtaining an AFSL, which includes meeting the NTA requirement, then Angas may be unable to continue with the restructure.

If ASIC does not grant an AFSL to the subsidiary or agreement cannot be reached with the Trustee on the terms or form of the guarantee to be provided by Angas to the Trustee in respect of the obligations of the subsidiary then Angas will be unable to complete the restructure and, in its view, unable to realise these assets. This would



result in a decrease in cash inflows during the Updated Run-Off Period of \$10 million or approximately 5 cents in the dollar of Debenture Holders' Principal Balance.

There is also the risk that the members of ACMF and APIF might appoint a different company to act as the responsible entity under section 601FM of the Corporations Act. This would result in Angas being unable to realise the assets even if the restructure is completed.

To date, Angas and the Trustee have not been able to reach agreement on the terms of the guarantee to be provided in respect of the obligations of the subsidiary of Angas. Angas has attempted to resolve this issue by requesting that the Trustee seek directions from the Federal Court as to whether the Trustee is justified in dispensing with a guarantee, or agreeing to a modified form of guarantee. The Trustee has so far declined to do so.

Angas now seeks to resolve this issue by the proposed Extraordinary Resolution which, among providing for amendments to the Trust Deed to effect the Updated Run-Off Proposal, also provides for Debenture Holders to approve amendments to the Trust Deed to enable an alternative form of guarantee to be provided by the subsidiary of Angas.

The alternative form of guarantee that Debenture Holders are being asked to approve amendments to effect is for the amount of the guarantee to be limited to the greater of \$1.00, or such other amount determined by the Federal Court or by extraordinary resolution of Debenture Holders ("**Alternative Guarantee**").

The Trustee has not agreed to the Alternative Guarantee. The Trustee's proposed alternative is for the amount of the guarantee to be limited to the value of the assets as determined by an independent valuer. If the independent valuation is consistent with the valuation held by Angas, the guarantee would be an amount of approximately \$10 million. In the opinion of Angas' Directors, this proposal is not acceptable because it would result in the subsidiary of Angas being unable to meet its NTA requirement. This would mean that the Angas subsidiary could not obtain an AFSL and Angas would be unable to complete the restructure or have the ability to realise these assets for the benefit of Debenture Holders.

The Trustee has expressed concerns that agreeing to an alternative form of guarantee would move the value of the assets outside of Angas' pool of assets subject to the Trustee's security. In the view of Angas' Directors, this concern is incorrect because if the restructure is completed:

- the assets can only be realised through a sale of shares in the Angas subsidiary; and
- the shares of the Angas subsidiary are an asset of Angas and are subject to the first ranking security interest in favour of the Trustee, held for the benefit of Debenture Holders.

This means that if the restructure is completed, and the Trust Deed amendments to effect the provision of the Alternative Guarantee proposed in the Extraordinary Resolution is approved by Debenture Holders, the assets, and any proceeds from the sale of those assets, would remain available for the repayment of Debenture Holders. Angas sees the Trust Deed amendments to enable the provision of the Alternative Guarantee as a practical solution to the requirement that is currently hindering the process of realising Angas' management rights to ACMF and APIF.

In the proposed amendments to the Trust Deed Angas has also proposed an obligation be placed on it to ensure that the subsidiary does not carry on any business other than acting as the responsible entity and manager of the APIF and ACMF or acquire any property except as is reasonably necessary for the purposes of carrying on that business. Angas has proposed this provision in an attempt to provide comfort to the Trustee that no other Angas assets would be moved into the subsidiary.

There is a risk that ASIC might decide that the Alternative Guarantee might not meet the NTA requirement and refuse the Angas subsidiary's application for an AFSL, in which case Angas would be unable to complete the restructure and realise the ACMF and APIF assets under the Alternative Guarantee. As at the date of this Explanatory Statement, Angas has not yet sought ASIC's views about the Alternative Guarantee.

If the Extraordinary Resolution is not passed and receivers are appointed to Angas, the receiver may, subject to obtaining ASIC consent, take over management of ACMF and APIF. The receiver may also (again, subject to ASIC consent) seek to realise these rights for the benefit of Debenture Holders.

## 2.2 Summary of the Updated Run-Off Proposal

If approved and implemented, the Updated Run-Off Proposal will result in three main changes from the Run-Off Proposal approved by Debenture Holders at the Previous Meetings.

First, the redemption date of all Debentures will be changed from 30 September 2017 to 30 June 2019. Under this change, Debenture Holders are not forecast to receive the final payment of their Principal Balance until the extended redemption date. However, Angas will continue to make interim part payments (likely at quarterly

intervals) in ongoing partial repayment of the Principal Balance as and when Angas has the financial capacity to do so.

Angas will be required to make part payments of remaining Principal Balance where Angas holds cash or cash equivalent assets above a prescribed minimum amount on the last business day of each quarter during the calendar year (commencing on 29 September 2017) unless the Loans Realisation Committee approves otherwise in writing. The prescribed minimum amount for this purpose will be \$2 million (compared to \$5 million previously under the Run-Off Proposal). This means that if Angas holds over \$2 million in cash or cash equivalents on the last business day of a calendar quarter, Angas must pay Debenture Holders their proportionate share of that excess amount unless the Loans Realisation Committee agrees otherwise.

The purpose of this 'Cash Buffer' is to require that Angas has a minimum level of cash and cash equivalents available to it at all times during the Run-Off Period to ensure it can meet certain short term liabilities and operating expenses and to support the realisation of Angas' assets by a receiver in case Angas enters into external administration. The Angas Directors consider it reasonable to reduce the amount of this buffer during the Updated Run-Off Period to reflect the reduction in its loan portfolio since the start of the Run-Off Period and given that Angas has not been required to rely on the buffer funds during the Run-Off Period to date. Angas also considers the reduction reasonable on the basis of its forecast reduction in operating expenses and to enable Angas to more quickly make part payments to Debenture Holders of outstanding Principal Balance.

Secondly, all Debentures will stop accruing interest from 1 August 2017 and all interest accrued on Debentures up to that date but not yet paid will be forgiven by Debenture Holders. This means that Debenture Holders will not receive any further interest payments on their Debentures and will result in a total of approximately \$5,576,367 in accrued interest being forgiven by Debenture Holders. This interest was accrued from 1 August 2016 to 31 July 2017. If Debentures do not stop accruing interest from 1 August 2017 and interest accrued from that date is not forgiven, the total interest that would otherwise accrue until 30 June 2019 is estimated to be \$11,523,015. Accordingly, under the proposed Extraordinary Resolution, Debenture Holders would be forgiving an estimated total of \$17,099,382 of interest over the course of the Updated Run-Off Period.

Although the payment of interest on Debentures has been deferred until the end of the Run-Off Period, Angas is still required to account for it in its financial statements as a contingent liability during the Run-Off Period. Accordingly, if Debentures stop accruing interest and accrued interest is forgiven, Angas will no longer need to continue accounting for interest in this way. This will reduce the level of Angas' balance sheet liabilities during the Updated Run-Off Period. It will also remove a contingent liability that, Angas forecasts that it will be unable to pay in full at the end of the Run-Off Period, which would result in Angas becoming insolvent.

The Updated Run-Off Schedule forecasts a cash surplus at the end of the Updated Run-Off Period of \$410,730. This amount is insufficient to pay the interest that would otherwise accrue on the Debentures until the end of the Updated Run-Off Period. If this amount were to remain in Angas' financial statements as a contingent liability, Angas considers it could create a market expectation that Angas will inevitably become insolvent and have receivers appointed. As outlined in section 6, there is a general perception that prices obtained when property is realised in the course of an external administration are discounted markedly to prices that may ordinarily be realised. The Angas Directors consider that creating such a perception could encourage potential purchasers of Angas' Debenture funded assets to postpone making offers on those assets thereby causing further delays in the asset sale process. The Angas Directors therefore consider that it is more beneficial for Debenture Holders to release Angas from all interest liabilities than continuing the current interest arrangement under the Run-Off Proposal.

Thirdly, the requirement for Angas to maintain a minimum of \$5 million of liquid assets at the end of each calendar month during the Run-Off Period will be reduced to \$2 million. Angas will pay the other \$3 million to Debenture Holders as a part payment of their Principal Balance if the Extraordinary Resolution is passed. Angas expects to make this payment by 29 September 2017, being the end of the calendar quarter after the Extraordinary Resolution is passed.

The Extraordinary Resolution is required in the opinion of Angas' Directors in order to provide Angas with the legal framework to implement the Updated Run-Off Proposal.

Further details of the Updated Run-Off Proposal (including further details of how it differs from the Run-Off proposal approved at the August 2016 Meeting) and anticipated returns to Debenture Holders pursuant to the Updated Run-Off Proposal are set out in section 5 of this Explanatory Statement. Set out in section 6 is an overview of the possible consequences if the Extraordinary Resolution is not approved by the requisite majority of Debenture Holders and an explanation of the potential effect on the return to Debenture Holders.



The part payments of principal to be made to Debenture Holders will continue to be tax free. However, Debenture Holders should seek their own advice from a taxation specialist as to the tax treatment of any payments Angas makes to them.

Based on Angas' current cash flow forecasts set out in the Updated Run-Off Schedule (a detailed summary of which is annexed to this Explanatory Statement at Annexure 1), Angas forecasts that it is likely that under the Updated Run-Off Proposal, Debenture Holders will receive the full Principal Balance due to be repaid to them by 30 June 2019. However, Angas no longer anticipates that sufficient funds will be realised to pay interest that has been accruing at 4% since 1 August 2016. Accordingly, this interest is to be forgiven by Debenture Holders under the Updated Run-Off Proposal.

As with previous iterations of the Run-Off Schedule, Debenture Holders should note that the Updated Run-Off Schedule is a projection only. It has been based on various assumptions (set out in section 5.3), which broadly relate to anticipated receipts (including the timing and amounts recovered by Angas from the realisation of its loan portfolio) and anticipated payments throughout the Updated Run-Off Period. If any of these assumptions do not materialise or any projections in the Updated Run-Off Schedule are not achieved, for example because Angas is unable to realise some of its Loan Assets or any amounts realised are lower than forecast, then the amounts Angas is able to pay to Debenture Holders will likely be lower than forecast. See section 5 for further details of these risks.

If the Extraordinary Resolution is approved by the requisite majority of Debenture Holders, then at a hearing scheduled for 9:30am (AEST) on 1 September 2017 Angas will request that the Federal Court amend the Court Orders to reflect the Updated Run-Off Proposal. If the Federal Court makes the orders sought by Angas it is intended that Angas and the Trustee will amend the Trust Deed in the manner set out in the Extraordinary Resolution. Angas will then give effect to the Updated Run-Off Proposal.

The Trustee's application seeking orders that the security over Angas' assets granted in favour of the Trustee under the Trust Deed be enforceable is also listed for directions at the Federal Court hearing scheduled for 9:30am (AEST) on 1 September 2017. If the Trustee decides to continue with that application and the Federal Court makes the orders sought by the Trustee that would result in the appointment of receivers and managers to Angas.

If the Extraordinary Resolution is not approved by the requisite majority of Debenture Holders then Angas will remain required (but, in Angas' view, unable) to complete the Run-Off Proposal by 30 September 2017. If the Run-Off Proposal is not completed by this date, Angas will be in breach of the Run-Off Proposal and certain provisions of the Trust Deed. In respect of either of these anticipated future breaches (if and when they occur) the Trustee will be entitled to relist the 2015 Federal Court proceedings to seek the judicial advice, directions and orders from the Federal Court that it sought in those proceedings, or similar relief as appropriate. If the Federal Court makes the orders sought by the Trustee, Angas considers that this will result in Angas entering into external administration.

### **2.3 Why is the Updated Run-Off Proposal being put forward?**

Since August 2015, Angas has been undertaking the orderly realisation of its assets to repay the amounts owed to Debenture Holders as contemplated by the Run-Off Proposal. This has resulted in 15 debenture loans remaining in the Run-Off as at 26 July 2017, compared to 46 debenture loans at the commencement of the Run-Off. Angas has also caused to be sold 53 properties in the period from July 2015 to July 2017 for gross sale prices of \$34,691,000, compared to their total valuation of \$32,699,500. That is, the gross sale prices achieved during the Run-Off Proposal to date are \$1,991,500 above Angas' current valuations of these assets. Of the 53 properties realised, 31 were sold at or above, and 22 were realised below, Angas' then current valuations for those properties. Angas has also entered into contracts for sale or binding heads of agreement for 10 further security assets which are not expected to complete until after the date of this Explanatory Statement. Some of these contracts are conditional and the counterparties are able to withdraw from them in certain circumstances without penalty.

Angas has also received 78 other partial loan principal reductions or full loan discharges totalling \$38,668,664.13 in the period from July 2015 to April 2017.

As at the date of this Explanatory Statement, Angas still owes Debenture Holders \$130,038,252 of Principal Balance and \$5,576,367 interest has accrued on Debentures since the August 2016 Meeting. Under the terms of the Run-Off Proposal approved by Debenture Holders at the August 2016 Meeting, payment of this interest has been suspended until the end of the Run-Off Proposal and will only be paid to the extent that Angas has surplus assets remaining after Debentures have been redeemed in full.

The balance of Angas' Debenture loan assets, comprising security for the 15 remaining debenture loans, have not been realised as forecast by Angas from time to time since August 2015. The reasons for these ongoing delays are many and varied, including, insufficient interest in the assets to date at marketed sale prices, delays in development approvals, re-zoning and similar applications required to market the assets for maximum value, delays in processing statutory or regulatory approvals and, in some cases, agreed sale contracts not being completed.

Angas has received offers for some assets that it considered do not reflect the realisable value of those assets. If accepted, those offers would have resulted in Debenture Holders receiving less than 100 cents in the dollar. If Angas accepted these offers it could have made further part payments of Principal Balance to Debenture Holders before the Meeting. However, Angas declined those offers. Angas' Directors consider that Angas can achieve higher values for the assets over the period of its Updated Run-Off Schedule (i.e. through to June 2019) that will result in superior returns being made to Debenture Holders. However there is no guarantee that Angas will receive offers that reflect the realisable value of the security assets during the Updated Run-Off Period. This would result in Debenture Holders receiving less than 100 cents on the dollar.

Despite Angas' continuing efforts, it has become apparent that the loan realisation process will not be complete to enable repayment of Debentures by 30 September 2017. Angas therefore requires an extension to the redemption date for all Debentures to provide it with additional time to complete the loan realisation process and make the final payment of the Principal Balance owing to Debenture Holders.

The Loans Realisation Committee is not authorised to approve variations to the dates by which the final instalment of the remaining Principal Balance owed to Debenture Holders must be paid beyond 30 September 2017.

Based on Angas' current cash flow forecasts set out in the Updated Run-Off Schedule, Angas forecasts that it is likely that under the Updated Run-Off Proposal, Debenture Holders will receive the final payment of the Principal Balance owing to them by 30 June 2019. As set out in section 2.2 above, there are a number of assumptions on which the Updated Run-Off Proposal is based (as set out in section 5.3) and if any of these assumptions do not materialise the actual payments made to Debenture Holders will likely be less than those forecast.

## 2.4 Timing

Event	Timing
Time and date by which Proxy Forms should be lodged with Computershare by Debenture Holders	14 August 2017 (10:30am) (ACST)
Meeting of Debenture Holders to approve the Extraordinary Resolution	16 August 2017 10:30am (ACST) and 9:00am (AWST)
<b><i>If the Extraordinary Resolution is approved by Debenture Holders:</i></b>	
Federal Court hearing to consider Angas' proposal to amend the Court Orders to reflect the Updated Run-Off Proposal	1 September 2017 at 9:30am (AEST)
<b><i>If the proposed changes to the Run-Off Proposal are approved by the Court:</i></b>	
Payment of interim payments of Principal Balance owing	No fixed date(s)
Proposed final distribution to Debenture Holders (remainder of the Principal Balance)	30 June 2019
These dates and times are subject to the Federal Court approval process.	

## 3 Key Questions and Answers

This section answers some frequently asked questions about the Updated Run-Off Proposal. It is not intended to address all relevant issues for Debenture Holders and should be read together with all other sections of this Notice of Meeting and Explanatory Statement.

Question	Answer	More information
Why is the Updated Run-Off Proposal being put forward?	Angas does not expect that it will have completed the loan realisation process, and therefore will be unable to repay Debenture Holders in full, by 30 September 2017 as required by the Run-Off Proposal.	Section 2.3 and the second paragraph of section 5.3 provide more information on why the Updated Run-Off Proposal is being put forward.
When is Angas required to make payments of Principal Balance under the Updated Run-Off Proposal?	<p>There are no fixed payment dates or amounts. However, Angas will make payments as and when it has the capacity to do so.</p> <p>Specifically, if on the last business day of a calendar quarter during the Updated Run-Off Period, Angas holds cash or cash equivalent assets above a minimum prescribed \$2 million threshold, Angas must distribute the surplus to Debenture Holders as a part payment of their Principal Balance unless the Loans Realisation Committee approves otherwise in writing. Angas is likely to have cash or cash equivalents above this threshold at the end of any calendar quarters during which any significant assets are realised.</p>	Section 2.2 summarises the Updated Run-Off Proposal and Annexure 1 forecasts when Angas expects to make payments of Principal Balance.
What will happen with the additional \$3 million that Angas will have available to it due to the 'Cash Buffer' Angas is required to maintain during the Updated Run-Off Period being reduced from \$5m to \$2 million?	Angas will pay the other \$3 million to Debenture Holders as a part payment of their Principal Balance. Angas expects to make this payment by 29 September 2017, being the end of the quarter in which the Extraordinary Resolution is passed.	Section 2.2 and the second paragraph of section 4.2.2 provide more information about how Angas intends to apply this amount.
What will happen under the Updated Run-Off Proposal with the interest that has accrued since 1 August 2016 but had payment suspended until the end of the Run-Off Period?	<p>All interest that has accrued since 1 August 2016 will be forgiven (and therefore not paid to Debenture Holders) and the Debentures will cease to accrue interest from 1 August 2017.</p> <p>Angas considers it is more beneficial for Debenture Holders to release Angas from all interest liabilities than the current arrangement under the Run-Off Proposal whereby payment of interest accrued is made at the end of the Run-Off Period to the extent that Angas has remaining assets after all Debenture Holders have been repaid in full. This is because by doing so; Angas will no longer be required to maintain the interest as a contingent liability, which Angas forecasts that it will be unable to repay. Angas considers that continuing to account for this liability could create a market expectation that Angas will inevitably become insolvent and have receivers appointed. The Angas Directors consider that this could be detrimental to its asset</p>	<p>Section 2.2 provides further information on the treatment of interest and the value of the accrued interest to be forgiven by Debenture Holders.</p> <p>Section 5.2.1 provides information on how the forecast surplus being left as a contingency sum differs from the \$2 million 'Cash Buffer'.</p>

Question	Answer	More information
	<p>realisation process.</p> <p>Angas does not believe that it is feasible that there will be a material surplus of assets remaining at the end of the Updated Run-Off Period that is able to be distributed to Debenture Holders. This is because the forecast surplus is small and Angas considers it prudent for this amount to be left as a contingency sum in case there are variances in forecast payments or receipts.</p>	
<p>What will happen if at the end of the Updated Run-Off Period Debenture Holders are paid their Principal Balance in full and Angas has remaining cash or assets?</p>	<p>If the surplus cash or assets are in line with the forecast, that immaterial surplus will be applied to Angas' ongoing business operations. If Angas has no ongoing business operations, the surplus will be distributed to Angas' preference shareholders. If, however, Angas achieves a material surplus at the end of the Updated Run-Off Period (i.e. greater than the \$410,730 immaterial surplus currently forecast), Angas will return that portion of the surplus to Debenture Holders on a pari passu basis, in an ex gratia manner in lieu of the interest waived since August 2016.</p> <p>Angas considers it is unlikely that it will have cash or realisable assets, which exceed the level of the forecast immaterial surplus, remaining at the end of the Updated Run-Off Period.</p>	<p>Section 5.2.1 provides further information on the treatment of any surplus remaining at the end of the Updated Run-Off Period.</p>
<p>What will happen if Angas fails to repay the full Principal Balance at the end of the Updated Run-Off Period?</p>	<p>This will constitute a breach of certain provisions of the Trust Deed and will likely result in the appointment of receivers to Angas to realise the balance of Angas's Loan Assets.</p>	<p>Section 5.4 provides more information on the consequences of failure to implement or comply with the Updated Run-Off Proposal.</p> <p>Section 6 also provides information on the possible consequences of receivers being appointed to Angas.</p>
<p>What is the alternative to the Updated Run-Off Proposal?</p>	<p>If the Extraordinary Resolution is not passed then Angas expects that it will breach the Court Orders and the Trust Deed on 1 October 2017. Angas expects that the Trustee will then seek orders from the Federal Court that would result, if granted, in Angas entering into external administration and the appointment of receivers and managers.</p>	<p>Section 6 provides more information on the consequences of the Extraordinary Resolution not being passed.</p>
<p>How can I get further information if I have any</p>	<p>For further information, Debenture Holders can call the Angas investor resolutions staff on 1800 010 800 or the Trustee's Angas</p>	

Question	Answer	More information
questions?	<p>Investor's Information Line on 1800 875 177 or by email to <a href="mailto:Angas-Info@thetrustcompany.com.au">Angas-Info@thetrustcompany.com.au</a></p> <p>If Debenture Holders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.</p>	

## 4 The Extraordinary Resolution Approval

### 4.1 Approval Process

Pursuant to clause 22.1(b) of the Trust Deed, the Trustee and Angas may jointly alter or modify the Trust Deed if the alteration or modification is approved or sanctioned by an extraordinary resolution of Debenture Holders.

Under Schedule 3 rule 13(b) of the Trust Deed, in order for a meeting of Debenture Holders to pass an extraordinary resolution, it must be approved by such Debenture Holders that are entitled to cast not less than 75% of the votes of all Debenture Holders present or represented (whether by proxy, attorney or representative) and voting.

Under the Trust Deed, extraordinary resolutions put to a meeting of Debenture Holders must also be determined by poll.

In accordance with the Trust Deed and consistent with the August 2016 Meeting, each Debenture Holder is entitled to one vote for each complete parcel of \$10,000 in outstanding value of Debentures they hold. This unfortunately means that Debenture Holders who are owed less than \$10,000 in outstanding Debentures will be unable to vote at the Meeting.

### 4.2 The Extraordinary Resolution Approval

#### 4.2.1 Proposed Amendments to the Trust Deed

In order to enable Angas to give effect to the Updated Run-Off Proposal, certain provisions of the Trust Deed are required to be amended.

The required amendments to the Trust Deed relate to:

- amending the redemption date for all Debentures from their current redemption date of 30 September 2017 to 30 June 2019;
- providing that Debentures will stop accruing interest from 1 August 2017; and
- Debenture Holders forgiving, releasing and discharging Angas from all of its obligations to pay all interest accrued since 1 August 2016 such that Angas will not be required to make any further payments of interest to Debenture Holders after repayment in full of their Principal Debenture balances outstanding.

Without these amendments Angas would be unable to implement the Updated Run-Off Proposal without breaching the terms of the Trust Deed and the Court Orders.

Angas also proposes amendments to the Trust Deed to enable a subsidiary of Angas to provide an alternative form of guarantee to the Trustee to the one currently required by the Trust Deed. This may enable the subsidiary to meet the NTA requirement under the conditions of its proposed AFSL so Angas can then transfer the ACMF and APIF responsible entity and management roles to the subsidiary. This would enable Angas to realise the shares in the subsidiary and distribute the proceeds to Debenture Holders.

As set out in section 2.1.3, there is a risk that ASIC might decide that the Alternative Guarantee might not meet the NTA requirement and refuse the subsidiary's application for an AFSL, in which case Angas would be unable to complete the restructure and realise the ACMF and APIF assets under the Alternative Guarantee. As at the date of this Explanatory Statement, Angas has not yet sought ASIC's views about the Alternative Guarantee.



It is also possible that even if the restructure occurs that members of ACMF and APIF might appoint a different company to act as the responsible entity under section 601FM of the Corporations Act. This would result in Angas being unable to realise the assets even if the restructure is completed.

Angas further proposes amendments to remove some of the Trustee's rights to claim additional remuneration during a receivership or other prescribed circumstances (which broadly relate to defaults by Angas under the Trust Deed). Under the Trust Deed, after the date of one of these events Angas must pay the Trustee additional remuneration relating to additional services performed by the Trustee as a consequence of any associated enforcement action that the Trustee agrees with Angas or any receiver or external administrator. In the absence of agreement, the Trustee is entitled to a commission calculated as an amount of 5.5% of the balance of unredeemed Debentures. This is approximately \$7.15 million based on the Principal Balance owing as at the date of this Explanatory Statement.

In the Banksia and Gippsland receiverships, after the receivers were appointed the Trustee sought to agree with the receivers the Trustee's entitlement to additional remuneration under similar provisions of the trust deeds. In the Banksia receivership, the Trustee also took legal action to the Full Court of the Supreme Court of Victoria to enforce its right to charge a fixed amount of the balance of unredeemed Banksia debentures in the absence of agreement with the receiver.

The Trustee has stated in its letter to Debenture Holders enclosed with this document that if the Updated Run-Off Proposal is not completed and a receiver is appointed, it will not enforce its right to claim additional remuneration as a percentage of unredeemed Debentures and has also agreed, on 25 July 2017, to cap at \$100,000 per annum its remuneration for the realisation of the remaining secured properties. However, the Trustee has reserved its rights to charge other additional remuneration under the provision (for example an unspecified amount as agreed with any receiver appointed to Angas) and Angas notes that the cap excludes all remuneration unrelated to the realisation of the secured properties such as remuneration relating to any recovery actions against directors or officers or remuneration relating to the Trustee's rights and obligations under the Trust Deed, and does not include the Trustee's legal fees or the Trustee's annual fee (which is currently \$40,000). As any receiver would be appointed by the Trustee, Angas considers it likely the Trustee would seek to agree with the receiver additional remuneration to be charged by the Trustee during the receivership. This is what occurred in the receiverships of Banksia and Gippsland. Angas does not consider it to be in Debenture Holders' best interests for the Trustee to be able to agree an entitlement to additional fees with a third party appointed by it and without Angas', Debenture Holders' or the Court's consent. Angas therefore proposes to remove this right.

Under the proposed amendments to the additional fee provisions, the Trustee will still be entitled to additional remuneration during a receivership if the fee is agreed with Angas. However, Angas also proposes an additional requirement that any such additional remuneration must be approved by the Federal Court of Australia.

Under the Trust Deed, the Trustee must agree to the change to the additional Trustee remuneration provisions for that change to be implemented. The Trustee has indicated to Angas that it does not currently agree to this proposed change. However, Angas is hopeful that if Debenture Holders pass the Extraordinary Resolution by the requisite majority then the Trustee will provide its agreement to the change. Even if the Trustee does not agree to the change, the Trustee has confirmed in its letter to Debenture Holders that it does not intend to enforce its rights to claim additional remuneration as a percentage of unredeemed debentures under this provision should a receiver be appointed, regardless of the outcome of the Extraordinary Resolution. Here, the Trustee would still be able to agree additional remuneration with any receiver.

#### **4.2.2 Proposed extension to release of certain obligations under Trust Deed**

At the Previous Meetings, Debenture Holders approved Angas being released from certain obligations under the Trust Deed. This included releasing Angas from:

- the requirement to maintain net tangible assets of not less than the greater of \$100,000 and 0.5% of total tangible assets;
- the requirement to provide the Trustee with its calculation of net tangible assets, total tangible assets and total external liabilities together with all workings relating to the calculation within seven days after receiving a request from the Trustee;
- the restriction on it investing more than 10% of the principal owing in respect of the Debentures in real property;
- the obligation to include in its full and half yearly auditor's report prescribed information relating to:

- the amount of liquid assets maintained by Angas and the financial products they are invested in;
- whether Angas has complied with its obligations to invest the principal owing in relation to the Debentures in investments permitted under the Trust Deed based on an audit undertaken by the auditor; and
- Angas' total tangible assets, total external liabilities and net tangible assets and the calculation of those amounts.

The purpose of these releases was to reduce the compliance burden on Angas and to enable it to focus on implementing the Run-Off Proposal. Further, the obligation to maintain prescribed minimum net tangible assets as well as the obligation to include information in Angas' full and half yearly auditor's report relating to Angas' total tangible assets, total external liabilities and net tangible assets were in substance replaced by certain obligations under the Run-Off Proposal to provide prescribed information to the Loans Realisation Committee and maintain a minimum of \$5 million in liquid assets. This will be reduced to \$2 million under the Updated Run-Off Proposal, enabling Angas to distribute the other \$3 million to Debenture Holders by 29 September 2017 (being the last business day of the quarter in which the Meeting is being held).

The release of these obligations only applies from 10 August 2015 to 30 September 2017 or such later date as the Debenture Holders approve by ordinary resolution.

To enable these releases to continue during the Updated Run-Off Period, it is also proposed that the Trust Deed be amended to extend these releases until 30 June 2019.

#### **4.2.3 Proposed extension of forbearance arrangement**

At the Previous Meetings, Debenture Holders approved the Trustee entering into a forbearance arrangement with Angas in relation to certain breaches of the Trust Deed. Under this arrangement, the Trustee reserved its rights in relation to any breach by Angas of any of its obligations under the Trust Deed existing or arising at any time between 29 April 2015 and 30 September 2017 but agreed not to enforce those rights for so long as Angas complied with the terms of the Run-Off Proposal (for example payment obligations to Debenture Holders). If there is any material non-compliance with the terms of the Run-Off Proposal then the Trustee is entitled to relist the 2015 Federal Court proceedings to seek the judicial advice, directions and orders from the Federal Court that it sought in those proceedings, or similar relief as appropriate.

To enable this forbearance arrangement to continue in relation to the Updated Run-Off Proposal, the Trustee also seeks approval from Debenture Holders for the Trustee to enter into a new forbearance arrangement to reflect the proposed extended period and revised proposal. Other than this change to the period of forbearance and it being conditional on Angas being in material compliance with the Updated Run-Off Proposal (rather than the Run-Off Proposal), the terms of the new forbearance arrangement will be the same as those approved by Debenture Holders at the Previous Meetings.

The purpose of seeking this approval is to ensure that the Trustee has authorisation from the Debenture Holders to enter into this forbearance arrangement with respect to any breaches Angas may have committed under the Trust Deed during this period as a result of the 2015 Federal Court proceedings being commenced by the Trustee and the Updated Run-Off Proposal being implemented. This in turn will ensure that any such breach cannot be relied on to underpin enforcement action under the Trust Deed and interfere with the implementation of the Updated Run-Off Proposal (for so long as Angas is in material compliance with the terms of the Updated Run-Off Proposal) and that this is supported by Debenture Holders. Under Schedule 3 rule 12(b) of the Trust Deed, Debenture Holders may, by extraordinary resolution, sanction the release by the Trustee of Angas from any obligation under the Trust Deed either unconditionally or upon such conditions as the Trustee may arrange with Angas.

If the Extraordinary Resolution is passed by the requisite majority of Debenture Holders and the Federal Court makes the orders sought by Angas to amend the Court Orders to reflect the Updated Run-Off Proposal, then it is proposed that Angas and the Trustee will:

- execute a deed giving effect to the Trust Deed amendments described in the Extraordinary Resolution; and
- enter into a new forbearance arrangement pursuant to which the Trustee will reserve its rights in relation to any breaches by Angas of the Trust Deed existing or arising at any time between 29 April 2015 and 30 June 2019 but agrees not to enforce those rights for so long as Angas is in material compliance with the terms of the Updated Run-Off Proposal.



### **4.3 Timing of Amendments**

The amendments to the Trust Deed to extend the redemption dates for all Debentures will take effect from 30 September 2017.

The amendments to the Trust Deed to cause Debentures to stop accruing interest and for Debenture Holders to forgive, release and discharge Angas from its obligations to pay interest that has accrued since 1 August 2016 will take effect from 1 August 2017.

The amendments to the Trust Deed to release Angas from certain obligations under the Trust Deed will take effect from 1 October 2017. This is the date that the release approved by Debenture Holders at the August 2016 Meeting ceases to apply.

The remaining amendments will take effect from the date the Extraordinary Resolution is passed.

### **4.4 Clauses 6.6 to 6.8 of the Trust Deed if the Extraordinary Resolution is passed and the Trust Deed is amended**

If the Extraordinary Resolution is passed by the requisite majority of Debenture Holders, the Federal Court makes the orders sought by Angas to amend the Court Orders to reflect the Updated Run-Off Proposal and Angas and the Trustee execute a deed giving effect to the Trust Deed amendments described in the Extraordinary Resolution then clauses 6.6 to 6.8 of the Trust Deed will provide as set out in Annexure 2.

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## **5 The Updated Run-Off Proposal and Updated Run-Off Schedule**

### **5.1 The Updated Run-Off Proposal**

#### **5.1.1 Key features of the Run-Off Proposal and the Updated Run-Off Proposal**

If the Extraordinary Resolution is passed, the Run-Off Proposal will be changed by:

1. Extending the date by which Angas must pay the remainder of the Principal Balance from 30 September 2017 to 30 June 2019.
2. Providing that Debentures will cease accruing interest from 16 August 2017.
3. Forgiving, releasing and discharging Angas from all of its obligations to pay interest on the outstanding Principal Balance that has accrued since 1 August 2016.
4. Reducing the level of cash and cash equivalent assets that Angas must retain as the end of each calendar month during the Updated Run-Off Period from \$5 million to \$2 million.
5. Providing that Angas must distribute by way of pari passu distribution and as a part payment of remaining Principal Balance, all excess cash or cash equivalent assets held above \$2 million on the last business day of each quarter of the calendar year (commencing on 29 September 2017) unless the Loans Realisation Committee approves otherwise in writing.

If the Extraordinary Resolution is passed by the requisite majority, Angas will seek to have the Court Orders amended to reflect the terms of the Updated Run-Off Proposal.

The Terms of the Run-Off Proposal will remain otherwise unchanged by the Updated Run-Off Proposal.

#### **5.1.2 The Loans Realisation Committee**

The loan realisation process will continue to be undertaken by Angas and its existing staff who will remain responsible for Angas' day-to-day business operations during the Updated Run-Off Period. The Loans Realisation Committee will also continue to consult with and advise the Angas Board regarding the realisation by Angas of its Loan Assets during the Updated Run-Off Period.

The function of the Loans Realisation Committee will also continue to include providing opinions or advice on "material decisions" in relation to the loan realisation process as well as making other decisions relating to the Updated Run-Off Proposal (such as providing approval for Angas to not distribute excess cash and cash equivalent assets held above \$2 million on the last business day of each quarter of the calendar year). If the Angas Board desires not to follow any opinions or advice of the Loans Realisation Committee in relation to the loan realisation process, the Trustee may decide to seek directions from the Federal Court.

The Loans Realisation Committee will continue to be comprised of Mr John Powell (an independent person appointed by the Federal Court who has been elected as Chairman of the Loans Realisation Committee), Mr Clive Guthrie (a representative and independent director of Angas so appointed to Angas with the approval of the Trustee) and Mr Chris Green (a representative of the Trustee).

Mr Powell proposes to attend the meeting which is the subject of this Notice of Meeting and Explanatory Statement and will be available to answer questions.

## 5.2 Updated Run-Off Schedule

Angas has prepared the Updated Run-Off Schedule as at 30 June 2017.

The Updated Run-Off Schedule forecasts that Angas will generate cash inflows over the Updated Run-Off Period sufficient to:

- return the remainder of Debenture Holders' Principal Balance by 30 June 2019; and
- meet its operating costs and other costs associated with effecting the run-off of its Debenture business to completion.

The Updated Run-Off Schedule records that Angas will not generate sufficient cash inflows over the Updated Run-Off period to pay interest that has accrued on Debentures since 1 August 2016 following re-payment of the total Principal Balance. Accordingly, the Extraordinary Resolution provides for Debenture Holders to release and discharge Angas from the obligation to pay this interest.

An overview of the forecast cash inflows and outflows provided in the Updated Run-Off Schedule is set out below. Debenture Holders are advised that these numbers are forecasts only and that actual results may vary (see section 5.3 for further details).

		<b>Total</b>
<b>Inflows</b>		
Loan repayments		85,375,958
Loan Interest (inc accruals)		27,936,142
Sale of assets		21,399,789
MIS Income		7,372,336
Other Income		932,832
<i>Total Inflows</i>		143,017,056
<b>Outflows</b>		
Wages		4,576,689
Premises		1,017,360
Audit fees		360,000
Insurance		374,352
Office and admin		1,283,249
Recovery costs		1,398,468
Business development & investor communication		480,000
Other Trustee expenses (including LRC)		876,000
Legal and compliance		1,682,040
Other		0
<i>Total Outflows</i>		12,048,159
<b>Net Cashflow</b>		130,968,897
<b>Cumulative Cashflow</b>	Opening balance - \$4,936,040	<b>135,904,937</b>

<b>Pro-rata debenture payment</b>		<b>135,494,208*</b>

\* Includes the \$5,447,795 paid to debenture holders on 5 July 2017.

Annexed to this Explanatory Statement at Annexure 1 is an additional summary providing further detail on the forecast cash inflows and outflows provided in the Updated Run-Off Schedule.

### 5.2.1 The treatment of any surplus

The Updated Run-Off Schedule forecasts an immaterial cash surplus remaining at the end of the Updated Run-Off Period of \$410,730. This assumes that no further payments of interest will be made. Notwithstanding, Angas does not believe that it is feasible that there will be any material surplus of assets remaining at the end of the Updated Run-Off Period that is able to be distributed to Debenture Holders. This is because Angas considers this amount is better allocated as a contingency 'buffer' in the Updated Run-Off Schedule to be applied in case any receipts are lower or payments / operating expenses are higher than forecast.

This contingency 'buffer' differs from the \$2 million 'Cash Buffer' described in section 2.2. That 'Cash Buffer' is aimed at ensuring that Angas can meet short term liabilities and operating expenses during the Updated Run-Off Period and to support the realisation of Angas' assets by a receiver in case Angas enters into external administration. The Updated Run-Off Schedule also forecasts the amount of that 'Cash Buffer' being distributed to Debenture Holders at the end of the Updated Run-Off Period. By contrast, the \$410,730 forecast cash surplus remaining at the end of the Updated Run-Off Period is a contingency sum that can be applied to any shortages that may emerge during the Updated Run-Off Period. For example, if over the Updated Run-Off Period, all forecasts are achieved except that receipts are \$410,730 less than forecast, Angas will still be able to return 100 cents in the dollar of the Principal Balance to Debenture Holders. If, however, the shortfall in forecast receipts is more than \$410,730 then Angas will be unable to return 100 cents in the dollar of the Principal Balance to Debenture Holders.

As set out in section 2.2, Angas also considers continuing to account for the interest liability could create a market expectation that Angas will inevitably become insolvent and have receivers appointed. The Angas Directors consider that this could be detrimental to its asset realisation process.

Debenture Holders are advised that the amount of the forecast cash surplus will be reduced to the extent that:

- any costs or expenses are greater than forecast in the Updated Run-Off Schedule;
- there are shortfalls in loan recoveries or on the realisations of securities for loans (for example, should the amounts realised for those securities be in line with the Trustee's valuations obtained in July 2016 rather than the valuations held by Angas, although this has not been the case to date) on average;
- the contingent assets included in Angas' balance sheet (such as claims against guarantors and insurers) do not result in meaningful recoveries; or
- Angas is required to reimburse the Trustee for fees payable to the Trustee's legal and other advisors properly incurred during the Updated Run-Off Period. In this regard, other than certain expenses submitted to the Loans Realisation Committee, Angas notes that the Trustee has not provided details of its costs and disbursements incurred since late 2015. These costs are expected to be substantial if they are claimed by the Trustee.

If any cash surplus remains after all payments to Debenture Holders have been made in full and that surplus is an immaterial amount (i.e. in line with the forecast in the Updated Run-Off Schedule), Angas will apply such surplus to its ongoing business operations. If Angas has no remaining business operations such surplus will be distributed to any remaining creditors and its preference shareholders. As there are approximately \$6 million in outstanding preference shares, Angas does not forecast a return to ordinary shareholders at the conclusion of the Updated Run-Off Proposal. The highest ranking preference shares are RPS 1 and 3, of which there is approximately \$1.045 million outstanding. The majority of the RPS 1 and 3 holders also hold Debentures issued by Angas.

If Angas achieves a material surplus at the end of the Updated Run-Off Period (i.e. exceeding the current forecast in the Updated Run-Off Schedule), Angas will return that portion of the surplus to Debenture Holders, on a pari passu basis, in an ex gratia manner in lieu of the interest waived since August 2016.

This can be contrasted with the position under the Run-Off Proposal, which is that any surplus will first be applied in payment (whether in full or part) of interest that has accrued on Debentures since 1 August 2016.

Accordingly, if the Updated Run-Off Proposal is implemented and Debenture Holders are paid their Principal Balance in full, they will be giving up whatever rights they have to the remaining Angas assets (if any).

### **5.2.2 The impact of any shortfall**

For comparative purposes, and by way of example only, if there is a shortfall of 20% in cash inflows described in the Updated Run-Off Schedule, Debenture Holders will only receive in the order of approximately 87.17 cents in the dollar on account of Principal Balance.

The above figures are provided for information purposes only and to provide an example of the effect on payments to Debenture Holders if amounts realised for Angas' remaining assets are significantly lower than forecast. For example, a shortfall would arise if the amounts realised for certain securities for loans are in line with the valuations obtained by the Trustee in July 2016 rather than the valuations held by Angas.

## **5.3 Assumptions on which the Updated Run-Off Schedule is based**

The Updated Run-Off Schedule relies on various assumptions and includes forecasts, projections and other predictions that may or may not be made out in part, in full or on the projected date or dates. The key assumptions on which the Updated Run-Off Schedule is based involve risks, variables and uncertainties and relate to anticipated receipts and payments as set out in sections 5.3.1 to 5.3.3 of this Explanatory Statement below. The Angas Directors nonetheless consider the assumptions on which the Updated Run-Off Schedule relies to be reasonable and believe they have a reasonable basis to support its projections.

Debenture Holders will be aware that the forecasts underlying the Run-Off Schedules prepared in advance of the Previous Meetings have, in the case of the timing of most of Angas' remaining debenture loan assets, been proved materially incorrect. In many cases the reason(s) for the timing of the loan assets not being realised as per forecasts are out of Angas' control – for example a government agency delay in approving a development application or land re-zoning application which is a required condition of a sale contract to sell the asset at maximum value. In summary, the timing and amount of realisations of Loan Assets are influenced by a range of external factors and will often be outside of Angas' direct control. The same would be the case if a receiver is appointed to realise the balance of Angas' debenture loan assets.

Angas gives no representation or warranty, express or implied, about the Updated Run-Off Schedule and whether it is achievable in accordance with the Updated Run-Off Schedule or at all. Debenture Holders should be aware that the amounts realised and returned to Debenture Holders as part of the Updated Run-Off Proposal may differ from those projected in the Updated Run-Off Schedule. If amounts realised for Angas' remaining assets are materially lower than forecast there is a material risk that Debenture Holders will not be paid some of their outstanding Principal Balance.

As with the Run-Off Schedule, the Updated Run-Off Schedule has not been the subject of an independent expert review or report. Debenture Holders may form the view that the fact that the Updated Run-Off Schedule has not been independently reviewed may affect the reliance that may be placed on the Updated Run-Off Schedule.

Debenture Holders should also consider whether the fact that Angas was unable to make the payments forecast in the previous two iterations of the Run-Off Schedule at the times forecast in those schedules should affect the reliance they choose to place on the Updated Run-Off Schedule. The consequences of Angas failing to implement or comply with the Updated Run-Off Schedule are set out in section 5.4 of this Explanatory Statement.

Ultimately, the relevant consideration for Debenture Holders is whether Angas' directors and management or receivers and managers appointed by the Trustee are best placed to oversee the remainder of the loan realisation process.

### **5.3.1 Updated Run-Off Schedule Receipts**

Angas had approximately \$11.26 million of non-loan assets and receivables at 30 June 2017. Angas has also performed a review of the collectability of these assets and believes that it is likely that they will be realised in full at their current book values in the period to 30 June 2019. Angas has formed this view based on its knowledge of the assets, its experience with previous sales and marketing campaigns for those and similar assets, and the advice of sales agents and other experts engaged by Angas during the 2016-2017 financial year.

The Updated Run-Off Schedule assumes that the sale of the ten Debenture loan assets in relation to which Angas has entered into sale contracts or binding heads of agreement or similar will be completed in accordance with the terms of those documents. Angas has also assumed that after selling these assets it will be able to devote more time and resources to the marketing and sale of its remaining assets. The Angas Directors consider that this will increase the chance of the sale campaigns for those assets being successful.

The Updated Run-Off Schedule forecasts a significant realisation of property and assets, totalling approximately \$13.6 million, in June 2019 (being the end of the Updated Run-Off Period). This includes a forecast \$10 million in connection with the realisation of the ACMF and APIF responsible entity and management rights (described further below). It also includes three other assets that Angas considers it can achieve higher realisation values for by delaying the realisation until the end of the Updated Run-Off Period, including Angas' equity in AFS discussed below.

As previously advised, Angas has historically received income from its involvement in ACMF and APIF by charging monthly service fees. The Updated Run-Off Schedule assumes that Angas will continue to derive income from these funds at a level broadly commensurate with historical experience until 31 May 2019. The forecast income and service fees also include forecast performance fees. In forecasting the ACMF and APIF income over the Updated Run-Off Period, Angas has also assumed that these funds will continue to grow at a rate consistent with the average growth rates achieved to date over the life of the funds. Based on feedback it has received from Debenture Holders, Angas has also assumed that as further part payments of Principal Balance are made some Debenture Holders will invest those amounts in ACMF or APIF.

The Updated Run-Off Schedule also assumes that Angas' responsible entity and management rights over ACMF and APIF will be restructured and transferred into a subsidiary of Angas, the shares in which will be an asset of Angas that will be capable of being realised by the end of the Updated Run-Off Period in order to pay Debenture Holders their Principal Balance in full if necessary.

The Updated Run-Off Schedule also assumes that Angas will continue to derive income from its equity in AFS until 31 May 2019 after which date this equity will be realised, if required, in order to pay Debenture Holders their Principal Balance in full.

The Updated Run-Off Schedule forecasts that Angas will receive proceeds of \$10 million in connection with the realisation of the ACMF and APIF responsible entity and management rights. This amount has been determined as a multiple of three times the average annual earnings received by Angas for its management of ACMF and APIF over the last two financial years.

As set out in section 2.1.3 of this Explanatory Statement, if the Angas' subsidiary cannot meet the NTA requirements due to the form of the guarantee to be provided to the Trustee, and ASIC and the Trustee do not provide certain consents required to restructure ACMF and APIF, Angas considers it will be unable to realise these assets. In these circumstances, the cash inflows forecast in the Updated Run-Off Schedule will be reduced by \$10 million which Angas considers would materially increase the risk of it being unable to make payment to Debenture Holders of all amounts forecast in the Updated Run-Off Schedule. However, as set out in section 2.1.3, Angas proposes to address this in the proposed amendments to the Trust Deed by enabling it to provide an alternative form of guarantee that will enable the subsidiary to satisfy the NTA requirements.

If the Extraordinary Resolution is not passed and receivers are appointed to Angas, it is possible that the receiver may (with ASIC consent) realise the ACMF and APIF assets.

The Updated Run-Off Schedule also forecasts Angas realising its equity in AFS and investments in the Angas Commercial Property Trust.

### 5.3.2 Updated Run-Off Schedule Payments

Angas has reduced its operating costs over the Run-Off Period. Angas' operating costs were \$771,500 per month on average during the 2014-2015 financial year. This was reduced to \$703,400 per month on average during the 2015-2016 financial year, then to \$644,517 per month on average during the 2016-2017 financial year. The Updated Run-Off Schedule assumes that Angas will incur in the order of \$502,007 in expenses per month on average in the period from 1 July 2017 to 30 June 2019 to conduct the Updated Run-Off Proposal, meet the fees of the Trustee and its advisers and to conduct the going concern fund management businesses of APIF and ACMF. The updated Run-Off Schedule forecasts that these operating expenses will be incurred, and may be compared against the operating expenses of the three previous financial years, as follows:

<b>Cost</b>	<b>FY 15 (Actual)</b>	<b>FY 16 (Actual)</b>	<b>FY17 (Actual)</b>	<b>FY18 (Projected)</b>	<b>FY19 (Projected)</b>
Wages	3,550,213	2,806,739	2,391,506	2,394,733	2,181,956
Premises	764,144	566,482	482,501	508,680	508,680
Audit fees	452,291	424,267	321,619	210,000	150,000
Insurance	161,891	149,462	171,399	187,176	187,176
Office & Administration	955,268	647,231	707,803	691,989	591,260



Recovery costs	2,289,559	1,540,023	1,809,741	1,016,414	382,055
Business Development & investor communication	467,033	257,893	194,481	240,000	240,000
Other Trustee expenses (including LRC)	108,957	954,239	136,089	272,000	604,000
Legal and compliance	508,267	1,094,533	1,518,555	962,600	719,440
<b>Total</b>	<b>9,257,623</b>	<b>8,440,869</b>	<b>7,733,694</b>	<b>6,483,592</b>	<b>5,564,567</b>

The Updated Run-Off Schedule forecasts that Angas will have, at the relevant times, sufficient funds after meeting the above costs to return to investors, on a pro rata basis the remainder of the Principal Balance owing on their debentures in June 2019.

Debenture holders are advised that the total operating expenses incurred during the 2016-2017 financial year to date have been higher than those forecast in the August 2016 Meeting Notice. Total operating expenses are comprised of the costs listed in the above table. This difference between forecast and actual expenses is principally because Angas' legal and compliance and recovery and holding costs in the 2016-2017 financial year were over budget. This is largely due to:

- the timing of legal costs billed during the 2017 financial year which were largely as a result of the ongoing proceedings between Angas and the Trustee commencing in May 2016 and the Court hearings and August 2016 Meeting. Angas was unable to forecast these costs due to unforeseen circumstances resulting in more Court hearings being held in connection with the August 2016 Meeting than anticipated and the inherent uncertainty of litigation and Court proceedings. Additional legal costs were incurred in connection with Angas' claim against Savills (a valuer) arising from Angas' investment in a property development at Wayville in South Australia, which action had not commenced at the time of the August 2016 Meeting; and
- significant recovery costs including land tax payments relating to certain loans and a rezoning application fee required to be paid in connection with realising certain properties. Angas was unable to forecast these costs due to them being unforeseen.

Debenture Holders are advised that recovery costs – such as the payment of statutory rates and charges to local councils and State governments - are unavoidable if security properties are to be realised for the benefit of Debenture Holders.

In order to reduce the risk that ongoing legal and recovery costs do not once again result in Angas exceeding its forecast total operating expenses, Angas has added a contingency to these forecast costs. Debenture Holders are advised, however, that Angas has still forecast a reduction in projected legal and recovery costs for the 2017-2018 and 2018-2019 financial years.

Angas has forecast the recovery costs for the 2017-2018 and 2018-2019 financial years on the basis of a fixed percentage of the monthly forecast value of its loan book. Such forecast does not take account of the characteristics of the particular assets to be realised, but rather averages out expected recovery costs across the remainder of the assets to be realised. The Angas Directors consider the forecast costs to be reasonable based on their knowledge of the assets and their experiences during the Run-Off to date with realising similar assets.

As with other forecasts, if any of the legal or recovery costs are materially higher than forecast there is a material risk that Debenture Holders will not be paid some of their outstanding Principal Balance.

### 5.3.3 Key Risks associated with Updated Run-Off Schedule and Updated Run-Off Proposal

Debenture Holders are advised that key risks associated with the Updated Run-Off Proposal include:

- the Updated Run-Off Schedule has been prepared by Angas. It has not been independently verified or tested;
- Angas may not meet the forecasts set out in the Updated Run-Off Schedule, particularly given the difficulties Angas has experienced in meeting its loan discharge forecasts in the course of the Run-Off Period to date and the consequent difficulties Angas has faced in making payments forecast to Debenture Holders at the times previously forecast;

- the forecast receipts for a number of loans are based on market appraisals of the properties securing those loans that were obtained by Angas from licensed real estate agents. The valuations obtained by the Trustee with the assistance of PPB Advisory in relation to 8 of these security properties in 2016 in general reflect significantly reduced values for those security properties. If the prices obtained for these security properties are in line with the Trustee's valuations rather than the markets assessments adopted by Angas this will cast significant doubt over Angas' ability to pay Principal Balance in full;
- if ASIC and the Trustee do not provide the consents required to restructure ACMF and APIF, Angas considers it will be unable to realise these assets. Angas needs to ensure the subsidiary is able to satisfy certain NTA requirements in order for ASIC to consider granting the subsidiary with an AFSL. The subsidiary's ability to satisfy the NTA will be greatly affected by the form of any guarantee. Angas proposes to address this in the proposed amendments to the Trust Deed by enabling it to provide an alternative form of guarantee that will enable the subsidiary to satisfy the NTA requirements. Angas has been attempting to reach agreement with ASIC and the Trustee on the restructure of ACMF and APIF for most of the Run-Off Period. If all required consents and agreements cannot be obtained, the cash inflows forecast in the Updated Run-Off Schedule will be reduced by \$10 million which Angas considers would materially increase the risk of it being unable to make payment to Debenture Holders of all amounts forecast in the Updated Run-Off Schedule;
- if Angas recovers less than the amount forecast in the Updated Run-Off Schedule, then Angas may be unable to repay Debenture Holders' principal entitlements in full;
- many of Angas' Loan Assets and the properties that secure them have proved difficult to realise over a number of years. In particular, several of these assets failed to sell at an auction held by Knight Frank in Sydney on 31 May 2017 following significant national and international marketing of the assets. The value of the properties is also subject to a range of market risks and economic risks that could affect the value at which these assets can be realised. Angas may be unable to realise these assets other than at a discount or alternatively may need to delay their realisation until other buyers can be found. As set out in section 2.3, Angas has declined offers for some assets that, if accepted, would have resulted in Angas being unable to pay Debenture Holders their Principal Balance in full;
- almost all of Angas' remaining Loan Assets are non-performing and all borrowers in respect of Loan Assets are now subject to external administration. There is a risk that there may be delays in recovering amounts owing in respect of these assets and that the amounts recovered may be lower than forecast; and
- delays in loan recoveries or recoveries lower than forecast may mean that Angas is no longer likely to have sufficient property to repay the full Principal Balance due to be repaid to Debenture Holders. The consequences of a failure by Angas to implement the Updated Run-Off Proposal are set out in section 5.4 of this Explanatory Statement.

If any of these key risks associated with the Updated Run-Off Schedule materialise Angas may be unable to meet the forecasts in the Updated Run-Off Schedule.

#### **5.4 Consequences of failure to implement or comply with the Updated Run-Off Proposal**

If Angas does not make the distributions of principal in the amounts specified in the Updated Run-Off Schedule, this will constitute a failure to implement or comply with the Updated Run-Off Proposal.

If Angas fails to implement or comply with the Updated Run-Off Proposal, this will also constitute a breach of certain provisions of the Trust Deed and the Trustee will be entitled to relist the 2015 Federal Court proceedings to seek the judicial advice, directions and orders from the Federal Court that it sought in those proceedings, or similar relief as appropriate. That will likely result in the appointment of receivers to Angas to realise the balance of Angas' Loan Assets.

#### **5.5 The Federal Court's role**

The Federal Court ordered the timetable to implement the Run-Off Proposal in 2015 and amended the timetable on Angas' application in August 2016. If Debenture Holders approve the Extraordinary Resolution at the Meeting, at 9:30am (AEST) on 1 September 2017 the Federal Court will hold a hearing at which Angas will request that the Federal Court further amend the Court Orders to reflect the Updated Run-Off Proposal. At that hearing, the Federal Court will also give directions in relation to the Trustee's application that the security



granted in favour of the Trustee under the Trust Deed be enforceable (if the Trustee decides to continue with that application).

## **5.6 The Trustee's role**

The Trustee acts as Trustee pursuant to the Trust Deed. The Trustee holds security over all of Angas' assets on trust for Debenture Holders. The Trustee has duties to act in the best interests of Debenture Holders, including a duty to exercise reasonable diligence regarding whether Angas' property will be sufficient to repay the Debentures as and when they become due.

## **5.7 ASIC's role**

ASIC has attended relevant Federal Court hearings as a "friend of the Court" and supported the making of the Court Orders on 9 June 2015 to permit the Run-Off Proposal to be considered by Debenture Holders. Two senior ASIC officers attended the August 2015 Meeting and the August 2016 Meeting and were available to answer questions but none were directed to ASIC.

ASIC also attended all significant Federal Court hearings between Angas and the Trustee since 2013. A copy of this Notice of Meeting and Explanatory Statement and the Updated Run-Off Schedule has also been provided to ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Notice of Meeting and Explanatory Statement or the Updated Run-Off Schedule.

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# **6 Consequences of the Extraordinary Resolution not being approved**

If the Extraordinary Resolution is not approved by the requisite majority of Debenture Holders at the Meeting then the Updated Run-Off Proposal will not be implemented. Angas will remain required to complete the Run-Off Proposal by 30 September 2017, which Angas expects that it will be unable to do. If Angas fails to implement or comply with the Run-Off Proposal, this will constitute a breach of certain provisions of the Trust Deed and the Trustee will be entitled to relist the 2015 Federal Court proceedings to seek the judicial advice, directions and orders from the Federal Court that it sought in those proceedings or similar relief as appropriate.

Whilst Angas will be permitted to be heard in opposition to the relief sought by the Trustee, if the Federal Court makes the orders sought by the Trustee in its application filed on 21 July 2016, Angas considers that this will likely result in Angas entering into external administration. This would involve the appointment of an external administrator, most likely a receiver, by the Trustee pursuant to the orders of the Federal Court.

The responsibilities of a receiver would include assuming control of the loan realisation process from Angas' Directors and management, and conducting investigations into Angas' affairs, Directors, management and the Trustee where the receiver considers appropriate.

Angas considers such action would likely result in significant additional costs including additional professional fees in addition to the ongoing operating costs of Angas. In Angas' view, the appointment of receivers would likely result in a significantly lower return to Debenture Holders than the return anticipated under the Updated Run-Off Proposal. Angas considers it is likely that Debenture Holders' may receive less than the full value of the Debenture investment in a receivership scenario because:

1. there is a general perception that prices obtained when property is realised pursuant to a mortgagee or receivership sale or in the course of an external administration are discounted markedly to prices that may ordinarily be realised;
2. distributions to Debenture Holders would be affected by any shortfalls on the realisations of securities exceeding the level of Angas' equity. Any shortfalls on the realisations of securities would also impact distributions to Debenture Holders under the Updated Run-Off Proposal, however, Angas considers there to be a higher risk of shortfalls should an external administrator be appointed;
3. Angas management has a significant level of knowledge and understanding of the relevant loans and assets whereas an external administrator will not come into their role with the same level of knowledge of those loans; and
4. the Trustee is entitled under the Trust Deed (clause 18.4) to claim additional remuneration of 5.5% of the value of unredeemed Debentures from Angas during the receivership to be paid in priority to Debenture Holders. The Trustee took legal action – including an appeal to the Full Court of the Supreme Court of Victoria in the Banksia receivership - to enforce its right to such additional remuneration to be paid in priority to Banksia debenture holders. The Trustee's entitlement to additional remuneration would amount to approximately \$7.15 million based on the Principal Balance owing as at the date of this Explanatory Statement. While the Trustee has indicated in its letter to Debenture

Holders that it does not intend to enforce its rights to claim additional remuneration as a percentage of unredeemed debentures under this provision should a receiver be appointed, it has reserved its rights to charge other additional remuneration under clause 18.4. Such additional amounts can be agreed with a receiver of Angas. No entitlement to such additional remuneration will arise if the Extraordinary Resolution is passed unless Angas is unsuccessful in completing the Updated Run-Off Proposal. In addition, while the Trustee has also agreed, on 25 July 2017, to cap at \$100,000 per annum its remuneration for the realisation of the remaining secured properties, this cap excludes all remuneration unrelated to the realisation of the secured properties such as remuneration relating to any recovery actions against directors or officers or remuneration relating to the Trustee's rights and obligations under the Trust Deed, and does not include the Trustee's legal fees or the Trustee's annual fee (which is currently \$40,000).

Angas has previously informed Debenture Holders of the recent costs and returns in the external administrations of other debenture issuers. That information is updated in the tables below.

<b>Description</b>	<b>Banksia Securities Limited</b> (as at 23 May 2017, since appointment on 25 October 2012)	<b>Gippsland Secured Investments Limited</b> (as at 17 March 2017, since appointment on 3 September 2013)	<b>Provident Capital Limited</b> (as at 23 May 2017, since 3 July 2012)
Loan Book Value at Appointment	\$527,281,000.00	\$117,000,000.00 (approx.)	\$187,400,000.00
Receivers'/Liquidators' Remuneration & Professional Expenses	\$20,112,315.03	\$5,007,974.52	\$9,593,594.83
Legal Fees & Disbursements	\$29,406,437.18	\$3,432,232.89	\$13,473,767.00
Total Receivership/Liquidation Costs to Date	\$49,518,752.21	\$8,440,207.41	\$23,067,361.83
Average Monthly Receivership/Liquidation Costs	\$900,966.22	\$199,249.47	\$393,104.33
Duration of external administration	4.58 years	3.54 years	4.89 years

\* The fees in the above table only include the professional fees of the receivers/liquidators and associated legal fees. They do not include the operating costs incurred during the receiverships. However, Debenture Holders should be aware that Angas (which had a loan book value of approximately \$220 million at 1 July 2015 and approximately \$145 million at 1 July 2016) incurred operating expenses over the 2015-2016 financial year of \$8.4 million and \$7.7 million over the 2016-2017 financial year.

The "Loan Book Valuation at Appointment" figures set out in the table above have been obtained from documents published by the insolvency practitioners appointed to each of the companies in the course of their respective appointments. These are: 'Banksia Securities Limited and Cherry Fund Limited (Receivers and Managers Appointed to both companies) Receivers and Managers' Report to debenture holders 7 December 2012', 'Gippsland Secured Investments Limited (receivers and Managers Appointed) ACN 004 860 057 Interim Report to Note Holders 4 October 2013', and 'Provident Capital Limited (Receivers and Managers Appointed) (Administrators Appointed) August 2012 Report to AET as Trustee for the Provident Capital Limited Debenture Issue 28 September 2012'.

There are a number of variables and uncertainties associated with estimating the costs that may be incurred as part of an external administration. These variables and uncertainties make it difficult to draw direct comparisons

between costs incurred in other external administrations and the level of costs that Angas would be likely to incur if it were to enter into external administration. The figures provided in relation to the Banksia, Gippsland and Provident receiverships are provided for information purposes only. Debenture Holders should be aware that the amount of any costs that may be incurred if Angas were to enter into external administration may differ from those set out above. Angas' forecast operating costs over the balance of the Updated Run-Off Period are set out in the Updated Run-Off Schedule summary annexed to this Explanatory Statement. In the event that external administrators are appointed, Angas' operating costs may be less than as set out in the Updated Run-Off Schedule. However, as decisions relating to operating costs in such circumstances would be made by the external administrators, Angas is unable to provide an estimate of the extent to which operating costs would offset external administration costs. The view of Angas' Directors is that the additional costs arising from the appointment of receivers to Angas would significantly exceed any savings in operating costs that the receivers may be able to achieve.

Debenture Holders are advised that under clause 18.4 of the Trust Deed, if a receiver is appointed to Angas, Angas must pay to the Trustee additional fees that are commensurate with any additional duties and responsibilities performed or undertaken by the Trustee as a consequence of the appointment. The amount of such additional fees is to be as agreed between Angas (or any external administrator) and the Trustee. In the absence of such agreement it is to be calculated by reference to the amount by which a percentage commission of the sums recovered by the Trustee as part of the receivership exceeds the service fee that Trustee is entitled to be paid under the Trust Deed for acting as Trustee during that period. Debenture Holders are advised that in the external administration of Banksia the Trustee pursued its rights under a similar provision of the trust deed that applied to Banksia in the Full Court of the Supreme Court of Victoria. That Court confirmed the Trustee's right to such additional fees. Accordingly, Angas expects that if receivers are appointed, the Trustee will seek to recover additional fees from Angas.

There may be a perception that assets will be realised more quickly under an external administration compared to under the Run-Off Proposal. Given the timeframes of the external administrations outlined in the above table, Angas does not consider this to be accurate. Firstly, external administrators would have to gain an intimate knowledge of the remaining assets held; a knowledge already held by Angas Directors and management. Secondly, the appointment of external administrators will have no effect on 'the market' into which Angas' assets have to be realised. Market conditions will not change in favour towards the realisation of assets as a result of the appointment of external administrators.

Debenture Holders are also advised that there are a number of variables and uncertainties associated with estimating the proceeds likely to be realised as part of an external administration. It is not possible for Angas to accurately predict the likely outcome of such a process. It is possible that the amounts realised for Angas' remaining assets under a receivership may not be less than the amounts to be realised by Angas under the Updated Run-Off Proposal and the fees of the receivers together with the costs they incur in running Angas' business during the receivership may be no more than Angas' operating costs under the Updated Run-Off Proposal. In this case, the amounts returned to Debenture Holders could be equal to or higher than the amounts returned to Debenture Holders under the Updated Run-Off Proposal. However, for the reasons outlined above and based on the level of professional fees and remuneration of receivers of other debenture issuers incurred in those receiverships, Angas considers that any amounts to be returned to Debenture Holders following an external administration process are likely to be materially lower than those estimated to be realised in connection with the Updated Run-Off Proposal.

Below is a table which has been prepared using publicly available receivers and managers' circulars which sets out the returns achieved by receivers and managers for other debenture issuers.

<b>Description</b>	<b>Banksia Securities Limited</b> (as at 31 March 2017)	<b>Gippsland Secured Investments Limited</b> (as at 3 May 2016)	<b>Provident Capital Limited</b> (as at 22 May 2017)
Amount of principal balances returned to debenture holders to date	82 cents in the dollar	90 cents in the dollar	8 cents in the dollar

Total value of principal balances returned to debenture holders to date	Approximately \$525 million	Approximately \$129 million	Approximately \$14 million
Expected total return of principal balances to debenture holders (as stated by receivers)	Previously 84 cents in the dollar but the most recent updates note 'We cannot presently comment on the timing or likelihood of any further dividends'	90 cents in the dollar	12 cents in the dollar
Period over which returns provided and number of instalments	6 instalments paid to date from appointment of receivers in October 2012 to March 2017 (most recent payment made in March 2017).	6 instalments paid to date from appointment of receivers in September 2013 to May 2016 (most recent payment made in May 2016).	5 instalments paid to date from appointment of receivers in July 2012 to May 2017 (most recent payment made in December 2014)
Interest payments	Nil	Nil	Nil since January 2013

These returns may be compared to Angas' forecast returns under the Updated Run-Off Schedule of full repayment of the Principal Balance over the total Run-Off Period of 29 April 2015 to 30 June 2019. As set out in section 5.3 above, there are a number of assumptions on which the Updated Run-Off Proposal is based and if any of these assumptions do not materialise the actual payments made to Debenture Holders may be less than those forecast.

## 7 Interests of Directors

### 7.1 Subordinated loans to common borrowers made or managed by entities associated with Angas directors

Debenture Holders are advised that three entities associated with Matthew Hower and one entity associated with Matthew Hower together with Andrew Luckhurst-Smith hold interests in loans made to certain Angas borrowers. These loans were made alongside the Angas loans and are subordinated to the Angas loans. This means that the loans rank behind the Angas loans in order of priority. The loans made by entities associated with Matthew Hower and Andrew Luckhurst-Smith are also secured by mortgages that rank behind the mortgages granted to Angas by those borrowers.

An overview of these loans as at 30 June 2017 is set out below:

Angas Loan	Details of related party loan to same borrower	Related party relationship
Angas is currently owed approximately \$42.6 million by a borrower secured by first ranking registered mortgages.	Lender - MFM  Loan balance - \$46.46 million	Matthew Hower is sole director of and also owns all of the issued capital of MFM
Angas is currently owed \$5.325 million by a borrower secured by first ranking registered mortgage	Cardiff Capital – loan balance \$2.207 million  KWS Capital– loan balance	Matthew Hower owns 50% of the issued capital of Cardiff Capital and is sole director of, and controls all of the issued capital of, KWS

	of \$1.029 million  Barker Mortgages – loan balance \$1.388 million	Capital  Matthew Hower and Andrew Luckhurst-Smith are directors of and each hold one third of the issued capital of Barker Mortgages which manages, on behalf of third parties, a fund containing a portfolio of loans to borrowers. Neither has a direct investment in the loans in the fund except that Andrew Luckhurst-Smith has invested \$200,000 in this loan managed by Barker Mortgages
Angas is currently owed \$3.337 million by a borrower secured by first ranking registered mortgage	Lender – Barker Mortgages  Loan balance – nil	As above for Barker Mortgages except that neither director has a direct investment in this loan managed by Barker Mortgages

The Angas Directors consider that it is in the best interests of Angas, the Debenture Holders and the Directors that have interests in these subordinated loans that as high a price as possible is obtained on the realisation of any security for these loans. Receivers and managers have duties under the Corporations Act to exercise reasonable care in selling property of a corporation to achieve the market price or if there is no market price, the best price reasonably obtainable. However, as set out in section 6 of this Explanatory Statement, Angas' Directors consider that there is a general perception that prices obtained when property is realised pursuant to a mortgagee or receiver sale or in the course of an external administration are discounted to prices that may ordinarily be realised. Further, Angas management has a significant level of knowledge and understanding of the relevant loans and assets which it considers may assist it in obtaining higher prices when realising those securities.

If any prices realised for these securities are higher under the Updated Run-Off Proposal than they would be under the alternative of Angas being in external administration, it is possible the Angas Directors with interests in these loans may obtain a benefit from the Updated Run-Off Proposal.

For example, if under a receivership the receivers and managers appointed to Angas receive \$40 million on the security for a loan on which Angas is owed \$25.3 million and MFM is owed \$42.18 million, then Angas' loan will be paid in full, MFM will receive \$14.7 million owing on its loan and \$27.48 million of MFM's loan will remain unsecured. However, if under the Updated Run-Off Proposal, Angas realises \$45 million for that same security then Angas' loan will be paid in full, MFM will receive \$19.7 million owing on its loan and only \$22.48 million of MFM's loan will remain unsecured. In this case MFM will have received a benefit as a result of the Updated Run-Off Proposal.

Debenture Holders are also advised that each of Angas' Debenture raising prospectuses disclosed mortgages to related parties of Angas that ranked behind Angas's first ranking mortgages. Many of Angas' loans to these borrowers have since been realised or substantially realised during the Run-Off Period. Angas has not had regard to the interests of any subsequent ranking mortgages in realising these loans. In several instances, when Angas loan funds were fully drawn, funds were advanced on second or subsequent mortgages by these related parties in order to complete developments or to obtain the issue of new titles so that the prior Angas loans could be discharged in full.

## 7.2 Run-Off Proposal conflict management policy

As outlined in the August 2016 Meeting Notice, the Angas Board has adopted a specific conflict management policy with respect to the management and realisation of the loans set out in section 7.1. This policy can be accessed at <http://www.angassecurities.com/assets/Governance/Conflict-of-interest-policy.pdf> <http://www.angassecurities.com/governance/>. The Angas Board has adopted this specific policy in the interests of good governance and notwithstanding its view set out in section 7.1 above, that it is in the best interests of Angas, the Debenture Holders and the Angas Directors with interests in the loans described in that section that as high a price as possible is obtained on the realisation of any security for those loans.



Under the specific conflict management policy Andrew Luckhurst-Smith and Matthew Hower have not and will not participate in Angas Credit Committee deliberations relating to the three loans described in section 7.1. Instead those deliberations and resulting decisions relating to those loans are conducted and made by the remaining members of Angas' Credit Committee, being the Head of Lending and the General Manager of Loan Asset Management.

Debenture Holders are advised that the Angas staff member who holds the position of General Manager of Loan Asset Management also acted as a director of a subsidiary of Angas. The other directors of the subsidiary were Mr Hower and Mr Paul McCarthy (a former director of Angas). That subsidiary managed one investment only. The subsidiary was deregistered six years ago when the investment was realised.

Other key features of the conflict management policy include a requirement that all diary notes in respect of the loans set out in section 7.1 be signed only by the above specified members of the Credit Committee and countersigned by the Head of Funds Management who is a member of Angas' Audit, Risk Management & Compliance Committee.

In addition to the specific conflict management policy, all other aspects of Angas' longstanding Conflict Management Policy will continue to apply during the Updated Run-Off Period.

### **7.3 Service fees owing by related parties**

Debenture Holders are advised that Hower Corporation, an entity controlled by Matthew Hower, remains indebted to Angas in the amount of approximately \$95,300 (including accrued interest) in respect of services provided by Angas to it. As at the date of the August 2015 Meeting this amount owing was \$559,269. Since the August 2015 Meeting, Angas has charged interest on the amount owing by Hower Corporation at a rate of 4% per annum. Hower Corporation has reduced the amount owing by approximately 86% by making payments since the August 2015 Meeting totalling \$486,654.

The balance of the service fees owing to Angas are unsecured liabilities. Angas intends to continue seeking full payment of these service fees.

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## **8 Reasons why Debenture Holders may consider voting in favour of the Extraordinary Resolution**

Debenture Holders may consider voting in favour of the Extraordinary Resolution (and therefore the Updated Run-Off Proposal) for the following reasons:

- Angas believes that the Updated Run-Off Proposal is likely to provide a significantly better financial outcome to the alternative of Angas being required but unable to complete the Run-Off Proposal by 30 September 2017 and therefore entering external administration.
- In Angas' opinion, Angas' directors and management team would be best placed to continue to remain involved in the loan realisation process through to its completion and ensure the best outcome for Debenture Holders given their familiarity with Angas' loan book, supporting security and other investment assets as well as the status of and steps required to complete the Updated Run-Off Proposal.
- The forecast income of Angas during the Updated Run-Off Period is expected to be sufficient to pay its direct ongoing administrative expenses unless they are inflated by the additional costs as a result of an external administration.
- In the alternative event of Angas entering into a formal external administration, Angas' directors consider that returns to Debenture Holders would likely be compromised by significant costs that would be incurred by any external administration of Angas and there may be additional delays in distributions to Debenture Holders.
- Angas will pay at least \$3 million of the Principal Balance owing to Debenture Holders by 29 September 2017 (being the surplus 'Cash Buffer' amount that Angas will no longer be required to maintain under the Updated Run-Off Proposal).
- The Trustee is entitled under the Trust Deed to claim additional remuneration of 5.5% of the value of unredeemed Debentures from Angas during any Angas receivership. This equals approximately \$7.15 million based on the Principal Balance owing as at the date of this Explanatory Statement. While the

Trustee has indicated in its letter to Debenture Holders that it does not intend to enforce its rights to claim additional remuneration as a percentage of unredeemed debentures under this provision should a receiver be appointed, it has reserved its rights to charge other additional remuneration under clause 18.4. Such additional amounts can be agreed with a receiver of Angas and are to be paid in priority Debenture Holders. No entitlement to such additional remuneration will arise if the Extraordinary Resolution is passed unless Angas is unsuccessful in completing the Updated Run-Off Proposal.

- The Trustee has the opportunity and a forum, through the membership of its representative on the independently chaired Loans Realisation Committee, to raise any concerns it may have with the Updated Run-Off Proposal or its progress and to take steps to ameliorate or address those concerns or delays.
- Angas has realised loans and assets above book value and the valuations obtained by the Trustee (on average) since the commencement of the Run-Off Proposal, albeit at a slower rate than anticipated.
- While Angas does not forecast paying any further interest on Debentures under the Updated Run-Off Proposal, Angas expects that Debenture Holders will not be paid any interest if Angas were to enter external administration either.

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## **9 Reasons why Debenture Holders may consider voting against the Extraordinary Resolution**

Debenture Holders may consider voting against the Extraordinary Resolution (and therefore the Updated Run-Off Proposal) for the following reasons:

- Debenture Holders might form the view that the appointment of receivers will see a higher and/or more timely return to Debenture Holders than under the Updated Run-Off Proposal given the progress with the Run-Off to date.
- Debenture Holders may form the view that the assumptions on which the Updated Run-Off Schedule is based will not be made out in part, in full or on the projected date or dates given past experience with the progress of the Run-Off Proposal comparative to the previous Run-Off Schedules.
- Debenture Holders may form the view that the forecasts prepared by Angas as set out in the Updated Run-Off Schedule will not be achieved for the reason set out in point 2 above.
- Debenture Holders may form the view that Angas has already been given sufficient time and opportunity to complete the loan realisation process.
- Debenture Holders may consider that the Updated Run-Off Proposal and the Updated Run-Off Schedule are not reliable as they have not been independently tested or verified and that there is no certainty that the Updated Run-Off Proposal will be successfully implemented.
- Debenture Holders may be of the view that the same recoveries from loans can be made by an external administrator compared to Angas under its current management at similar cost.
- Debenture Holders may form the view that it would be more appropriate for an independent person to manage the wind down of Angas' debenture loan book.
- Debenture Holders may object to the Extraordinary Resolution (and therefore the Updated Run-Off Proposal).
- Debenture Holders might form the view that the benefits of an external administration outweigh the forecast costs and outcome of the Updated Run-Off Proposal.
- Debenture Holders might form the view that they have lost confidence in the ability of Angas' Directors and management to manage Angas' Debenture loan book or the Run-Off Proposal.
- Debenture Holders might form the view that the interests of certain Angas Directors in loans made to certain Angas borrowers described in section 7.1 may give rise to conflicts of interests and that it would



therefore be more appropriate for an external administrator to be appointed to realise Angas' remaining assets.

- Debenture Holders might form the view that it would be appropriate for an external administrator to be appointed so that they may conduct investigations into Angas' affairs, Directors, management and the Trustee.
- Debenture Holders may form the view that they would like an independent external administrator appointed to Angas to determine whether there are any legal claims against third parties (for example, Angas' Directors and management or the Trustee) that are worthwhile pursuing (which Angas is unlikely to pursue under the Updated Run-Off Proposal or the Run-Off Proposal).

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## **10 Angas' Recommendation**

In Angas' opinion, the reasons why the Debenture Holders may consider voting in favour of the Extraordinary Resolution (and therefore the Updated Run-Off Proposal) outweigh the reasons to the contrary and accordingly Angas recommends that Debenture Holders vote in favour of the Extraordinary Resolution.

## Glossary

### 1. Definitions

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In this Notice of Meeting and Explanatory Statement, the following words and expressions have the following meanings:

- (a) “**ACST**” means Central Standard time in Australia;
- (b) “**AEST**” means Eastern Standard time in Australia;
- (c) “**Angas**” means Angas Securities Limited (ACN 091 942 728);
- (d) “**ASIC**” means the Australian Securities and Investment Commission;
- (e) “**August 2015 Meeting**” means the meeting of Debenture Holders of Angas held on 10 August 2015;
- (f) “**August 2016 Meeting**” means the meeting of Debenture Holders of Angas held on 11 August 2016;
- (g) “**August 2015 Meeting Notice**” means the notice of meeting and explanatory statement dated 24 July 2015 convening the August 2015 Meeting;
- (h) “**August 2016 Meeting Notice**” means the notice of meeting and explanatory statement dated 26 July 2016 convening the August 2016 Meeting;
- (i) “**AWST**” means Western Standard time in Australia;
- (j) “**Banksia**” means Banksia Securities Ltd;
- (k) “**Barker Mortgages**” means Barker Mortgages Pty Ltd (ACN 106 071 676);
- (l) “**Board**” means the current board of Directors;
- (m) “**Business Day**” means a day on which banks are generally open for business in Adelaide, South Australia, other than a Saturday, Sunday or public holiday;
- (n) “**Cardiff Capital**” means Cardiff Capital Pty Ltd (ACN 106 071 649);
- (o) “**Computershare**” means Computershare Investor Services Pty Limited (ACN 078 279 277);
- (p) “**Corporations Act**” means the *Corporations Act 2001* (Cth);
- (q) “**Court Orders**” means the orders made by the Federal Court on 9 June 2015 in relation to the proceeding commenced by the Trustee on 29 April 2015 against Angas as amended by the Federal Court on 19 August 2016;
- (r) “**Debenture Holder**” means a holder of Debentures;
- (s) “**Debentures**” means the debenture stock of Angas issued pursuant to the Trust Deed;
- (t) “**Director**” means a current director of Angas (as the context requires) and “**Directors**” means all of them;
- (u) “**Explanatory Statement**” means the explanatory statement accompanying the Notice of Meeting;
- (v) “**Extraordinary Resolution**” means the extraordinary resolution set out in the Notice of Meeting;
- (w) “**Federal Court**” means the Federal Court of Australia;
- (x) “**Gippsland**” means Gippsland Secured Investments Limited;
- (y) “**Hower Corporation**” means Hower Corporation Pty Ltd (ACN 114 209 915);
- (z) “**KWS Capital**” means KWS Capital Pty Ltd (ACN 114 209 808);
- (aa) “**Loan Asset**” means all loan assets held by Angas;
- (bb) “**Loans Realisation Committee**” means the committee formed to consult with and advise Angas regarding the realisation by Angas of its Loan Assets during the Run-Off Period;
- (cc) “**Meeting**” means the meeting of the Debenture Holders of Angas to be held at Riverbank Rooms 7 & 8, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on 16 August 2017 commencing at 10:30am (ACST) and video linked to Meeting Room 8, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on 16 August 2017 commencing at 9:00am (AWST);
- (dd) “**MFM**” means Mortgage Funds Management Pty Ltd (ACN 076 477 686);

- (ee) **“Notice of Meeting”** means the notice convening the Meeting which accompanies the Explanatory Statement;
- (ff) **“Previous Meetings”** means the August 2015 Meeting and the August 2016 Meeting;
- (gg) **“Principal Balance”** means the principal amount owed to Debenture Holders as at 29 April 2015;
- (hh) **“Provident”** means Provident Capital Limited;
- (ii) **“Proxy Form”** means a proxy form enclosed with the Notice of Meeting and Explanatory Statement;
- (jj) **“Related Entity”** has the meaning given to that term in the Corporations Act;
- (kk) **“Run-Off Period”** means the period from 29 April 2015 to 30 September 2017, being the period of implementation of the Run-Off Proposal which period Angas proposes to extend pursuant to the Extraordinary Resolution to the Updated Run-Off Period;
- (ll) **“Run-Off Proposal”** means the proposal described in section 4 of the August 2015 Meeting Notice as amended in the manner set out in section 4.1.1 of the August 2016 Meeting Notice, which proposal Angas proposes to amend pursuant to the Extraordinary Resolution to take the form of the Updated Run-Off Proposal;
- (mm) **“Run-Off Schedule”** means the month-by-month forecast of the cash and cash-equivalent assets to be held by Angas during the Run-Off Period, a list of all Loan Assets held by Angas, the security held by Angas for repayment of amounts payable to Angas in respect of the Loan Assets, forecast discharges of all Loan Assets, Angas’ forecast operating costs during the Run-Off Period, Angas’ forecast payment obligations to Debenture Holders in respect of interest and Angas’ forecast ‘Cash Buffer’ for each calendar month of the Run-Off Period, a detailed summary of which was annexed to the August 2015 Meeting Notice for the months of July 2015 to December 2016, and the August 2016 Meeting Notice for the months of July 2016 to June 2017;
- (nn) **“Updated Run-Off Period”** means the period from 29 April 2015 to 30 June 2019;
- (oo) **“Updated Run-Off Proposal”** means Run-Off Proposal as amended in the manner set out in section 5.1.1 of the Explanatory Statement;
- (pp) **“Updated Run-Off Schedule”** means the month-by-month forecast of the cash and cash-equivalent assets to be held by Angas during the Updated Run-Off Period, a list of all Loan Assets held by Angas, the security held by Angas for repayment of amounts payable to Angas in respect of the Loan Assets, forecast discharges of all Loan Assets, Angas’ forecast operating costs during the Updated Run-Off Period, Angas’ forecast payment obligations to Debenture Holders in respect of interest and Angas’ forecast ‘Cash Buffer’ for each calendar month of the Updated Run-Off Period commencing from 1 July 2017 to 30 June 2019, a detailed summary of which is included as Annexure 1;
- (qq) **“Trust Deed”** means the “Trust Deed for First Ranking Debenture Stock” dated 19 July 2000 together with amending deeds dated 24 September 2002, 28 August 2007 and 24 March 2008; and
- (rr) **“Trustee”** means The Trust Company (Nominees) Limited (ACN 000 154 441).

## 2. Interpretation

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In this Notice of Meeting and Explanatory Statement, headings and words in bold are for convenience only and do not affect the interpretation of this Notice of Meeting or the Explanatory Statement, and unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in the Notice of Meeting or Explanatory Statement have a corresponding meaning;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any regulatory authority;
- (e) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (f) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;

- (g) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
  - (i) which ceases to exist; or
  - (ii) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (h) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day;
- (i) “**include**” and “**including**” are not words of limitation;
- (j) “**\$**” is a reference to Australian currency; and
- (k) where time is to be calculated by reference to a day or event, that day or the day of the event is included.

## Annexure 1 – Updated Run-Off Schedule Cashflow Summary

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
<b>INFLOWS</b>												
Loan repayments	7,736,675	4,009,750	5,008,500	911,500	6,209,500	1,786,500	689,500	2,237,759	12,400,101	6,012,500	632,800	7,380,000
Sale of Property & Assets	6,200,000	50,000	543,644	0	0	0	50,000	0	0	0	0	340,395
Loan Interest & fee income	2,002	37,002	387,247	2,002	1,089,054	2,002	2,002	33,743	2,807,002	7,002	6,030,702	533,502
ACMF Service Fee	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454
ACMF Income	79,379	299,379	79,379	291,046	71,046	201,046	162,713	71,046	71,046	71,046	181,046	146,046
APIF Service Fee	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028
APIF Income	39,938	102,919	38,878	91,758	33,859	65,930	38,754	39,610	40,466	43,888	53,308	557,476
AFS Income	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
ACPT Distribution and other Income	118	118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118
<b>Total</b>	<b>14,122,595</b>	<b>4,563,650</b>	<b>6,126,247</b>	<b>1,364,906</b>	<b>7,472,059</b>	<b>2,124,078</b>	<b>1,011,569</b>	<b>2,450,758</b>	<b>15,387,215</b>	<b>6,203,036</b>	<b>6,966,456</b>	<b>9,026,019</b>
<b>OUTFLOWS</b>												
Directors	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584
Staff inc On-Costs	150,746	150,746	150,746	150,746	150,746	150,746	143,208	143,208	143,208	143,208	143,208	143,208
Premises	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390
Office & Admin	49,272	49,272	49,272	150,001	49,272	49,272	49,272	49,272	49,272	49,272	49,272	49,272
Business Development & Investor Communication	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Insurance	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598
Legal, Audit & Compliance	80,450	100,100	223,000	21,550	132,000	17,000	140,450	161,100	133,000	20,450	10,500	133,000
Recovery Costs	115,835	109,987	102,683	101,354	92,299	89,693	88,688	85,424	67,341	58,573	57,650	46,887
Trustee Fees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	2,000	2,000	2,000	2,000
LR Committee	0	0	60,000	0	0	60,000	0	0	60,000	0	0	60,000
TTC legal fees	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>529,874</b>	<b>543,677</b>	<b>719,273</b>	<b>557,223</b>	<b>557,888</b>	<b>500,283</b>	<b>555,190</b>	<b>572,576</b>	<b>585,393</b>	<b>404,075</b>	<b>393,202</b>	<b>564,939</b>
<b>NET INFLOWS/(OUTFLOWS)</b>	<b>13,592,720</b>	<b>4,019,973</b>	<b>5,406,975</b>	<b>807,683</b>	<b>6,914,171</b>	<b>1,623,796</b>	<b>456,379</b>	<b>1,878,182</b>	<b>14,801,822</b>	<b>5,798,961</b>	<b>6,573,254</b>	<b>8,461,080</b>
<b>Op bal</b>												
<b>ACCUMULATED CASH</b>	<b>18,528,760</b>	<b>13,762,561</b>	<b>13,678,177</b>	<b>6,468,477</b>	<b>12,833,513</b>	<b>7,867,678</b>	<b>8,324,058</b>	<b>8,005,696</b>	<b>21,709,246</b>	<b>12,132,405</b>	<b>13,214,300</b>	<b>15,085,750</b>
<b>DEBENTURE PAYMENTS</b>	<b>8,786,173</b>	<b>5,491,358</b>	<b>8,017,383</b>	<b>549,136</b>	<b>6,589,630</b>	<b>0</b>	<b>2,196,543</b>	<b>1,098,272</b>	<b>15,375,803</b>	<b>5,491,358</b>	<b>6,589,630</b>	<b>8,786,173</b>
<b>ACCUMULATED BALANCE</b>	<b>9,742,587</b>	<b>8,271,202</b>	<b>5,660,794</b>	<b>5,919,342</b>	<b>6,243,883</b>	<b>7,867,678</b>	<b>6,127,514</b>	<b>6,907,424</b>	<b>6,333,443</b>	<b>6,641,047</b>	<b>6,624,670</b>	<b>6,299,577</b>



	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
<b>INFLOWS</b>												
Loan repayments	881,578	364,092	130,000	4,407,729	278,000	430,000	2,178,000	1,910,767	2,386,349	5,988,500	1,508,345	9,897,512
Sale of Property & Assets	600,000	0	0	0	0	0	0	0	0	0	0	13,615,750
Loan Interest & fee income	1,031,924	799,410	533,502	533,502	533,502	413,502	413,502	1,652,735	2,057,153	1,125,002	4,006,657	3,902,490
ACMF Service Fee	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454	21,454
ACMF Income	71,046	71,046	291,046	71,046	291,046	91,046	181,046	162,713	191,046	81,046	81,046	211,046
APIF Service Fee	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028	23,028
APIF Income	54,585	70,825	133,910	70,345	123,689	84,731	97,719	66,850	67,789	68,860	72,194	728,048
AFS Income	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	371,000
ACPT Distribution and other Income	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118	4,118
<b>Total</b>	<b>2,708,733</b>	<b>1,374,973</b>	<b>1,158,058</b>	<b>5,152,222</b>	<b>1,295,837</b>	<b>1,088,879</b>	<b>2,939,867</b>	<b>3,862,665</b>	<b>4,771,937</b>	<b>7,333,008</b>	<b>5,737,842</b>	<b>28,774,446</b>
<b>OUTFLOWS</b>												
Directors												
Staff inc On-Costs	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584	52,584
Premises	136,048	136,048	136,048	136,048	136,048	136,048	122,443	122,443	122,443	122,443	122,443	122,443
Office & Admin	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390	42,390
Business Development & Investor Communication	49,272	49,272	49,272	49,272	49,272	49,272	49,272	49,272	49,272	49,272	49,272	49,272
Insurance	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Legal, Audit & Compliance	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598	15,598
Recovery Costs	80,450	10,100	228,000	21,550	12,000	107,000	60,450	81,100	103,000	20,450	100,500	44,840
Trustee Fees	45,602	45,071	44,881	38,453	38,048	37,421	34,244	31,458	27,978	19,245	17,045	2,611
LR Committee	2,000	2,000	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0
TTC legal fees	0	0	60,000	0	0	60,000	0	0	60,000	0	0	60,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>350,000</b>
<b>NET INFLOWS/(OUTFLOWS)</b>	<b>443,943</b>	<b>373,062</b>	<b>650,773</b>	<b>376,895</b>	<b>366,939</b>	<b>521,312</b>	<b>397,981</b>	<b>415,845</b>	<b>494,265</b>	<b>342,981</b>	<b>420,832</b>	<b>759,738</b>
<b>Op bal</b>	<b>2,264,790</b>	<b>1,001,911</b>	<b>507,285</b>	<b>4,775,327</b>	<b>928,898</b>	<b>567,567</b>	<b>2,541,886</b>	<b>3,446,820</b>	<b>4,277,672</b>	<b>6,990,027</b>	<b>5,317,011</b>	<b>28,014,708</b>
<b>ACCUMULATED CASH</b>	<b>8,564,367</b>	<b>9,126,970</b>	<b>7,437,712</b>	<b>11,773,730</b>	<b>7,870,233</b>	<b>8,437,800</b>	<b>8,783,142</b>	<b>12,229,962</b>	<b>9,918,005</b>	<b>14,711,488</b>	<b>12,340,598</b>	<b>33,765,676</b>
<b>DEBENTURE PAYMENTS</b>	<b>439,309</b>	<b>2,196,543</b>	<b>439,309</b>	<b>4,832,395</b>	<b>0</b>	<b>2,196,543</b>	<b>0</b>	<b>6,589,630</b>	<b>2,196,543</b>	<b>7,687,901</b>	<b>6,589,630</b>	<b>33,354,946</b>
<b>ACCUMULATED BALANCE</b>	<b>8,125,058</b>	<b>6,930,426</b>	<b>6,998,403</b>	<b>6,941,335</b>	<b>7,870,233</b>	<b>6,241,256</b>	<b>8,783,142</b>	<b>5,640,332</b>	<b>7,721,462</b>	<b>7,023,587</b>	<b>5,750,968</b>	<b>410,730</b>

**Annexure 2 – Clauses 6.6 to 6.8 of the Trust Deed if the Extraordinary Resolution is passed and the Trust Deed amended**

**“6.6 Run-Off Proposal**

*Subject to clauses 6.7 and 6.8:*

- (a) *with effect from 29 April 2015 to 30 December 2016, the maturity date for all Debenture Stock is varied to 31 December 2016;*
- (aa) *with effect from 31 December 2016 to 30 September 2017, the maturity date for all Debenture Stock is varied to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the “Loans Realisation Committee” referred to in the Federal Court Orders (as defined in clause 6.6(d) of this Deed) (“**Loans Realisation Committee**”);*
- (ab) *with effect from 30 September 2017, the maturity date for all Debenture Stock is varied to 30 June 2019;*
- (b) *with effect from 1 August 2015 to 31 July 2016, the interest rate for all Debenture Stock is 4% per annum to be calculated daily on a simple interest basis on the outstanding investment balance;*
- (ba) *with effect from 1 August 2016 to 31 July 2017, interest will accrue at the rate and in the manner described in clause 6.6(b) but will be suspended and will not be paid on Debenture Stock except in accordance with this clause 6.6(ba). The Company will not be required to pay any amounts to Debentureholders in respect of such interest unless and until all Debenture Stock have been redeemed in full in which case the Company will, as soon as reasonably practicable after the date all Debenture Stock are redeemed in full and any assets set out in the “Updated Run-Off Schedule” (as defined in the explanatory statement for the meeting of Debentureholders at which the Extraordinary Resolution to insert this clause 6.6(ba) was passed) that remain after all Debenture Stock have been redeemed in full (“**Remaining Assets**”) that Angas must realise in order to make the payment have been realised, make payment to Debentureholders of the suspended interest that has accrued since 1 August 2016. If the total amount of cash assets held by Angas after all Debenture Stock have been redeemed in full together with the amounts for which any Remaining Assets are realised (together the “**Remaining Distributable Cash**”) is less than the total amount of suspended interest that has accrued since 1 August 2016 then the Company will make payment to each Debentureholder of the Remaining Distributable Cash on a pro rata basis in the proportion to which the number of Debenture Stock held by the Debentureholder immediately before their Debenture Stock were redeemed bore to the total number of Debenture Stock that were then on issue. Any amount paid to Debentureholders in accordance with this clause 6.6(ba) will be in full and final satisfaction of all suspended interest that has accrued on Debenture Stock held by them since 1 August 2016. If the Company has no Remaining Distributable Cash available to pay any suspended interest that has accrued since 1 August 2016 then the Company will not be required to pay any amounts to Debentureholders in respect of such interest;*
- (bb) *with effect from 1 August 2017, interest will not accrue on Debenture Stock and no interest will be payable in respect of Debenture Stock;*
- (bc) *with effect from 1 August 2017, Debentureholders forgive, release and discharge Angas from all of its obligations to pay any interest accrued in accordance with or as described in clause 6.6(ba) and release Angas from and against any and all claims that they have or may have against Angas in respect of such interest;*
- (c) *subject to clauses 6.6(ba), 6.6(bb) and 6.6(bc), interest on Debenture Stock is payable monthly in arrears within 14 days of the end of each calendar month;*
- (d) *the Company must make the payments of Principal Moneys to Debentureholders at the times, in the amounts and on the terms set out in the orders made by the Federal Court of Australia on 9 June 2015 in proceeding NSD 469 of 2015 as amended from time to time (“**Federal Court Orders**”), including:*
  - (i) *with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) for a first time was passed, in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution was passed; and*
  - (ii) *with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) for a second time was passed, in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution was passed;*
- (e) *the Company is, until 31 December 2016 or such later date as is approved by ordinary resolution of Debentureholders, released from and shall not be required to comply with its obligations under the following provisions of this Deed:*

- (i) clauses 8.3 and 8.4;
  - (ii) Schedule 7 paragraphs 1.4(c), (d), (g) and (h); and
  - (iii) Schedule 8 paragraph (b) provided that the Company does not make any investment in real property between the date on which the Extraordinary Resolution amending the Trust Deed to insert this clause 6.6 was passed and 31 December 2016; and
- (ea) with effect from 1 January 2017, the Company is, until 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee or any later date as is approved by ordinary resolution of Debentureholders, released from and shall not be required to comply with its obligations under the following provisions of this Deed:
- (i) clauses 8.3 and 8.4;
  - (ii) Schedule 7 paragraphs 1.4(c), (d), (g) and (h); and
  - (iii) Schedule 8 paragraph (b) provided that the Company does not make any investment in real property between 1 January 2017 and 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee;
- (eb) with effect from 1 October 2017, the Company is until 30 June 2019 or such later date as is approved by ordinary resolution of Debentureholders, released from and shall not be required to comply with its obligations under the following provisions of this Deed:
- (i) clauses 8.3 and 8.4;
  - (ii) Schedule 7 paragraphs 1.4(c), (d), (g) and (h); and
  - (iii) Schedule 8 paragraph (b) provided that the Company does not make any investment in real property between 1 October 2017 and 30 June 2019; and
- (f) the Company and the Trustee are authorised and permitted do all such things as are reasonably required to give effect to the Federal Court Orders and the “Run-Off Proposal” described in the explanatory statement for the meeting of Debentureholders at which the Extraordinary Resolution amending the Trust Deed to insert this clause 6.6 was passed, and:
- (i) with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) for a first time was passed, as amended in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution to amend this clause 6.6(f) was passed; and
  - (ii) with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) for a second time was passed, as amended in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution to amend this clause 6.6(f) was passed.

#### **6.7 Paramountcy of certain Trustee-related provisions**

Clause 6.6 of this Deed has effect notwithstanding any other provision of this Deed and the terms of issue of any Debenture Stock, other than clauses 17.6, 17.7 and 18 of this Deed.

#### **6.8 Time of effect**

Clause 6.6 has effect as follows:

- (a) clause 6.6(a) has effect from 29 April 2015;
- (aa) clause 6.6(aa) has effect from 31 December 2016;
- (ab) clause 6.6(ab) has effect from 30 September 2017;
- (b) clause 6.6(b) has effect from 1 August 2015 to 31 July 2016;
- (ba) clause 6.6(ba) has effect from 1 August 2016 to 31 July 2017;
- (bb) clauses 6.6(bb) and 6.6(bc) have effect from 1 August 2017;
- (bc) clause 6.6(eb) has effect from 1 October 2017;
- (baa) clause 6.6(ea) has effect from 1 January 2017; and
- (c) clauses 6.6(c), 6.6(d), 6.6(e) and 6.6(f) have effect from the date on which the Extraordinary Resolution amending the Trust Deed to insert clause 6.6 was passed.”



Angas Securities Limited  
ABN 50 091 942 728

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 2062 Melbourne  
Victoria 8060 Australia  
Please use the reply paid envelope enclosed

### By Fax:

+61 3 9473 2145

### By Email:

votingservices@computershare.com.au

### By Hand:

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria 3067

### Any Enquiries:

1800 010 800

## Proxy Form

 For your vote to be effective it must be received by 10.30am (ACST) on Monday, 14 August 2017

### How to Vote on the Item of Business

All your debentures will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of debentures you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** If you are entitled to cast two or more votes you are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of debentures for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of debentures for each in Step 1 overleaf.

**A proxy need not be a Debenture Holder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the Debenture Holder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the Debenture Holders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate Debenture Holder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Turn over to complete the form ➔**

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left.

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a Debenture Holder/s of Angas Securities Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the meeting of Debenture Holders of Angas Securities Limited to be held at Riverbank Rooms 7 & 8, Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Wednesday, 16 August 2017 at 10.30am (ACST) and video linked to Meeting Room 8, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on Wednesday, 16 August 2017 at 9.00am (AWST) and at any adjournment or postponement of that meeting.

### STEP 2 Voting Instruction



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

	For	Against	Abstain
Extraordinary Resolution Approval of amendments to Trust Deed and waiver and release of breaches	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SIGN

#### Signature of Debenture holder(s) *This section must be completed.*

Individual or Debenture Holder 1

Sole Director and Sole Company Secretary

Debenture Holder 2

Director

Debenture Holder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_