

Sterling First (Aust) Limited
ACN 610 352 826

**NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY MEMORANDUM TO
PREFERENCE SHAREHOLDERS**

27 March 2018

9:30am WST

At

Level 2, 1 Walker Avenue,
West Perth 6005 WA

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the Meeting, please complete and return the enclosed Proxy Form in accordance with the specified instructions.

Sterling First (Aust) Limited
ACN 610 352 826

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of holders of preference shares ("**Preference Shareholders**") in the capital of Sterling First (Aust) Limited (ACN 610 352 826) ("**Company**" or "**Sterling**") will be held at Level 2, 1 Walker Avenue, West Perth 6005 WA on 27 March 2018 at **9.30am WST**.

An Explanatory Memorandum accompanies this notice of meeting ("**Notice of Meeting**", "**Notice**" or "**Notice of Extraordinary General Meeting**") to provide Preference Shareholders with information to enable them to make an informed decision regarding the resolutions set out in this Notice of Meeting. The Explanatory Memorandum is to be read in conjunction with this Notice of Meeting.

AGENDA

RESOLUTION TO BE VOTED ON BY ALL PREFERENCE SHAREHOLDERS

Resolution 1 – Variation and cancellation of rights attaching to Preference Shares

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

"That, for the purposes of section 246B of the *Corporations Act 2001* (Cth), clause 2.4 of the Company's constitution and for all other purposes, the rights attaching to the Preference Shares be varied and cancelled so that they have the same rights as those attaching to fully paid ordinary shares in the capital of the Company on issue, and that from the date on which this resolution is passed, they rank equally with all other ordinary shares on issue."

INFORMATION FOR PREFERENCE SHAREHOLDERS

1 ASSISTANCE TO PREFERENCE SHAREHOLDERS

If you require any further explanation of the contents of the Notice of Meeting, including the Explanatory Memorandum, please do not hesitate to contact the Company Secretary, Brian Ruzich, on +618 6102 7265.

If your query relates to the proxy form, please contact Link Market Services Limited on +61 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia).

2 COMPLIANCE WITH THE LAW

The Notice of Meeting has been prepared and issued to Preference Shareholders in order to comply with the *Corporations Act 2001* (Cth) ("**Corporations Act**") and Sterling's constitution ("**Constitution**").

A copy of the Notice of Meeting has also been provided to Sterling's current auditors, Stantons International.

3 TYPE OF RESOLUTION

Resolution 1 is a special resolution. A special resolution will be passed if more than 75 per cent of the votes cast by Preference Shareholders (in person, by proxy or, in the case of a company, by its representative) vote in favour of the resolution.

4 VOTING RECOMMENDATION

The Board unanimously recommends that Preference Shareholders support Resolution 1 for the reasons outlined in the Explanatory Memorandum.

5 DETERMINATION OF VOTING ENTITLEMENT

For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a holder of fully paid preference shares on the terms and conditions set out in Annexure A ("**Preference Shares**") if that person is registered as a holder of those shares at 9.30am. WST on 25 March 2018.

A Preference Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Preference Shareholder.

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Where the Preference Shareholder is entitled to cast two or more votes, the Preference Shareholder may appoint two proxies and may specify the proportion or number of Preference Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Preference Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by Link Market Services Limited not less than 48 hours prior to commencement of the Meeting:

By Post:

Sterling First (Aust) Limited c/-
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

By Facsimile:

+61 2 9287 0309

By Hand:

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Website: lodge online at www.linkmarketservices.com.au, instructions as follows:

Select 'Investor Login' and in the "Single Holding" section enter Sterling First (Aust) Limited or the Issuer code SFAL in the Issuer name field, your Security Reference Number (SRN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 by marking either “For” or “Against” or “Abstain” on the form of proxy for that item of business.

The Chairperson will vote undirected proxies on, and in favour of Resolution 1.

BY ORDER OF THE BOARD

Raymond Jones

Director

Sterling First (Aust) Limited
ACN 610 352 826

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Preference Shareholders and is intended to provide them with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Extraordinary General Meeting of Preference Shareholders of Sterling First (Aust) Limited to be held at Level 2, 1 Walker Avenue, West Perth 6005 WA on 27 March 2018 at **9:30am WST**.

The Directors recommend that Preference Shareholders read this Explanatory Memorandum in full before making any decision whether or not to pass Resolution 1 in the accompanying Notice of Meeting.

Preamble

As indicated in the letter to Preference Shareholders dated 1 February 2018, the Company is intending to make an application to list on the ASX.

Sterling has been working towards a listing on the Australian Securities Exchange ("**ASX**"). While the exciting progress of the Company has caught the attention of several large groups, discussions with our external advisors, proposed new Directors, and the various potential strategic partners suggests that any potential expansion funding will not be available if the Company retains its current share structure.

The feedback is as follows:

- the Preference Shares are jeopardising attracting significant investors as holders of fully paid ordinary shares in the capital of the Company ("**Ordinary Shares**" or "**Shares**") and thereby restricts the Company's ability to expand;
- the Company should conserve cash to fund its expansion and thereby reduce the dilutive impact of issuing additional shares to fund this;
- the Preference Shares may be regarded negatively by investors in the initial promotion and listing of the Company; and
- the dividend structure of the Preference Shares is excessive.

The Directors have therefore resolved to call this Meeting at which Preference Shareholders will be asked to vote on Resolution 1, which, if approved will have the effect of varying and cancelling the rights attaching to the Preference Shares so that they have the same rights as those attaching to fully paid ordinary shares in the capital of the Company on issue, and that from the date on which Resolution 1 is passed, the Preference Shares will rank equally with all other ordinary shares on issue.

RESOLUTION 1 – VARIATION AND CANCELLATION OF RIGHTS ATTACHING TO PREFERENCE SHARES

1.1 Proposed variation and cancellation of rights attaching to Preference Shares

The current terms of the Preference Shares have no provision for the conversion of Preference Shares to Ordinary Shares. The proposed variation and cancellation of the rights attaching to the Preference Shares the subject of Resolution 1 will effectively convert the Preference Shares to Ordinary shares.

Under section 246B of the Corporations Act, if a company has a constitution that sets out the procedure for varying or cancelling rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. Under clause 2.4 of the Company's constitution, any variation of the rights of the holders of shares may be authorised with the sanction of a special resolution passed at a meeting of the holders of the shares of that class.

Accordingly, pursuant to Resolution 1, the Company seeks approval from Preference Shareholders for the variation and cancellation of rights attaching to the Preference Shares (the terms of which are set out in Appendix A), so that they have the same rights as those attaching to fully paid ordinary shares in the capital of the Company (as set out in Appendix B) on issue and that from the date on which Resolution 1 is passed, they rank equally with all other ordinary shares on issue.

If Resolution 1 is passed, each Preference Shareholder will forego any right to receive any dividends or distributions of profit under the terms of the Preference Shares in the future.

Resolution 1 is a special resolution and requires the approval of 75% of the votes cast by Preference Shareholders (in person, by proxy or, in the case of a company, by its representative).

1.2 Summary of Performance Share Terms

Refer to Annexure A of the Explanatory Memorandum.

Currently, there are 687 Preference Shareholders who own 154,420,328 Preference Shares. Last financial year the average dividend paid to the Preference Shareholders was 1.6¢ per share.

1.3 Capital structure of Sterling

As at 28 February 2018, Sterling has the following shares on issue:

132,883,413	Ordinary Fully Paid Shares
154,420,328	Preference Shares

16,337,814	Options exercisable at 30¢ per share by 30 June 2020
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If Resolution 1 is carried, the Company will have 287,303,741 ordinary fully paid shares on issue.

1.4 Directors' Voting Intentions and Recommendations

Messrs Jones, Jones and Ruzich have indicated that they and their associated entities would vote in favour of Resolution 1 and recommend that Preference Shareholders vote to approve Resolution 1.

ANNEXURE A - TERMS & CONDITIONS OF PREFERENCE SHARES

The terms and conditions of the Preference Shares are set out below:

- (a) **(Preference Shares)** Each Preference Share is a perpetual, fully paid preference share in the capital of Sterling First (Aust) Ltd (ACN 610 352 826) (**Company**). They are issued by the Company in accordance with these terms and conditions.
- (b) **(Face Value)** The face value of each Preference Share is A\$0.20.
- (c) **(Voting Rights)** A Preference Share does not entitle the holder (**Holder**) to vote on any resolutions proposed at a general meeting of holders of fully paid ordinary shares (**Shares**) in the capital of the Company (**Shareholders**) other than as permitted by ASX Listing Rule 6.3. Where a Holder is entitled to vote, the Holder (or their proxy or representative) will be entitled to one vote on a show of hands, and to one vote on a poll, for each Share into which the Preference Share is convertible at the date of the meeting.
- (d) **(Dividend)** Subject to the requirements of Section 254T of the *Corporations Act 2001 (Cth)*, a Preference Share entitles the Holder to receive, on the relevant Dividend Date, a dividend (**Dividend**) calculated according to the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{A\$0.20} \times \text{N}}{365}$$

Dividend Rate means 8 percent (%) per annum.

N means, in respect of:

- (i) the first Dividend Date, the number of days from and including the Issue Date until and including the last day of the Quarter ending immediately after the Issue Date; and
- (ii) each subsequent Dividend Date, the number of days from and including the first day of the Quarter commencing immediately before the previous Dividend Date until and including the last day of that Quarter.

Quarter means each period commencing 1 January, 1 April, 1 July and 1 October each year and ending, respectively, on 31 March, 30 June, 30 September or 31 December of that year.

- (e) **(Dividend Date)** after the payment of the First Dividend, each 31 July, 31 October, 31 January and 30 April commencing after the Issue Date. If a Dividend Date is a day that is not a Business Day, then the Dividend Date becomes the next day which is a Business Day.
- (f) **(First Dividend)** the first Dividend will be paid for the period 1 April 2016 to 30 June 2016 and payable on the 31 July 2016. If the Issue Date for the Preference Shares is prior to 1 April 2016, no Dividend is payable from the Issue date to 30 March 2016.
- (g) **(Profit Share)** In addition to the Dividend, subject to the requirements of Section 254T of the *Corporations Act 2001 (Cth)*, a Preference Share entitles the Holder to receive, on the relevant Profit Share Date, a share of the Company's consolidated half year net profit before tax (**Profit Share**) calculated according to the following formula:

$$\text{Profit Share} = \frac{\text{Total Profit Share}}{\text{Total Preference Shares}}$$

Total Preference Shares means the total number of Preference Shares on issue as at the relevant Record Date.

Total Profit Share = 10% x NPBT

NPAT means:

- (i) for a Profit Share Date of 30 April, the Company's half year consolidated net profit before tax to the previous 31 December; and
 - (ii) for a Profit Share Date of 31 October, the Company's full year consolidated net profit before tax to the previous 30 June, as disclosed in the Company's audited full year accounts less the Company's half year consolidated net profit before tax to the previous 31 December used in the previous 30 April calculation pursuant to (g)(i).
- (h) **(Profit Share Date)** means each 30 April and 31 October. If a Profit Share Date is a day that is not a Business Day, then the Profit Share Date becomes the next day which is a Business Day.
- (i) **(Record Date)** Each Dividend and Profit Share are only payable on a Dividend Date and a Profit Share Date to those persons registered as Holders on the Record Date for that Dividend and Profit Share. The Record Date for a Dividend and Profit Share is the last day of the Quarter ending immediately prior to Dividend Date and Profit Share Date on which that Dividend and Profit Share are to be paid.
- (j) **(Priority)** A Preference Share will rank in priority to Shares, and will rank equally with other Preference Shares on the same terms, in respect of payment of dividends (including Profit Share) and will be cumulative.
- (k) **(Rights on winding up)** In a winding up of the Company, a Preference Share shall confer on the Holder the right to repayment in cash of the Face Value and any arrears of Dividend and Profit Share in respect of that Preference Share out of the surplus (if any) available for distribution to shareholders in priority to any repayment of capital in respect of a Share, and equally as between other Preference Shares (pro rata if insufficient funds are available), but otherwise the Preference Share does not confer on the Holder any further right to participate in the surplus assets of the Company in a winding up.
- (l) **(No Security):** The Preference Shares are unsecured.
- (m) **(General meetings)** A Preference Share shall confer on the Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders and to attend general meetings of Shareholders.
- (n) **(Issue of new Preference Shares)** An issue of new Preference Shares during the currency of the Preference Shares does not vary the rights of the Preference Shares.
- (o) **(Taxes and Withholding)** The Company may deduct from any Dividend and Profit Share payable the amount of any withholding or other tax, duty or levy required by law or government authority to be deducted in respect of that amount, and shall pay the deducted amount within the time allowed for that payment.
- (p) **(Transferable)** A Preference Share is transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.
- (q) **(Reorganisation of capital)** If, at any time, the issued capital of the Company is re-organised, all rights of a Holder and the terms of the Preference Shares will be changed to the extent necessary to comply

with the applicable ASX Listing Rules at the time of
the re-organisation.

- (r) **(Quotation)** If and when the Company is admitted to the official list of ASX, application will be made by the Company to ASX for quotation of the Preference Shares.
- (s) **(Participation in entitlements and bonus issues)** There are no participation rights or entitlements inherent in the Preference Shares and a Holder will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues during the currency of a Preference Share without first converting the Preference Share.
- (t) **(No other rights)** A Preference Share does not confer on the Holder any rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (u) **(Constitution):** The Constitution applies to each Holder and to the Preference Shares provided that, where these terms conflict with the terms of the Constitution, these terms prevail as between the Company and each Holder.
- (v) **(ASX Listing Rules)** If the Company is at any time obliged to comply with the ASX Listing Rules, and any provision of these terms is or becomes inconsistent with the ASX Listing Rules, these terms are deemed to be amended to the extent of the inconsistency.
- (w) **(Method of Payment)** Monies payable by the Company to a Holder in respect of a Preference Share shall be paid, by cheque or direct debit, to the Holder appearing in the register of Holders maintained by the Company or its registry as at the close of business on the relevant Record Date, unless otherwise required by the ASX Listing Rules.
- (x) **(Rounding)** Calculations of amounts payable in respect of a Preference Share will be rounded to four decimal places, and for the purposes of making a payment in respect of a Holder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.

ANNEXURE B - RIGHTS ATTACHING TO ORDINARY SHARES

The rights attaching to Ordinary Shares are set out below:

Rights attaching to Shares

The Company is subject to, and the rights attaching to ownership of the Shares arise from a combination of:

- (a) the provisions of the Constitution (its constituent document);
- (b) the Corporations Act, which is the principal legislation regulating companies in Australia; and
- (c) the ASX Listing Rules and the ASX Settlement Operating Rules (subject to the Company being admitted to the official list of the ASX).

A summary of the principal rights, privileges and restrictions attaching to the Shares is set out below:

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairperson of the meeting, by at least five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

Dividends

Dividends are payable in accordance with the rules of the Constitution, the Corporations Act and ASX Listing Rules (subject to the Company being admitted to the official list of the ASX) and are declared by the Directors. Dividends declared will be paid according to the amounts paid or credited as paid on the Shares for which the dividends are paid.

Issue of Shares

The Directors may (subject to the restrictions on issue of Shares imposed by the ASX Listing Rules (which apply subject to the Company being admitted to the official list of the ASX) and the Corporations Act) issue Shares and grant options in respect of, or otherwise dispose of further Shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the ASX Listing Rules (subject to the Company being admitted to the official list of the ASX) or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in any usual or common form or in any form approved by the Directors. The Directors may refuse to register any transfer of Shares, other than a proper ASX Settlement transfer, where permitted or required by the ASX Listing Rules or ASX Settlement Operating Rules (subject to the Company being admitted to the official list of the ASX).

Meetings and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules (subject to the Company being admitted to the official list of the ASX).

Winding Up

The Shares, which all rank equally in the event of the Company being wound up. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of Shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for

the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other securities in respect of which there is any liability.

Shareholder Liability

All Shares are fully paid ordinary shares in the capital of the Company. Accordingly, Shares are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

ASX Listing Rules

If the Company is admitted to the Official List of ASX, then despite anything in the Constitution of the Company, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.