



Salmat Limited

Notice of 2011

Annual General Meeting

salmat

14 October 2011



Dear Shareholder

Annual General Meeting

I am pleased to invite you to the 2011 Annual General Meeting (AGM) of Salmat Limited (Company) on Wednesday 16th November 2011. The AGM will be held at The AGL Theatre, Museum of Sydney, corner of Bridge and Phillip Streets, Sydney NSW 2000, beginning at 10.00 am Sydney time.

The Chief Executive Officer and I will comment briefly on the Company's performance during the year to 30th June 2011 at the meeting. You are also referred to the commentary and overview provided in the Company's Annual Report.

If you wish to participate in the meeting you will need to attend in person, or appoint a proxy to act on your behalf.

For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as a holder of shares as at close of business on Monday 14th November 2011.

Should you be unable to attend, an audio-cast of the meeting will be available at www.salmat.com.au on the day. However you will not be able to participate in the meeting without being present or appointing a proxy.

Please find enclosed a Notice of Meeting, a personalised proxy form and a reply paid envelope. Instructions on how to appoint a proxy are detailed on the back of the proxy form. Please be aware that proxy forms must be received no later than 48 hours prior to the commencement of the meeting in order to be valid for the meeting.

Salmat has provided for electronic lodgement of proxies by its shareholders and encourages you do to so. If you wish to avail yourself of this service and have not already done so, you can do this by visiting www.linkmarketservices.com.au and clicking on "PROXY VOTING" and then follow the prompts. We recommend that you have your proxy form with you when you log-on (this document contains your SRN/HIN reference number which you will need to enter into the Link website)

If your shares are held in a name other than your personal name, you will need to lodge a valid proxy form before the proxy closing time. If a holding is in the name of a company then a valid Corporate Representative form will allow a holder to enter the meeting and vote on behalf of the company.

If you plan to attend the AGM in person, please bring with you suitable identification, your personalised proxy form or evidence of your authority to attend (by proxy or as Corporate Representative). Registration will commence at 9.00am and close at 10.00am.

Annual Report

For those shareholders who have chosen to receive a printed version of the annual report, please find it enclosed in this package. If you have opted not to receive a printed version, you can access the annual report on our website at www.salmat.com.au. We have facilitated access to the online version by splitting it into its components for ease of reference.

Resolutions

This year we submit the following resolutions to shareholders for their consideration.

- Adopt the Remuneration Report for the year ending 30th June 2011.

Salmat Limited

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- To approve the re-election of Mr John Thorn as a non-executive director of the company. John Thorn has been on the Board of Salmat Limited since 2003. He is Chairman of the Audit and Risk Committee of the Board.
- To approve the re-election of Mr Ian Elliot as a non-executive director of the company. Ian Elliot has been on the Board of Salmat Limited since 2005. He is Chairman of the Remuneration and Compensation Committee of the Board.
- Three resolutions to enable issues to be made (as deemed appropriate by the Board) under the three existing Salmat share and option plans. It is good practice to have shareholders approve their continued operation as an incentive to employees of the company.
- A special resolution approving the companies acquired from Photon Group Limited in December 2010 providing financial assistance by way of becoming a party to finance facilities including as guarantors with Salmat's Banks.

The Board of Salmat Limited unanimously recommends these resolutions to shareholders.

We thank you for your continued support and look forward to welcoming you at the meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Lee', with a stylized flourish underneath.

Richard Lee
Chairman

SALMAT LIMITED

ACN 002 724 638
(the Company)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Salmat Limited will be held on Wednesday **16th November 2011** at the AGL Theatre, Museum of Sydney, corner Bridge and Phillip Streets, Sydney NSW 2000 commencing at 10.00am Sydney time. Registration will open from 9.00am.

ORDINARY BUSINESS

To consider the following matters:

1. Financial Statements

To consider and receive the Financial Reports, the Director's Report and the Auditor's Report of Salmat Limited for the year ended 30th June 2011.

2. Remuneration Report

To consider, and if thought fit, to pass the following as a non-binding advisory resolution.

That the Remuneration Report of the Company for the year ended 30th June 2011 be adopted.

Note: Votes cast in respect of this resolution are advisory only, and are not binding on the Company or its directors. However, certain provisions of the Corporations Act, known as the "two strikes" rules come into effect if the Remuneration Report resolution receives "no" votes of 25% or more of the votes at two successive annual general meetings. To date the Company has **not** received 25% or more votes cast against the Remuneration Report at any annual general meeting.

Shareholders should also note that the key management personnel which includes directors (or their closely related parties) whose remuneration details are contained in the remuneration report must not vote on the Remuneration Report Resolution as proxy or otherwise, except where exercising a **directed** proxy on behalf of other persons. Further the Chairman is **not** permitted to vote undirected proxies in support of the Remuneration report. **The board therefore recommends that shareholders do not appoint the Chairman as their proxy to vote in respect of the Remuneration report, without also directing the Chairman how to vote.**

3. Re-election of Director – John Thorn

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

That John Thorn, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a director of the Company.

4. Re-election of Director – Ian Elliot

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

That Ian Elliot, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a director of the Company.

5. Salmat Exempt Employee Share Plan

To consider, and if thought fit, to approve issues of shares, if determined as appropriate by the Board, under the Salmat Exempt Employee Share Plan as set out in the Explanatory Statement for **Resolution 5** accompanying this Notice of Meeting for the purposes of ASX Listing Rule 7.2 exception 9.

Note: *The Company will disregard any votes cast on this resolution by:*

- (a) *all Directors of the Company; and*
- (b) *any associate of a Director of the Company,*

(except one who is ineligible to participate in any employee incentive scheme in relation to the Company). However, the Company need not disregard a vote if:

- (c) *it is cast by a person as a proxy for a person who is otherwise entitled to vote, in accordance with the directions on the proxy form; or*
- (d) *it is cast by the person chairing the meeting as proxy for a person who is otherwise entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

6. Salmat Deferred Employee Share Plan

To consider, and if thought fit, to approve issues of shares, if determined as appropriate by the Board, under the Salmat Deferred Employee Share Plan as set out in the Explanatory Statement for **Resolution 6** accompanying this Notice of Meeting for the purposes of ASX Listing Rule 7.2 exception 9.

Note: *The Company will disregard any votes cast on this resolution by:*

- (a) *all Directors of the Company; and*
- (b) *any associate of a Director of the Company,*

(except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

However, the Company need not disregard a vote if:

- (c) *it is cast by a person as a proxy for a person who is otherwise entitled to vote, in accordance with the directions on the proxy form; or*
- (d) *it is cast by the person chairing the meeting as proxy for a person who is otherwise entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

7. Salmat Executive Performance Option Plan

To consider, and if thought fit, to approve issues of options to acquire shares, if determined as appropriate by the Board under Salmat Executive Performance Option Plan as set out in the Explanatory Statement **Resolution 7** accompanying this Notice of Meeting for the purposes of ASX Listing Rule 7.2 exception 9.

Note: *The Company will disregard any votes cast on this resolution by:*

- (a) *all Directors of the Company; and*
- (b) *any associate of a Director of the Company,*

(except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

However, the Company need not disregard a vote if:

- (c) *it is cast by a person as a proxy for a person who is otherwise entitled to vote, in accordance with the directions on the proxy form; or*
- (d) *it is cast by the person chairing the meeting as proxy for a person who is otherwise entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

SPECIAL BUSINESS

8. Approval of financial assistance

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

"That for the purposes of section 260B(2) of the Corporations Act 2001 and for all other purposes, approval is given for each subsidiary of Salmat identified in **Column 2** below to provide financial assistance for the acquisition of all of its issued shares by the company identified in **Column 1**, by entering into all the transactions described in the Explanatory Statement [attached to this resolution] and all elements of those transactions that may constitute financial assistance by each of those companies for the purposes of section 260A of the Corporations Act 2001, including (without limitation) that each subsidiary of Salmat identified in Column 2 below:

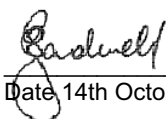
- (a) accedes to each of the Facilities (as defined in the Explanatory Statement attached to this resolution) as a "Guarantor" and a "Transaction Party" and be bound by all obligations of a "Guarantor" and "Transaction Party" under each of the Facilities;
- (b) be bound by all obligations of a "Guarantor" and "Transaction Party" under each other Finance Document (as defined in each of the Facilities);
- (c) enters into, or accedes to any document in any way connected or related to any of the above documents or in respect of any matter arising out of or in relation to any of the above documents,

in each case in connection with the finance facilities as described in the Explanatory Statement attached to this resolution.

In this resolution a reference to a document is to the document as altered, restated or replaced from time to time.

Column 1 - Subsidiary of Salmat which acquired the shares	Column 2 - Subsidiary of Salmat giving financial assistance for the acquisition of its shares
Salmat Mediaforce Pty. Limited ABN 50 001 702 129	C4 Communication Pty Limited ABN 24 101 258 388 C4 Live Pty Limited ABN 67 101 442 808 The Population Pty Limited ABN 29 133 552 253
Salmat Interactive Pty Limited (now Salmat IDR Pty Limited)ABN 29 090 618 278	MessageNet Pty Limited ABN 97 082 712 589 BeInteractive Holdings Pty Limited ABN 35 097 648 765 Returnity Pty Limited ABN 61 090 971 145.

On behalf of the Board
Stephen Bardwell
Company Secretary



Date 14th October 2011

Eligibility to Vote

The Company's Constitution provides that, on a show of hands, every person present and qualified to vote shall have one vote. For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as a holder of shares at 7:00 pm (Sydney time) Monday 14th November 2011.

Annual Report

For a direct link to Salmat's online annual report, visit www.salmat.com.au and then click on "INVESTORS". It has been split for ease of reference into two sections including the shareholder review and full financials.

Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you.

Each member may appoint a proxy. The proxy need not be a member of the Company.

If you wish to appoint a proxy and you are entitled to 2 or more votes then you may:

- (a) appoint two proxies; and
- (b) specify the proportion or number of votes each proxy may exercise. If you do not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of your votes (disregarding fractions).

A form for the appointment of a proxy is enclosed with this notice.

To be effective, all proxies must be lodged:

- by mailing it to the share registry of the Company, Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, Australia

- by facsimile to Link Market Services Limited on +612 9287 0309;
- by going online at www.linkmarketservices.com.au and then clicking on "PROXY VOTING"; or
- by hand delivery to: Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000,

no later than 48 hours before the time for the holding of the meeting, which is by 10.00am (Sydney time) on Monday 14 November 2011.

How the Chairperson and others will vote undirected proxies

Proxy appointments in favour of the chairman of the meeting, any director, or the secretary which do not contain a direction how to vote will be used **where possible** to support the resolutions proposed in this notice. Shareholders should note that it is not possible for the Chairman, key management personnel and parties closely associated with the Company to vote undirected proxies in support of the Remuneration Report. It is therefore strongly recommended that all proxies are directed proxies.

EXPLANATORY NOTES

Item 1. - 2011 Financial Report

The Corporations Act and the Company's Constitution require the Company's annual financial report, directors' report and auditor's report to be received and considered at the annual general meeting of shareholders.

Neither the Corporations Act nor the Company's Constitution require a vote of shareholders on the reports. However, in accordance with the Corporations Act and the Company's past practice, shareholders will have the opportunity to ask questions and make comments on the reports, and the Company's business and operations. A reasonable opportunity will also be given to shareholders as a whole to ask the auditor questions relevant to the conduct of the audit and the preparation and contents of the auditor's report.

Item 2. - Remuneration Report

The Remuneration Report is for consideration and adoption by way of non-binding resolution.

The Remuneration Report is set out on pages 8 - 18 of the Salmat Limited Annual Report 2011. It is also available on Salmat's internet site (www.salmat.com.au).

The report:

- explains the Board's policies in relation to the nature and level of remuneration paid to directors and senior executives within the Company;
- discusses the link between the Board's policies and the Company's performance;
- provides a detailed summary of the performance conditions, explaining why they were chosen and how performance is measured against them;
- sets out remuneration details for each director and for each of the top five executives by remuneration; and
- makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.

All shareholders are strongly encouraged to cast their vote.

Mr Ian Elliot, Chairman of the Remuneration and Compensation Committee will present this report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board recommends that shareholders vote in favour of adoption of the Remuneration Report.

Item 3. - Re-election of Mr John Thorn

In accordance with the Constitution, one of our non-executive directors, Mr John Thorn is due to retire at this meeting and, being eligible, offers himself for re-election.

John Thorn has been on the Board of Salmat Limited since 2003. He is Chairman of the Audit and Risk Committee of the Board. He is a director of the National Australia Bank Limited, Caltex Australia Limited and Amcor Limited. Mr Thorn is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. He was formerly the national managing partner of PricewaterhouseCoopers (PwC) in Australia and gained international management experience with PwC's global firm. Mr Thorn was managing partner of PwC's audit practice

and a member of the Australian board of PwC from 1991 to 1994. He has had over 20 years experience as a partner and was responsible for major international and Australian clients.

The Board recommends the re-election of Mr Thorn.

Item 4. - Re-election of Mr Ian Elliot

In accordance with the Constitution, one of our non-executive directors, Mr Ian Elliot is due to retire at this meeting and, being eligible, offers himself for re-election.

Ian Elliot has been on the Board of Salmat Limited since 2005. He is chairman of the Remuneration and Compensation Committee of the Board. Mr Elliot is a non-executive director of Hills Industries Limited, former chairman of Promentum Limited and is currently on the Board of the National Australia Day Council and a Fellow of the Australian Institute of Company Directors. He is a former Chief Executive Officer of George Patterson Bates and a graduate of the advanced management program of the Harvard Business School.

The Board recommends the re-election of Mr Elliot.

Item 5. - Salmat Exempt Employee Share Plan (“EESP”)

ASX Listing Rule 7.1 provides a formula that limits the number of equity securities the Company may issue to 15% of each class of securities within any 12-month period without shareholder approval. An exception to this rule is set out in ASX Listing Rule 7.2, exception 9, which provides that issues under an employee incentive scheme approved by shareholders are exempt from inclusion in any calculation under ASX Listing Rule 7.1 if those shares are issued within 3 years from the date of approval. The last approval was given at the November 2008 Annual General Meeting.

This resolution does not of itself result in any shares being issued but continues the flexibility of the Board to make such issues if it considers them appropriate.

The following is a summary of the terms of the Salmat Exempt Employee Share Plan:

Summary

EESP enables eligible employees to acquire up to \$1,000 Salmat shares each year on a tax-exempt basis. An initial offer was made to eligible employees at the time of the IPO on a matching offer basis.

No new shares have been issued under EESP since the date of the last approval, as all acquisitions were by way of on-market purchases. A total of 590,587 shares remain outstanding under EESP as at 23rd September 2011.

Operation of Plan

The Plan operates under a Trust.

Entitlement to Shares

Employees must hold shares offered under EESP for three years while they remain employed.

Forfeiture of Shares

Shares offered under EESP cannot be subject to forfeiture.

Shareholding Rights

Shares issued under the Plan carry full shareholder rights such as in relation to rights and bonus issues, voting and dividends but will not participate in any dividend reinvestment plan.

Variation of Rules

The Board may alter the rules or their application subject to the ASX Listing Rules. The prior approval by ordinary resolution of shareholders will generally be required for amendments which are to the advantage of participants and which relate to certain specified events.

Limitation on Issues

The number of shares that may be issued or acquired under the Plan when aggregated with the number of shares issued or acquired during the previous 5 years from share issues under all employee share schemes established by the Company (including as a result of exercise of options to acquire shares granted during the previous 5 years under any such employee share scheme) must not exceed ten (10) percent of the total number of shares on issue.

A copy of the EESP Trust Deed may be requested from the Company Secretary, on (02) 9928 6500.

Item 6. - Salmat Deferred Employee Share Plan (“DESP”)

ASX Listing Rule 7.1 provides a formula that limits the number of equity securities the Company may issue to 15% of each class of securities within any 12-month period without shareholder approval. An exception to this rule is set out in ASX Listing Rule 7.2, exception 9, which provides that issues under an employee incentive scheme approved by shareholders are exempt from inclusion in any calculation under ASX Listing Rule 7.1 if those shares are issued within 3 years from the date of approval. The last approval was given at the November 2008 Annual General Meeting.

The following is a summary of the terms of the Deferred Employee Share Plan:

Summary

DESP allows invited eligible employees, including Directors, to receive Salmat shares as a bonus/incentive or as a remuneration sacrifice and, subject to certain conditions, not pay tax for up to 10 years on the benefit.

498,316 shares have been issued under DESP since the date of the last approval. A total of 1,625,375 shares remain outstanding under the DESP as at 23rd September 2011.

Operation of Plan

The Plan operates under a Trust. The participant's ownership of the shares, and his or her right to deal with them, are governed by the rules set out in the Trust Deed. The Trustee holds the shares until the shares have vested with the particular participant subsequent to satisfaction of any performance and/or criteria and the Company has accepted an application for withdrawal.

Entitlement to Shares

Prior to satisfaction of any performance and/or service criteria a participant will only have a conditional entitlement to the shares. The conditional entitlement to the shares will lapse if any performance and/or service criteria are not met prior to the time of the vesting of the shares. However Participants may at any time submit a notice of withdrawal of shares held by them in the event of Special Circumstances. Special Circumstances is defined as Retirement, Redundancy, Death or Permanent Disablement of a participant, or such other circumstances as determined by the Board from time to time.

Forfeiture of Shares

Failure to satisfy the conditions of offer or where the Board is of the opinion that a participant has been dismissed with cause or has committed any act of fraud, defalcation or gross misconduct in relation to the Company, any shares allocated to a participant are forfeited unless the Board resolves otherwise.

Shareholding Rights

Shares issued under the DESP carry full shareholder rights such as in relation to rights and bonus issues, voting and dividends but will not participate in any dividend reinvestment plan.

Change of Control

The Board will notify participants to enable them to withdraw shares from the Plan where there is a publicly announced proposal in relation to the Company which the Board reasonably believes may lead to a change in Control of the Company.

Limitation on Issues

The number of shares that may be issued or acquired under the Plan when aggregated with the number of shares issued or acquired during the previous 5 years from share issues under all employee share schemes established by the Company (including as a result of exercise of options to acquire shares granted during the previous 5 years under any such employee share scheme) must not exceed ten (10) percent of the total number of shares on issue.

A copy of DESP Trust Deed may be requested from the Company Secretary, on (02) 9928 6500.

Item 7. - Salmat Executive Performance Option Plan ("EPOP")

ASX Listing Rule 7.1 provides a formula that limits the number of equity securities the Company may issue to 15% of each class of securities within any 12-month period without shareholder approval. An exception to this rule is set out in ASX Listing Rule 7.2, exception 9, which provides that issues under an employee incentive scheme approved by shareholders are exempt from inclusion in any calculation under ASX Listing Rule 7.1 if those shares are issued within 3 years from the date of approval. The last approval was given at the November 2008 Annual General Meeting.

This resolution does not of itself result in the issue of any options to acquire shares but continues the flexibility of the Board to make such issues if it considers them appropriate.

The following is a summary of the Salmat Executive Performance Option Plan:

Summary

The EPOP allows the Company to grant options to acquire ordinary shares in Salmat to key senior executives, subject to satisfying performance and service conditions set down at the time of offer.

Nil options have been issued since the date of the last approval. A total of 65,625 options remain outstanding under EPOP as at 23rd September 2011.

Operation of Plan

The Board may offer options to acquire shares to invited executives having regard to their actual and potential contribution to the Company. The consideration for the options will be an amount equal to the exercise price. The exercise price will be determined by reference to the volume weighted average market price of Salmat shares up to and including the date of grant of the options or such other date or period as the Board determines.

Options cannot be transferred. Options will not be quoted on the ASX. Shares issued under EPOP on the exercise of the options will rank equally with other ordinary shares of the Company and will be listed.

An option may only be exercised by a date determined by the Board (First Exercise Date) and will lapse, if not exercised, at date determined by the Board (Last Exercise Date) not exceeding 10 years, subject to applicable performance hurdles and other restrictions set in the offer letter.

An unexpired option will also lapse on a date six months after a participating executive dies, retires, is made redundant or becomes disabled, or the date one month after the participating executive ceases to be employed by Salmat for any other reason.

Limitation on Issues

The number of shares that may be issued or acquired under the Plan when aggregated with the number of shares issued or acquired during the previous 5 years from share issues under all employee share schemes established by the Company (including as a result of exercise of options to acquire shares granted during the previous 5 years under any such employee share scheme) must not exceed ten (10) percent of the total number of shares on issue.

A copy of the EPOP Plan Rules may be requested from the Company Secretary, on (02) 9928 6500.

Item 8. - Approval of financial assistance

The Acquisition

On 22 December 2010 under an agreement with Photon Group Limited the two subsidiaries of Salmat listed in **Column 1** (each a **Buyer**) agreed to acquire all the shares in the companies listed in **Column 2** (each an **Acquired Company**).

Column 1 - Subsidiary of Salmat which acquired the shares (Buyers)	Column 2 - Subsidiary of Salmat giving financial assistance for the acquisition of its shares (Acquired Companies)
Salmat Mediaforce Pty. Limited (ABN 50 001 702 129)	C4 Communication Pty Limited ABN 24 101 258 388 C4 Live Pty Limited ABN 67 101 442 808 The Population Pty Limited ABN 29 133 552 253
Salmat Interactive Pty Limited (now Salmat IDR Pty Limited) (ABN 29 090 618 278)	MessageNet Pty Limited ABN 97 082 712 589 BelInteractive Holdings Pty Limited ABN 35 097 648 765 Returnity Pty Limited ABN 61 090 971 145.

Financing of the Acquisition

To fund the acquisition, Salmat raised finance through external debt under each of the following facility agreements (each a **Facility** and collectively the **Facilities**):

- (a) Facility agreement dated 23 December 2009 (as amended and restated on 21 December 2010) between Australia and New Zealand Banking Group Limited (ABN 11 005 357 522), Salmat (as Borrower and a Transaction Party) and each of the wholly owned subsidiaries of Salmat listed in schedule 1 of that agreement (each a Guarantor and a Transaction Party);
- (b) Facility agreement dated 23 December 2009 (as amended and restated on 21 December 2010) between National Australia Bank Limited (ABN 12 004 044 937), Salmat (as Borrower and a Transaction Party) and each of the wholly owned subsidiaries of Salmat listed in schedule 1 of that agreement (each a Guarantor and a Transaction Party); and
- (c) Facility agreement dated 23 December 2009 (as amended and restated on 21 December 2010) between Westpac Banking Corporation (ABN 33 007 457 141), Salmat (as Borrower and a Transaction Party) and each of the wholly owned subsidiaries of Salmat listed in schedule 1 of that agreement (each a Guarantor and a Transaction Party).

The significant terms of each Facility include:

- (a) each Facility has an overall facility limit of \$103 million, each divided into three tranches as follows:
 - (i) Tranche A - \$35 million;
 - (ii) Tranche B - \$35 million; and
 - (iii) Tranche C - \$33 million;

- (b) under each of the Facilities, the scheduled repayment date for the principal amounts drawn under tranches are as follows:
 - (i) Tranche A - 21 December 2013;
 - (ii) Tranche B - 23 December 2012; and
 - (iii) Tranche C - 21 December 2014;
- (c) interest is payable on each principal amount drawn under a Facility at the rate equal to the aggregate of the base rate (in most circumstances, the bank bill swap rate for a term equivalent to the interest period) and the applicable margin under that Facility for the relevant tranche;
- (d) each Facility contains representations and warranties, undertakings, indemnities, financial ratios and events of default that are typical for an unsecured corporate facility of this nature, including events of default relating to the non-payment or the insolvency of the Borrower or any Guarantor. If an event of default occurs under a Facility, the financier may declare the financier's obligations under the Facility to be cancelled immediately and/or declare that all principal, interest and other amounts owing under the Facility be immediately due and payable;
- (e) each Facility contains a guarantee and indemnity granted by each of the Guarantors to support satisfaction and payment in full of all obligations owed to the Financier under the Facility and each other Finance Document (as defined in the Facility); and
- (f) subject to certain exceptions which largely relate to providing additional time to comply with the undertaking following the acquisition by Salmat of a new subsidiary, each facility also contains an undertaking (**Guarantors' Financial Tests**) to ensure that at all times:
 - (i) the aggregate book value of the tangible assets of Salmat and Guarantors constitutes 85% or more of the total tangible assets of the Salmat and all of its subsidiaries (the **Group**); and
 - (ii) Salmat and the Guarantors, in aggregate, contribute more than 85% of the earnings before interest, taxation expense, depreciation and amortisation of the Group.

(Tests of this type are typical for unsecured corporate facilities similar in nature to the Facilities.)

Particulars of the financial assistance

Each Acquired Company now proposes to:

- (a) accede to each of the Facilities as a Guarantor and a Transaction Party and be bound by all obligations of a Guarantor and Transaction Party under each Facility, including providing a guarantee and indemnity to support the satisfaction and payment in full of all the obligations owed to the Financier under each Facility and the related Finance Documents, complying with the undertakings imposed on a Guarantor and a Transaction Party in each Facility and the related Finance Documents and making representations and warranties to the financier as set out in those documents;
- (b) agree to be bound by all obligations of a Guarantor and a Transaction Party under each other Finance Document; and
- (c) enter into, or accede to, any document in any way connected or related to any of the above documents or in respect of any matter arising out of or in relation to any of the above documents,

in each case in connection with the financing provided under any of the Facilities.

Entering into, and performance of its obligations under, the documents referred to above, will constitute financial assistance by each of the Acquired Companies (noting that for this purpose financial assistance can also be provided after the acquisition of the shares). Unless the giving of that financial assistance does not materially prejudice the interests of the Acquired Company and its shareholders or the Acquired Company's ability to pay its creditors, prior approval must be obtained from the shareholders of Salmat (as the ultimate Australian holding company of the Acquired Company) and the shareholders of the relevant Acquired Company.

Reasons to give the financial assistance

At this time, there is no legal requirement for the Acquired Companies to become Guarantors and Transaction Parties under the terms of each of the Facilities.

The reason each Acquired Company proposes to become a Guarantor and a Transaction Party is to increase Salmat's ability to manage ongoing compliance with the Guarantors' Financial Tests (described above) and to acquire additional subsidiaries in future without breaching the Guarantors' Financial Tests. In other words, including the Acquired Companies as Guarantors and Transaction Parties now will give Salmat more "head room" under those financial tests.

If the resolution is not approved, there is an increased likelihood that a future acquisition by Salmat would cause a breach of the Guarantors' Financial Tests. In these circumstances, to avoid such a breach, the new acquisition target (and/or the Acquired Companies) would need to be included as Guarantors and Transaction Parties. This would require Salmat to call a shareholders' meeting and obtain shareholder approval at that time. This requirement would impose additional costs and limit Salmat's ability to execute such a transaction.

Obtaining shareholder approval at this meeting will therefore improve Salmat's ability to manage ongoing compliance with the Guarantors' Financial Tests and to efficiently execute potential future acquisitions.

Effect of the financial assistance on Salmat

As the holding company of the Acquired Companies, the effect of the financial assistance on Salmat will be to allow the Acquired Companies to become Guarantors and Transaction Parties under the Facility, thus removing a potential obstacle to future acquisitions and generally enhancing Salmat's ability to manage ongoing compliance with the Guarantors' Financial Tests.

The Directors do not believe that the giving of the financial assistance will materially prejudice the ability of Salmat to pay its creditors as the accession of the Acquired Companies as Guarantors and Transaction Parties under each of the Facilities will not of itself affect Salmat's obligations and liabilities under each of the Facilities and related Finance Documents.

Effect of the financial assistance on the Acquired Companies

If a financier becomes entitled to enforce any of its rights under a Facility or any related Finance Document due to the default of a member of the Group, such enforcement may materially prejudice the interests of an Acquired Company or its shareholders and its ability to pay its creditors. On enforcement, among other rights, a financier may become entitled to claim against each Acquired Company for amounts due under the Facility and related Finance Documents under the guarantee and indemnity provided to the financier.

Albeit that there would be claims against other Guarantors and Transaction Parties available to the financier on enforcement, each of the Acquired Companies would become liable to that financier for a principal amount up to the then current facility limit for the relevant Facility, together with accrued interest and fees and any other amounts payable under the Facility and the related Finance Documents. The proposed guarantee and indemnity could be enforced against an Acquired Company without the need for the financier to take enforcement action against any other Guarantors or Transaction Parties.

Although the directors believe that there are benefits accruing to the Acquired Companies in becoming subsidiaries of Salmat and through entering into the Facilities and the related Finance Documents, there is a possibility that the factors discussed above may materially prejudice the interests of an Acquired Company and its shareholders and its ability to pay its creditors.

Reasons for approval

Under section 260A of the Corporations Act, a company may financially assist a person to acquire shares in the company if the assistance is approved by members under section 260B of the Corporations Act. Section 260B of the Corporations Act requires the members of each Acquired Company and the members of Salmat (as the listed holding corporation of each Acquired Company) to approve the giving of the financial assistance described above by the Acquired Company.

It is proposed that the giving of the financial assistance described above by each Acquired Company be approved by the members of Salmat as a special resolution in accordance with section 260B of the Corporations Act.

Accordingly, Resolution 8 seeks member approval of the financial assistance.

Directors' Recommendation

The Board recommends that members vote in favour of the resolution.