



ARC FUNDS LIMITED

ACN 001 746 710

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00 AM AEST (Brisbane time)
DATE: Wednesday, 19 October 2022
PLACE: at the offices of Holding Redlich, Level 1, 300 Queen Street, Brisbane QLD
4000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 (0) 3 8689 9997

BUSINESS OF THE MEETING

1. Chairman's address

Report on results and activities during the financial year ended 30 June 2022.

2. Financial statements and reports

To receive and consider the Company's audited financial statements and reports for the year ended 30 June 2022.

3. Adoption of remuneration report

Resolution 1

To consider, and if thought fit, to pass the following Resolution as an advisory Resolution:

“That the Company adopt the remuneration report for the year ended 30 June 2022 in accordance with Section 250R(2) of the Corporations Act.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement:

In accordance with section 250BD and 250R of the Corporations Act, the Company will disregard any votes cast on this Resolution 1 by or on behalf of:

- a member of the Company's Key Management Personnel whose remuneration details are disclosed in the remuneration report, or by or on behalf of any of their Closely Related Parties, regardless of the capacity in which the votes are cast; or
- by any person who is a Key Management Personnel as at the time the Resolution is voted on at the Annual General Meeting, or any of their Closely Related Parties,

unless the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the Chairman of the Meeting as a proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit even if the resolution is connected directly or indirectly with the remuneration of a Key Management Personnel.

The Chairman will vote all undirected proxies in favour of this Resolution 1.

4. Re-election of Director – Mr Darren Anderson

Resolution 2

To consider, and if thought fit, to pass the following Resolution as an ordinary Resolution:

“That Mr Darren Anderson, who retires in accordance with clause 17.5 of the Constitution and ASX Listing Rule 14.4 and, being eligible, be re-elected as a Director of the Company”.

5. Approval of ASX Listing Rule 7.1A 10% Placement Facility

Resolution 3

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

“That for the purposes of Listing Rule 7.1A, the Directors are authorised to issue up to 10% of the Company's share capital calculated in accordance with Listing Rule 7.1A and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

At the time of dispatching this notice of Annual General Meeting, the Company is not proposing to make an issue of equity securities under Listing Rule 7.1A. Therefore, in accordance with Listing Rule 7.3A.7, no voting exclusion statement applies to this Resolution and no Shareholders will be excluded from voting.

The Chairman will vote all undirected proxies in favour of this resolution.

6. Amendments to Constitution

Resolution 4

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

“That, for the purposes of section 136(2) of the Corporations Act 2001 (Cth), the Constitution of the Company be modified by making the amendments set out in the Explanatory Statement, with effect from the close of the Annual General Meeting.”

7. Other business

To consider any other business that may lawfully be brought forward in accordance with the Constitution of the Company or the law.

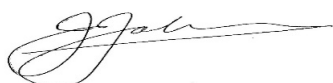
8. Other information

An Explanatory Memorandum accompanies and forms part of this Notice of Meeting.

All Shareholders should read the Explanatory Memorandum carefully and in its entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial adviser or legal adviser for assistance.

Dated: 16 September 2022

By order of the Board



James Jackson
Chairman

IMPORTANT INFORMATION

Time and place of meeting

Notice is given that an Annual General Meeting of the Members of ARC FUNDS LIMITED ACN 001 746 710 (**ARC** or the **Company**) will be held on 19 October 2022 at **10.00am AEST (Brisbane time)** at the offices of Holding Redlich, located at **Level 1, 300 Queen Street, Brisbane QLD 4000**.

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations and ASX Settlement Operating Rule 5.6.1, the Company has determined that for the purposes of the Meeting all Shares will be taken to be held by the persons who, according to records of the Company's Share registrar, held them as registered Shareholders at 7:00pm AEDT, 17 October 2022.

Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Voting in person

To vote in person, attend the Meeting at the time and date set out above and in the manner set out as follows.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- any Shareholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder;
- the proxy does not need to be a Shareholder of the Company; and
- a Shareholder who is 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. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

Shareholders and their proxies should be aware that under the Corporations Act:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chairman, who must vote the proxies as directed.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (that is, as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (that is, as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and

- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Proxy requirements

Proxies must be:

- lodged at the Company's Share registry, Boardroom Pty Limited; or
- faxed to the fax number specified below

not later than 10.00am AEST (Brisbane time) / 11.00am AEDT (Sydney and Melbourne time) on 17 October 2022.

Address (postal deliveries): c/-Boardroom Pty Limited, GPO Box 3993, Sydney NSW, 2001 Australia

Fax number for lodgement: +61 2 9290 9655

By electronic lodgement: <https://www.votingonline.com.au/arcagm2022>

In accordance with instructions provided on the proxy form you will need your postcode or country of residence (if your registered address is outside of Australia) as well as your Voting Access Code (**VAC**) to lodge your proxy vote online.

The proxy form has been enclosed with this Notice. Please read all instructions carefully before completing the proxy form.

Voting intentions

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all Resolutions on the agenda.

In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all Resolutions on the agenda.

Questions and comments by Shareholders at the Meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders as a whole to ask questions or to make comments on the management of the Company at the Meeting. Relevant written questions must be submitted no later than 10.00am AEST (Brisbane time) / 11.00am AEDT (Melbourne time) on 17 October 2022 via m.licciardo@acclime.com.

A list of those questions will be made available to Shareholders attending the Meeting. A representative who has been designated by management of the Company will either answer questions at the Meeting or table written answers to them at the Meeting. If written answers

are tabled at the Meeting, they will be made available to Shareholders as soon as practicable after the Meeting.

DEFINITIONS

Capitalised terms in this Notice and Explanatory Memorandum are defined either in the Glossary section or where the relevant term is first used.

RESPONSIBILITY

This Notice of Meeting and Explanatory Memorandum has been prepared by the Company under the direction and oversight of its Directors.

MATERIAL INFORMATION

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on the resolutions other than as disclosed in this Notice of Meeting and the Explanatory Memorandum, and information that the Company has previously disclosed to Shareholders.

PURPOSE OF THIS DOCUMENT

The main purpose of this Notice of Meeting is to set out all information which the Company considers relevant to a Shareholder's decision on how to vote on the Resolutions.

ASX

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASX. ASX nor any of their respective officers takes any responsibility for the contents of this Notice of Meeting.

EXPLANATORY MEMORANDUM

(This Explanatory Memorandum forms part of the Notice of Meeting)

This Explanatory Memorandum provides further information for members in respect of the Resolutions to be considered at the Annual General Meeting of ARC FUNDS LIMITED (**ARC** or the **Company**) to be held at held at 10.00am AEST (Brisbane time) at the offices of Holding Redlich, **Level 1, 300 Queen Street, Brisbane QLD 4000**.

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum should be read in conjunction with, and forms part of the accompanying Notice of Meeting. The purpose of this Explanatory Memorandum is to provide such information as is prescribed or otherwise material to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

Chairman's Address

Report on results and activities during the financial year ended 30 June 2022.

Financial statements and reports

Under s317 of the Corporations Act, ARC is required to lay its annual financial report, directors' report and remuneration report before its Shareholders at its Annual General Meeting. The

annual financial report is submitted for Shareholders' consideration and discussion at the Annual General Meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss. There is no requirement for Shareholders to approve the reports.

Representatives of ARC's auditor, Bentleys Brisbane (Audit) Pty Ltd, will be present for discussion purposes on matters of relevance to the audit.

Shareholders can access a copy of the annual report from: <https://www.arcfunds.com.au/investors/>

Resolution 1 – Adoption of remuneration report

Resolution 1 provides Shareholders the opportunity to vote on ARC's remuneration report. The remuneration report is contained in the Directors' report. Under s250R(2) of the Corporations Act, ARC must put the adoption of its remuneration report to a vote at its annual general meeting.

This vote is advisory only and does not bind the Directors or ARC.

The Board will consider the outcome of the vote and comments made by Shareholders on the remuneration report at this Meeting when reviewing ARC's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a *spill resolution*) that another meeting be held within 90 days at which all of ARC's Directors other than the Executive Chairman must be offered up for election.

The voting exclusion below Resolution 1 above applies to this Resolution.

<p>Board recommendation and undirected proxies. The Board recommends that Shareholders vote in FAVOUR of Resolution 1. The Chairman of the Meeting intends to vote undirected proxies in FAVOUR of Resolution 1. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.</p>

Resolution 2 – Re-election of Mr Darren Anderson as a Director

The ASX Listing Rules and the Constitution of the Company require each Director to be re-elected every three years and also that an election of Directors be held each year.

Mr Darren Anderson was originally appointed a Director of the Company on 5 June 2015. Under Clause 17.5 of ARC's constitution, Darren Anderson, retires by rotation. Mr Anderson being eligible, offers himself for re-election by shareholders as a Director of the Company.

Resolution 2 therefore provides for the re-election of Darren Anderson as a Director of ARC in accordance with ARC's constitution.

Darren Anderson has significant legal and commercial experience and expertise gained over a 30 year career to date. He is a partner of Brisbane legal firm Holding Redlich and specialises in providing legal services to the property industry. He has particular expertise in major

acquisitions and disposals in residential, industrial and rural property, structured property development, due diligence and property finance arrangements.

Darren brings extensive legal knowledge and background particularly in real property transactions, and the structuring of finance and due diligence. He has a good understanding of corporate governance, financial accounting and risk assessment.

He holds a Bachelor of Commerce and Bachelor of Laws (Second Class Honours) from the University of Queensland and is admitted as a Solicitor in the Supreme Court of Queensland.

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of Resolution 2. The Chairman of the Meeting intends to vote undirected proxies in **FAVOUR** of Resolution 2.

Resolution 3 – Approval of 10% Placement Facility

Placement capacity

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval by special resolution at its annual general meeting to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue over a period of 12 months after the annual general meeting (**10% Placement**). This is in addition to the existing 15% placement capacity permitted by Listing Rule 7.1.

If Shareholders approve Resolution 3, the number of equity securities the Company may issue under the 10% Placement will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out below).

Eligibility Criteria

An eligible entity is one that, as at the date of the relevant Annual General Meeting:

- is not included in the S&P/ASX 300 Index: and
- has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300,000,000.

Any equity securities issued must be in the same class as an existing class of quoted equity securities. The Company currently has one class of quoted equity securities on issue, being Shares (ASX Code: ARC).

Calculation for 10% Placement

The number of equity securities that the Company may issue under the approval sought by Resolution 3 will be calculated in accordance with the following formula as set out in Listing Rule 7.1A.2:

(A x D) – E

Where:

A = the number of fully paid Shares on issue 12 months before the date of issue or agreement to issue:

plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;

plus the number of partly paid Shares that became fully paid in the 12 months;

plus the number of fully paid Shares issued in the 12 months under Listing Rules 7.1 and 7.4;
and

less the number of fully paid Shares cancelled in the 12 months.

D = 10%.

E = the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of the Shareholders under Listing Rule 7.1 or 7.4.

Minimum Issue Price

In accordance with Listing Rule 7.1A.3, equity securities issued by the Company under a 10% Placement can only be issued at a price that is not less than 75% of the VWAP of the equity securities calculated over the 15 trading days on which trades in that class were recorded immediately before:

- a) the date on which the price at which the equity securities are to be issued is agreed; or
- b) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

Dilution to Existing Shareholdings

If Resolution 3 is approved by Shareholders and the Company issues Shares under the 10% Placement, Shareholders should be aware there is a risk of economic and voting dilution that may result from an issue of equity securities under the 10% Placement, including the risk that:

- the market price for equity securities in that class may be significantly lower on the issue date than on the date of the Meeting where approval is being sought; and
- the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the date of issue.

Any issue of equity securities under the 10% Placement will dilute the interests of Shareholders who do not receive any equity securities under the issue, unless the only equity securities issued under the 10% Placement are options and these options are not exercised.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of equity securities available under the 10% Placement, the economic and voting dilution of existing Shares would be as shown in the table below, assuming that any options issued under the 10% Placement are exercised.

The table below shows the potential dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the current market price of the Shares and the current number of Shares on issue as at the date of this Notice of Meeting.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement ¹

Variable "A" ASX Listing Rule 7.1A.2		Potential Dilution and Funds Raised		
		\$0.175 50% decrease in issue price	\$0.35 issue price ^(b)	\$0.70 100% increase in issue price
"A" is the number of shares on issue, ^(a) being 30,076,352 Shares	10% voting dilution ^(c)	3,007,635	3,007,635	3,007,635
	Funds raised	\$526,336	\$1,052,672	\$2,105,345
"A" is a 50% increase in shares on issue, being 45,114,528 Shares	10% voting dilution ^(c)	4,511,452	4,511,452	4,511,452
	Funds raised	\$789,504	\$1,579,008	\$3,158,016
"A" is a 100% increase in shares on issue, being 60,152,704 Shares	10% voting dilution ^(c)	6,015,270	6,015,270	6,015,270
	Funds raised	\$1,052,672	\$2,105,345	\$4,210,689

¹ The table has been prepared on the following assumptions:

- a) The Company issues the maximum number of shares available under Listing Rule 7.1A;
- b) The table shows only the effect of shares issues under Listing Rule 7.1A and does not factor in the Company's ability to issue up to 15% of its issued capital under Listing Rule 7.1;
- c) The issue price is \$0.35, being the closing price of the shares on the ASX on 6 September 2022.

The table shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of shares the Company has on issue, adjusted for Listing Rule 7.1A.2 requirements. The number of shares on issue may increase as a result of issues of shares that do not require approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of shares has decreased by 50% and increased by 100% as against the current market price.

Placement Period

If Shareholder approval is granted for Resolution 3, then that approval will expire on the earlier of:

- 19 October 2023, being 12 months from the date of the Meeting;
- the time and date of the Company's next annual general meeting; or
- the date Shareholder approval is granted to a transaction under Listing Rule 11.1.2 (proposed change to nature and scale of activities) or Listing Rule 11.2 (change involving main undertaking).

The approval under Listing Rule 7.1A will cease to be valid in the event that Shareholders subsequently approve a transaction under Listing Rule 11.1.2 or 11.2.

Purpose of Issue under 10% Placement

The purpose for which the 10% Placement may be issued include to raise funds for the Company or for non-cash consideration (details set out below). Funds raised from the 10% placement are intended to be used as follows:

- to enable the company to solely or part fund any investment acquisitions in line with the Company's investment policy; or
- working capital.

The Company may issue shares under the 10% Placement for non-cash consideration, such as the acquisition of new investments or assets. If the Company issues equity securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the equity securities complies with Listing Rule 7.1A.3.

Allocation Policy

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement. The identity of the allottees under the 10% Placement will be determined on a case by case basis having regard to the following factors:

- the purpose of the issue;
- alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

- the effect of the issue of the equity securities on the control of the Company;
- the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers (if applicable).

Previous Approval under Listing Rule 7.1A

The Company obtained shareholder approval under Listing Rule 7.1A at the 2021 AGM held on 21 October 2021, however no shares were issued pursuant to Listing Rule 7.1A during the period of approval.

Board recommendation and undirected proxies. The Board recommends that shareholders vote in **FAVOUR** of resolution 3. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 3.

Resolution 4 – Amendments to Constitution

Under section 136(2) of the Corporations Act 2001, a company can modify its constitution or a provision of its constitution by special resolution of its members. Accordingly, the Company seeks Shareholder approval by special resolution to amend its Constitution as set out below.

Background

It is proposed that the Company's Constitution be amended to reflect changes in law, regulation and market practice since the Constitution was adopted in 2017. The changes proposed to the Company's Constitution are as follows:

- a) **Transfer Registration Fees** - to set out the circumstances in which the Company may charge fees in connection with a share transfer and associated forms in accordance with ASX Listing Rule 8.14.1;
- b) **CHESS Replacement** - to update the constitution for the CHESS Replacement – to specify new maximum number of joint holders;
- c) **Restricted Securities** - to update the clauses in relation to restricted securities to align the Company's constitution with updated ASX Listing Rule 15.12; and
- d) **Virtual Meetings** - to allow the Company to hold purely virtual general meetings.

a) Transfer Registration Fees

Background

In its current form, Clause 9.3 of the Company's Constitution generally requires the Company to register forms without charge, unless a charge is permitted by the ASX Listing Rules. ASX

Listing Rule 8.14 generally prohibits the Company from imposing fees for registering share transfers and similar transactions. However ASX Listing Rule 8.14.1 provides that the Company may charge a reasonable fee for any of the following:

- issuing a certificate to replace one that is lost or destroyed;
- making a transfer form, or marking a renunciation and transfer form, within 2 business days after the form is lodged;
- a 'special transaction statement' (as defined in the ASX Listing Rules to mean a statement of transactions in a security holder's account which is issued at the request of the holder); and
- registering paper-based transfers in registrable form.

The Company seeks to amend Clause 9.3 to clearly specify the circumstances in which the Company is prohibited from charging any fees and those where the Company may charge reasonable fees, in accordance with the ASX Listing Rule 8.14.

Proposed Amendment

Clause 9.3 of the Company's Constitution currently provides as follows:

9.3 Registration procedure

Where an instrument of transfer is used by a holder to transfer securities, the following provisions apply:

- a) the instrument of transfer must be executed by or on behalf of both the transferor and the transferee unless it is a Proper ASTC Transfer;*
- b) the instrument of transfer must be delivered to the share registry of the Company for registration together with the certificate (if any) for the securities to be transferred and, subject to the Listing rules, any other evidence the Board may require to prove the title of the transferor to the securities, the transferor's right to transfer the securities and the proper execution of the instrument of transfer;*
- c) a fee must not be charged on the registration of a transfer of the securities except as permitted by law; and*
- d) on registration of a transfer of securities, the Company must cancel the old certificate (if any).*

Under Resolution 4, the Company seeks Shareholder approval to amend existing Clause 9.3 of the Company's Constitution and include at 9.3 (c) (which is substantially identical to ASX Listing Rule 8.14) as follows:

9.3 Registration procedure

Where an instrument of transfer is used by a holder to transfer securities, the following provisions apply:

- a) *the instrument of transfer must be executed by or on behalf of both the transferor and the transferee unless it is a Proper ASTC Transfer;*
- b) *the instrument of transfer must be delivered to the share registry of the Company for registration together with the certificate (if any) for the securities to be transferred and, subject to the Listing rules, any other evidence the Board may require to prove the title of the transferor to the securities, the transferor's right to transfer the securities and the proper execution of the instrument of transfer;*
- c) *the Company must not charge a fee for any of the following: (a) registering transfer documents; (b) splitting certificates, renunciations and transfer forms; (c) effecting shunts between registers; (d) issuing certificates and transmission receipts; (e) effecting conversions between subregisters; (f) noting transfer forms; (g) issuing a statement showing the opening balance of the holding on the Issuer Sponsored Subregister; (h) issuing a Routine Transfer Statement to a Member on the Issuer Sponsored Subregister; or (i) sending a Member details of a change to the holding which arises from an issue of Shares or an acquisition of rights. However, the Company may charge a reasonable fee for any of the following: (a) issue a certificate to replace one that is lost or destroyed; (b) marking a transfer form, or marking renunciation and transfer form, within two (2) Business Days after the form is lodged; (c) a Special Transaction Statement; and (d) registering paper-based transfers in registrable form;*
- d) *in this Clause, the expressions 'Issuer Sponsored Subregister', 'Routine Transfer Statement' and 'Special Transaction Statement' have the same meaning given to those expressions in the Listing Rules;*
- e) *on registration of a transfer of securities, the Company must cancel the old certificate (if any).*

b) CHES Replacement

Background

In April 2021, ASX announced that CHES is being replaced with the "ASX Clearing and Settlement Platform" with a targeted 'go-live' date of April 2023. The current CHES system limits the number of registered joint holders to three joint holders for each security. As part of the CHES replacement, the registration system will allow up to four joint holders of a security.

ASX has recommended that issuers implement changes to their constitutions to accommodate the new four joint holder limit. Accordingly, the New Constitution includes an amendment to Clause 4.2 which prohibits the Company from registering more than the maximum number of persons permitted to be registered under the ASX Settlement Rules as joint holders of any Share.

Proposed Amendment

Clause 4.2 currently provides as follows:

4.2 Joint holders of shares

Where two or more persons are registered as the joint holders of shares then they are taken to hold the shares as joint tenants with rights of survivorship, but the Company is not bound:

- a) to register more than three persons as joint holders of a share; or*
- b) to issue more than one certificate or holding statement for shares jointly held.*

Under Resolution 4, the Company seeks Shareholder approval to amend existing Clause 4.2 of the Company's Constitution replace 4.2(a) as follows:

4.2 Joint holders of shares

Where two or more persons are registered as the joint holders of shares then they are taken to hold the shares as joint tenants with rights of survivorship, but the Company is not bound:

- a) to, subject to the Listing Rules, ASX Settlement Rules and the Corporations Act, register more than the maximum number of persons permitted to be registered under the ASX Settlement Rules as joint holders of any Share; and*
- b) to issue more than one certificate or holding statement for shares jointly held.*

c) Restricted Securities

Background

The ASX's restricted securities (or escrow) regime is a set of rules which regulates how shares in listed companies can have restrictions placed on them, preventing the shareholder from selling the shares until a certain period of time has elapsed – this is commonly known as the 'escrow period'.

This regime is intended to protect the integrity of the market.

The specific rules are found in Chapter 9 of the ASX Listing Rules and ASX Listing Rule 15.12 outlines the matters which must be included in each listed entity's constitution with respect to restricted securities.

In late 2019, following a consultation process, certain changes to the ASX Listing Rules came into effect. The changes were intended to provide clarity with respect to how the escrow regime operates. Along with changes to the regime's rules (including as to the types of securities to which the rules do not apply), the content requirements for listed entity constitutions found in ASX Listing Rule 15.12 were also amended and broadly apply to entities which were admitted to the ASX Official List, or which issue restricted securities, on or after 1 December 2019.

The new ASX Listing Rule 15.12 will apply to the Company if it issues restricted securities in the future. The Company presently does not have any restricted securities on issue and has no current intention to issue restricted securities.

Although the new ASX Listing Rule 15.12 does not currently affect the Company, it is taking the prudent approach to use the opportunity at this Annual General Meeting to amend its Constitution so that it is consistent with the amended ASX Listing Rule 15.12. The Company is therefore proposing to:

- delete the various provisions in its constitution which deal with restricted securities, namely: article 9.2(d), 14.16 and 27.4(d); and
- include a new clause “2.13 Restricted Securities” which contains provisions that directly align with the language in ASX Listing Rule 15.12.

Proposed Amendment

The following existing articles about Restricted Securities are to be deleted:

9.2 Form of Transfer...

...(d) Restricted Securities cannot be disposed of during the escrow period that applies in respect of those securities except as permitted by the Listing Rules, the Restriction Agreement or ASX.

14.16 Disentitlement to vote...

... (b) During a breach of the Listing Rules relating to restricted securities or while a breach subsists of a Restriction Agreement entered into by the Company under the Listing Rules in relation to shares which are Restricted Securities, the Restricted Securities do not confer on the holder any dividend, distribution or voting rights. However, those Restricted Securities shall not be treated or taken to be a separate class of share for any purpose.

27.4 Entitlement to dividends ...

...(b) The holder of any Restricted Securities under the Listing Rules who is in breach of the Listing Rules or any escrow agreement in respect of the Restricted Securities is not entitled to receive dividends.

The following new article about Restricted Securities is to be inserted:

2.13 Restricted Securities

- (a) *The Company shall comply in all respects with the requirements of the Listing Rules with respect to Restricted Securities. Without limiting the generality of the above:*
- (i) *a holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the ASX;*
 - (ii) *If the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company’s issuer sponsored sub*

register and are to have a holding lock applied for the duration of the escrow period applicable to those securities;

- (iii) *The Company will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the ASX;*
 - (iv) *A holder of Restricted Securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the Listing Rules or the ASX; and*
 - (v) *If a holder of Restricted Securities breaches a Restriction Agreement or a provision of the Company's Constitution restricting a disposal of those securities, the holder will not be entitled to any Dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.*
- (b) *Unless otherwise provided by the Listing Rules or applicable law, Restricted Securities shall not be treated or taken to be a separate class of share for any purpose.*
 - (c) *This clause prevails to the extent of any inconsistency with anything else in this Constitution.*

d) Virtual meetings

Background

The Company's existing Constitution already contemplates a general meeting being held at a physical location or two or more places with the aid of technology.

On 10 February 2022, Parliament passed the *Corporations Amendment (Meetings and Documents) Act 2022* (Cth) (**Corporations Amendment Act**) which, among other matters, amended the Corporations Act to allow companies to hold hybrid meetings and, if expressly permitted or required by the company's constitution, wholly virtual meetings and enable companies to distribute certain shareholder materials by electronic means.

The Company proposes to amend Clause 14.1 to clearly permit the Company to hold shareholder meetings as hybrid meetings or virtual meetings using virtual meeting technology, provided that shareholders as a whole are given a reasonable opportunity to participate in the meeting.

If the Board elects to use virtual meeting technology for a general meeting, the Board will determine the type of virtual meeting technology to be used, which may include any combination of telephone, video conferencing, messaging, smartphone application or any other audio and/or visual device which permits instantaneous communication.

Having the flexibility to hold meetings as hybrid or virtual meetings will improve investor engagement and facilitate continued investor engagement during circumstances where

restrictions (or other reasons) may prohibit or prevent investors from attending meetings in person.

Proposed Amendment

Clause 14.1 of the Company's Constitution currently provides as follows:

14.1 Use of technology

The Company may hold a meeting of its members at two or more venues using any technology that gives the members as a whole a reasonable opportunity to participate.

Under Resolution 4, the Company seeks Shareholder approval to delete existing Clause 14.1 of the Company's Constitution and replace it with new Clause 14.1 as follows:

14.1 Use of technology

(a) The Company may hold a General Meeting at two or more venues simultaneously, or wholly virtually, using any technology that, gives the members as a whole a reasonable opportunity to participate.

(b) A member, proxy or corporate representative present at any General Meeting venue (whether physical or virtual) is taken to be present at the General Meeting and entitled to exercise all rights of a member, proxy or corporate representative (as applicable) present.

<p>Board recommendation and undirected proxies. The Board recommends that shareholders vote in FAVOUR of resolution 4. The Chairman of the meeting intends to vote undirected proxies in FAVOUR of resolution 4.</p>

Further Information

Shareholders with any queries in relation to the Annual General Meeting may contact the Company Secretary, Mark Licciardo, on (03) 8689 9997 or m.licciardo@acclime.com.

GLOSSARY

In this Notice of meeting:

\$ means Australian dollars.

ARC or the Company means ARC FUNDS LIMITED (ABN 52 001 746 710).

ASIC means Australian Securities and Investments Commission.

Associates has the same meaning as in Division 2 of Part 1.2 of the Corporations Act as that Division applies to references in Chapter 6 of the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) or the financial market known as the Australian Securities Exchange that is operated by ASX limited, as the context requires.

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time as observed in Brisbane, Queensland.

Board means the board of Directors of the Company.

Chairman means the chairperson of this Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations for the purposes of the definition of 'closely related party' in the Corporations Act.

Constitution means the constitution of the Company.

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

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

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice of Meeting.

Key Management Personnel or **KMP** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity,

directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the listing rules of the ASX Limited.

Meeting means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on 19 October 2022.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution set out in this Notice.

Share means a fully paid ordinary share in ARC.

Shareholder means a registered holder of a Share.



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (Brisbane Time) on Monday, 17 October 2022.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/arcagm2022>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (Brisbane Time) on Monday, 17 October 2022.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 🖥 **Online** <https://www.votingonline.com.au/arcagm2022>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Arc Funds Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the offices of Holding Redlich, **Level 1, 300 Queen Street, Brisbane, QLD, 4000 on Wednesday, 19 October, 2022 at 10:00am (Brisbane Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS
* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Darren Anderson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of ASX Listing Rule 7.1A 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Amendments to the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS
This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date / / 2022