



ANGAS SECURITIES LIMITED ABN 50 091 942 728
AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 232 479

12 August 2016

First Ranking Debenture Securities Amended Run Off Schedule

Angas Securities has previously informed the market of the events leading to the Meeting of Debenture Holders in August 2015.

Angas has requested 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 held on 11 August 2016 to vote on resolutions intended to enable Angas to give effect to the proposed changes to the Run-Off Proposal.

Andrew Luckhurst-Smith
Executive Chairman
Angas Securities Ltd

ADELAIDE
Level 14, 26 Flinders Street, Adelaide SA 5000
GPO Box 2948, Adelaide SA 5001
Ph [61 8] 8410 4343 Fax [61 8] 8410 4355

SYDNEY
Level 10, 19-31 Pitt Street, Sydney NSW 2000
Royal Exchange, PO Box R1835, Sydney NSW 2001
Ph [61 2] 9259 0777 Fax [61 2] 9259 0788

PERTH
Suite 12, 448 Roberts Road, Subiaco WA 6008
PO Box 1602, Subiaco WA 6904
Ph [61 8] 9380 4983 Fax [61 8] 9380 4480

Email contact@angassecurities.com

Web www.angassecurities.com

Investor Service Line 1800 010 800

ANGAS SECURITIES LIMITED

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 11 August 2016 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 11 August 2016 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



26 July 2016

Dear Debenture Holders,

I am writing to you further to Angas' letter of 31 May 2016 in connection with the Run-Off Proposal approved by Debenture Holders at the August 2015 Meeting. Angas is now of the view that it is unlikely to complete the realisation of its assets by the time required to make payment to Debenture Holders of the final amount of their Principal Balances on 30 December 2016.

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 11 August 2016 to vote on resolutions 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 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 30 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.

As at the date of this letter, pursuant to the Run-Off Proposal process Angas has made payments to Debenture Holders comprising 34 cents in the dollar of the Principal Balances. These payments have been made later than required by the Run-Off Proposal approved by Debenture Holders in August 2015. Further, under the terms of the Run-Off Proposal, as at the date of this letter Angas was required to have paid Debenture Holders 50 cents in the dollar of their Principal Balances. Angas is therefore in breach of the Run-Off Proposal and the Trust Deed. The Trustee is reserving its rights in relation to these breaches pending the outcome of the further meeting.

During the Run-Off Period, Angas has paid monthly interest to Debenture Holders at a rate of 4% per annum. Following the payment of interest for July 2016 (to be made on 31 July 2016) these interest payments will have totalled approximately \$7.13 million.

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 amending the dates and amounts of the remaining interim payments of Principal Balances, a proposed extension to the redemption date for Debentures and a suspension in the payment of interest on Debentures from 1 August 2016. The purpose of these changes is 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.

On 21 July 2016 the Trustee applied to the Federal Court seeking orders that the security over Angas' assets granted in favour of the Trustee under the Trust Deed be enforceable. The Federal Court did not make these orders and instead made orders that Angas convene the meeting described in the notice enclosed with this letter.

The Trustee's application has been adjourned for directions at a Federal Court hearing scheduled for 19 August 2016 (being the after the date of the meeting described in the notice enclosed with this letter).

Angas considers that the Updated Run-Off Proposal will result in Debenture Holders receiving a better return than the alternative of Angas remaining in breach of the Trust Deed and the Run-Off Proposal, and therefore being at risk of 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 realised loans above book value (on average) since the commencement of the Run-Off Proposal, albeit at a slower rate than originally 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.

However, Debenture Holders are advised that the returns forecast under the Updated Run-Off Proposal are based on a number of assumptions. 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, the Trustee obtained new valuations in July 2016 of 8 of Angas' selected security properties that are yet to be realised in the Run-Off Period. Those valuations were obtained with the assistance of PPB Advisory and the conclusions are based on certain assumptions which Angas does not share. In general they reflect significantly reduced values for these remaining security properties, comparative to Angas' most recent valuations for the same properties. This is discussed further in section 4.3.1 of the Explanatory Statement. If the prices obtained for these security properties are in line with the Trustee's valuations rather than the valuations held by Angas this will cast significant doubt over Angas' ability to pay Principal Balances in full. Indeed at the low end of the Trustee's valuations the return could be as low as approximately 91.5 cents in the dollar of Principal Balances.

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.

There are a number of risks to Angas being able to achieve a return to Debenture Holders of 100 cents in the dollar of Principal Balances which Debenture Holders should consider. These risks are set out in section 4.3 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 8 of the Explanatory Statement.

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 dates and amounts of the remaining interim payments of Principal Balances to be amended so that instead of making interim payments in fixed amounts on fixed dates Angas will make part payments of remaining Principal Balances in amounts determined by Angas where Angas holds cash or cash equivalent assets above a prescribed amount (being \$5,000,000) sufficient to make the payment;
- the redemption date for all Debentures to be extended from 31 December 2016 to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee;
- interest payments on Debentures to be suspended from 1 August 2016 but with interest to continue to accrue at the current rate of 4% per annum and payment of this suspended interest to be made to Debenture Holders after their Debentures have been redeemed in full, or if Angas has insufficient assets remaining to pay the suspended interest in full, payment of their pro rata share of any remaining Angas assets described in the Updated Run-Off Schedule; and

- the release of Angas from certain of its obligations under the Trust Deed that were approved by Debenture Holders at the August 2015 Meeting being extended to match the proposed extension to the redemption date for Debentures.

If the Debenture Holders pass the Extraordinary Resolution, then at a hearing scheduled for 19 August 2016 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.

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 19 August 2016. If the Trustee decides to continue with that application and the Federal Court makes the orders sought by the Trustee that would result in Angas entering into external administration and the appointment of receivers and managers.

If the Extraordinary Resolution is not passed then Angas will remain in breach of the original Run-Off Proposal and the Trust Deed. The Trustee will 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 August 2015 Meeting 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

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 11 August 2016 commencing at 10:30am (ACST).

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 11 August 2016 commencing at 9:00am (AWST).

Quorum

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

The Federal Court has, at the request of Angas and with the consent of the Trustee, ordered that Mr Bruce Debelle AO QC 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 August 2015 Meeting.

Important notice associated with Federal Court convening Meeting

The Meeting is being convened by Angas pursuant to Federal Court order made on 22 July 2016 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

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

To vote in person, attend the Meeting on 11 August 2016 at either of the times and places set out above.

Voting by Proxy

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,

so that it is received not later than 10:30am (ACST) on 9 August 2016 (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

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

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

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 22 July 2016.

Voting on the Extraordinary Resolution will be by poll

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.

August 2015 Meeting and August 2015 Meeting Notice

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

Debenture Holders that wish to obtain a copy of the August 2015 Meeting Notice may do so at no cost by contacting Adriana Woods on (08) 8410 4343 or ariana.woods@angassecurities.com.

Enquiries

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 (02) 9229 3205 or by email to Angas-info@thetrustcompany.com.au.

Debenture Holders may also speak at the Meeting.

Please note that no visitors will be allowed to attend the Meeting. The Meeting is solely for attendance by Debenture Holders or their duly appointed attorneys, corporate representatives or proxies.

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 19 August 2016 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 11 August 2016 commencing at 10:30am (ACST). The Meeting will also be video linked to Perth Convention and Exhibition Centre, Meeting room 8, 21 Mounts Bay Road, Perth, Western Australia on 11 August 2016 commencing at 9:00am (AWST).

The Meeting is being convened by Angas pursuant to Federal Court order made on 22 July 2016 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 22 July 2016.

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 in clause 6.6(a) after the words “29 April 2015” inserting the words “to 30 December 2016”;
- (b) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by inserting between clause 6.6(a) and 6.6(b) a new clause 6.6(aa) as follows:
 “(aa) with effect from 31 December 2016, 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**”);”
- (c) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by in clause 6.6(b) after the words “1 August 2015” inserting the words “to 31 July 2016”;
- (d) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by inserting between clause 6.8(b) and 6.8(c) a new clause 6.8(ba) as follows:
 “(ba) with effect from 1 August 2016, 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;"

- (e) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by in clause 6.6(c) before the word "interest" inserting the words "*subject to clause 6.6(ba),*";
- (f) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by in clause 6.6(d) after the words "**("Federal Court Orders")**" inserting the words "*, including, with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) was passed, in the manner described in the explanatory statement for the meeting of Debentureholders at which that Extraordinary Resolution was passed*";
- (g) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by inserting between clause 6.6(e) and 6.6(f) a new clause 6.6(ea) as follows:
"(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;*"
- (h) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by in clause 6.6(f) after the word "passed" inserting the words "*, and, with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) 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*";
- (i) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by inserting between clause 6.8(a) and 6.8(b) a new clause 6.8(aa) as follows:
"(aa) clause 6.6(aa) has effect from 31 December 2016;"
- (j) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by inserting in clause 6.8(b) after the words "1 August 2015" the words "*to 31 July 2016*";
- (k) pursuant to clause 22.1(b) of the Trust Deed, Angas and the Trustee be authorised to amend the Trust Deed by inserting between clause 6.8(b) and 6.8(c) new clauses 6.8(ba) and 6.6(baa) as follows:
"(ba) clause 6.6(ba) has effect from 1 August 2016;
(baa) clause 6.6(ea) has effect from 1 January 2017; and"
- (l) 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 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee 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 2016

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 to be held at Riverbank Rooms 7-8, Adelaide Convention Centre, North Terrace, Adelaide, South Australia, on 11 August 2016 commencing at 10:30am (ACST) and video linked to Perth Convention and Exhibition Centre, Meeting room 8, 21 Mounts Bay Road, Perth, Western Australia on 11 August 2016 commencing at 9:00am (AWST).

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting. The purpose of this Explanatory Statement is to provide information to Debenture Holders on deciding whether or not to pass the Extraordinary Resolution.

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.

A Proxy Form is enclosed with the Notice of Meeting and this Explanatory Statement. This is to be used by Debenture Holders if they wish to appoint a proxy to vote in their place. All Debenture Holders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to Computershare in accordance with the instructions set out in the Proxy Form. Lodgement of a Proxy Form does not preclude a Debenture Holder from attending and voting at the Meeting in person.

Debenture Holders may also vote by having their attorney, or for Debenture Holders which are bodies corporate, having their corporate representative, attend the Meeting in person and vote on their behalf.

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

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 and had issued \$219.65 million of fixed interest debenture securities as at 10 July 2015. 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 are secured by first-ranking mortgages over real property assets. If a borrower defaults on a loan, Angas can take possession of and sell the real property asset held as security for the loan to recover its investment.

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. One of the Trustee's key duties is to ensure that all debenture holders are treated equally.

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.

On the second day of the hearing of the 2015 Federal Court proceedings (9 June 2015) 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 by 30 December 2016.

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. 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 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 loan 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 and \$3.39 million in the financial year ended 30 June 2016. The direct costs of operating these funds were \$65,431 in the financial year ended 30 June 2015 and \$36,622 in the financial year ended 30 June 2016. 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.

It is now the intention of Angas to restructure the ACMF and APIF by transferring both the responsible entity and management roles of these schemes to a subsidiary of Angas.

Angas has consulted with ASIC and the Trustee as to the merits of such a restructure and the best method for its implementation. The restructure is likely to take some time. However, the restructure will 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. In the Updated Run-Off Schedule, Angas has forecast receiving \$10 million for the realisation of these assets. Details of how this amount was calculated are set out in section 4.3.1 of this Explanatory Statement.

The restructure will require certain consents to be granted by ASIC and the Trustee. Discussions have commenced between Angas, ASIC and the Trustee on the proposed restructure and the consents required. If these consents are not provided, 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 Balances.

The Updated Run-Off Schedule also forecasts Angas realising its equity in AFS.

2.2 Summary of the Updated Run-Off Proposal

If approved and implemented, the Updated Run-Off Proposal will result in three key changes from the existing Run-Off Proposal.

First, the manner in which the remaining interim payments of Principal Balances (equal to 16 cents in the dollar of Principal Balances) are to be made will be changed. Instead of making interim payments in fixed amounts on fixed dates, Angas will make part payments of remaining Principal Balances in amounts determined by Angas where Angas holds cash or cash equivalent assets above a prescribed amount (being \$5,000,000) and such excess is sufficient to make the payment to Debenture Holders. Angas expects that such payments would be made in amounts comprising not less than 2 cents in the dollar of Principal Balances, until 50 cents in the dollar of Principal Balances have been paid (when combined with the interim payments of Principal Balances of 34 cents in the dollar that have been made as at the date of this notice). Thereafter, the remaining 50 cents in the dollar is forecast to be paid on 30 June 2017 (as described below). Angas is proposing this change because delays that

can (and have) arisen during the loans realisation process make it difficult to predict with sufficient certainty when these interim payments may be made. Angas therefore proposes to continue using its best efforts to realise its remaining Loans Assets as quickly as possible and then make these interim payments to Debenture Holders as soon as it has sufficient funds to do so.

Secondly, the redemption date of all Debentures will be changed from 31 December 2016 to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee. Under this change, Debenture Holders are not forecast to receive the final payment of their Principal Balances (being 50 cents in the dollar of their Principal Balances) until the extended redemption date. However, Angas may make interim part payments of this amount before the redemption date if it has the financial capacity to do so.

Thirdly, interest payments on Debentures will be suspended from 1 August 2016. However, interest will continue to accrue from this date at the current rate of 4% per annum and Angas will pay this suspended interest to Debenture Holders after their Debentures have been redeemed in full. If the Debentures are redeemed by 30 June 2017 the amount of interest that will have accrued since payment was suspended on 1 August 2016 will be approximately \$3.2 million. The Updated Run-Off Schedule forecasts that this amount will be paid to Debenture Holders in full. However, if Angas has insufficient assets remaining to pay the suspended interest in full, it will pay Debenture Holders their pro rata share of any remaining Angas assets described in the Updated Run-Off Schedule. If Angas has no assets remaining to pay any suspended interest then Debenture Holders will not receive any payment in respect of the suspended interest.

The Extraordinary Resolution is required 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) and anticipated returns to Debenture Holders pursuant to the Updated Run-Off Proposal are set out in section 4 of this Explanatory Statement. Set out in section 5 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 be tax free unlike the current monthly payments of interest which are taxed in the hands of Debenture Holders. Angas expects that the only payment under the Updated Run-Off Proposal that will be taxable in the hands of Debenture Holders will be the amount of any final payment made to Debenture Holders in respect of the suspended interest. Debenture Holders are advised that this information in this paragraph is of a general nature, has been provided for information purposes only and does not take account of any Debenture Holder's personal circumstances. 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. Angas also forecasts that Debenture Holders will receive interest until 31 July 2016 at the interest rate of 4% per annum. Interest payments will be suspended from 1 August 2016 but interest will continue to accrue at the current rate of 4% per annum. The Updated Run-Off Schedule forecasts that Debenture Holders will receive the full amount of suspended interest after their Debentures have been fully redeemed and Angas has realised any remaining assets set out in the Updated Run-Off Schedule required to pay that interest.

As with the August 2015 Run-Off Schedule, Debenture Holders should note that the Updated Run-Off Schedule is a projection only. It has been based on various assumptions, 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 may lower than forecast. Further details about the assumptions on which the Updated Run-Off Schedule is based and the risks associated with it are set out in section 4 of this Explanatory Statement.

If the Extraordinary Resolution is approved by the requisite majority of Debenture Holders, then at a hearing scheduled for 19 August 2016 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 19 August 2016. 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 in breach of the Run-Off Proposal and the Trust Deed and will remain required (but, in Angas' view, unable) to complete the Run-Off Proposal by 31 December 2016. This will constitute a further breach of certain provisions of the Trust Deed. In respect of either of these existing or anticipated future breaches (if and when they occur) the Trustee will 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 the August 2015 Meeting, 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 involved Angas realising 22 loans in full. Angas has also caused to be sold 43 properties in the period from July 2015 to May 2016 for gross sale prices of \$27,697,000, compared to their total valuation of \$24,025,500. That is, the gross sale prices achieved during the Run-Off Proposal to date are \$3,671,500 above Angas' current valuations of these assets. However, Debenture Holders are advised that this excess is primarily attributable to one substantial property which was realised for an amount significantly higher than Angas' then current valuation for that property. Of the remaining 42 properties, 24 were sold at or above, and 18 were realised below, Angas' then current valuations for those properties.

Angas has also received 44 other partial or full loan discharges totalling \$29,228,780.60 in the period from July 2015 to May 2016.

During the Run-Off Period, Angas has paid monthly interest to Debenture Holders at a rate of 4% per annum. Following the payment of interest for July 2016 (to be made on 29 July 2016) these interest payments will have totalled approximately \$7.13 million

As part of the Run-Off Proposal process, Angas made a payment to Debenture Holders of 20% of the Principal Balances in two instalments in October and November 2015, a further payment of 10% of the Principal Balances in February 2016 and a further payment of 4% of the Principal Balances on in June 2016.

In carrying out the loan realisation process, Angas has not realised 10 Loan Assets when forecast in the August 2015 Run-Off Schedule. This is the principal reason for the delay in making the interim payments of Principal Balances to Debenture Holders when due under the Run-Off Proposal.

As a result of these circumstances, Angas sought and obtained the approval of the Loans Realisation Committee to vary the dates and amounts of payments that were originally due under the Run-Off Proposal on 30 October 2015 and 29 February 2016.

The Loans Realisation Committee is an independent committee that was established to consult with and advise Angas' Board regarding the realisation by Angas of its Loan Assets during the Run-Off Period. The members of the Loans Realisation Committee are 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) and Mr Chris Green (a representative of the Trustee).

The Loans Realisation Committee approved changes to the dates and amounts of payments due on 30 October 2015 and 29 February 2016 as follows:

- the 20% of Principal Balances payment due on 30 October 2015 was varied to 16% on 30 October 2015 and 4% on 20 November 2015; and
- the 20% of Principal Balances payment due on 29 February 2016 was varied to 10% on 29 February 2016 and 10% on 30 April 2016 (subsequently further extended by majority decision of the Loans Realisation Committee to 31 May 2016).

Debenture Holders would have received letters from Angas notifying Debenture Holders of the changes to the dates and amounts of these payments.

As at the date of this Explanatory Statement, the amounts which remain owing by Angas to Debenture Holders are:

- 6% of Principal Balances payment that was due on 31 May 2016;
- the 10% of Principal Balances payment that was due on 30 June 2016;
- monthly payments of interest until 30 December 2016; and
- the final instalment payment of 50% of Principal Balances due on 30 December 2016.

Angas did not seek the approval from the Loans Realisation Committee to extend the 31 May and 30 June 2016 payment dates as due to the delays in the loans realisation process there was no certainty as to when Angas would be able to meet them. Angas therefore applied to the Federal Court for orders amending the Court Orders to give effect to the Updated Run-Off Proposal subject to the Extraordinary Resolution being passed by the requisite majority of Debenture Holders. The Trustee is reserving its rights in relation to these existing breaches of the Run-Off Proposal and the resulting breaches of the Trust Deed.

Further, despite Angas' continuing efforts, it has become apparent that the loan realisation process is unlikely to be complete to enable repayment of Debentures by 30 December 2016. 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 Principal Balances owing to Debenture Holders.

The Loans Realisation Committee is not authorised to approve variations to the dates or amounts by which the final instalment of the remaining Principal Balances owed to Debenture Holders must be paid.

The August 2015 Meeting Notice foreshadowed that if Angas was unable to make the full amount of the final distribution to Debenture Holders on 30 December 2016, Angas would need to make an application to the Federal Court in relation to a further proposal to extend this date. On 14 June 2016 Angas made such an application. As part of the application, Angas also proposed seeking further approval from Debenture Holders to the extension.

On 21 July 2016 the Trustee applied to the Federal Court seeking orders that the security over Angas' assets granted in favour of the Trustee under the Trust Deed be enforceable. The Federal Court did not make these orders and instead made orders that Angas convene this Meeting. The Trustee's application has been adjourned for directions at a Federal Court hearing scheduled for 19 August 2016.

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 remaining interim payments of the Principal Balances (totalling 16% of Principal Balances) along with the final payment of Principal Balances (totalling 50% of Principal Balances) owing to them by 30 June 2017. As set out in section 2.2 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. In any event, to provide Angas with flexibility in the event that Angas encounters further delays in the loans realisation process, Angas proposes to provide the Loans Realisation Committee with the ability to extend the final payment date by up to 3 months to 30 September 2017. In the event that Angas desires to seek such an extension, this change would also avoid Angas having to spend funds that could otherwise be applied in repayment to Debenture Holders on making applications to the Federal Court and calling and holding further meetings of Debenture Holders to consider changes to this date.

2.4 Timing

Event	Timing
Time and date by which Proxy Forms should be lodged with Computershare by Debenture Holders	9 August 2016 (10:30am) (ACST)
Meeting of Debenture Holders to approve the Extraordinary Resolution	11 August 2016 10:30am (ACST) and 9:00am (AWST)
<i>If the Extraordinary Resolution is approved by Debenture Holders:</i>	
Federal Court hearing to consider Angas' proposal to amend the Court Orders to reflect the Updated Run-Off Proposal and 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)	19 August 2016 9.30am (AEST)
<i>If the proposed changes to the Run-Off Proposal are approved by the Court:</i>	
Payment of interim payments of Principal Balances owing	No fixed date(s)
Final pre interest suspension distribution to Debenture Holders of interest at rate of 4% per annum	31 July 2016 30 June 2017*
Final distribution to Debenture Holders (remainder of Principal Balances)	
Final distribution to Debenture Holders in respect of suspended interest that has accrued since 1 August 2016	As soon as reasonably practicable final payment of Principal Balances and required realisation of remaining Updated Run-Off Schedule assets
These dates and times are subject to the Federal Court approval process.	
*Or such later time, being no later than 30 September 2017, as is approved by the Loans Realisation Committee.	

3 The Extraordinary Resolution Approval

3.1 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.

3.2 The Extraordinary Resolution Approval

3.2.1 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 31 December 2016 under the Trust Deed to 30 June 2017, or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee;

- clarifying with reference to this Explanatory Statement that:
 - the interim payments of Principal Balances (being 16% of Principal Balances) will instead be paid in a number of instalments in amounts determined by Angas where Angas holds cash or cash equivalent assets above \$5,000,000 (being the “Cash Buffer” Angas is required to maintain under the Court Orders and the Run-Off Proposal) and such excess is sufficient to make the payment to Debenture Holders; and
 - the final instalment payment of 50% of Principal Balances due on 30 December 2016 will instead be paid on 30 June 2017, or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee; and
- with effect from 1 August 2016 suspending the payment of interest on all Debentures but with payment of this suspended interest to be made to Debenture Holders after their Debentures have been redeemed in full, or if Angas has insufficient assets remaining to pay the suspended interest in full, payment of their pro rata share of any remaining Angas assets described in the Updated Run-Off Schedule.

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.

3.2.2 Proposed extension to release of certain obligations under Trust Deed

At the August 2015 Meeting, Debenture Holders approved Angas being realised 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’s 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 \$5,000,000 in liquid assets.

The release of these obligations only applies from 10 August 2015 to 31 December 2016 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 2017 or such later date, being no later than 30 September 2017, as the Loans Realisation Committee approves.

3.2.3 Proposed extension of forbearance arrangement

At the August 2015 Meeting, 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 31 December 2016 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 during the Updated Run-Off Period 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 original Run-Off Proposal), the terms of the new forbearance arrangement will be the same as those approved by Debenture Holders at the August 2015 Meeting.

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 2017 or such later date, being no later than 30 September 2017, as the Loans Realisation Committee approves 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.

3.3 Timing of Amendments

The amendments to the Trust Deed to extend the redemption dates for all Debentures will take effect from 31 December 2016.

The amendment to suspend interest payments on Debentures will take effect from 1 August 2016.

The amendment to extend the period of the Angas being released from certain obligations under the Trust Deed will take effect from 1 January 2017. This is the date that the release approved by Debenture Holders at the August 2015 Meeting ceases to apply.

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

3.4 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.

4 The Updated Run-Off Proposal and Updated Run-Off Schedule

4.1 The Updated Run-Off Proposal

4.1.1 Key features of the Run-Off Proposal and the Updated Run-Off Proposal

Most aspects of the Run-Off Proposal are reflected in the terms of the Court Orders, together with the additional terms set out in section 4 of the August 2015 Meeting Notice. That section also set out the full terms of the Run-Off Proposal for Debenture Holders' information.

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

1. Extending the dates and changing the amounts by and in which Angas must make the distribution of:
 - a) the remaining 6% of Principal Balances that was originally due on 29 February 2016 and extended with the approval of the Loans Realisation Committee to 30 April 2016 then to 31 May 2016; and
 - b) the 10% of the Principal Balances due on 30 June 2016,
 so that those distributions may be made in a number of instalments of Principal Balances in amounts determined by Angas where Angas holds cash or cash equivalent assets above the "Cash Buffer" (defined in the Court Orders as \$5,000,000) and such excess is sufficient to make the payment to Debenture Holders.
2. Extending the date by which Angas must pay the remainder of the Principal Balances (being 50% of the Principal Balances), from 30 December 2016 to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee.
3. Angas will suspend paying interest on Debentures from 1 August 2016. However this interest will continue to accrue at the current rate of 4% per annum and payment of this suspended interest is to be made to Debenture Holders after their Debentures have been redeemed in full. If Angas has insufficient assets remaining to pay the suspended interest in full, payment is to be made of their pro rata proportion (calculated having regard to the proportion to which the number of Debentures they held immediately before their Debentures were redeemed bore to the total number of Debentures that were then on issue) any remaining Angas assets described in the Updated Run-Off Schedule.

Debenture Holders are advised that any payment made in accordance with item 3 above will be made in full and final satisfaction on all suspended interest that has accrued since 1 August 2016. Accordingly, if after the time the final payment of Principal Balances is made and Angas has realised any remaining assets set out in the Updated Run-Off Schedule, Angas:

- has insufficient assets to pay Debenture Holders the full amount of their suspended interest - Debenture Holders will only receive the amount that Angas is able to pay to Debenture Holders (on a pro rata basis in proportion to their previous Debenture holdings) in respect of this suspended interest; or
- has no remaining assets set out in the Updated Run-Off Schedule to pay Debenture Holders the any amount in respect of their suspended interest - Debenture Holders will not receive any payment from Angas in respect of this suspended interest.

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.

4.1.2 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 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. If 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) and Mr Chris Green (a representative of the Trustee).

If the Extraordinary Resolution is passed and the proposed changes to the Run-Off Proposal are implemented, the only change to the Loan Realisation Committee's role from that set out in the August 2015 Meeting Notice is that it will have the ability to consider, and if thought fit, approve any request made to extend the date by which Angas must make the final distribution to Debenture Holders from 30 June 2017 to such later date as it determines (which must be no later than 30 September 2017).

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

4.2 Updated Run-Off Schedule

Angas has prepared the Updated Run-Off Schedule as at 30 June 2016. As outlined above, the Updated Run-Off Schedule has been prepared on the basis that the Trust Deed will be amended such that payment of interest will be suspended from 1 August 2016 but will continue to accrue at the current rate of 4% per annum from that date.

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 Balances (being 66%) by 30 June 2017;
- continue to pay interest on invested funds at the rate of 4% per annum until 31 July 2016;
- pay all interest that has accrued on Debentures since 1 August 2016 but had payment suspended, following redemption of all Debentures; and
- meet its operating costs and other costs associated with effecting the run-off of its Debenture business to completion.

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 4.3 for further details).

		Total
Inflows		
Loan repayments		\$105,097,120
Loan Interest (inc accruals)		\$23,093,425
Sale of assets		\$28,853,652
MIS Income		\$3,511,939
Other Income		\$818,421
<i>Total Inflows</i>		<i>\$161,374,557</i>
Outflows		
Investor Interest		\$3,673,499
Wages		\$2,457,468
Premises		\$581,391
Audit fees		\$250,000

Insurance		\$177,612
Office and admin		\$597,588
Recovery and holding costs		\$373,259
Business development		\$360,000
Other Trustee expenses (including Loans Realisation Committee)		\$1,235,000
Legal and compliance		\$344,600
Other		\$1,632,290
<i>Total Outflows</i>		<i>\$11,682,707</i>
Net Cashflow		\$149,691,850
Cumulative Cashflow	Opening balance - \$4,392,853	\$154,084,703
Pro-rata debenture payment		\$144,920,615

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.

4.2.1 The treatment of any surplus

The Updated Run-Off Schedule forecasts a cash surplus remaining at the end of the Updated Run-Off Period of \$9,164,088. This assumes that payment of interest will be suspended from 1 August 2016. 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 new valuations obtained by the Trustee in July 2016 rather than the valuations held by Angas); 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.

If any cash surplus remains after all payments to Debenture Holders (including in respect of suspended interest) have been made in full, 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, its preference shareholders and then its ordinary shareholders.

4.2.2 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, the effect of such shortfall on returns to Debenture Holders will be as follows:

- Debenture Holders will not receive any payments in respect of interest that has accrued since 1 August 2016;
- Debenture Holders will only receive in the order of approximately 91 cents in the dollar on account of Principal Balances.

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 could arise if the amounts realised for certain securities for loans are in line with the new valuations obtained by the Trustee in July 2016 rather than the valuations held by Angas.

4.3 Assumptions on which the Updated Run-Off Schedule is based

The Updated Run-Off Schedule relies upon 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 4.3.1 to 4.3.3 of this Explanatory Statement below.

Whilst the Updated Run-Off Schedule has been prepared by Angas in good faith based on currently available information, Angas gives no representation or warranty, express or implied, about the Updated Run-Off Schedule and whether it is achievable. 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 risk that Debenture Holders will not be paid some or all of the interest that accrues on their Debentures from 1 August 2016 and some of their outstanding Principal Balances.

As with the August 2015 Run-Off Schedule, Angas' Directors and management have spent a significant amount of time preparing and testing the Updated Run-Off Schedule. However, the Updated Run-Off Schedule has not been the subject of an independent expert review or report. That is, an independent expert has not independently reviewed the Updated Run-Off Schedule and reported on whether they consider the assumptions on which it is based or its forecasts and predictions are reasonable or achievable. 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 August 2015 Run-Off Schedule to Debenture Holders at the times forecast in that schedule should affect the reliance they choose to place on the Updated Run-Off Schedule. Also, the timing and amount of realisations of Loan Assets can be influenced by a range of external factors and will often be outside of Angas' direct control. Examples of such factors which have affected Angas' attempts to realise its Loan Assets to date include settlements being delayed by the need for third party consents or the removal of encumbrances, action taken by Angas on the advice of its sale agents or other experts to enhance properties (such as letting up vacant space or seeking development approvals from zoning authorities) and sales failing to settle due to inability of purchasers to obtain funding in a tight commercial finance market. Angas also considers that the prolonged Federal election campaign and its aftermath created uncertainty and quelled commercial activity during the June 2016 quarter which is ordinarily the busiest quarter of the year in the sector in which Angas operates.

4.3.1 Updated Run-Off Schedule Receipts

Angas has undertaken a thorough review of its Debenture loan book to assess the collectability of each of its remaining loans due from its borrowers and any related arrears (where applicable). Angas believes on the basis of this review that sums equivalent to all but approximately \$670,000 of the principal arrears balances due from Angas' borrowers 30 June 2016 will likely be collected. This represents approximately 99% of the principal arrears balances due from Angas' borrowers at 30 June 2016. This analysis excludes realisations from Angas' other assets (discussed in this section below).

Debenture Holders are advised, however, that if there are delays in loan recoveries or recoveries are lower than forecast in the Updated Run-Off Schedule, Angas may be unable to make the distributions of principal or payments of interest in the amounts or at the times set out in the Updated Run-Off Proposal in section 4.1 of this Explanatory Statement. There is a risk that Angas will not meet the forecasts contained in the Updated Run-Off Schedule given the difficulties that Angas has experienced in calendar years 2015 and 2016 in realising loan recoveries as forecast, including as forecast in the August 2015 Run-Off Schedule. The consequences of Angas failing to implement or comply with the Updated Run-Off Schedule are set out in section 4.4 of this Explanatory Statement.

Angas expects to continue to receive interest in respect of its performing loans but will consult with the Loans Realisation Committee about suspending interest if circumstances change. In respect of non-performing loans, Angas expects to only collect interest where the value of the security is sufficient for Angas to recover that interest. Once again, these are matters that Angas closely monitors in consultation with the Loans Realisation Committee.

Angas had approximately \$29 million of non-loan assets and receivables at 30 June 2016. 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 2017.

As part of its going concern lending operations, Angas obtained valuations of the properties that are used to secure its Loan Assets. The purpose of these valuations was to provide an indication of the likely sale value ranges for the properties. Debenture Holders are advised that since 31 March 2016 the Loans Realisation Committee has requested updated valuations for 10 properties that secure certain of Angas' remaining Loan Assets. The valuations for all but 2 of these properties were obtained within the last 2 years. Angas has decided not to obtain updated valuations of any of these properties on the basis that the time and cost outlay required to obtain them will, in its view, outweigh the benefit of obtaining the valuations. The better view in the opinion of Angas is to list the assets for sale with suitable real estate agents supported by appropriate marketing.

The Trustee considered it necessary to obtain new valuations in respect of these 10 security properties to form a view about the likelihood of all outstanding Principal Balances being paid through the Updated Run-Off Period. The Trustee obtained updated valuations in respect of 8 of these properties in July 2016. The value of these security properties (as reflected in the Trustee's updated valuations) is in total approximately \$27.831 million less than the corresponding values recorded in Angas' Updated Run-Off Schedule. Angas has a conditional sale contract for one of these properties at a price that is approximately \$2.6m higher than the Trustee's valuation for that property. If the sale of that property proceeds, then the difference between the Trustee and Angas' valuations would be reduced by a corresponding amount (being approximately \$2.6 million). In any event, Angas maintains the estimated realisations for these security properties in the Updated Run-Off Schedule are reasonable based on Angas' independent valuations and in many cases sales appraisals obtained from agents appointed by Angas to sell the relevant security properties.

Angas has historically received income from its involvement in the ACMF and the 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 30 June 2017 or thereabouts. The Updated Run-Off Schedule also assumes that its 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 during the Updated Run-Off Period in order to pay Debenture Holders their Principal Balances in full and the full amount of their suspended interest.

The Updated Run-Off Schedule also assumes that Angas will continue to derive income from its equity in AFS until 30 June 2017 after which date this equity will be realised, if required in order to pay Debenture Holders their Principal Balances in full and the full amount of their suspended interest.

Angas also receives distributions from its investment in the Angas Commercial Property Trust. The Updated Run-Off Schedule also assumes that Angas will continue to receive distributions from this investment commensurate with historical experience. These distributions are forecast to diminish, however, as the assets owned by the Angas Commercial Property Trust are realised as part of the run-off.

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 2.1.2 of this Explanatory Statement, if 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.

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

4.3.2 Updated Run-Off Schedule Payments

Angas has performed a detailed review of its operating costs with a view to minimising them wherever possible to ensure the best possible return to Debenture Holders. The Updated Run-Off Schedule assumes that Angas will incur in the order of \$6.38 million in expenses in the period to 30 June 2017 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. This is a significant reduction on comparable trading periods over the past three years when Angas has run-off non-performing loans and was commencing the transition to a fund management business model.

The updated Run-Off Schedule forecasts that these operating expenses will be incurred, and may be compared against the operating expenses of the two previous financial years, as follows:

Cost	FY15 (Actual)	FY 16(Actual)	FY17(Projected)
Wages	3,550,213	2,806,739	2,457,468
Premises	764,144	566,482	581,391
Audit fees	452,291	424,267	250,000
Insurance	161,891	149,462	177,612
Office & Administration	955,268	647,231	597,588
Recovery and holding costs	2,289,559	1,540,023	373,259
Business Development	467,033	257,893	360,000
Other Trustee expenses (including LRC)	108,957	954,239	1,234,000
Legal and compliance	508,267	1,094,533	344,600
Total	9,257,623	8,440,869	6,375,918

The reduction in operating expenses is ongoing. For example, from 1 January 2016 to 30 April 2016 Angas' monthly operating costs have averaged \$500,056. This has been reduced from a monthly average of \$639,876 for the period of 1 July 2015 to 31 December 2015.

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 balances owing on their debentures in June 2017.

The Updated Run-Off Schedule also forecasts that Angas will have, at the relevant times, sufficient funds to pay interest to Debenture Holders at investors' existing rates of 4% per annum, paid monthly, until 31 July 2016, with interest to continue to accrue at this rate but payment suspended from 1 August 2016. Further, once the Debentures have been fully redeemed, the Updated Run-Off Schedule forecasts Angas will make a final payment to Debenture Holders of the full amount of suspended interest. Interest has been forecast on the balance of Debenture Holders' principal, after any pro rata returns referred to above.

If the Updated Run-Off Period is extended with the approval of the Loans Realisation Committee to 30 September 2017 then further operating costs will be incurred over this extended period. As Angas expects to have realised most, if not all, of its assets by 30 June 2017, Angas expects that any variable operating expenses incurred during this extended three month period would be significantly lower than during previous trading periods. However, Debenture Holders are advised that payment of such expenses would result in a reduction in funds that may otherwise be available to pay interest accrued and Principal Balances to Debenture Holders. Accordingly, if the Updated Run-Off Period is extended there is a risk that payments made to Debenture Holders may be lower than forecast.

4.3.3 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;
- there is a risk that 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 calendar years 2015 and 2016 and the difficulties Angas has faced in making payments forecast in the August 2015 Run-Off Schedule to Debenture Holders at the times forecast in that schedule;
- the forecast receipts for a number of loans are based on valuations of the properties securing those loans, that were obtained by Angas. The valuations obtained by the Trustee with the assistance of PPB Advisory in relation to 8 of these security properties 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 valuations held by Angas this will cast significant doubt over Angas' ability to pay Principal Balances 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. 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;
- the Run-Off Schedule forecasts recovery of approximately 99% of the principal balances of Angas' loan portfolio due from Angas' borrowers as at 30 June 2016. 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. 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. If ready and willing buyers for these assets cannot be found at the proposed time of sale, 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;
- Angas' has a number of Loan Assets that are non-performing and almost all borrowers in respect of Loan Assets that are 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 suspended interest to Debenture Holders or the full Principal Balances 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 4.4 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 Run-Off Schedule.

4.4 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 or at the times contemplated by 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 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.

4.5 The Federal Court's role

The Federal Court has ordered the timetable to implement the Run-Off Proposal. If Debenture Holders approve the Extraordinary Resolution at the Meeting, on 19 August 2016 the Federal Court will hold a hearing at which Angas will request that the Federal Court 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).

4.6 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.

The Trustee will continue to perform its duties, including throughout the period of the Updated Run-Off Proposal, should the Debenture Holders approve the Extraordinary Resolution and the Federal Court makes the orders which allow Angas to implement the Updated Run-Off Proposal.

In accordance with these duties, the Trustee will continue to monitor Angas' performance, including its compliance with the Updated Run-Off Schedule throughout the Updated Run-Off Period. If the Trustee forms the view that the return to Debenture Holders reflected in the Updated Run-Off Schedule cannot be complied with (taking into account any extension to the Updated Run-Off Period by the Loans Realisation Committee), it is likely that the Trustee will apply to the Federal Court for further directions and advice regarding the Trustee's ongoing duties in these circumstances.

If Angas fails to implement the Updated Run-Off Proposal in accordance with section 4.4 of this Explanatory Statement, the Trustee will relist the 2015 Federal Court proceedings to seek appropriate relief from the Federal Court. As noted elsewhere in this Explanatory Statement, on 21 July 2016 the Trustee applied to the Federal Court seeking orders that the security over Angas' assets granted in favour of the Trustee under the Trust Deed be enforceable. The Federal Court did not make these orders and the Trustee's application has been adjourned for directions at a Federal Court hearing scheduled for 19 August 2016. The Trustee will need to decide after the Meeting whether it intends to continue with that application.

4.7 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 were available to answer questions but none were directed to ASIC.

ASIC also attended the Federal Court hearings on 7 June and 21 July 2016. A copy of this Notice of Meeting and Explanatory Statement and the Updated Run-Off Schedule has also been examined by ASIC and ASIC has made a number of comments on those documents. 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.

5 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. Therefore Angas will remain in breach of the Run-Off Proposal and the Trust Deed and will also remain required to complete the Run-Off Proposal by 31 December 2016. It is Angas' current view it is unlikely to be able to complete the Run-Off Proposal by that date. 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 the 2015 Federal Court proceedings, 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, this 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 who are owed principal at the commencement of an external administration for Angas would receive no further interest on their investments as well as suffering a significant delay in receiving whatever monies are paid out of that administration. Angas is also of the view that it is also likely that distributions may be less than the full value of the Debenture investment because:

1. 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 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; and
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.

By way of example, below is a table which has been prepared using publicly available ASIC documents which sets out the costs of receivers and managers appointed to other debenture issuers.

Description	Banksia Securities Limited (as at 23 May 2016, since appointment on 25 October 2012)	Gippsland Secured Investments Limited (as at 30 March 2016, since appointment on 3 September 2013)	Provident Capital Limited (as at 11 May 2016, since 3 July 2012)
Loan Book Value at Appointment	\$527,281,000.00	≈\$117,000,000.00	\$187,400,000.00
Receivers'/Liquidators' Remuneration & Professional Expenses	\$19,442,864.05	\$4,809,251.49	\$9,593,594.83
Legal Fees & Disbursements	\$26,332,731.61	\$3,383,365.90	\$9,361,913.88
Total Receivership/Liquidation Costs to Date	\$45,775,595.66	\$8,192,617.39	\$18,955,508.71
Average Monthly Receivership/Liquidation Costs	\$1,040,354.45	\$248,261.13	\$403,308.70

* The fees in the above table therefore 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) incurred operating expenses over the 2015-2016 financial year of \$8.4 million and forecasts to incur operating expenses of approximately \$6.38 million over the 2016-2017 financial year (including the likely fees and expenses projected to be paid to the Trustee and its advisers).

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 drawing 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 difficult. 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 amounts 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 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 and managers to Angas would significantly exceed any savings in operating costs that the receivers and managers may be able to achieve.

Debenture Holders are 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 if the amounts realised for Angas' remaining assets under a receivership were not less than the amounts 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 are not more than Angas' operating costs under the Updated Run-Off Proposal, that 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 debenture issuers.

Description	Banksia Securities Limited (as at 6 February 2016)	Gippsland Secured Investments Limited (as at 11 December 2015)	Provident Capital Limited (as at 4 April 2016)
Amount of principal balances returned to debenture holders to date	80 cents in the dollar	88 cents in the dollar	8 cents in the dollar
Total value of principal balances returned to debenture holders to date	Approximately \$512 million	Approximately \$125 million	Approximately \$14 million
Expected total return of principal balances to debenture holders (as stated by receivers)	84 cents in the dollar	89 cents in the dollar	12 cents in the dollar
Period over which returns provided and number of instalments	5 instalments paid to date from appointment of receivers in October 2012 to February 2016 (most recent payment made in March 2014).	5 instalments paid to date from appointment of receivers in September 2013 to December 2015.	1 instalment paid to date from appointment of receivers in July 2012 to April 2015
Interest payments	Nil	Nil	Nil since January 2013

These returns may be compared to Angas' forecast returns under the Updated Run-Off Schedule of 100 cents in the dollar of Principal Balances over the total Run-Off Period of 29 April 2015 to 30 June 2017 and forecast payment of interest at a rate of 4% per annum from 1 August 2016 until the Debentures are redeemed (forecast to be paid after all Debentures are redeemed in full). As set out in section 4.3 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.

6 Interests of Directors

6.1 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 and 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 is set out below:

Angas Loan	Details of related party loan	Related party relationship
Angas is currently owed approximately \$25.3 million by a borrower secured by first ranking registered mortgages.	Lender - MFM Loan balance - \$42.18 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 \$2.066 million KWS Capital– loan balance of \$0.921 million Barker Mortgages – loan balance \$0.845 million	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 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 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 \$6.932 million by a borrower secured by first ranking registered mortgage	Lender – Barker Mortgages Loan balance – \$1.1 million	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 5 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.

To the extent that the prices realised on any security for these loans is not sufficient to repay all amounts owing to Angas and the entities associated with Matthew Hower and Andrew Luckhurst-Smith, if any prices realised for these securities are higher under the Updated Run-Off Proposal than they would be under the alternatives of Angas being required but unable to complete the Run-Off Proposal by 31 December 2016 and therefore an 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.

6.2 Run-Off Proposal conflict management policy

The Angas Board has adopted a specific conflict management policy with respect to the management and realisation of the loans set out in section 6.1. The Angas Board has adopted this specific policy in the interests of good governance and notwithstanding its view set out in section 6.1 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 6.1. 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 five 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 6.1 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.

6.3 Conversion of Redeemable Preference Shares

Debenture Holders are advised that since the August 2015 Meeting a number of Angas Redeemable Preference Shares were converted into fully paid ordinary Angas shares. The Redeemable Preference Shares converted were:

- 6,245,000 series 1 Redeemable Preference Shares;
- 1,375,000 series 4 Redeemable Preference Shares; and
- 2,500,000 series 5 Redeemable Preference Shares as well as a dividend of \$125,342.47 that had been declared on those shares in 2013 but remained unpaid (converted into 2,500,000 ordinary Angas shares).

The conversion of these redeemable preference shares has resulted in the control of Angas passing from the founders of Angas and persons associated with them to third parties (many of whom are retail investors) as follows:

Shareholder	Shareholding in Angas before the conversion of Redeemable Preference Shares	Shareholding in Angas after the conversion of Redeemable Preference Shares
Matthew Hower and associated persons	57%	27.76%
Andrew Luckhurst-Smith and associated persons	23%	1.57%
Third parties	20%	70.67%

Redeemable Preference shares with a face value of \$5.41 million remain on issue which rank behind Debentures but have priority on a winding up of Angas over ordinary Angas shares. All redeemable preference shares are owned by third parties. None are owned by Angas Directors.

6.4 Service fees owing by related parties

Debenture Holders are advised that Hower Corporation Pty Ltd (ACN 114 209 915), an entity controlled by Matthew Hower, currently owes \$234,722 to Angas in respect of services provided by Angas to it. As at the date of the August 2015 Meeting this amount owing was \$534,907. Hower Corporation has reduced this amount by making regular payments since the August 2015 Meeting totalling \$300,000 as proposed by Mr Hower at that meeting.

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

7 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 31 December 2016 and therefore an external administration.

- In Angas opinion, Angas' directors and management team would be best placed to continue to remain involved in the loan realisation process until 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the Loans Realisation Committee 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 ongoing 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, 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 delays (or at least uncertainty in the timing of distributions to Debenture Holders).

8 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 return to Debenture Holders than under the Updated Run-Off Proposal.
- 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.
- 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.
- Debenture Holders may form the view that as Angas was unable to make all of the payments forecast in the August 2015 Run-Off Schedule to Debenture Holders at the times forecast in that schedule, it is also unlikely to be able to make the payments forecast in the Updated Run-Off Schedule at the times forecast in that schedule.
- 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.
- 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.
- 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 6.1 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).

9 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

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 2015 Meeting Notice**” means the notice of meeting and explanatory statement dated 24 July 2015 convening the August 2015 Meeting;
- (g) “**August 2015 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;
- (h) “**AWST**” means Western Standard time in Australia;
- (i) “**Banksia**” means Banksia Securities Ltd;
- (j) “**Barker Mortgages**” means Barker Mortgages Pty Ltd (ACN 106 071 676);
- (k) “**Board**” means the current board of Directors;
- (l) “**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;
- (m) “**Cardiff Capital**” means Cardiff Capital Pty Ltd (ACN 106 071 649);
- (n) “**Computershare**” means Computershare Investor Services Pty Limited (ACN 078 279 277);
- (o) “**Corporations Act**” means the *Corporations Act 2001* (Cth);
- (p) “**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;
- (q) “**Debenture Holder**” means a holder of Debentures;
- (r) “**Debentures**” means the debenture stock of Angas issued pursuant to the Trust Deed;
- (s) “**Director**” means a current director of Angas (as the context requires) and “**Directors**” means all of them;
- (t) “**Explanatory Statement**” means the explanatory statement accompanying the Notice of Meeting;
- (u) “**Extraordinary Resolution**” means the extraordinary resolution set out in the Notice of Meeting;
- (v) “**Federal Court**” means the Federal Court of Australia;
- (w) “**Gippsland**” means Gippsland Secured Investments Limited;
- (x) “**KWS Capital**” means KWS Capital Pty Ltd (ACN 114 209 808);
- (y) “**Loan Asset**” means all loan assets held by Angas;
- (z) “**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;
- (aa) “**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 11 August 2016 commencing

- at 10:30am (ACST) and video linked to Perth Convention and Exhibition Centre, Meeting room 8, 21 Mounts Bay Road, Perth, Western Australia on 11 August 2016 commencing at 9:00am (AWST);
- (bb) **"MFM"** means Mortgage Funds Management Pty Ltd (ACN 076 477 686);
 - (cc) **"Notice of Meeting"** means the notice convening the Meeting which accompanies the Explanatory Statement;
 - (dd) **"Principal Balance"** means the principal amount owed to Debenture Holders as at 29 April 2015;
 - (ee) **"Provident"** means Provident Capital Limited;
 - (ff) **"Proxy Form"** means a proxy form enclosed with the Notice of Meeting and Explanatory Statement;
 - (gg) **"Related Entity"** has the meaning given to that term in the Corporations Act;
 - (hh) **"Run-Off Period"** means the period from 29 April 2015 to 31 December 2016, 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;
 - (ii) **"Run-Off Proposal"** means the proposal described in section 4 of the August 2015 Meeting Notice, which proposal Angas proposes to amend pursuant to the Extraordinary Resolution to take the form of the Updated Run-Off Proposal;
 - (jj) **"Updated Run-Off Period"** means the period from 29 April 2015 to 30 June 2017 or such later date, being no later than 30 September 2017, as approved by the Loans Realisation Committee;
 - (kk) **"Updated Run-Off Proposal"** means Run-Off Proposal as amended in the manner set out in section 4.1.1 of the Explanatory Statement;
 - (ll) **"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";
 - (mm) **"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
 - (nn) **"Trustee"** means The Trust Company (Nominees) Limited (ACN 000 154 441).

2. Interpretation

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-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
INFLOWS												
Loan repayments	3,477,395	3,382,475	7,442,660	13,134,363	10,067,475	17,847,124	1,072,194	10,515,940	11,854,493	10,194,542	6,247,229	9,861,230
Sale of Property & Assets	0	0	0	5,190,950	0	3,733,018	0	2,118,000	2,349,225	0	0	15,462,459
Loan Interest & fee income	1,392,207	609,871	1,770,873	2,657,998	2,587,182	4,016,713	561,250	1,821,648	1,938,806	1,848,293	805,461	3,083,123
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	205,556	213,889	222,222	213,889	222,222	230,556	138,889	238,889	247,222	253,889	245,556	237,222
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	34,602	75,924	23,779	16,737	17,896	19,054	16,606	15,158	16,163	19,038	27,355	25,846
AFS Income	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	370,000
ACPT Distribution and other Income	37,118	37,118	37,118	17,118	17,118	17,118	17,118	17,118	8,118	8,118	8,118	7,118
Total	5,211,361	4,383,759	9,561,134	21,295,538	12,976,375	25,928,064	1,870,539	14,791,235	16,478,509	12,388,362	7,398,200	29,091,481
OUTFLOWS												
Debtenture Interest	483,069	0	0	0	0	0	0	0	0	0	0	3,190,431
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	142,058	142,058	143,218	200,621	142,058	143,218	142,058	142,058	143,218	200,621	142,058	143,218
Premises	47,409	49,409	48,229	47,909	49,409	48,329	47,409	49,409	48,229	47,909	49,409	48,329
Investment Property Costs	825	825	825	825	825	0	0	0	0	0	0	0
Office & Admin	46,391	125,891	39,491	39,391	45,891	43,991	39,391	49,391	39,491	39,391	49,391	39,491
Business Development	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Insurance	14,801	14,801	14,801	14,801	14,801	14,801	14,801	14,801	14,801	14,801	14,801	14,801
Legal, Audit & Compliance	80,450	54,100	178,000	36,550	27,000	28,000	22,450	111,100	13,000	20,450	10,500	13,000
Recovery Costs	59,669	57,696	53,355	45,693	39,820	29,409	28,784	22,650	15,735	9,788	6,144	391
Trustee Fees	4,000	4,000	3,000	3,000	3,000	2,000	2,000	1,000	1,000	1,000	1,000	0
LR Committee	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
TTC legal fees	0	0	850,000	0	0	0	0	0	0	0	0	0
Other	106,000	306,000	306,274	6,000	6,000	6,000	6,000	6,000	6,000	0	0	878,016
Total	1,097,256	867,364	1,749,776	507,374	441,388	428,332	415,477	508,992	394,057	446,544	385,886	4,440,260
NET INFLOWS/(OUTFLOWS)	4,114,105	3,516,395	7,811,358	20,788,163	12,534,987	25,499,732	1,455,062	14,282,243	16,084,452	11,941,818	7,012,314	24,651,220
Op bal												
ACCUMULATED CASH	4,392,853	12,023,354	19,834,711	29,640,158	20,209,713	34,726,729	14,216,358	28,498,601	22,617,620	23,576,722	19,606,320	33,274,824
DEBENTURE PAYMENTS	0	0	10,982,716	21,965,433	10,982,716	21,965,433	0	21,965,433	10,982,716	10,982,716	10,982,716	24,110,736
ACCUMULATED BALANCE	8,506,958	12,023,354	8,851,995	7,674,726	9,226,996	12,761,296	14,216,358	6,533,168	11,634,904	12,594,006	8,623,604	9,164,088

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, 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”);*
- (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, 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;*
- (c) *subject to clause 6.6(ba), 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, with effect from the date that the Extraordinary Resolution to amend this clause 6.6(d) 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; 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, with effect from the date that the Extraordinary Resolution to amend this clause 6.6(f) 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;*
- (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;*
- (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."*