
RED GUM RESOURCES LIMITED
(TO BE RENAMED “AUSTRALIAN TRAVEL GROUP LIMITED”)
ACN 119 641 986

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 9:30am (Perth time)

DATE: 27 November 2014

PLACE: Level 3, London House
216 St Georges Terrace,
Perth WA

The Independent Expert has concluded that the acquisition of Holiday Planet, being the subject of Resolution 1 outlined in this Notice of Meeting, is FAIR AND REASONABLE to Shareholders.

All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Meeting.

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) 8 8223 1680.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the meeting of the Shareholders to which this Notice of Meeting relates will be held at 9:30am (Perth time) on 27 November 2014 at:

Level 3, London House
216 St Georges Terrace
Perth WA

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (Perth time) on 25 November 2014.

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please either utilise the online voting facility as detailed on the enclosed Proxy Form, or complete and sign the enclosed Proxy Form and return in the reply paid envelope in sufficient time (in either case) to ensure receipt by Computershare no later than 9:30am (Perth time) on Tuesday, 25 November 2014.

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

- each member has a right to appoint a proxy;

- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- 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 Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

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); and
- 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; and
- 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 (i.e. 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 (i.e. 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; and
- the appointed proxy is not the chair of the meeting; and
- 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;
 - 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.

LETTER TO SHAREHOLDERS

17 October 2014

Dear Shareholders,

As Executive Chairman of the Company I am pleased to invite you to attend Red Gum's Extraordinary General Meeting to be held on 27 November 2014. Details are contained in the accompanying Notice of Meeting and Explanatory Memorandum, which also provides the agenda and background for each of the resolutions to be put to shareholders at that meeting.

As you are aware the Company has entered into agreements to acquire three existing, profitable, travel businesses; Holiday Planet, Asia Escape Holidays and Motive Travel, as part of an e-commerce travel business aggregation strategy. If successful, this will see your Company change its focus to the leisure and tourism industry and away from the resources industry. These proposed acquisitions are expected to create:

- (a) the largest, independent, online travel service operator, based in Western Australia, with a significant annual turnover; and
- (b) significant operating synergies, once the three businesses are integrated.

These proposed acquisitions are subject to a number of conditions, including that the Company re-comply with Chapters 1 and 2 of the ASX Listing Rules.

This Notice of Meeting is a consequence of those agreements. The main order of business of the meeting is (among other things): to seek Shareholder approval for the Company's (or its nominee's) acquisition of Holiday Planet, Motive Travel and Asia Escape, the resulting change in nature and scale of the Company's activities and the issue of consideration to each Vendor in the form of Shares and Convertible Notes (Resolutions 1 to 3); a consolidation of the Company's capital (Resolution 4); a capital raising to raise funds in light of these Acquisitions (Resolution 5); and a change of the Company's name from Red Gum Resources Limited to 'Australian Travel Group Limited' (Resolution 7). Additionally, the Company is seeking shareholder approval of a number of other resolutions; the issue of broker options and promoter shares relating to the Acquisitions (Resolutions 6 and 11) and the election of proposed new directors Mr Alan Dodson, Mr Michael Croy and Mr Mason Adams (Resolutions 8, 9 and 10, respectively).

As part of the acquisition of Holiday Planet, the Holiday Planet Shareholders will (for the purposes of the transaction only) be deemed under the takeover provisions of the Corporations Act to have acquired a deemed voting power in each other's Shares received as consideration from the Company. As a result they potentially could have a post-completion voting power of more than 27%, particularly if the HP Shareholders convert their Convertible Notes. Consequently it is a requirement that an independent expert determine whether the HP Acquisition is fair and/or reasonable to the non-associated shareholders of the Company.

An Independent Expert's Report accompanies this Notice and the Independent Expert has determined that the HP Acquisition is fair and reasonable to the non-associated shareholders of the Company.

As you know Red Gum, like many other junior exploration companies, has had to respond to the difficult times currently experienced within the resources industry. The Board's decision to shift its focus away from its projects in Peru and Chile has been difficult, all the more so given the technical successes the Company has had since listing. However, the Board is pleased to present what we believe to be the best opportunity now available to

your Company for it to regrow shareholder value. Following the very hard work of the vendors, our corporate advisers, DJ Carmichael, and my fellow directors are very excited at the future prospects for the Company in its proposed new form as the Australian Travel Group Limited.

Your Directors intend to vote in support of each resolution, for the acquisition of Holiday Planet, Asia Escape and Motive Travel, where legally entitled to do so, and recommend that you vote FOR each resolution, where likewise legally entitled to do so. We believe that their acquisition and subsequent merger is in the best interests of the Company. I trust that you will give favourable consideration to supporting all the resolutions to be put to the Meeting.

Yours faithfully

A handwritten signature in black ink, appearing to be 'R. Shaw', with a long horizontal stroke extending to the right.

Dr. Raymond Shaw
Executive Chairman
Red Gum Resources Limited

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL FOR THE ACQUISITION OF HOLIDAY PLANET PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 4, 5, and 11, for the purposes of:

- (a) ASX Listing Rule 11.1 and for all other purposes, Shareholders approve the acquisition by the Company (or its nominee) of all the issued capital in Holiday Planet Pty Ltd in accordance with the HP Acquisition Agreement and the performance by the Company of its obligations under the HP Acquisition Agreement; and*
- (b) Section 611 (Item 7) of the Corporations Act and for all other purposes, Shareholders approve the issue of 18,750,000 Shares and 250,000 Convertible Notes (on a post-Consolidation basis) to the HP Shareholders, which may result in the HP Shareholders' combined voting power in the Company increasing up to 27.8% (based on the proposed issue of Shares) and increasing up to 29.2% (based on conversion of their Convertible Notes);*

and otherwise on the terms and conditions set out in the Explanatory Statement.”

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. As Resolutions 1, 4, 5 and 11 are interconditional, a person whose votes are disregarded on Resolutions 4, 5 and 11 will have their votes on Resolution 1 disregarded.

2. RESOLUTION 2 – APPROVAL FOR THE ACQUISITION OF KEYGATE HOLDINGS PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolutions 1, 4, 5 and 11, and completion of the HP Acquisition in accordance with the terms of the HP Acquisition Agreement, for the purposes of:

- (a) ASX Listing Rule 11.1 and for all other purposes, Shareholders approve the acquisition by the Company (or its nominee) of all the issued capital in Keygate Holdings Pty Ltd (trading as 'Asia Escape Holidays') in accordance with the AE Acquisition Agreement and*

the performance by the Company of its obligations under the AE Acquisition Agreement; and

- (b) *ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10,000,000 Shares and 750,000 Convertible Notes (on a post-Consolidation basis) to the AE Shareholder (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. As Resolution 2 is conditional upon Resolutions 1, 4, 5 and 11 being passed, a person whose votes are disregarded on Resolutions 1, 4, 5 and 11 will have their votes on Resolution 2 disregarded.

3. RESOLUTION 3 – APPROVAL FOR THE ACQUISITION OF JAEGER HOLDINGS PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 1, 4, 5 and 11, and completion of the HP Acquisition in accordance with the terms of the HP Acquisition Agreement, for the purposes of:

- (a) *ASX Listing Rule 11.1 and for all other purposes, Shareholders approve the acquisition by the Company (or its nominee) of all the issued capital in Jaeger Holdings Pty Ltd (trading as 'Motive Travel') in accordance with the MT Acquisition Agreement and the performance by the Company of its obligations under the MT Acquisition Agreement; and*
- (b) *ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 5,000,000 Shares and 500,000 Convertible Notes (on a post-Consolidation basis) to the MT Shareholder (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. As Resolution 3 is conditional upon Resolutions 1, 4, 5 and 11 being passed, a person whose votes are disregarded on Resolutions 1, 4, 5 and 11 will have their votes on Resolution 3 disregarded.

4. RESOLUTION 4 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 1, 5 and 11, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) every 25 (twenty five) Shares be consolidated into 1 (one) Share; and*
- (b) all Options on issue be adjusted in accordance with ASX Listing Rule 7.22.1,*

and, where this Consolidation results in a fraction of either a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

Voting Exclusion: As Resolutions 1, 4, 5 and 11 are interconditional, a person whose votes are disregarded on Resolutions 1, 5 and 11 will have their votes on Resolution 4 disregarded.

5. RESOLUTION 5 – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 1, 4 and 11, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares and 12,500,000 Options (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. As Resolutions 1, 4, 5 and 11 are interconditional, a person whose votes are disregarded on Resolutions 1, 4 and 11 will have their votes on Resolution 5 disregarded.

6. RESOLUTION 6 – ISSUE OF BROKER OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 5,000,000 Broker Options (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – CHANGE OF COMPANY NAME

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

"That, subject to and conditional upon the passing of Resolutions 1, 4, 5, and 11, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to "Australian Travel Group Limited."

8. RESOLUTION 8 – ELECTION OF A DIRECTOR – ALAN DODSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 1, 4, 5 and 11, for the purposes of clause 36.3 of the Constitution and for all other purposes, Mr Alan Dodson is appointed as a Director of the Company, to take effect on and from (and subject to) the Settlement Date (as defined under the HP Acquisition Agreement)."

9. RESOLUTION 9 – ELECTION OF A DIRECTOR – MICHAEL CROY

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

"That, subject to and conditional upon the passing of Resolutions 1, 4, 5 and 11, for the purposes of clause 36.3 of the Constitution and for all other purposes, Mr Michael Croy is appointed as a Director of the Company, to take effect on and from (and subject to) the Settlement Date (as defined under the HP Acquisition Agreement)."

10. RESOLUTION 10 – ELECTION OF A DIRECTOR – MASON ADAMS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 1, 2, 4, 5 and 11, for the purposes of clause 36.3 of the Constitution and for all other purposes, Mr Mason Adams is appointed as a Director of the Company, to take effect on and from (and subject to) the Settlement Date (as defined under the AE Acquisition Agreement)."

11. RESOLUTION 11 – ISSUE OF PROMOTER SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of Resolutions 1, 4 and 5, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 300,000 Promoter Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need

not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides. As Resolutions 1, 4, 5 and 11 are interconditional, a person whose votes are disregarded on Resolutions 1, 4 and 5 will have their votes on Resolution 11 disregarded.

DATED: 17 OCTOBER 2014

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'R. Shaw', written over a horizontal line.

**DR RAYMOND SHAW
EXECUTIVE CHAIRMAN,
RED GUM RESOURCES LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. OVERVIEW OF CHANGE OF ACTIVITIES

1.1 Background

Red Gum Resources Ltd (**Red Gum** or the **Company**) is a public company listed on the official list of the ASX (ASX code: RGX) with a previous focus on exploration for base and precious metals in Peru and Chile. The Company was admitted to the official list of the ASX on 13 January 2012.

1.2 Background to Change in Nature and Scale of Activities

As previously announced on ASX, the Board had been identifying and assessing possible new opportunities for the Company as a priority, within the context of reviewing how to maximise the Company's return from its existing operations.

As originally announced on 4 June 2014, and subsequently elaborated on 17 June 2014 and 2 July 2014, the Company has entered into three separate share sale agreements with the shareholders of Holiday Planet Pty Ltd, Key Gate Holdings Pty Ltd (trading as "Asia Escape Holidays") and Jaecer Holdings Pty Ltd (trading as "Motive Travel") by which it could acquire 100% of their issued capital.

Holiday Planet, Asia Escape and Motive Travel are all Perth based and operate as online travel and holiday businesses that generate income through a wide range of distribution channels, involving both consumer and wholesale. They also possess intellectual property including a number of online domain names and extensive client and industry data bases. Holiday Planet has been in operation for 13 years, Asia Escape 16 years and Motive Travel 41 years, collectively they represent some 70 years of Western Australian based tourism operations.

Holiday Planet, Asia Escape and Motive Travel do not operate within the same field of business as the existing operations of the Company. However, together they provide an ideal platform for establishing an integrated online travel service, the Australian Travel Group, which, subject to shareholder approval and their acquisition, will become the largest independent leisure and tourism company of its type based in Western Australia. Further information relating to the current businesses of Holiday Planet, Asia Escape and Motive Travel are set out in Sections 1.3 to 1.5 below and a summary of the material terms of the three Agreements is set out in Section 1.8 of this Explanatory Statement.

This Notice for the Extraordinary General meeting contains details of each of the resolutions to be put to Shareholders. Of these, Resolutions 1 to 3 seek approval from Shareholders for a change in the nature and scale of Red Gum's existing activities to include leisure and travel agency services and acquisition of each of Holiday Planet, Asia Escape and Motive Travel.

The AE Acquisition Agreement and the MT Acquisition Agreement are conditional upon the Company successfully acquiring Holiday Planet. Unless this condition is waived, it is not possible for the AE Acquisition or the MT Acquisition to proceed without the Company successfully acquiring Holiday Planet. If the HP Acquisition is not successful, the Company will not proceed with the AE Acquisition or the MT Acquisition.

1.3 About Holiday Planet

Based in Perth Western Australia, Holiday Planet Pty Ltd (ACN 095 933 869) (**Holiday Planet**) is one of the largest privately owned online retail travel companies in Australia. Operating since 2001, Holiday Planet focuses on the higher margin leisure industry, and particularly the cruise leisure market in which it is recognised as one of a select number of Platinum Agents in Australia for Princess Cruises.

Managing Director Alan Dodson, Operations Director Mike Croy and senior management have overseen the growth of the company to staff levels in excess of 30 and annualised total transactional values exceeding \$34 million per annum for each of the past three financial years (2011, 2012 and 2013). Together with its sister brands – Cruise Planet, Flight Planet and Hotel Planet – Holiday Planet is now one of Australia's most diversified online retail travel groups, with specific sites across all key sectors of leisure travel including Holidays-Cruise-Flights-Hotels involving both online and offline functionality. Having more than 50,000 past customers, Holiday Planet has amassed a strategically valuable data base and networking platform. Utilisation of this has underpinned the very successful expansion of the business into the high end luxury brand retail travel sector, including Holiday Planet's launch of "The Luxury Collection" in late 2013.

1.4 About Asia Escape

Keygate Holdings Pty Ltd (ACN 088 941 682), trading as Asia Escape Holidays ("**Asia Escape**"), is one of Australia's largest privately owned independent travel wholesalers.

Based in Perth, Western Australia, Asia Escape has been operating for more than 15 years. With an annual total transactional value in excess of \$32 million (2013-2014 FY) Asia Escape has grown from a single destination, single airline wholesaler to its current position of offering accommodation and travel options to 10 countries throughout Asia and the Indian Ocean region, on all the main airlines servicing that region, plus 15 cruise companies operating out of that region's major tourist ports. Today Asia Escape sells its wholesale travel programme throughout Australia across a network of more than 3000 retail travel agents.

This strong distribution network has enabled Asia Escape to secure preferred distribution agreements with many of Australia's leading retail travel groups. Managed by Asia Escape's principal, Mr Mason Adams, the company has, during the past two years, significantly expanded its distribution footprint into the east coast market with its east-west coast distribution split having strengthened substantially during that period.

Geographically located in Perth and sharing the same key Asian time zone, its strong Asian product focus gives Asia Escape a significant natural advantage over many of its wholesale, and east coast based, competitors.

1.5 About Motive Travel

Motive Travel is the trading name for Jaecer Holdings Pty Ltd (ACN 009 411 036). Operating for more than 40 years, Motive Travel is one of Western Australia's oldest independent privately owned & operated travel agencies.

Established in 1973, Motive Travel has become one of the most respected travel agencies in the Western Australian travel industry, with George Michalczyk taking over the ownership in 1989.

George's relationship with Motive started some 27 years ago during the America's Cup which was held in Fremantle. In his younger days, George was a quality Australian Rules footballer representing East Perth, West Perth & WA. This fermented his passion to win & take Motive Travel to its now dominant position as a specialised travel service provider within WA for general retail, corporate, special interest, sporting & corporate incentive groups.

Motive Travel holds the coveted Qantas Platinum travel agent status. Motive Travel has a total staff of 22 including a team of 16 highly experienced, professionally trained, qualified & extremely dedicated travel consultants with a collective knowledge base of over 300 years consulting experience.

1.6 Business Plan and Strategy for the “Australian Travel Group”

It is the intention of Red Gum Resources Limited to acquire each of Holiday Planet, Asia Escape and Motive Travel in order to establish a strategically positioned online travel service, to be known in the future as the Australian Travel Group Limited (**ATG**). Initially focused in Western Australia, ATG intends to become a new force in the national Australian travel sector. By combining, optimizing and refining the assets, skills and specialisations of each of the three individual travel entities, ATG proposes to deliver enhanced revenue and profit streams, initially via economies of scale and operational efficiencies as part of its organic growth platform and, later as opportunities permit, through accretive acquisitions.

Merger and integration of these three entities will establish ATG's initial foothold on building a comprehensive integrated online tourism service across the wholesale sector (Asia Escape), retail sector (Holiday Planet) and group and convention and specialist tourism sector (Motive Travel), all of which will be managed by a team having a total of over 100 years of tourist industry experience. Combined, ATG will have a customer data base comprising in excess of 50,000 retail and 3,000 wholesale tourism agency contacts.

The key benefits expected from forming ATG can be summarised as follows:

Enhanced Growth Platform

- (a) The largest, independent, Western Australian based leisure and tourism entity involving both online and offline access.
- (b) Access to large retail data base to provide significant targeted marketing and cross-selling opportunities for the enhanced ATG product range.
- (c) Major technology and operating cost efficiencies involving new search engines expected to provide connectivity and integration of data base information between group entities, for seamless online booking for integrated packages involving cruise, flight, hotel and rental vehicle options.
- (d) Competitive advantage through optimal use of enlarged data base.

Expected Combinational Benefits upon Merger

- (a) Enhanced buying power with suppliers and key partners across the airline and cruise industry.
- (b) Significant improvement in operating margins through economies of scale.

- (c) Efficiency gains through increased scale, group integration, streamlined operations and expanded digital customer base.
- (d) Expanded balance sheet and growing profitability will provide more efficient future funding optionality.
- (e) ASX listing provides option to fund future activities using equity markets.

As a listed entity, ATG intends to deliver expanded wholesale, retail, group and convention tourism facilities via an integrated online travel services platform built around state of the art online technologies, including those embracing emerging mobile phone and tablet applications. Installation of new search engines will provide customer friendly access, for example to luxury product high-end cruise products, of which the Holiday Planet Group is already one of Australia's biggest cruise based tourism operators, and a new Seniors Site will cater for increasing numbers of retirees using online sites for tourism research.

1.7 New Board of Directors

In accordance with the terms of the Agreements, Alan Dodson will be appointed as Executive Chairman, Michael Croy, Operations Director and Mason Adams, Wholesale Travel Director, of the Australian Travel Group. The appointments will take place on and from Settlement.

Mr Alan Dodson

Mr Alan Dodson was founder of The Holiday Planet Group in May 2001. Mr Dodson has successfully guided that company since its inception and has spent in total more than 38 years in the travel industry, both in Australia and the United Kingdom. Mr Dodson's key responsibilities within the Australian Travel Group will include company development, finance and overall sales and marketing strategies. Upon listing it is proposed that Mr Dodson will become executive Chairman of ATG.

Mr Michael Croy

With over 30 years prior experience in the travel industry, Mr Michael Croy joined Holiday Planet in 2002. Mr Croy has extensive knowledge of international and domestic tourism markets, having served with Jetset Travel for some 20 years, including the latter 10 years of which he was WA State Manager. Mr Croy's current responsibilities at Holiday Planet include information technology management and recruitment in addition to the overall logistical and operational management. Upon listing it is proposed that Mr Croy will become an executive director of ATG responsible for group operations.

Mr Mason Adams

Mr Mason Adams joined Asia Escape Holidays shortly after its inception and has some 17 years of travel experience particularly in wholesale travel and leisure. Within Asia Escape Mr Adam's key responsibilities have included overall management of that company's wholesale distribution channels, marketing and promotion. Asia Escape's wholesale reach has grown from 85 agents to over 3,000 travel agents throughout Australia. Following acquisition of Asia Escape, and

upon listing, Mr Adams will become an executive director of ATG responsible for group wholesale activities.

Ms Jennifer Tobin

Ms Jennifer Tobin is currently a non-executive director of Red Gum Resources Limited. Ms Tobin is a partner with the law firm Minter Ellison, having 20 years' experience in corporate law and mining, oil and gas law. Her specialities are in corporate law (mergers and acquisitions, corporate governance, ASX compliance, IPOs and other capital raisings, risk management and general commercial matters).

Her corporate experience includes a broad range of commercial and resources projects, including advising on major projects, international transactions and foreign investment, capital raisings, and acquisition of companies and businesses. Ms Tobin has also been a director of a number of public companies and is familiar with corporate governance issues.

In 2013, she was selected as one of Australia's 'Best Lawyers' for Corporate/Governance and Oil & Gas. Ms Tobin holds LL.B and B.A. degrees from the University of Adelaide, and is a member of AICD, the Corporations Committee of the Business Law Section of the Law Council of Australia and the SA Branch of the Resources and Energy Law Association (AMPLA).

Upon reinstatement, Ms Tobin will remain on the Board as an independent, non-executive, director of ATG.

In accordance with the terms of the Agreements, both Dr Raymond Shaw and Mr Edwin Bulseco will resign at Settlement.

1.8 Key terms of the Agreements

The Company has entered into the Agreements with each of the shareholders of Holiday Planet, Asia Escape and Motive Travel to acquire 100% of the issued share capital of Holiday Planet, Asia Escape and Motive Travel, subject to the satisfaction of certain conditions in accordance with each Agreement.

The terms of the HP Acquisition Agreement, AE Acquisition Agreement and MT Acquisition Agreement are predominantly the same with any material differences noted below. The key terms of the Agreements are as follows:

Conditions Precedent

The Acquisitions are subject to (amongst other things) the satisfaction or waiver by the parties of the following conditions precedent:

- (a) the AE Acquisition and MT Acquisition are conditional upon final settlement of the HP Acquisition;
- (b) completion of due diligence by Red Gum on Holiday Planet, Asia Escape and Motive Travel satisfactory to Red Gum, under each respective Agreement;
- (c) completion of due diligence by the HP Shareholders, AE Shareholder and MT Shareholder on Red Gum to their respective satisfaction under each respective Agreement;

- (d) the HP Acquisition is conditional upon negotiation, execution and delivery of a mutually acceptable binding services agreement between Red Gum and each of Alan Dodson and Michael Croy, with each service agreement being conditional upon settlement of the HP Acquisition;
- (e) the AE Acquisition is conditional upon negotiation, execution and delivery of a mutually acceptable binding services agreement between Red Gum and Mason Adams, the service agreement being conditional upon settlement of the AE Acquisition;
- (f) the MT Acquisition is conditional upon negotiation, execution and delivery of a mutually acceptable binding services agreement between Red Gum and George Michalczyk, the service agreement being conditional upon settlement of the MT Acquisition;
- (g) Shareholder approval of:
 - (i) a change in the nature and/or scale of Red Gum's activities in accordance with ASX Listing Rule 11.1 (Resolution 1);
 - (ii) 18,750,000 Shares and 250,000 Convertible Notes (under the HP Acquisition Agreement), the issue of 10,000,000 Shares and 750,000 Convertible Notes (under the AE Acquisition Agreement), and 5,000,000 Shares and 500,000 Convertible Notes (under the MT Acquisition Agreement) on a post-consolidation basis (Resolutions 1 to 3);
 - (iii) the Consolidation (Resolution 4);
 - (iv) the change of name of Red Gum to 'Australian Travel Group Limited' (Resolution 7) (however the HP Shareholders have since agreed with Red Gum that while Red Gum will seek approval for this change of name, the HP Acquisition is not conditional on this change of name); and
 - (v) the allotment and issue of the 300,000 Promoter Shares on a post-Consolidation basis (Resolution 11).
- (h) Red Gum complying with any requirements of ASX including, if necessary, receiving conditional approval to have its shares re-admitted to trading on the Official List of ASX and those conditions being satisfied to the reasonable satisfaction of the Parties (as required by ASX Listing Rule 11.1.3);
- (i) Red Gum preparing and lodging a prospectus for the Capital Raising with the ASIC and receiving applications to meet the minimum subscription under the Capital Raising of not less than \$3,000,000;
- (j) the HP Shareholders being satisfied, acting reasonably, with the pro forma financial position and capital structure of Red Gum after Settlement (**Settlement**) and completion of the Capital Raising;
- (k) Red Gum not issuing, or agreeing to issue, additional Options in excess of those contemplated pursuant to the Acquisitions; and
- (l) the AE Acquisition is conditional upon Asia Escape having not less than \$125,000 in immediately available funds at Settlement, and both the AE Acquisition and MT Acquisition are conditional upon Asia Escape and

Motive Travel having no material outstanding indebtedness or other liabilities.

Consideration

In exchange for the Company acquiring 100% of the issued share capital in Holiday Planet, Asia Escape and Motive Travel, the Company will, subject to Shareholder approval, provide the following consideration:

- (a) 18,750,000 Shares, 250,000 Convertible Notes and \$750,000 in cash to be provided to the HP Shareholders (or their nominees) at Settlement in proportion to their respective share holdings in Holiday Planet;
- (b) 10,000,000 Shares, 750,000 Convertible Notes and \$750,000 in cash to be provided to the AE Shareholder (or its nominee) at Settlement; and
- (c) 5,000,000 Shares, 500,000 Convertible Notes and \$500,000 in cash to be provided to the MT Shareholder (or its nominee) at Settlement.

The Shares and Convertible Notes issued to the HP Shareholders, AE Shareholder and MT Shareholder may be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules. Further detail on the proposed escrow restrictions will be set out in the upcoming prospectus.

Each Convertible Note has a face value of \$1.00 and converts at a conversion price of \$0.20. Accordingly, each Convertible Note converts into 5 Shares. Full terms and conditions of the Convertible Notes are set out in Schedule 3.

In addition to a change in nature and scale, Resolutions 1 to 3 seek Shareholder approval for the Company to issue the above mentioned Consideration Shares and Convertible Notes to the respective shareholders of Holiday Planet, Asia Escape and Motive Travel.

Resolution 1 seeks approval under section 611 (item 7) for the HP Shareholders to acquire a collective voting power in the Company's Shares of up to 27.8% (and on conversion of their Convertible Notes, up to approximately 29.2%).

Resolutions 2 and 3 seek approval under ASX Listing Rule 7.1 for the Company to issue the 10,000,000 Shares and 750,000 Convertible Notes to the AE Shareholder and 5,000,000 Shares and 500,000 Convertible Notes to the MT Shareholder.

Please note that all securities relating to the Acquisitions will not be issued until the Company has satisfied the various conditions precedent contained in the various agreements, which includes receiving conditional approval to have its shares re-admitted to trading on the Official List of ASX.

Consolidation of Capital

As required by the ASX Listing Rules, the Company will undertake a consolidation of its issued capital (**Consolidation**) on the basis of:

- (a) one (1) Share for every twenty-five (25) Shares held; and
- (b) one (1) Option for every twenty-five (25) Options held.

Shareholder approval for the Consolidation is the subject of Resolution 4.

Capital Raising

In order to fund the Acquisitions, to re-comply with Chapters 1 and 2 of the ASX Listing Rules and meet the conditions of the Agreements, the Company will conduct the Capital Raising to raise at least \$3,000,000 (before costs) at an issue price of \$0.20 (following the Consolidation as defined above), with oversubscriptions of up to a further \$2,000,000 (before costs) for a maximum raising of \$5,000,000. The Capital Raising will be conducted under a full form prospectus to be prepared by Red Gum.

Approval for the issue of Shares and Options pursuant to the Capital Raising is the subject of Resolution 5.

Change of Name

As a result of the Acquisitions, the Company proposes to change its name to "Australian Travel Group Limited". Approval for the change of name is the subject of Resolution 7.

2. RESOLUTION 1 – APPROVAL OF ACQUISITION OF HOLIDAY PLANET

2.1 General

Resolution 1 seeks the approval of Shareholders for the HP Acquisition, which will result in a change in the nature and scale of the Company's activities. Resolution 1 also seeks approval for the issue of:

- (a) 18,750,000 Shares to the HP Shareholders (**Consideration Shares**), and for the HP Shareholders to collectively acquire a deemed relevant interest in the Company of up to 27.8%; and
- (b) 250,000 Convertible Notes to the HP Shareholders (which on conversion will increase their deemed relevant interest to approximately 29.2%).

As outlined in Section 1 of this Explanatory Statement, the Company has entered into the Agreements with Holiday Planet, Asia Escape and Motive Travel to acquire 100% of the issued share capitals of each of Holiday Planet, Asia Escape and Motive Travel.

A detailed description of the proposed acquisition of Holiday Planet is outlined in Section 1 above.

Resolution 1 is conditional on Shareholders approving Resolutions 4, 5 and 11.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and

- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that, given the significant change in the nature and scale of the activities of the Company upon completion of the Acquisitions, it requires the Company to:

- (a) obtain the approval of its Shareholders for the proposed change of activities; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2 and pursuant to ASX Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Details of Holiday Planet's assets and the proposed changes to the structure and operations of the Company are set out throughout this Explanatory Statement.

2.3 ASX Listing Rule 7.1

ASX Listing Rule 7.2 (Exception 16) provides an exception to Listing Rule 7.1 whereby if Shareholder approval is obtained under Item 7 of Section 611 of the Corporations Act (that is, approval for the issue of the Consideration Shares and Convertible Notes), then separate shareholder approval under Listing Rule 7.1 is not required.

Accordingly, if Shareholders approve Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval. The Company's current approval under ASX Listing Rule 7.1A will expire upon Shareholders approving the Acquisitions under ASX Listing Rule 11.1.2. The Company will not be able to obtain Shareholder approval for an additional 10% under ASX Listing Rule 7.1A until the Company's next annual general meeting.

2.4 ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act

Alan Dodson and Michael Croy are related parties of the Company by virtue of being proposed Directors of the Company. Under ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act an entity is required to obtain Shareholder approval (under the relevant regulations) if it issues or agrees to issue securities to a related party, or if it gives a financial benefit to the related party.

The issue of the Consideration Shares and Convertible Notes to Alan Dodson and Michael Croy pursuant to the HP Acquisition Agreement constitutes the issuing of equity securities, and the giving of a financial benefit. Due to exception 6 of ASX Listing Rule 10.11, Shareholder approval is not required because Alan Dodson and Michael Croy are only related parties by virtue of the transaction which is the reason for the issue of the Consideration Shares and Convertible Notes. Furthermore, the current Directors (who do not have a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the AE Acquisition was negotiated on arm's length terms.

2.5 Item 7 of Section 611 of the Corporations Act

Resolution 1 also seeks Shareholder approval, for the purpose of Item 7 of Section 611 of the Corporations Act, to allow the Company to issue the Consideration Shares to the HP Shareholders, which will result in the HP Shareholders' deemed voting power in the Company increasing to up to 27.8% and on conversion of the Convertible Notes to be issued to the HP Shareholders, up to approximately 29.2%.

(a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

(b) Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) HP Shareholders' (and their associates) entitlements in the Company

The HP Shareholders do not currently hold any securities in the Company.

Following Settlement of the HP Acquisition (and allowing for the proposed acquisitions of Asia Escape and Motive Travel), each HP Shareholder's respective holding in securities and resulting voting power in the Company (together with their associates) is as follows:

HP Shareholders	Shares	Convertible Notes	Voting Power assuming HP Acquisition only	Voting Power assuming HP & MT (but no AE)	Voting Power assuming HP & AE (but no MT)	Voting Power assuming HP, AE & MT Acquisitions
Alan and Yvonne Dodson	10,312,500	137,500	15.31%	14.26%	13.33%	12.52%
Michael and Kerry Croy	6,075,000	81,000	9.02%	8.40%	7.85%	7.37%
Graham Lorrigan	2,362,500	31,500	3.51%	3.26%	3.05%	2.87%
TOTAL	18,750,000	250,000	27.8%	25.9%	24.2%	22.7%

Notes:

- 1 This table assumes that only the minimum subscription is raised under the Capital Raising (\$3,000,000) and no Convertible Notes have been converted. If more than the minimum subscription is raised under the Capital Raising, the potential voting power of the HP Shareholders (and their associates) will be reduced.

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;

- (ii) a body corporate that the person controls.

No associates of any of the HP Shareholders currently have or will have a relevant interest in the Company.

(f) **Control**

The Corporations Act defines “control” and “relevant agreement” very broadly as follows:

- (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company.
- (ii) Under section 9 of the Corporations Act, a relevant agreement includes an agreement, arrangement or understanding whether written or oral, formal or informal and whether or not having legal or equitable force.

(g) **Agreements and options in relation to shares**

Section 608(8) of the Corporations Act states that if at a particular time all the following conditions are satisfied:

- (i) a person has a relevant interest in issued securities;
- (ii) the person (whether before or after acquiring the relevant interest);
 - (A) has entered or enters into an agreement with another person with respect to the securities; or
 - (B) has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities (whether the right is enforceable presently or in the future and whether or not on the fulfilment of a condition); or
 - (C) has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities;
- (iii) the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised,

the other person is taken to already have a relevant interest in the securities.

(h) **Effect of section 608(8) on the HP Acquisition**

The effect of section 608(8) on the HP Acquisition is that each HP Shareholder will be deemed to have acquired a relevant interest in each other's Shares (and those Shares on conversion of the Convertible Notes). That is, the HP Shareholders are deemed associates of each other for the purposes of the HP Acquisition only.

2.6 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Accordingly, this Resolution 1 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the Consideration Shares and Convertible Notes to the HP Shareholders.

2.7 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RM Capital Pty Ltd annexed to this Explanatory Statement.

(a) Identity of the Acquirer

It is proposed that the HP Shareholders will be issued the Consideration Shares and Convertible Notes in accordance with the terms of the HP Acquisition Agreement as set out in Section 1.5 of this Explanatory Memorandum.

(b) Relevant Interest and Voting Power

(i) Relevant Interest – Undiluted Basis

The relevant interests of the HP Shareholders (and their associates) in voting Shares in the capital of the Company (both current, and following Settlement) on an undiluted basis are set out in the table below:

Party	Relevant Interest at the date of this Notice	Relevant Interest after Settlement of the HP Acquisition only	Relevant Interest after Settlement of the HP & AE Acquisitions (no MT)	Relevant Interest after Settlement of the HP & MT Acquisitions (no AE)	Relevant Interest after Settlement of the HP, AE & MT Acquisitions
Alan and Yvonne Dodson	-	10,312,500	10,312,500	10,312,500	10,312,500
Michael and Kerry Croy	-	6,075,000	6,075,000	6,075,000	6,075,000
Graham Lorrigan	-	2,362,500	2,362,500	2,362,500	2,362,500
TOTAL	Nil	18,750,000	18,750,000	18,750,000	18,750,000

Notes:

1 This table assumes the minimum subscription is raised under the Capital Raising (\$3,000,000) and that no Convertible Notes have been converted.

The HP Shareholders do not have any contract, arrangement or understanding relating to the controlling or influencing of the

composition of the Company's board or the conduct of the Company's affairs, other than the HP Acquisition Agreement, nor are any of those persons proposing to act in concert in relation to the Company's affairs.

The HP Acquisition Agreement is the only relevant agreement between the Company and the HP Shareholders in relation to the Company and this does not affect or relate to the control or influence of the Company's board or the Company's affairs.

(ii) **Voting Power – Undiluted Basis**

The voting power of each HP Shareholder (and their associates) (being the current voting power, the voting power following the issue of the Consideration Shares, and settlement of the MT Acquisition and AE Acquisition) is set out in the table below:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power assuming HP Acquisition only	Voting Power assuming HP & MT (but no AE)	Voting Power assuming HP & AE (but no MT)	Voting Power assuming HP, AE & MT Acquisitions
Alan and Yvonne Dodson	0%	15.31%	14.26%	13.33%	12.52%
Michael and Kerry Croy	0%	9.02%	8.40%	7.85%	7.37%
Graham Lorrigan	0%	3.51%	3.26%	3.05%	2.87%
TOTAL	0%	27.8%	25.9%	24.2%	22.7%

Notes:

- 1 This table assumes the minimum subscription is raised under the Capital Raising (\$3,000,000) and that no Convertible Notes have been converted.

Further details on the voting power of each HP Shareholder are set out in the Independent Expert's Report prepared by RM Capital Pty Ltd.

From the above table it can be seen that:

- (A) The maximum relevant interest that Alan and Yvonne Dodson will hold after Settlement is 10,312,500 Shares, and the maximum voting power that Alan and Yvonne Dodson will hold is 15.31%.
- (B) The maximum relevant interest that Michael and Kerry Croy will hold after Settlement is 6,075,000 Shares, and the maximum voting power that Michael and Kerry Croy will hold is 9.02%.
- (C) The maximum relevant interest that Graham Lorrigan will hold after Settlement is 2,362,500 Shares, and the maximum voting power that Graham Lorrigan will hold is 3.51%.

(iii) **Assumptions**

Note that the following assumptions have been made in calculating the relevant interest and voting power of the HP Shareholders for the purposes of the above two tables (assuming only the minimum subscription is raised (\$3,000,000)):

- (A) the Company has 82,330,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the Acquisitions (this figure assumes all securities are issued pursuant to this Notice of Meeting);
- (B) the Company has 77,330,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the HP Acquisition and the AE Acquisition, but not the MT Acquisition (this figure assumes all securities are issued pursuant this Notice of Meeting other than the Shares under Resolution 3);
- (C) the Company has 72,330,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the HP Acquisition and the MT Acquisition, but not the AE Acquisition (this figure assumes all securities are issued pursuant this Notice of Meeting other than the Shares under Resolution 2);
- (D) the Company has 67,330,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the HP Acquisition but not the AE Acquisition or the MT Acquisition (this figure assumes all securities are issued pursuant this Notice of Meeting other than the Shares under Resolutions 2 & 3);
- (E) the Company does not issue any additional Shares;
- (F) no existing Options are exercised and no Convertible Notes are converted; and
- (G) the HP Shareholders do not acquire any additional Shares.

(iv) **Relevant Interest – Fully Diluted Basis**

The relevant interests of the HP Shareholders (and their associates) in voting Shares in the capital of the Company (both current, and following Settlement) on a fully diluted basis are set out in the table below:

Party	Relevant Interest at the date of this Notice	Relevant Interest after Settlement of the HP Acquisition only	Relevant Interest after Settlement of the HP & AE Acquisitions (no MT)	Relevant Interest after Settlement of the HP & MT Acquisitions (no AE)	Relevant Interest after Settlement of the HP, AE & MT Acquisitions
Alan and Yvonne Dodson	-	11,000,000	11,000,000	11,000,000	11,000,000
Michael and Kerry Croy	-	6,480,000	6,480,000	6,480,000	6,480,000
Graham Lorrigan	-	2,520,000	2,520,000	2,520,000	2,520,000
TOTAL	Nil	20,000,000	20,000,000	20,000,000	20,000,000

Notes:

- 1 This table assumes the minimum subscription is raised under the Capital Raising (\$3,000,000) and that the HP Shareholders have converted their Convertible Notes.
- 2 Each Convertible Note will convert into five (5) Shares each (based on a conversion price of \$0.20).

The HP Shareholders do not have any contract, arrangement or understanding relating to the controlling or influencing of the composition of the Company's board or the conduct of the Company's affairs, other than the HP Acquisition Agreement, nor are any of those persons proposing to act in concert in relation to the Company's affairs.

The HP Acquisition Agreement is the only relevant agreement between the Company and the HP Shareholders in relation to the Company and this does not affect or relate to the control or influence of the Company's board or the Company's affairs.

(v) **Voting Power – Fully Diluted Basis**

The voting power of each HP Shareholder (and their associates) (being the current voting power, the voting power following the issue of the Consideration Shares and conversion of the HP Shareholders' Convertible Notes, and settlement of the MT Acquisition and AE Acquisition) is set out in the table below:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power assuming HP Acquisition only	Voting Power assuming HP & MT (but no AE)	Voting Power assuming HP & AE (but no MT)	Voting Power assuming HP, AE & MT Acquisitions
Alan and Yvonne Dodson	0%	16.04%	14.95%	14%	13.2%
Michael and Kerry Croy	0%	9.45%	8.81%	8.25%	7.75%
Graham Lorrigan	0%	3.70%	3.42%	3.21%	3.02%

Party	Voting Power as at the date of this Notice of Meeting	Voting Power assuming HP Acquisition only	Voting Power assuming HP & MT (but no AE)	Voting Power assuming HP & AE (but no MT)	Voting Power assuming HP, AE & MT Acquisitions
TOTAL	0%	29.2%	27.2%	25.5%	24%

Notes:

- 1 This table assumes the minimum subscription is raised under the Capital Raising (\$3,000,000) and that the HP Shareholders have converted their Convertible Notes.

Further details on the voting power of each HP Shareholder are set out in the Independent Expert's Report prepared by RM Capital Pty Ltd.

From the above table it can be seen that:

- (A) The maximum relevant interest that Alan and Yvonne Dodson will hold after Settlement (on the basis that their Convertible Notes have been converted) is 11,000,000 Shares, and the maximum voting power that Alan and Yvonne Dodson will hold is 16.04%.
- (B) The maximum relevant interest that Michael and Kerry Croy will hold after Settlement (on the basis that their Convertible Notes have been converted) is 6,480,000 Shares, and the maximum voting power that Michael and Kerry Croy will hold is 9.45%.
- (C) The maximum relevant interest that Graham Lorrigan will hold after Settlement (on the basis that his Convertible Notes have been converted) is 2,520,000 Shares, and the maximum voting power that Graham Lorrigan will hold is 3.70%.

(vi) **Assumptions**

Note that the following assumptions have been made in calculating the relevant interest and voting power of the HP Shareholders for the purposes of the above two tables (assuming only the minimum subscription is raised (\$3,000,000)):

- (A) the Company has 83,580,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the Acquisitions (this figure assumes all securities are issued pursuant to this Notice of Meeting and the HP Shareholders have converted their Convertible Notes);
- (B) the Company has 78,580,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the HP Acquisition and the AE Acquisition, but not the MT Acquisition (this figure assumes all securities are issued pursuant this Notice of Meeting other than the Shares under Resolution 3 and the HP Shareholders have converted their Convertible Notes);
- (C) the Company has 73,580,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the HP

Acquisition and the MT Acquisition, but not the AE Acquisition (this figure assumes all securities are issued pursuant this Notice of Meeting other than the Shares under Resolution 2 and the HP Shareholders have converted their Convertible Notes);

- (D) the Company has 68,580,000 Shares on issue (on a post-Consolidation basis) upon Settlement of the HP Acquisition but not the AE Acquisition or the MT Acquisition (this figure assumes all securities are issued pursuant this Notice of Meeting other than the Shares under Resolutions 2 & 3 and the HP Shareholders have converted their Convertible Notes);
- (E) the Company does not issue any additional Shares;
- (F) no existing Options are exercised;
- (G) no Convertible Notes (other than those to be issued to the HP Shareholders) are converted; and
- (H) the HP Shareholders do not acquire any additional Shares.

(c) **Reasons for the proposed issue of securities**

As set out in Section 2.1 of this Explanatory Statement, the reason for the issue of the Consideration Shares and Convertible Notes to the HP Shareholders is to provide the HP Shareholders with partial consideration in satisfaction of the HP Acquisition.

(d) **Date of proposed issue of securities**

The Consideration Shares and Convertible Notes the subject of this Resolution 1 will be issued on completion of the HP Acquisition.

(e) **Material terms of proposed issue of securities**

As set out in section 2.1 of this Explanatory Statement the Company is proposing to issue 18,750,000 Shares and 250,000 Convertible Notes to the HP Shareholders in partial consideration for the HP Acquisition.

(f) **The HP Shareholders' Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the HP Shareholders:

- (i) have no present intention of making changes to the business of the Company;
- (ii) do not intend to redeploy any fixed assets of the Company;
- (iii) do not intend to transfer any property between the Company and the HP Shareholders or any of their associates;
- (iv) have no intention to change the Company's existing policies in relation to financial matters or dividends other than outlined herein; and

- (v) intend to appoint Mr Alan Dodson and Mr Michael Croy to the Board, as outlined in section 2.6(g) below.

These intentions are based on information concerning the Company, its business and the business environment which is known to the HP Shareholders at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Identity, associations and qualifications of Nominee Director**

In accordance with the terms of the Agreement, and subject to the passing of Resolutions 8 and 9, Mr Alan Dodson will be appointed as Executive Chairman and Mr Michael Croy as Operations Director with effect from Settlement.

Further details are provided at Section 1.7.

Neither Mr Dodson or Mr Croy nor any of their associates currently holds or has a relevant interest in any Shares or Options in the Company.

(h) **Capital Structure**

The capital structure of the Company will not be affected by the issue of the Shares and Convertible Notes pursuant to Resolution 1 other than as noted in Section 5.6 of this Explanatory Statement.

2.8 Advantages of the Acquisitions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote in relation to the Acquisitions:

- (a) each of Holiday Planet, Asia Escape and Motive Travel are existing, long standing, profitable businesses operating in the leisure and tourism industry which upon acquisition and merger provide a sizeable and potentially more profitable consolidated business entity – to be known as the Australian Travel Group Limited (**ATG**);
- (b) between the existing HP Shareholders, MT Shareholder and AE Shareholder there are individuals that have specific expertise which will assist ATG by providing an experienced and proven management team, new projects, with the core objective to increase Shareholder value;
- (c) the HP Acquisition is expected to deliver to the proposed ATG a strong retail leisure and tourism component, Holiday Planet being one of Australia's most diversified online retail travel groups, with specific sites across all key sectors of leisure travel including Holidays-Cruise-Flights-Hotels involving both online and offline functionality. Its current customer data base exceeds over 50,000 retail contacts and it has a total transactional value (TTV) in excess of \$34 million for the 2014 FY;
- (d) the AE Acquisition is expected to deliver to the proposed ATG a strong wholesale leisure and tourism component, Asia Escape being one of

Australia's largest privately owned independent travel wholesalers. As an airline and accommodation wholesaler to 10 countries throughout the Asia and Indian Ocean region, Asia Escape sells its wholesale travel programme throughout Australia over a network of more than 3000 retail travel agents;

- (e) the MT Acquisition is expected to deliver to the proposed ATG one of the most respected agencies in the Western Australian travel industry with a dominant position as a specialised travel service provider for corporate groups, sporting events, packages and conferences and event management;
- (f) Motive Travel is an affiliate member of the Helloworld Group and holds the coveted Qantas Platinum travel agent status. Motive Travel now has a total staff of 22 including a team of 16 very experienced, professionally trained and qualified travel consultants.
- (g) collectively, the merger of these three entities into the Australian Travel Group is expected to provide an enhanced growth platform as follows:
 - (i) Establishing the largest, independent, Western Australian based leisure and tourism entity involving both online and offline access.
 - (ii) Access to large retail data base to provide significant targeted marketing and cross-selling opportunities for the enhanced ATG product range.
 - (iii) Major technology and operating cost efficiencies involving new search engines that is expected to provide connectivity and integration of data base information between group entities for seamless online booking for integrated packages involving cruise, flight, hotel and rental vehicle options.
 - (iv) Competitive advantage through optimal use of enlarged data base.
- (h) collectively, the merger of these three entities into the Australian Travel Group is expected to provide significant benefits:
 - (i) Enhanced buying power with suppliers and key partners across the airline and cruise industry.
 - (ii) Significant improvement in operating margins through economies of scale.
 - (iii) Efficiency gains through increased scale, group integration, streamlined operations and expanded digital customer base.
 - (iv) Expanded balance sheet and growing profitability will provide more efficient future funding optionality.
 - (v) ASX listing provides option to fund future activities using equity markets.

2.9 Disadvantages of the Acquisitions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote in relation to the Acquisitions:

- (a) Comparative opportunity costs associated with the Company being offered a more attractive acquisition by not acquiring Holiday Planet, Asia Escape or Motive Travel;
- (b) the issue of the Consideration Shares to the HP Shareholders may result in them having voting power of up to approximately 27.8%, reducing the voting power of non-associated Shareholders in aggregate from 100% to 72.2% (assuming the AE Acquisition and MT Acquisition are not completed) and on the basis that the Convertible Notes are issued and subsequently converted by the HP Shareholders, increasing their voting power up to 29.2% (reducing the voting power of non-associated Shareholders in aggregate from 100% to 70.8%, assuming the AE Acquisition and MT Acquisition are not completed);
- (c) there is no guarantee of the market value of the Company's Shares upon completion of the Acquisitions; and
- (d) the Acquisitions constitute a significant change in the nature and scale of the Company's activities, and will expose shareholders to risks associated with the leisure and tourism industry, and potential business combination/merger risks, in addition to its current mining industry risks until any decision is made for the divestment and/or disposal of the Company's current mineral assets.

2.10 Key Risk Factors

Below is a list of the key risk factors which will be faced by the Company upon completion of the Acquisitions.

Company Specific Risks

(a) Conditions of the Acquisitions and re-quotations of securities on ASX

The Acquisitions are dependent upon a number of conditions, which include (but are not limited to) completion of the Capital Raising, re-compliance with Chapters 1 and 2 of the ASX Listing Rules, and Shareholder approval and completion of a number of Resolutions under this Notice. Further conditions of the Acquisitions are detailed at Section 1.8.

As the HP Acquisition constitutes a significant change in the nature and scale of the Company's activities, the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Trading in the Company's securities will be suspended following the General Meeting and will continue to be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. If successful, it is anticipated that this will occur on or around mid-November 2014 which is anticipated by the Company to be when the issue of Shares under the Capital Raising is completed.

If the resolutions at the General Meeting are not approved, the Company will continue with its existing portfolio of assets whilst seeking out new opportunities and investments.

(b) Achievement of objective / funding risk

The ultimate success and financial viability of the Company depends on the successful completion of the Acquisitions (or any alternative transaction) and on the continuing management of the new business, plus to a lesser extent, on realising sufficient value for its existing projects if divested. The Company cannot guarantee that the Company's current projects or any new opportunities, following completion of the Acquisitions, can be profitably exploited and/or divested, where appropriate.

The Company may not be successful in either realising sufficient value for its existing projects if divested or disposed of, or in satisfactorily completing the Acquisitions. Full details of the Acquisitions will be provided to investors in a prospectus to be released at a future date.

The raising of additional funds, particularly via the Capital Raising to enable completion of the Acquisitions, may not be possible or not on sufficiently acceptable terms. No assurance can be given that future funding will be available to the Company on favourable terms, or at all. There is a risk that the Company may not be able to complete the Acquisitions or Capital Raising which may result in the Company's securities not being re-listed on ASX.

Travel Specific Risks

(c) Operating risks

The Company has entered into the Agreements to acquire Holiday Planet, Asia Escape and Motive Travel. If the Acquisitions are completed, the Company's main business will be that of an online tourism company. The prospects of the Company must be considered in light of the future demand for tourism services, which depends on a wide variety of matters applying to international and domestic customers. International customer demand can be affected by the strength of the Australian dollar against the destination currency and the cost of international travel. Customer demand for Australian domestic travel can be affected by many factors, including the level of disposable income of Australian consumers, the strength of the Australian economy, taxation, cost of living expenses, the price of motor fuel and the opportunity cost of alternate travel experiences.

Holiday Planet, Asia Escape and Motive Travel provide and maintain internet travel platforms. Such operations are the subject of a number of specific risks and hazards including operational and technical difficulties encountered in booking travel and holidays, hardware malfunctions, overloading of the computing system, deliberate and unauthorised attacks on the system, difficulties in commissioning and operating information technology, violation or infringement of trademarks and intellectual property rights, industrial disputes, and unexpected shortages or increases in the costs of information technology, hotels, air fares and cruises. Should the Company complete the Acquisitions then the occurrence of any of these risks could have an adverse effect on the Company's financial position and performance. Any damage sustained

to third parties as a result of such events may also give rise to claims or actions against the Company. Internet based operations are generally considered high-risk undertakings.

On completion of the Acquisitions the Company's business plan will be radically changed and this is likely to require significant expenditure, particularly on information technology during the transition phase. The integration of Holiday Planet, Asia Escape and Motive Travel may take longer than anticipated and the expected synergies and savings resulting from the integration of the businesses may not eventuate or may be less than anticipated. Profit from the Company's proposed internet travel and leisure business will be dependent upon the successful generation of revenue from the Company's relevant projects following completion of the Acquisitions.

(d) **Competition**

The online travel industry is highly competitive. Holiday Planet's, Asia Escape's and Motive Travel's competitors range from accommodation only sites through to websites that offer other travel products and services such as air travel, car rental and package tours. Holiday Planet's, Asia Escape's and Motive Travel's financial performances and operating margins could be adversely affected if existing competitors engage in more aggressive marketing or predatory pricing behaviour, or if new competitors enter the market.

(e) **Supplier relationships**

A key element of Holiday Planet's, Asia Escape's and Motive Travel's current business models is the strength of the relationships they have established with their accommodation, airline, shipping and holiday package suppliers. The retention of these existing suppliers, and the sourcing of new suppliers, underpins the success of ATG's business model going forward.

Factors that reduce the willingness of suppliers to use Holiday Planet, Motive Travel or Asia Escape, post-Acquisition, constitute a key risk to the future Company's prospects within the leisure and tourism industry. These factors may relate to the increased activity of ATG's competitors (as described above) or be driven by the actions of the supplier directly. For example, accommodation suppliers may establish their own online booking capabilities and look to use these facilities rather than maintain historical arrangements with either Holiday Planet, Motive Travel or Asia Escape.

(f) **Downturn in the travel industry**

The performance of ATG will be influenced by the performance of the overall travel industry. The travel industry is heavily influenced by the general condition of the Australian economy, which by its nature is cyclical and subject to change. A reduction in the level of economic activity in ATG's key markets will reduce the total level of turnover in the travel industry and in turn have a negative impact on the total bookings made through the Company.

(g) **Customer service and professional reputation**

Holiday Planet, Motive Travel and Asia Escape are currently, and ATG will be, a customer service reliant business. Customer service reliant entities are dependent upon customer satisfaction and loyalty, as well as reputation and branding.

Any diminution in customer sentiment towards Holiday Planet, Motive Travel or Asia Escape in its merged form may have an adverse impact on the future financial performance of ATG. Any unforeseen issues or events which place Holiday Planet's, Motive Travel's and Asia Escape's current reputations at risk may also impact on ATG's future growth and profitability. Many of Holiday Planet's, Motive Travel's and Asia Escape's current customers have been currently obtained by referrals from existing customers. Any factors that diminish Holiday Planet's, Motive Travel's or Asia Escape's reputations, or that of any of its personnel, could have an adverse effect on the future business plans of ATG.

(h) **Security**

As with all e-commerce businesses ATG will be heavily reliant on the security of its websites and associated payment systems to ensure that customers are confident of transacting online. Breaches of security could impact customer satisfaction and confidence in the Company and therefore could impact on its overall financial.

(i) **Management Experience and Limited History**

The Company's current Directors and management team have significant experience in the resources industry and specialist management, financial services and legal expertise. However, they have no direct experience in the internet travel and leisure industry.

It is proposed that upon completion of the HP Acquisition at least two of the principals of Holiday Planet will join the Board and upon completion of the AE Acquisition at least one of the principals of Asia Escape will join the Board. These individuals have significant experience in the internet travel and leisure industry. ATG is dependent on its Directors' and managers' abilities to implement its overall strategy. Failure to establish a sufficiently experienced Board and/or untimely departure of Directors or senior management could adversely affect ATG's ability to implement its strategy, including implementation of its new proposed integrated online travel services within the leisure and tourism industry.

Currently the Company has no operating history in the internet leisure and tourism industry and accordingly no meaningful historical financial information or track record in that field (however the target entities do). The Company's prospects must be considered in light of the risks, expenses and difficulties encountered by companies with assets in the early stages, including the risk that the Acquisitions do not complete or are not successful.

(j) **Information technology**

Currently Holiday Planet's, Motive Travel's and Asia Escape's management information and other IT systems are designed to enhance the efficiency of their individual operations with a focus on the customer facing website.

The future business activities of ATG will be heavily reliant upon integration of IT infrastructure. Any interruptions to IT operations could impair the ability of the Company to continue normal transaction processing.

Standard backup and restoration procedures currently in place will continue post the merger, however, a natural disaster or other unforeseen event that results in a loss of access to any of ATG's websites, the loss or corruption of data, or the inability to process transactions could have a negative impact its performance.

General Risks

(k) Industrial risk

The Company has, subject to Shareholder, regulatory and contractual requirements, elected to focus the Company's future interests in the leisure and tourism industry. Each industry carries with it individual risks associated with that industry. The Company's existing mineral exploration operations in Latin America have inherent risks, which may have a material effect on the Company's future performance and those operations are considered speculative. Any new asset or project identified by the Company in a different industry will have specific risks as well as the broader risks which affect that industry, and those more general risks associated with investing in the share market. Risks specific to the travel industry have been highlighted under "Travel Specific Risks" in item (c) above.

(l) Insurance

To mitigate the impact of the factors mentioned above which may affect the operations of the Company, it intends to ensure that appropriate insurance is maintained within ranges of coverage that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any potential claims. Insurance cover may not be available for every risk faced by the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(m) Additional requirements for capital

Notwithstanding that Holiday Planet, Asia Escape and Motive Travel are individually profitable in their own rights, there can be no guarantee that as ATG, the Company may seek to grow its business and exploit new opportunities in a way that will require further capital. There can be no assurance that such funding if required will be available, or if available, will be on favourable terms to the Company via either debt or equity financing.

Any additional equity financing will dilute shareholdings, and debt financing may involve restrictions on financing and operating activities.

(n) **Contractual risk**

The Company's ability to efficiently conduct its operations in a number of respects depends upon a number of contracts. As in any contractual relationship, the ability for the Company to ultimately receive the benefit of the contract is dependent upon the relevant third party complying with its contractual obligations. To the extent that such third parties default in their obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms. The Acquisitions will depend on the contractual relationship between the Company and the shareholders of Holiday Planet, Motive Travel and Asia Escape, and is also subject to these risks, as well as the risk that the relevant approvals are not obtained and the relevant conditions are not satisfied or waived.

(o) **Economic**

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates. Factors that may be beyond the control of the Company include:

- (i) general economic conditions in Australia and its trading partners and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- (ii) financial failure or default by a participant in any of the joint ventures, suppliers, travel operators or other contractual relationship to which the Company is, or may become, a party;
- (iii) insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- (iv) industrial disputes.

These as well as other conditions can affect the Company's future revenues and profitability and the price of its securities.

(p) **Force Majeure**

The Company's facilities may be vulnerable to, amongst other factors, interruptions caused by natural disasters, civil unrest, declared and undeclared wars, system failures, power losses, fire, malicious damage and other events beyond the Company's control. Any interruption may have an adverse impact on current and future operations and the financial condition of the Company.

(q) **Changes in Government Policy and Laws**

Changes in government laws, regulations, policies and administrative regimes, including those affecting tourism licences, taxes, ownership of tenure, taxation, royalties, land access, labour relations, environmental pollution and mining and exploration activities, may adversely affect the financial performance or the current and proposed operations generally

of the Company. These changes may increase operating costs and have a material adverse effect on the financial condition of the Company.

(r) **Currency risk**

Adverse movements in the exchange rate may materially impact on the Company's competitiveness, cost base, revenue streams and on the commercial viability of key aspects of the Company's proposed leisure and tourism business plans as well as its current resource specific assets as a whole.

The products, revenues, earnings, assets and liabilities of the Company may be exposed adversely to exchange rate fluctuations. Any shift in foreign exchanges, particularly of major trading partners, against the Australian dollar could affect the financial performance and results generally of the Company.

Mining Specific Risks

Whilst it is the Company's intention to divest or dispose of its mining interests following completion of the Acquisitions, risks associated with the Company's mining interests in Peru and Chile will continue until that time. Accordingly it is appropriate that those associated risks be included as part of this Notice.

(s) **Tenure risk**

The Company:

- (i) is the registered holder of mineral concessions in Peru and Chile; and
- (ii) is the applicant for mineral concessions in Chile,

(together the **Mineral Interests**).

The Mineral Interests held by the Company and in which the Company has an interest are subject to applicable laws regarding exploration, expenditure and renewal of such interests in the jurisdictions in which the Company holds those interests.

If a Mineral Interest is not granted or renewed (as the case may be) or access cannot be secured to carry out operations, the Company could suffer a consequential loss of assets, and opportunity to discover and/or develop the Company's Mineral Interests, which would have an adverse impact on the Company.

Licenses and permits for Mineral Interests are for a specified term and carry annual expenditure and reporting commitments and, if not met, the holder could lose title to its Mineral Interests. In the case of the underlying concession, periodic payments are made which equates to 'good financial standing' under the terms of grant of those Mineral Interests. Equally, activities are in some instances required (work program commitments), to keep the concession in good administrative standing. There is a risk that these permits could be terminated or reduced if the holder is unable to show cause for the delay in payment.

(t) **Peru and Chile**

The Company's mining concessions are located in Chile and Peru. Peru has been a stable democracy for a number of years with a democratically elected government that is supportive of foreign investment and mining which forms a significant portion of the country's foreign revenue. However, there are always risks for companies operating in countries such as Peru and the Company cannot guarantee access, surety of title and tenure of its Peruvian-based assets and cannot guarantee that government policy in Peru will remain supportive of the mining and resources industry as it currently is.

Whilst Chile is considered to be one of South America's most politically stable and prosperous nations, it may nevertheless be subject to social and economic uncertainty. Civil and political unrest and outbreaks of hostilities in Chile could affect the Company's access to its project areas. Adverse changes in government policies or legislation in Chile affecting foreign ownership of mineral interests, taxation, profit repatriation, royalties, land access, labour relations, and mining and exploration activities may affect the operations of the Company.

(u) **Environmental regulation risk**

The commodity related interests of the Company are subject to various laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. These include standards and obligations to remediate current and former facilities and locations where operations are or were conducted.

From time to time the Company may be required to comply with environmental management issues that arise from factors beyond its control. The occurrence of an event that is not covered by insurance could have a material adverse effect on the Company.

(v) **Speculative nature of investment**

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company.

2.11 Independent Expert's Report

The Independent Expert's Report assesses whether the issue of the Consideration Shares and the issue of Shares on conversion of the Convertible Notes outlined in Resolution 1 is fair and reasonable to the Shareholders who are not associated with the HP Shareholders.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of the Consideration Shares and the issue of Shares on conversion of the Convertible Notes the subject of Resolution 1. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert has provided the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 1 **IS FAIR AND REASONABLE** to the Shareholders of the Company not associated with the

HP Shareholders. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is enclosed with this Notice of Meeting at Annexure 1.

2.12 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the Acquisitions is set out in Schedule 2.

2.13 Interests and Recommendations of Directors

- (a) None of the current Board members have a material personal interest in the outcome of Resolution 1.
- (b) All of the Directors are of the opinion that the HP Acquisition Agreement is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1. The Director's recommendations are based on the reasons outlined in section 2.8 above.
- (c) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

3. RESOLUTION 2 – APPROVAL FOR THE ACQUISITION OF ASIA ESCAPE

3.1 General

As outlined above at Section 1 of the Explanatory Statement, the Company is proposing to acquire 100% of the issue capital in Keygate Holdings (trading as "Asia Escape Holidays") from the AE Shareholder in consideration for 10,000,000 Shares (on a post-consolidation basis), 750,000 Convertible Notes (on a post-Consolidation basis) and \$750,000 in cash.

The acquisition of Asia Escape, an online, wholesale and retail travel, leisure and holiday business, also constitutes a change in the nature and scale of the Company's activities and as such the Company will be seeking Shareholder approval in accordance with Listing Rule 11.1. Refer to Section 3.4 below for further details.

In addition, this Resolution 2 also seeks Shareholder approval for the issue of 10,000,000 Shares and 750,000 Convertible Notes (on a post-consolidation basis) to the AE Shareholder (or its nominee) as partial consideration for the acquisition of Asia Escape.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to proceed with a change in nature and scale of operations and issue the 10,000,000 Shares and 750,000 Convertible Notes to the AE Shareholder in accordance with the terms of the AE Acquisition. The Company may issue the 10,000,000 Shares and 750,000 Convertible Notes during the period of 3 months after Shareholder approval at

the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The AE Acquisition is conditional upon Shareholders approving Resolutions 1, 4, 5 and 11, and the Company successfully completing the HP Acquisition (unless waived in accordance with the AE Acquisition Agreement). Even if the HP Acquisition does proceed, in certain circumstances the Company may elect not to proceed with the AE Acquisition.

3.2 ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act

The AE Shareholder is a related party of the Company by virtue of being a company that is controlled by Mason Adams, a proposed Director of the Company. Under ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act an entity is required to obtain Shareholder approval (under the relevant regulations) if it issues or agrees to issue securities to a related party, or if it gives a financial benefit to the related party.

The issue of the Shares and Convertible Notes to the AE Shareholder constitutes the issuing of securities, and the giving of a financial benefit. Due to exception 6 of ASX Listing Rule 10.11, Shareholder approval is not required because the AE Shareholder is only a related party by virtue of the transaction which is the reason for the issue of the Shares and Convertible Notes. Furthermore, the current Directors (who do not have a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the AE Acquisition was negotiated on arm's length terms.

3.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) the maximum number of Shares to be issued is 10,000,000 (on a post-consolidation basis) and Convertible Notes is 750,000 (on a post-Consolidation basis);
- (b) the Shares and Convertible Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares and Convertible Notes will occur on the same date;
- (c) the deemed issue price is \$0.20 per Share (on a post-Consolidation basis);
- (d) the terms and conditions of the Convertible Notes are set out in Schedule 3;
- (e) the Shares and Convertible Notes are being issued in partial consideration for the acquisition of Asia Escape;
- (f) the Shares and Convertible Notes will be issued to the AE Shareholder (or its nominee), who is a related party of the Company by virtue of being a company that is controlled by Mason Adams, a proposed Director;
- (g) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (h) no funds will be raised from the issue of Shares and Convertible Notes as they are being issued in partial consideration for the acquisition of Asia Escape.

3.4 ASX Listing Rule 11.1

The acquisition of Asia Escape, an online, wholesale and retail travel, leisure and holiday business also constitutes a change in the nature and scale of the Company's activities and as such the Company will be seeking Shareholder approval in accordance with Listing Rule 11.1.

A summary of Listing Rule 11.1 is set out in Section 2.2. Details of Asia Escape's assets and the proposed changes to the structure and operations of the Company are set out in Section 1 of this Explanatory Statement.

4. RESOLUTION 3 – APPROVAL FOR THE ACQUISITION OF MOTIVE TRAVEL

4.1 General

As outlined above at Section 1 of the Explanatory Statement, the Company is proposing to acquire 100% of the issue capital in Jaecer Holdings (trading as "Motive Travel") from the MT Shareholder in consideration for 5,000,000 Shares (on a post-Consolidation basis), 500,000 Convertible Notes (on a post-Consolidation basis) and \$500,000 in cash.

The acquisition of Motive Travel, an online, wholesale and retail travel, leisure and holiday business, also constitutes a change in the nature and scale of the Company's activities and as such the Company will be seeking Shareholder approval in accordance with Listing Rule 11.1. Refer to Section 3.4 below for further details.

In addition, this Resolution 3 also seeks Shareholder approval for the issue of 5,000,000 Shares (on a post-Consolidation basis) and 500,000 Convertible Notes (on a post-Consolidation basis) (to the MT Shareholder (or its nominee) in partial consideration for the acquisition of Motive Travel.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to proceed with a change in nature and scale of operations and issue the 5,000,000 Shares and 500,000 Convertible Notes to the MT Shareholder in accordance with the terms of the MT Acquisition. The Company may issue the 5,000,000 Shares and 500,000 Convertible Notes during the period of 3 months after Shareholder approval at the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The MT Acquisition is conditional upon Shareholders approving Resolutions 1, 4, 5 and 11, and the Company successfully completing the HP Acquisition (unless waived in accordance with the MT Acquisition Agreement). Even if the HP Acquisition does proceed, in certain circumstances the Company may elect not to proceed with the MT Acquisition.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Shares to be issued is 5,000,000 (on a post-Consolidation basis) and Convertible Notes is 500,000 (on a post-Consolidation basis);
- (b) the Shares and Convertible Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares and Convertible Notes will occur on the same date;
- (c) the deemed issue price is \$0.20 per Share (on a post-consolidation basis);
- (d) the terms and conditions of the Convertible Notes is set out in Schedule 3;
- (e) the Shares and Convertible Notes are being issued in partial consideration for the acquisition of Motive Travel;
- (f) the Shares and Convertible Notes will be issued to the MT Shareholder (or its nominee), who is not a related party of the Company;
- (g) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (h) no funds will be raised from the issue of Shares or Convertible Notes as they are being issued in part consideration for the acquisition of Motive Travel.

4.3 ASX Listing Rule 11.1

The acquisition of Motive Travel, an online, wholesale and retail travel, leisure and holiday business also constitutes a change in the nature and scale of the Company's activities and as such the Company will be seeking Shareholder approval in accordance with Listing Rule 11.1.

A summary of Listing Rule 11.1 is set out in Section 2.2. Details of Motive Travel's assets and the proposed changes to the structure and operations of the Company are set out in Section 1 of this Explanatory Statement.

5. RESOLUTION 4 – CONSOLIDATION OF CAPITAL

5.1 Background

If Resolution 4 is passed, and excluding any Shares, Convertible Notes and Options issued pursuant to the other Resolutions, the number of Shares on issue will be reduced from 832,000,000 to 33,280,000 and the number of Options on issue will be reduced from 268,234,053 to 10,729,362 (subject to rounding).

Resolution 4 is conditional upon Shareholders approving Resolutions 1, 5 and 11.

5.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its Shares (including Options) into a larger or smaller number.

5.3 Fractional entitlements

Not all Shareholders will hold that number of Shares and / or Options which can be evenly divided by 25. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share or Option.

5.4 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and that the Company does not accept any responsibility for the individual taxation implications arising from the Consolidation.

5.5 Holding statements

From the date of the Consolidation, all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares or Options on a post-Consolidation basis.

After the Consolidation is effected, the Company will arrange for new holding statements for Shares and Options to be issued to holders of those Shares and / or Options.

It is the responsibility of each Shareholder to check the number of Shares and Options held prior to disposal or exercise (as the case may be).

5.6 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below.

Capital Structure	Shares	Options	Convertible Notes
Existing Shares on issue	832,000,000	-	-
Existing Options on issue	-	268,234,053 ²	-
Post 1 for 25 Consolidation of Shares and Options (Resolution 4)	33,280,000	10,729,362³	-
Issue of Shares and Options under the Capital Raising (Resolution 5) ¹	25,000,000	12,500,000	-
Securities to be issued to the HP Shareholders (Resolution 1)	18,750,000	-	250,000
Securities to be issued to the AE Shareholder (Resolution 2)	10,000,000	-	750,000

Securities to be issued to the MT Shareholder (Resolution 3)	5,000,000	-	500,000
Broker Options (Resolution 6)	-	5,000,000	-
Promoter Shares (Resolution 11)	300,000	-	-
Total	92,330,000	28,229,362	1,500,000⁴

1. This assumes that the Capital Raising is fully subscribed (raising \$5,000,000).
2. This currently consists of:
 - (a) 61,234,053 quoted options exercisable at \$0.10 each expiring on or before 1 March 2016 and 176,000,000 quoted options exercisable at \$0.01 each expiring on or before 15/11/2017.
 - (b) 5,000,000 unquoted options exercisable at \$0.15 each expiring on or before 30 April 2016.
 - (c) 26,000,000 quoted options exercisable at \$0.01 each expiring on or before 15 November 2017.
3. Post-Consolidation, this will consist of:
 - (a) 2,449,362 quoted options exercisable at \$2.50 each expiring on or before 1 March 2016 and 7,040,000 quoted options exercisable at \$0.25 each expiring on or before 15/11/2017.
 - (b) 200,000 unquoted options exercisable at \$3.75 each expiring on or before 30 April 2016.
 - (c) 1,040,000 quoted options exercisable at \$0.25 each expiring on or before 15 November 2017.
4. Refer to Schedule 3 for terms and conditions attaching to the Convertible Notes.

5.7 Indicative timetable

If Resolution 4 is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 5) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and dispatches Notice of Meeting.	24 October 2014
Company tells ASX that Shareholders have approved the Consolidation.	27 November 2014
Last day for pre-Consolidation trading.	28 November 2014
Post-Consolidation trading starts on a deferred settlement basis.	1 December 2014
Last day for Company to register transfers on a pre-Consolidation basis.	3 December 2014
First day for Company to send notice to each holder of the change in their details of holdings.	4 December 2014
First day for the Company to register Shares on a post-Consolidation basis and first day for issue of holding statements.	4 December 2014

Dispatch date. Deferred settlement market ends.	10 December 2014
Last day for Shares to be entered into holders' Security holdings.	10 December 2014
Last day for the Company to send notice to each holder of the change in their details of holdings.	10 December 2014

6. RESOLUTION 5 – CAPITAL RAISING

6.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 25,000,000 Shares at an issue price of \$0.20 per Share, together with one (1) free attaching Option for every two (2) Shares subscribed for and issued, to raise up to \$5,000,000 (**Capital Raising**) under a prospectus to be issued by the Company pursuant to ASX Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules (**Prospectus**). The minimum amount that may be raised under the Prospectus is \$3,000,000 (before costs).

The Company intends to issue the Prospectus on or about 3 November 2014.

A summary of ASX Listing Rule 7.1 is set out in Section 2.3 above.

The effect of Resolution 5 will be to allow the Company to issue the Shares and Options pursuant to the Capital Raising during the period of 3 months following Shareholder approval at the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 25,000,000 and the maximum number of Options to be issued is 12,500,000;
- (b) the Shares and Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares and Options will occur on the same date;
- (c) the issue price will be \$0.20 per Share and nil per Option as the Options will be issued free attaching with the Shares on a 1:2 basis;
- (d) the Directors will determine to whom the Shares and Options will be issued, but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Options will be issued on the terms and conditions set out in Schedule 1; and
- (g) the Company intends to use the funds raised from the Capital Raising (together with existing cash reserves) following re-admission as follows:

Item	\$3 million capital raising	\$5 million capital raising
Capital Raised	3,000,000	5,000,000
Estimated cash on hand as at 31 October 2014 ¹	1,700,000	1,700,000
Sub Total Cash	4,700,000	6,700,000
Capital Raising costs	1,089,000	1,222,000
Vendor cash component consideration	2,000,000	2,000,000
IT integrated search engine installation ²	250,000	600,000
New Product Marketing ³	150,000	350,000
IT development Include mobile/tablet enabled mobile interactive systems ⁴	200,000	500,000
Integration and optimisation of group resources ⁵	350,000	350,000
Administration Costs	250,000	475,000
Acquisitions	0	500,000
Working Capital	411,000	703,000
TOTAL	<u>4,700,000</u>	<u>6,700,000</u>

Notes:

1. Estimated cash reserves as at 31 October 2014, subject to adjustments for prepaid transaction costs.
2. Assumes new flight booking engine for additional market and growth.
3. Assumes three new east coast based staff for additional market penetration.
4. Assumes new technology for websites and platforms
5. Assumes acquisition of new key management personnel, and general integration costs including hardware, website updates, printing, promotion, stationary, telephone system, service and database.

Please note, the table above is a statement of current intentions of the proposed new board as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Company reserves the right to alter the way funds are applied on this basis.

7. RESOLUTION 6 – ISSUE OF BROKER OPTIONS

7.1 General

Resolution 6 seeks Shareholder approval for the issue of up to 5,000,000 Broker Options in consideration for advisory services provided by DJ Carmichael Pty Limited (or its nominees) in relation to the Acquisitions (**Broker Placement**).

A summary of ASX Listing Rule 7.1 is set out in section 2.3 above.

The effect of Resolution 6 will be to allow the Company to issue the Broker Options pursuant to the Broker Placement during the period of 3 months after Shareholder

approval at the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Broker Placement:

- (a) the maximum number of Broker Options to be issued is 5,000,000;
- (b) the Broker Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Broker Options will occur on the same date;
- (c) the Broker Options will be issued for nil cash consideration in satisfaction of the advisory services provided by DJ Carmichael Pty Ltd in relation to the Acquisitions;
- (d) the Broker Options will be issued to DJ Carmichael Pty Ltd (or its nominees), who is not a related party of the Company;
- (e) the Broker Options will be issued on the terms and conditions set out in Schedule 1; and
- (f) no funds will be raised from the Broker Placement as the Broker Options are being issued in consideration for corporate advisory services provided by DJ Carmichael Pty Ltd in relation to the Acquisitions.

8. RESOLUTION 7 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 7 seeks the approval of Shareholders for the Company to change its name to 'Australian Travel Group Limited'.

If Resolution 7 is passed the change of name will take effect following completion of the Acquisitions and when ASIC alters the details of the Company's registration.

If Resolution 7 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Acquisitions in order to effect the change.

The Board proposes this change of name on the basis that following completion of the Acquisitions, the name 'Australian Travel Group Limited' will more accurately reflect the future operations of the Company.

9. RESOLUTIONS 8 TO 10 - ELECTION OF DIRECTORS

In accordance with clause 13.3 of the Company's constitution, the Company may elect a person as a Director by resolution passed at a general meeting. In accordance with the HP Acquisition Agreement and the AE Acquisition Agreement, the Company proposes to elect Mr Alan Dodson (Holiday Planet), Mr Michael Croy (Holiday Planet) and Mr Mason Adams (Asia Escape) as directors of the Company, their appointments to take effect on and from completion of the Acquisitions.

It is intended that Mr Dodson will serve the Company as Executive Chairman, Mr Croy as Operations Director and Mr Adams as Wholesale Travel Director.

A biography for Mr Dodson, Mr Croy and Mr Adams is set out in Section 1.7.

10. RESOLUTION 11 – ISSUE OF PROMOTER SHARES

10.1 General

Pursuant to Resolution 5 the Company is seeking Shareholder approval for the issue of up to 30,000,000 Shares (together with one free attaching Option for every 2 Shares subscribed for and issued) at an issue price of \$0.20 per Share to raise up to \$6,000,000 (**Capital Raising**) in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Resolution 11 seeks Shareholder approval for the issue of up to 300,000 Promoter Shares to Mr Ian Dodson (or his nominee), the son of Mr Alan Dodson (a proposed Director of the Company), as a success fee for introducing the Holiday Planet transaction to the Company and its advisers. For the purposes of the Corporations Act and the Listing Rules, Mr Ian Dodson is also deemed to be a 'related party' by virtue of being Alan Dodson's son. However, Listing Rule 10.12 (exception 6) provides a carve out to the requirement to seek Shareholder approval under Listing Rule 10.11 given Mr Ian Dodson is merely a 'related party' by virtue of the transaction only (which is the reason for the issue of the Promoter Shares).

Furthermore, the current Directors (who do not have a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required because the proposed issue of the Promoter Shares to Mr Ian Dodson was negotiated on arm's length terms.

The Company is however seeking ASX Listing Rule 7.1 approval to issue the Promoter Shares in order to allow the Company to issue the Promoter Shares during the period of 3 months following Shareholder approval at the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

A summary of ASX Listing Rule 7.1 is set out in Section 2.3 above.

10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Promoter Shares:

- (a) the maximum number of Promoter Shares to be issued is 300,000;
- (b) the Promoter Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Promoter Shares will occur on the same date;
- (c) the Promoter Shares will be issued for nil consideration value as they are being issued to Mr Ian Dodson as a success fee for introducing the Holiday Planet transaction to the Company and its advisers;
- (d) the Promoter Shares will be issued to Mr Ian Dodson (or his nominee) who is deemed a related party of the Company. However, for those reasons set out in Section 10.1 above, Shareholder approval is only required pursuant to ASX Listing Rule 7.1;

- (e) the Promoter Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue as the Promoter Shares are being issued to Mr Ian Dodson as a success fee for introducing the Holiday Planet transaction to the Company and its advisers.

GLOSSARY

\$ means Australian dollars.

Acquisitions means the AE Acquisition, HP Acquisition and MT Acquisition (or any one of them as the context requires) if and as approved by Shareholders.

AE Acquisition means the acquisition of all the issued capital of Keygate Holdings pursuant to the terms of the AE Acquisition Agreement.

AE Acquisition Agreement means the formal share sale agreement entered into between the Company and the AE Shareholder dated 21 August 2014 (as amended), key terms of which are summarised in Section 1.8.

AE Shareholder means Tilakee Nominees Pty Ltd (ACN 125 723 748), being the sole shareholder of Keygate Holdings.

Agreements mean the HP Acquisition Agreement, AE Acquisition Agreement and MT Acquisition Agreement.

Asia Escape or **Keygate Holdings** means Keygate Holdings Pty Ltd (ACN 088 941 682) trading as "Asia Escape Holidays".

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

ATG means the Australian Travel Group Limited.

Board means the current board of directors of the Company.

Broker Options means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising has the meaning given to that term in Section 6.1.

Chair means the chair of the Meeting.

Company means Red Gum Resources Limited (ACN 119 641 986) to be known post-completion as the "Australian Travel Group Limited".

Consideration Shares has that meaning given to it in Section 2.1.

Consolidation has the meaning given to that term in Section 1.8.

Constitution means the Company's constitution.

Convertible Notes means the Convertible Notes to be issued to the Vendors pursuant to Resolutions 1 to 3 and in accordance with the terms and conditions set out in Schedule 3.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Holiday Planet means Holiday Planet Pty Ltd (ACN 095 933 869).

HP Acquisition means the acquisition of all the issued capital of Holiday Planet pursuant to the terms of the HP Acquisition Agreement.

HP Acquisition Agreement means the formal share sale agreement entered into between the Company and all the HP Shareholders dated 8 July 2014 (as amended), the key terms of which are summarised at Section 1.8.

HP Shareholder means a shareholder of Holiday Planet, currently being Mr Alan Dodson, Ms Yvonne Dodson, Mr Michael Croy, Ms Kerry Croy and Mr Graham Lorrigan.

Independent Expert means RM Capital Pty Ltd.

Independent Expert Report means the report prepared by the Independent Expert in relation to Resolution 1.

May Options means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Motive Travel or **Jaecer Holdings** means Jaecer Holdings Pty Ltd trading as "Motive Travel" (ACN 009 411 036).

MT Acquisition means the acquisition of all the issued capital of Jaecer Holdings pursuant to the terms of the MT Acquisition Agreement.

MT Acquisition Agreement means the formal share sale agreement entered into between the Company and the MT Shareholder dated 4 August 2014 (as amended), the key terms of which are summarised in Section 1.8.

MT Shareholder means Rita Bernice Michalczyk and George Michalczyk as trustees for The Michalczyk Management Trust, being the sole shareholder of Jaecer Holdings.

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Promoter Share means a Share offered to Ian Dodson as consideration in satisfaction of advisory services in relation to the Acquisitions pursuant to the Agreements.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

RGXOA Option means the Company's existing class of quoted Options trading under the ASX code RGXOA.

Section means a section of the Explanatory Statement.

Settlement has the meaning given to that term in Section 1.8.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Vendors means the HP Shareholders, the MT Shareholder and the AE Shareholder.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The terms and conditions of the RGXOA Options are set out below:

- (a) The exercise price of each Attaching Option is \$0.25 per Share;
- (b) each Attaching Option shall entitle the holder the right to subscribe (in cash) for one Share in the capital of the Company;
- (c) the Attaching Options will expire at 5.00pm AEDT on 15 November 2017. Subject to clause (g), Attaching Options may be exercised at any time prior to the expiry date and Attaching Options not so exercised shall automatically expire on the expiry date;
- (d) each Share issued as a result of the exercise of any Attaching Option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing Shares in the capital of the Company on issue at the date of issue;
- (e) a registered owner of an Attaching Option will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Attaching Option holder, a member of the Company;
- (f) Attaching Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of Attaching Options that may be imposed by the ASX in circumstances where the Company is listed on the ASX;
- (g) the method of exercise of an Attaching Option:
 - (i) the Company will provide to each Attaching Option holder a notice that is to be completed when exercising the Attaching Options (**Notice of Exercise of Options**). Attaching Options may be exercised by the Attaching Option holder by completing the Notice of Exercise of Options and forwarding the same to the Company Secretary to be received prior to the expiry date. The Notice of Exercise of Options must state the number of Attaching Options exercised and the consequent number of ordinary shares in the capital of the Company to be issued; which number of Attaching Options must be a multiple of 2,500 if only part of the Attaching Option holder's total Attaching Options are exercised, or if the total number of Attaching Options held by an Attaching Option holder is less than 2,500 then the total of all Attaching Options held by that Attaching Option holder must be exercised;
 - (ii) the Notice of Exercise of Options by an Attaching Option holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of 25 cents (\$0.25) per Share;
 - (iii) Subject to this clause (g), the exercise of less than all of an Attaching Option holder's Attaching Options will not prevent the Attaching Option holder from exercising the whole or any part of the balance of the Attaching Option holder's entitlement under the Attaching Option holder's remaining Attaching Options;
 - (iv) within 14 days from the date the Attaching Option holder properly exercises Attaching Options held by the Attaching Option holder, the Company shall issue to the Attaching Option holder that number of Shares in the capital of the Company so subscribed for by the Attaching Option holder;

- (v) the Company will within 3 business days from the date of issue of Shares pursuant to the exercise of an Attaching Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules of the ASX; and
- (vi) the Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted Attaching Options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the Attaching Options and the timetable outlined in the Listing Rules, the timetable outlined in the Listing Rules shall apply;
- (h) application for quotation of the Attaching Options on the ASX will be made;
- (i) in the event of a reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Attaching Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction;
- (j) there are no participating rights or entitlements inherent in the Attaching Options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the Attaching Options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least nine (9) business days after such new issues are announced (or such other date if required under the Listing Rules) in order to afford the Attaching Option holder an opportunity to exercise the Attaching Options held by the Attaching Option holder;
- (k) there are no rights to change the exercise price of the Attaching Options or the number of underlying Shares.

SCHEDULE 2 – PRO-FORMA BALANCE SHEET

AUSTRALIAN TRAVEL GROUP
CONSOLIDATED BALANCE SHEET AT 30
APRIL 2014

	\$	\$	\$	\$	\$	\$
	RGX Reviewed at 30 June 2014	3 entities Reviewed (Pre- Acquisition) HP, AE & MT at 30 April 2014*	Acquisition Entry**	RGX Consolidated Post Acquisition	\$3 million Capital Raising***	Post Capital Raising and Acquisition
Current assets						
Cash assets	2,074,889	4,201,295	(2,000,000)	4,276,184	2,036,000	6,312,184
Receivables - other	64,585	937,729		1,002,314		1,002,314
Prepayments		545,842		545,842		545,842
Prepaid Income Tax		116,884		116,884		116,884
Interco loan due by Holding / related companies		0		0		0
Total current assets	2,139,474	5,801,750	(2,000,000)	5,941,224		7,977,224
Non-current assets						
Receivables	0	800,877		800,877		800,877
Prepayments		0		0		0
Receivables - provision		0		0		0
Plant & equipment	584	1,479,149		1,479,733		1,479,733
Exploration and Evaluation	560,772	0		560,772		560,772
Other intangibles		183,499	8,066,042	8,249,541		8,249,541
Investment in Subsidiaries		0		0		0
Shares in Listed Companies		13,028		13,028		13,028
Total non-current assets	561,356	2,476,553	8,066,042	11,103,951	0	11,103,951
Total assets	2,700,830	8,278,303	6,066,042	17,045,175	0	19,081,175
Current liabilities						
Payables - trade	(155,550)	(5,175,456)		(5,331,006)		(5,331,006)
Provisions	(16,828)	(193,493)		(210,321)		(210,321)
Unearned Revenue		(502,963)		(502,963)		(502,963)
Due to related parties		0		0		0
Advances from shareholders		(159)		(159)		(159)
Other creditors		29,118		29,118		29,118
Total current liabilities	(172,378)	(5,842,953)	0	(6,015,331)	0	(6,015,331)
Non-current liabilities						
Hire purchase liability - non-current		0		0		0
Convertible Notes		0	(1,500,000)	(1,500,000)		(1,500,000)
Provisions		(168,816)		(168,816)		(168,816)
Deferred Tax Provision		(82,576)		(82,576)		(82,576)
Total non-current liabilities	0	(251,392)	(1,500,000)	(1,751,392)	0	(1,751,392)
Total liabilities	(172,378)	(6,094,345)	(1,500,000)	(7,766,723)	0	(7,766,723)
Net assets	2,528,452	2,183,958	4,566,042	9,278,452	0	11,314,452
Equity						
Issued capital	(10,449,282)	(490,025)	(6,259,975)	(17,199,282)	(3,000,000)	(20,199,282)
Option Reserve		0		0	(366,500)	(366,500)
Capital Raising Fees		0		0	1,330,500	1,330,500
Reserves	(232,903)	4,013	(4,013)	(232,903)		(232,903)
Accumulated Losses brought forward/(Profit)	2,037,012	(1,330,708)	1,330,708	2,037,012		2,037,012
Loss/(Profit) for Period	6,116,721	(367,238)	367,238	6,116,721		6,116,721
Historical Balancing		0		0		0
Total equity	(2,528,452)	(2,183,958)	(4,566,042)	(9,278,452)		(11,314,452)

* Cash assets for the 3 entities includes 3,917,928 held on trust for clients.

** The acquisition entry includes a payout of \$2,000,000 in cash to the shareholders of Holiday Planet Pty Ltd, Asia Escape and Motive Travel and the issue \$1,500,000 in convertible notes issued to the same parties

*** Assumes a capital raise of \$5m and cash costs related to the capital raising of \$964,000 (note that \$125,000 of the transaction costs have been prepaid and as such are already reflected in RGX's cash assets as at 30 June 2014) and non cash transaction costs of \$366,500.

AUSTRALIAN TRAVEL GROUP
CONSOLIDATED BALANCE SHEET AT 30
APRIL 2014

	\$	\$	\$	\$	\$	\$
	RGX Reviewed at 30 June 2014	3 entities Reviewed (Pre- Acquisition) HP, AE & MT at 30 April 2014*	Acquisition Entry**	RGX Consolidated Post Acquisition	\$5 million Capital Raising***	Post Capital Raising and Acquisition
Current assets						
Cash assets	2,074,889	4,201,295	(2,000,000)	4,276,184	3,903,000	8,179,184
Receivables - other	64,585	937,729		1,002,314		1,002,314
Prepayments		545,842		545,842		545,842
Prepaid Income Tax		116,884		116,884		116,884
Interco loan due by Holding / related companies		0		0		0
Total current assets	2,139,474	5,801,750	(2,000,000)	5,941,224		9,844,224
Non-current assets						
Receivables	0	800,877		800,877		800,877
Prepayments		0		0		0
Receivables - provision		0		0		0
Plant & equipment	584	1,479,149		1,479,733		1,479,733
Exploration and Evaluation	560,772	0		560,772		560,772
Other intangibles		183,499	8,066,042	8,249,541		8,249,541
Investment in Subsidiaries		0		0		0
Shares in Listed Companies		13,028		13,028		13,028
Total non-current assets	561,356	2,476,553	8,066,042	11,103,951		11,103,951
Total assets	2,700,830	8,278,303	6,066,042	17,045,175		20,948,175
Current liabilities						
Payables - trade	(155,550)	(5,175,456)		(5,331,006)		(5,331,006)
Provisions	(16,828)	(193,493)		(210,321)		(210,321)
Unearned Revenue		(502,963)		(502,963)		(502,963)
Due to related parties		0		0		0
Advances from shareholders		(159)		(159)		(159)
Other creditors		29,118		29,118		29,118
Total current liabilities	(172,378)	(5,842,953)	0	(6,015,331)		(6,015,331)
Non-current liabilities						
Hire purchase liability - non-current		0		0		0
Convertible Notes		0	(1,500,000)	(1,500,000)		(1,500,000)
Provisions		(168,816)		(168,816)		(168,816)
Deferred Tax Provision		(82,576)		(82,576)		(82,576)
Total non-current liabilities	0	(251,392)	(1,500,000)	(1,751,392)		(1,751,392)
Total liabilities	(172,378)	(6,094,345)	(1,500,000)	(7,766,723)		(7,766,723)
Net assets	2,528,452	2,183,958	4,566,042	9,278,452		13,181,452
Equity						
Issued capital	(10,449,282)	(490,025)	(6,259,975)	(17,199,282)	(5,000,000)	(22,199,282)
Option Reserve		0		0	(366,500)	(366,500)
Capital Raising Fees		0		0	1,463,500	1,463,500
Reserves	(232,903)	4,013	(4,013)	(232,903)		(232,903)
Accumulated Losses brought forward/(Profit)	2,037,012	(1,330,708)	1,330,708	2,037,012		2,037,012
Loss/(Profit) for Period	6,116,721	(367,238)	367,238	6,116,721		6,116,721
Historical Balancing		0		0		0
Total equity	(2,528,452)	(2,183,958)	(4,566,042)	(9,278,452)		(13,181,452)

* Cash assets for the 3 entities includes 3,917,928 held on trust for clients.

** The acquisition entry includes a payout of \$2,000,000 in cash to the shareholders of Holiday Planet Pty Ltd, Asia Escape and Motive Travel and the issue \$1,500,000 in convertible notes issued to the same parties

*** Assumes a capital raise of \$5m and cash costs related to the capital raising of \$1,097,000 (note that \$125,000 of the transaction costs have been prepaid and as such are already reflected in RGX's cash assets as at 30 June 2014) and non cash transaction costs of \$366,500.

SCHEDULE 3 – TERMS AND CONDITIONS OF CONVERTIBLE NOTES

The material terms and conditions of the Convertible Notes are summarised below:

1. Face Value	The Convertible Notes will be deemed to have a face value of \$1.00 each. The Convertible Notes to be issued to the Vendors will be as follows: (a) 750,000 (\$750,000) to be issued to the AE Shareholder; (b) 500,000 (\$500,000) to be issued to the MT Shareholder; and (c) 250,000 (\$250,000) to be issued to the HP Shareholders (together the Subscription Amount).
2. Conversion Price	\$0.20.
3. Subscription Date	The Vendors will, subject to Settlement occurring in accordance with the Agreements, subscribe for the Convertible Notes at Settlement (Subscription Date).
4. Term and Maturity Date	Redeemed on that date which is twenty four (24) months after the Subscription Date (Maturity Date) and, at the Vendors election, the Company must pay to the Vendors the outstanding Subscription Amount (plus any interest due) in either cash, Shares (or a combination of both).
5. Early Redemption	(a) The Vendors may elect to redeem the Convertible Notes (in whole or in part) into cash at any time within 45 days after the following to occur: (i) the thirteen (13) month anniversary following the Subscription Date; or (ii) that date upon which the Company receives cleared funds following completion of a minimum equity raising of \$2,500,000 (which, for the avoidance of doubt, cannot occur prior to the Subscription Date and must be for a single capital raising only (not in aggregate)) (together the Milestone Date). (b) Any election to redeem the Convertible Notes into cash (Cash Election) must be made in writing to the Company (Cash Election Notice) and will only be accepted by the Company on the following basis:

	(i) the Company having a minimum of A\$1.5m net cash at bank on a post-Cash Election basis on the date of receipt of a Cash Election Notice; (ii) for any Cash Election made between the Milestone Date and that day immediately prior to the 16 month anniversary following the Subscription Date (First Election Period), a maximum of 30% of the Subscription Amount (together with the equivalent percentage of outstanding Interest) (First Election Limit) as calculated on the date of receipt of the Cash Election Notice given to the Company may be redeemed into cash; (iii) for any Cash Election made between that day being the 16 month anniversary following the Subscription Date and that day immediately prior to the 19 month anniversary following the Subscription Date(Second Election Period), a maximum of: (A) 30% of the Subscription Amount, together with the equivalent percentage of outstanding Interest, as calculated on the date of receipt of the Cash Election Notice given to the Company; and (B) if less than the total of the First Election Limit is redeemed into cash, then any surplus remaining, (together, in aggregate, the Second Election Limit), may be redeemed into cash; and (iv) for any Cash Election made between the 19 month anniversary following the Subscription Date and that day immediately prior to the 24 month anniversary following the Subscription Date(Third Election Period), a maximum of: (A) 40% of the Subscription Amount together with the equivalent percentage of outstanding Interest as calculated on the date of receipt of the Cash Election Notice given to the Company; and (B) if less than the total of the First Election Limit or Second Election Limit is redeemed into cash, then any surplus remaining, (together, in aggregate, the Third Election Limit), may be redeemed into cash. (c) The Company will only be required to make a cash payment on that date which is the last day of the relevant election period (Payment Date). If on the Payment Date any number of Cash Elections received by the Company for that relevant election period would result in the Company having less than A\$1.5m net cash at bank (Net Cash Minimum), then the Company will only pay to the Vendors their cash entitlement on a pro-rata basis to ensure the Company does not breach this Net Cash Minimum. Any outstanding Subscription Amount
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	(plus accrued Interest) not then redeemed into cash will then be carried over into the following election period for the Vendors (and Interest will then accrue on this surplus amount). (d) Any Convertible Note must not be redeemed for less than its deemed face value (plus any accrued Interest).
6. Redemption at the election of the Company	The Company may elect by providing written notice to the Vendors at any time prior to the Maturity Date, to fully and finally repay the outstanding Subscription Amount (plus accrued Interest) in one cash payment (Cash Payment). Such Cash Payment must be made within seven (7) days of receipt of such notice by the Vendors.
7. Security	Unsecured.
8. Interest	Interest shall accrue on a daily basis at the rate of 10% per annum on the outstanding Subscription Amount, be capitalized at six (6) monthly intervals and be payable in cash at the time of redemption or Conversion of the Subscription Amount, whichever is the earliest (Interest).
9. Conversion	The Vendors may elect to make a Conversion on and from that date which is the <u>earlier</u> of the following to occur: (a) that date which is thirteen (13) months following the Subscription Date; or (b) that date upon which the Company receives cleared funds following completion of a minimum equity raising of \$2,500,000 (which, for the avoidance of doubt, cannot occur prior to the Subscription Date and must be for a single capital raising only (not in aggregate)).
10. Ordinary Shares Ranking	Shares issued on Conversion will be fully paid, will be unencumbered and will rank <i>pari passu</i> in all respects with the fully paid ordinary Shares in the Company on issue on Conversion.
11. Voting rights	None prior to Conversion.
12. Transfer	None transferable, except in the case of death or permanent incapacity whereby the Convertible Notes will be transferred to the executor of the estate of the Vendors.

RED GUM RESOURCES LIMITED

Independent Expert's Report

October 2014

IN OUR OPINION THE PROPOSED TRANSACTION IS FAIR AND REASONABLE

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10 October 2014

The Directors
Red Gum Resources Limited
Suite 9, Lester Court
75a Angas Street
Adelaide, SA 5000

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 4 June 2014, Red Gum Resources Limited ("**Red Gum**" or "**the Company**") announced that it had entered into a binding heads of agreement (Agreement) to acquire 100% of the issued capital of Holiday Planet Pty Ltd ("**Holiday Planet**"), a privately owned Australian company operating a diversified travel and holiday internet business.

Under that Agreement, and as amended and announced on 22 September 2014, **Red Gum** has agreed, subject to various conditions precedent being satisfied or waived, to issue, by way of consideration on a post consolidated basis, 18,750,000 fully paid ordinary shares at a deemed issue price of \$0.20 each to Holiday Planet Shareholders together with 250,000 Convertible Notes with a denominational face value of \$1 per note and the payment of \$750,000 in cash.

Under the terms of the Agreement shareholders of **Red Gum** will be asked to vote on amongst other things the following resolutions at an Extraordinary General Meeting:

Resolution 1

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

"That, subject to and conditional upon the passing Resolutions 4, 5 and 11 for the purposes of:

- (a) ASX Listing Rule 11.1 and for all other purposes, Shareholders approve the acquisition by the Company (or its nominee) of all the issued capital in Holiday Planet Pty Ltd in accordance with the HP Acquisition Agreement and the performance by the Company of its obligations under the HP Acquisition Agreement; and*
- (b) Section 611 (Item 7) of the Corporations Act and for all other purposes, Shareholders approve the issue of 18,750,000 Shares and 250,000 Convertible Notes (on a post-Consolidation basis) to the HP Shareholders, which may result in the HP Shareholder' combined voting power in the Company increasing up to 27.8% (based on the proposed minimum issue of Shares) and increasing up to 29.2% (based on conversion of their Convertible Notes); and otherwise on the terms and conditions set out in the Explanatory Statement."*

Resolution 4

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

“That subject to and conditional upon the passing of Resolutions 1, 5, and 11, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the company be consolidated on the basis that:

- (a) every 25 (twenty five) Shares be consolidated into 1 (one) Share; and*
- (b) all Options on issue be adjusted in accordance with ASX Listing Rule 7.22.1,*

and, where this Consolidation results in a fraction of either a Share or an Option being held, the Company be authorized to round that fraction up to the nearest whole Share or Option (as the case may be.)”

Resolution 11

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

“That, subject to and conditional upon the passing of Resolutions 1,4 and 5, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 300,000 Promoter Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

2. Summary and Opinions

2.1 Purpose of the report

The directors of **Red Gum** have requested that **RM Corporate Finance Pty Ltd (AFSL 315235)** ("**RM Corporate**") prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the issue of Shares, Convertible Notes and Cash, in respect of the Holiday Planet Acquisition, is fair and reasonable to the non associated shareholders of **Red Gum** ("**Shareholders**").

Our Report is prepared pursuant to Item 7 of section 611 of the Corporations Act 2001 ("the Act") and is to be included in the Notice of Meeting for **Red Gum** in order to assist the Shareholders in their decision as to whether or not to approve the transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the issue of the Shares, Convertible Notes and cash as outlined in the body of this report. We have considered:

- How the value of a **Red Gum** Share prior to the issue of Shares, Convertible Notes and cash compares to the value subsequent to the issue of new shares and convertible notes and payment of \$750,000 in cash;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the issue of the Shares, Convertible Notes and payment of Cash; and
- The position of Shareholders should the transaction not proceed.

2.3 Opinion

We have considered the terms of the transaction as outlined in the body of our Report.

We have concluded that the issue of the Shares, Convertible Notes and payment of cash is fair and reasonable to Shareholders.

- In our opinion, the issue of the Shares, Convertible Notes and payment of cash is fair because the value of a **Red Gum** Share prior to the issue of the new Shares is less than the perceived share price following the acquisition- set out above.
- In our opinion, the issue of the Shares, Convertible Notes and payment of cash is reasonable because the advantages of approving the transaction outweigh the disadvantages of not approving the transaction, as set out in Section 13.

2.3.1 Fairness

In Section 9 we determined that the value of a **Red Gum** share prior to the issue of the New Shares compared to the consideration of both shares and convertible notes offered to Holiday Planet as set out below:

	Ref	Minimum Subscription	Maximum Subscription
Value of a Red Gum share prior to Issue of the New Shares on a post consolidated basis	9.1	\$0.08	\$0.08
Implied value of a Red Gum share post issue of Shares and Convertible Notes	10.1	\$0.08	\$0.09

Table 2.3.1 Red Gum projected share price.

Source: **RM Corporate Finance**, internal modeling, September 2014

The value of a **Red Gum** share prior to the issue of the New Shares, Convertible Notes and payment of cash is equal to or less than the value of a share after the acquisition of Holiday Planet and the subsequent capital raising. Given that **Red Gum**'s only sizeable asset is cash, which will continue to reduce to nothing if no alternative business is acquired. Therefore, we consider that the issue of the New Shares, Convertible Notes and payment of cash is fair.

2.3.2 Reasonableness

In our Report we have considered the analysis in Section 13, in terms of both;

- advantages and disadvantages of the issue of the New Shares and Convertible Notes; and
- alternatives, including the position of Shareholders if the issue of the acquisition of Holiday Planet does not proceed.

In our opinion, the position of Shareholders if acquisition of Holiday Planet is approved is more advantageous than the position if the issue of the acquisition and the issue of shares and convertible notes is not approved. Accordingly, in the absence of any other relevant information we believe that the issue of the New Shares and Convertible Notes to acquire Holiday Planet is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarized below:

Section	Advantages	Section	Disadvantages
13.4	Acquisition of a trading company with revenue streams and positive EBITDA	13.5	Dilution of existing Shareholders' interest
13.4	Ability to acquire additional travel and tourism business including Asia Escape and Motive Travel	13.5	Holiday Planet, via Board appointments, will have a significant level of control of Red Gum
13.4	Potential of creating a travel group that can potentially achieve synergies by operating similar businesses which may result in cost savings and increased profitability		
13.4	Given the nature of the leisure and tourism industry there arises the possibility of a takeover in the short to medium term possibly at a premium		
13.4	Withdrawal from the mining sector, which is currently highly volatile due to significant fluctuations in commodity prices		

- 13.4 Without a mining project or viable business of some description **Red Gum** will fail to comply with the requirements of the ASX. Costs will continue to be incurred and the Company's share price will continue to fall.

Table 2.3.2a Advantages and Disadvantages of the acquisitions.

Other key matters we have considered for the issue of the New Shares, Convertible Notes and payment of cash include:

Section	Description
13.1	Alternative proposals
13.2	The practical level of control
13.3	Consequences of not approving the issue of the New Shares, Convertible Notes and payment of cash

Table 2.3.2b Other matters to consider.

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act ("Corporations Act") expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 (7) exempts a company from compliance with sec 606 where the shareholders of that entity have agreed to the issue of such shares. This agreement must be passed by resolution at a general meeting at which no votes are cast in favor of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

As at the date of our Report Holiday Planet holds no issued shares in **Red Gum**. Assuming no other shares are issued by **Red Gum prior to settlement under the terms of the agreement**, the issue of the New Shares and Convertible Notes will increase Holiday Planet's holding to 28%, or to 29% on the basis that there was a conversion of all Convertible Notes to shares by Holiday Planet assuming that the Company raises the minimum \$3 million with no over subscription (up to a further \$2 million). These potential changes in shareholding are- summarized in the table below:

Minimum Subscription

	Holiday Planet	Other Shareholders	Total
Shares on issue at 4 September 2014	-	832,000,000	832,000,000
Proposed Consolidation 1 for every 25 currently held			
Issued Shares as at date of our Report	-	33,280,000	33,280,000
% holdings as at date of our Report	0%	100%	100%
Shares to be issued to Holiday Planet	18,750,000	-	18,750,000
Promoter Shares	-	300,000	300,000
Capital Raising Shares (assuming min \$3mil)	-	15,000,000	15,000,000
Shares on issue after New Shares	18,750,000	48,580,000	67,330,000
Conversion of \$250,000 of Convertible Notes	1,250,000	-	1,250,000
Issued Shares after conversion of Convertible Notes at \$0.20 per Share	20,000,000	48,580,000	68,580,000
% holdings after issue of Shares	27.8%	72.2%	100%
% holdings after issue of Shares and Convertible Notes	29.2%	70.8%	100%

Table 3.1 Proposed Shareholding post minimum subscription

Maximum Subscription

	Holiday Planet	Other Shareholders	Total
Shares on issue at 4 September 2014	-	832,000,000	832,000,000
Proposed Consolidation 1 for every 25 currently held			
Issued Shares as at date of our Report	-	33,280,000	33,280,000
% holdings as at date of our Report	0%	100%	100%
Shares to be issued to Holiday Planet	18,750,000	-	18,750,000
Promoter Shares	-	300,000	300,000
Capital Raising Shares (assuming min \$3mil)	-	25,000,000	25,000,000
Shares on issue after New Shares	18,750,000	58,580,000	77,330,000
Conversion of \$250,000 of Convertible Notes	1,250,000	-	1,250,000
Issued Shares after conversion of Convertible Notes at \$0.20 per Share	20,000,000	58,580,000	78,580,000
% holdings after issue of Shares	24.2%	75.8%	100%
% holdings after issue of Shares and Convertible Notes	25.4%	74.6%	100%

Table 3.2 Proposed Shareholding post maximum subscription

Regulatory Guide 74 issued by ASIC deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of **Red Gum**, by either:

- undertaking a detailed examination of the issue of the New Shares themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of **Red Gum** have commissioned this Independent Expert's Report to satisfy this latter obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of "fair and reasonable". In determining whether the issue of the Shares, Convertible Notes and payment of cash for the acquisition of an entity is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis consistent with a takeover bid.

In our opinion the issue of the Shares and Convertible Notes to partially fund the acquisition of Holiday Planet is a control transaction as defined by RG 111 and we have therefore assessed the issue of these Shares and Convertible Notes to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, **RM Corporate Finance** has completed this comparison in two parts:

- A comparison between value of a **Red Gum** share prior to the issue of additional Shares, Convertible Notes and payment of cash to acquire Holiday Planet and the value of the entity to be acquired by **Red Gum** for the issue of the additional shares, Convertible Notes and payment of Cash (fairness – see Section 12 “Is the Issue of the Shares, Convertible Notes and Cash Consideration Fair?”); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 “Is the Issue of the Shares, Convertible Notes and Cash Consideration Reasonable?”).

4. Outline of the Transaction

On 4 June 2014, **Red Gum Resources Ltd** ("**Red Gum**" or "**the Company**") announced that it had entered into an agreement, subject to various conditions precedent with the shareholders of Holiday Planet Pty Ltd ("**Holiday Planet**") whereby **Red Gum** would acquire 100% of the issued capital of Holiday Planet. The agreement provides that shareholders of Holiday Planet will receive a total of 18,750,000 Red Gum shares together with \$250,000 of convertible notes together with a cash payment of \$750,000. In addition, in order to partially fund this acquisition **Red Gum** intends to issue a minimum of a further \$3 million through the public offering of 10,000,000 ordinary Red Gum shares at an issue price of \$0.20 cents each, with a facility for over subscription to raise an additional \$ 2 million.

Also subject to shareholder approval, **Red Gum** proposes a further two acquisitions of independent leisure and tourism business entities, namely :

- The acquisition of Keygate Holdings Pty Ltd (trading as Asia Escape) for a cash consideration of \$750,000, and the issue of 10,000,000 shares and \$750,000 in Convertible Notes.
- The acquisition of Jaecer Holdings Pty Ltd (trading as Motive Travel) for a cash consideration of \$500,000 and the issue of 5,000,000 shares and \$500,000 in Convertible Notes.

Given the relative sizes of the Asia Escape and Motive Travel acquisitions, we are not required to comment on whether these are fair and reasonable.

5. Profile of the Various Entities

5.1 Profile of Red Gum Resources Limited

Red Gum ('RGX') is an Australian, ASX, listed mining explorer that has been continuously listed since January 2012. Prior to the current announcements concerning its shift in focus, the Company had as its principal objectives the exploration for copper, gold, and polymetallic mineralization. The stated strategic objectives of RGX had been to discover economic mineral deposits and realize shareholder value through the development, joint venture or sale of those assets.

RGX's projects and its principal assets, its exploration concessions, are located in Chile and Peru. At the date of our Report, RGX holds 100% interest in three project areas. Additionally it has a number of applications on foot in Chile which at this stage are not considered material.

5.1.1 La Negra Project

The La Negra Lead-Zinc-Silver (Copper-Gold) Project is located within Region IV in Chile, approximately 360 kilometres NNE of the capital, Santiago. **Red Gum** holds this project 100% through its wholly owned subsidiary Red Gum Chile SPA. The property comprises 11 separate mining and exploration concessions over the strike length of a geological outcrop which has variously been surficially mined over a long period, dating back to colonial times, as a source of high grade lead-zinc-silver material. Modern day geochemical sampling, and subsequent drilling by Red Gum, has verified the surface and subsurface continuity of high metal grades (zinc, lead, silver, copper and gold) over significant widths within the old workings.

Previous surface geochemistry defined a strong northerly trending ("principal") zinc-lead anomaly, 1300 metre long by +400 metre wide, broadly corresponding with outcropping tourmaline-bearing hydrothermal breccias that host the old workings. Strong silver, copper and gold values are concentrated in the soils of the northern segment of this principal anomaly. These, and other geochemical anomalies, are underlain by large chargeability anomalies defined in the geophysics.

RGX commenced a drilling program, comprising 12 diamond core holes of 2,371m, shortly after listing in 2012 to test targets within both the base/precious metals-bearing tourmaline breccia structure and potential porphyry targets suggested by the induced polarization surveys. The results confirmed a lead-zinc-silver-copper-gold discovery with the presence of this polymetallic mineralisation over at least 430m of strike length of the principal hydro thermal breccia zone. The results warranted further investigation and based upon them RGX exercised its right to acquire 100% interest in the Project which was registered in July 2012.

5.1.2 Chongos Project

The Chongos Project is located 180 km southeast of Lima, within the southern continuation of the same northwest-southeast trending belt that hosts the Cerro Huancash Project (refer 2.1.3). Both projects lie within the Peruvian polymetallic belt, which is one of Peru's most important mineralisation areas. It has a proven track record in discovery of world class deposits, such as Antamina, Iscaycruz, San Gregorio and Toromocho/Morococha as well as numerous, highly profitable, small to medium sized deposits. The Company's projects are accessible by a sealed highway which lies approximately 30km to the northeast, connecting the regional centres of Huancayo and Huancavelica.

The Chongos Project, comprises three concessions (Chongos A ,B and C) covering approximately 9 km strike length of very strong zinc and lead geochemical anomalies associated at the surface with an iron and manganese stained sequence of folded mid to upper Cretaceous limestones. Small stocks of Tertiary

intrusive rocks have been mapped along a regional northwest-southeast trend, and it is probable that the base metal mineralisation present is of an intrusion related, distal replacement style.

The Chongos concessions are located within the gently to moderately folded and thrust-faulted Mesozoic succession that forms the local basement. The lower Mesozoic sequences consist of the Triassic-Jurassic Pucara group (limestone, carbonaceous shale) overlain by an Early to Late Cretaceous deltaic to shelf carbonate sequence (sandstones, limestone, minor shale). These concessions are held 100% through a wholly owned subsidiary Central Peru Resources SRC. There is no minimum work program that the Company must undertake to retain a 100% interest in the properties. The Company has paid the annual rentals due on the properties to keep them in good financial standing with the Peruvian Government.

5.1.3 Cerro Huancash Project

The Cerro Huancash Project consists of one exploration claim covering an area of 575.6 hectares. It is located approximately 45 km west of smelting facilities at La Oroya and 20 km north-northwest of Glencore's Casapalca Zinc-Lead-Silver Mine. Previous exploration in the surrounding area had identified a highly prospective zone, referred to as the Ariana Corridor, an 8 km zone reporting very strong zinc, copper, lead, silver and gold geochemical anomalies. Cerro Huancash covers a 3 km segment of this zone which is being developed immediately to the north of **Red Gum's** concessions by Southern Peaks Mining.

The Cerro Huancash project has yet to be drilled but geochemical analysis and IP geophysical surveys conducted by Red Gum reported high grades of precious and base metals and geophysical anomalies which together with field mapping strongly indicate the existence of a stratigraphically and structurally controlled sulphidic skarn/replacement mineralisation system within the concession.

There is no minimum work program that the Company must undertake to retain a 100% interest in Cerro Huancash. The Company has paid the annual rentals due on the project to keep it in good financial standing with the Peruvian Government.

5.2 Profile of Holiday Planet

Holiday Planet is one of the largest privately owned Online Travel Companies in Australia, focusing the majority of its business in the higher margin leisure industry, and is one of only nine Diamond Agents in Australia for P&O Princess Cruises. It has an annualized total transactional value in excess of \$34 million. The Holiday Planet Group is one of Australia's most diversified online retail travel groups, with sites across all key sector of leisure travel including holidays-cruise-flights-hotel accommodation.

In operation for over the past 13 years, the Holiday Planet continues to be profitable and debt free. Its business model offers a unique diversity in terms of online and offline functionality across four key areas of holidays-cruise-flights-hotel accommodation based in Perth Western Australia

The primary objective of the Holiday Planet Group is to maximize shareholder value through organic growth opportunities that listing will bring, including:

- to increase penetration into the Australian East Coast and Singaporean domestic markets through organic growth and EBIT accretive acquisitions;
- investment in Information Technology to allow virtual reality search, transaction, and ticket enhancements;
- development of new on-line booking engines in the high volume leisure travel areas of Asia, North America, the South Pacific and Europe; and
- consolidation to become the preferred high end luxury travel brand retailer.

5.3 Red Gum Resources Limited Historical Balance Sheet

Red Gum Balance Sheet	Audited as at 30 June 2014	Audited as at 30 June 2013	Audited as at 30 June 2012
CURRENT ASSETS			
Cash and cash equivalents	2,074,889	771,013	2,791,578
Trade and other receivables	189,585	57,269	40,846
TOTAL CURRENT ASSETS	2,264,474	828,282	2,832,424
NON-CURRENT ASSETS			
Other receivables	-	248,495	99,682
Property, plant and equipment	584	1,304	3,680
Exploration and evaluation	560,771	4,682,070	3,301,130
TOTAL NON-CURRENT ASSETS	561,355	4,931,869	3,404,492
TOTAL ASSETS	2,825,829	5,760,151	6,236,916
CURRENT LIABILITIES			
Trade and other payables	222,378	485,892	1,214,750
Provisions employee benefits	-	-	-
TOTAL CURRENT LIABILITIES	222,378	485,892	1,214,750
TOTAL LIABILITIES	222,378	485,892	1,214,750
NET ASSETS	2,603,451	5,274,259	5,022,166
EQUITY			
Contributed equity	10,449,282	7,084,364	6,049,789
Reserves	232,902	226,907	39,331
Accumulated losses	(8,078,733)	(2,037,012)	(1,066,954)
TOTAL EQUITY	2,603,451	5,274,259	5,022,166

Table 5.3: Red Gum Historical Balance Sheets

Source: Audited financial reports for the years ended 30 June 2014, 2013 and 2012.

5.4 Red Gum Resources Limited Historical Income Statements

Red Gum Income Statement	Audited for the period ended 30 June 2014	Audited for the year ended 30 June 2013	Audited for the year ended 30 June 2012
Revenue – Interest income	4,296	35,212	76,819
Expenses			
Exploration expenditure impaired	(4,584,160)	-	-
Exploration expenses written off	(226,409)	(121,143)	(20,392)
Office and administration expenses	(107,773)	(122,235)	(69,746)
Professional fees	(656,817)	(322,257)	(263,982)
Directors fees and remuneration	(296,571)	(399,970)	(210,267)
Depreciation expense	(720)	(2,376)	(3,503)
Finance Costs	(53,700)	-	-
Other expenses	(8,785)	(37,289)	(30,037)
Loss Before tax	(5,930,639)	(970,058)	(521,108)
Income tax (expense)/benefit	(111,082)	-	-
Loss For the Year Attributable to Members	(6,041,721)	(970,058)	(521,108)
Other Comprehensive Income			
Exchange differences translating foreign operations	(126,361)	141,318	16,202
Total Comprehensive Income/(loss) for the year attributable to owners of the company	(6,168,082)	(828,740)	(504,906)
Loss attributable to owners of the company	(6,168,082)	(828,740)	(504,906)

Table 5.4 Red Gum Historical Income Statement

Source: Audited financial reports for the years ended 30 June 2014, 2013 and 2012.

5.4.1 Commentary on Historical Financial Statements

Red Gum's financial statements for the years ending 30 June 2014, 30 June 2013 and 30 June 2012, have been audited by KS Black and Co. RF Capital has not undertaken any audit or review of the historical financial statements of Red Gum.

In 2012 Red Gum issued 20,017,818 shares via a public offering through a prospectus dated 21 October 2011 to raise \$4,003,563 before issue costs. In 2013 it issued a further 37,489,370 shares to raise an additional \$1.125 million before costs of \$118k. In 2014, the Company issued a further 719,531,903 shares to raise \$3,673,595 before costs of \$308,677.

In the year to 30 June 2013 exploration and evaluation assets increased by \$1,380,940. In the year ended 30 June 2013, a further \$411,894 was spent on exploration and evaluation. However, at 30 June 2014 the exploration asset was impaired and subsequent \$4,584,160 of capitalized expenditure was written off.

To date the only source of revenue has been interest. The major items of expenditure are administration expenses, wages and salaries and the write off of exploration expenditure. The financial statements for the year to 30 June 2014 show a loss attributable to members of \$6,041,721 after the asset impairment charge of \$4,584,160 compared to a loss of \$970,058 incurred in the year to 30 June 2013 and \$521,108 in the year to 30 June 2012.

5.5 Holiday Planet Historical Balance Sheet

Holiday Planet Balance Sheet	Reviewed for the period ended 30 April 2014	Audited as at 30 June 2013	Audited as at 30 June 2012
CURRENT ASSETS			
Cash and cash equivalents	1,675,054	1,375,106	1,326,541
Trade and other receivables	1,055,352	142,669	269,847
Inventories	-	30,265	69,722
Other current assets	3,880	226,156	131,442
TOTAL CURRENT ASSETS	2,734,286	1,774,196	1,797,552
NON-CURRENT ASSETS			
Trade and other receivables	-	1,714	1,714
Financial assets	41,180	41,287	81,480
Property, plant and equipment	18,500	67,944	92,887
Other non-current assets	1,053,564	2,760,935	2,043,627
TOTAL NON-CURRENT ASSETS	1,113,244	2,871,880	2,219,708
TOTAL ASSETS	3,847,530	4,646,076	4,017,260
CURRENT LIABILITIES			
Trade and other payables	1,910,731	1,415,921	1,454,268
Provisions	56,240	57,079	72,937
Tax liabilities	473,163	(3,880)	(11,737)
Other current liabilities	159	-	-
TOTAL CURRENT LIABILITIES	2,440,293	1,469,120	1,515,468
TOTAL LIABILITIES	2,440,293	1,469,120	1,515,468
NET ASSETS	1,407,237	3,176,956	2,501,792
EQUITY			
Issued capital	115,000	115,000	115,000
Reserves	-	1,891,062	1,301,703
Retained earnings	1,292,237	1,170,894	1,085,089
TOTAL EQUITY	1,407,237	3,176,956	2,501,792

Table 5.5: Holiday Planet Historical Balance Sheets

Source: Audited financial reports for the years ended 30 June 2012 and 30 June 2013 and reviewed financial statements for the 10 months ended 30 April 2014.

5.6 Holiday Planet Historical Income Statement

Holiday Planet Income Statement	Reviewed for the period ended 30 April 2014	Audited for the year ended 30 June 2013	Audited for the year ended 30 June 2012
Total Transactional Value	28,414,637	35,201,377	36,649,892
Cost of Sales	(25,181,796)	(30,828,267)	(32,190,997)
Gross Profit	3,232,841	4,373,110	4,458,895
Other income	76,258	-	-
Expenses			
Advertising expenses	(736,265)	(1,051,863)	(856,863)
Finance costs	(719)	(118,345)	(138,341)
Rent	-	(227,362)	(218,025)
Amortization and depreciation	(14,077)	(108,369)	(133,155)
Employee benefits expense	(1,927,069)	(2,364,525)	(2,611,532)
Impairment of investments	(28,152)		
Other expense	(481,474)	(355,155)	(402,856)
(Loss)/Profit Before Income Tax	121,343	147,491	98,123
Expense			
Income tax expense	-	-	-
Net (Loss)/Profit for the Year	121,343	147,491	98,123

Table 5.6 Holiday Planet Historical Income Statement

Source: Audited financial reports for the years ended 30 June 2013 and 30 June 2012 and reviewed financial statements for the 10 months ended 30 April 2014.

5.6.1 Commentary on Historical Financial Statements

Holiday Planet's financial statements for the years ending 30 June 2013 and 30 June 2012 have been audited by Burns and Baker, accountants. RF Capital has not undertaken any audit or review on the historical financial statements of **Holiday Planet**. In addition we have not undertaken a review of **Holiday Planet's** unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

At 30 June 2013, included in "non current assets" is an amount of \$2,760,935 (\$2,043,627 at 30 June 2012) described as 'Website Development Expenditure' which we understand consists of a number of databases. Historically, the databases are re-valued annually. At 30 April 2014, the revaluation relating to these databases amounted to \$1,891,062 was reversed as it represented internally generated goodwill which cannot be recognised under AASB 138.

Revenue is recognized in respect of commissions earned, as opposed to total sales made, that is, total transactional value. Sales for the period to 30 April 2014 were down by 11% on an annualized basis, however, May and June historically result in higher than average monthly revenues. Management expect total transactional value to achieve similar levels to those reported in the year ended 30 June 2013.

Labour cost accounts for approximately 50% of total revenue with advertising expenses also being a significant cost ranging between 20-25% of total revenue.

As a result of the above, net margins range from 2% to 3% in the year to 30 June 2014 in line with increased online growth. The margins are in line with industry averages.

5.7 Capital Structure

The share structure of **Red Gum** as at 4 September 2014 is outlined below:

	Number
Total ordinary shares on issue	832,000,000
Top 20 shareholders	406,327,940
Top 20 shareholders - % of shares on issue	48.84%

Table 5.7a Share structure of **Red Gum** as at 4 September 2014.

Source: Management of **Red Gum**

The range of shares held in **Red Gum** as at 4 September 2014 is as follows:

Range of Shares Held	Total holders	Units	Percentage (%) of Issued Capital
1 - 1,000	7	1,701	0.00
1,001 - 5,000	2	8,334	0.00
5,001 - 10,000	120	1,198,000	0.14
10,001 - 100,000	172	9,035,135	1.09
100,001 – 9,999,999,999	393	821,756,830	98.77
TOTAL	694	832,000,000	100.00

Table 5.7b Share Range at 4 September 2014

Source: 2014 Red Gum Annual Report

The ordinary shares held by the most significant shareholders as at 4 September 2014 are detailed below:

Name	No. of Ordinary Shares Held	Percentage of Issued Shares (%)
Beirne Trading Pty Ltd	59,400,000	7.14%
Dead Knick Pty Ltd	55,000,000	6.61%
Willowdale Holdings Pty Ltd	55,000,000	6.61%
MGL Corp Pty Ltd	33,065,326	3.97%
South Banc Corp Pty Ltd	32,500,000	3.91%
Subtotal	234,965,326	28.24%
Others	597,034,674	71.76%
Total ordinary shares on Issue	832,000,000	100%

Table 5.7c Significant shareholding at 4 September 2014

Source: 2014 Red Gum Annual Report

Red Gum also has the following Options and Performance Rights on issue as at 17 September 2014:

Details	Number
Listed options with a price of \$ 0.10 expiring 1 March 2016	61,234,053
Listed options with a price of \$ 0.01 expiring 15 November 2017	176,000,000

Table 5.7d Option and Performance Rights at 17 September 2014

Source: 2014 Red Gum Annual Report

We set out below **Red Gum**'s share price for the 12 months to 19 September 2014.



Source: au.finance.yahoo.com *Red Gum Resources Ltd (RGX.AX) Basic Chart 19 September 2014*

6. Economic Background

Growth in the global economy is continuing at a moderate pace. China's growth remains generally in line with policymakers' objectives, with weakening property markets a challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined this year.

Financial conditions overall remain very accommodative. Long-term interest rates and risk spreads remain very low. Volatility in many financial prices is currently unusually low. Markets appear to be attaching a very low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, the most recent survey data indicate gradually improving business conditions and some recovery in household sentiment after a weaker period around midyear, suggesting moderate growth in the economy is occurring. Resources sector investment spending is starting to decline significantly. Investment intentions in some other sectors continue to improve, though these areas of capital spending are expected to see only moderate growth in the near term. Public spending remains subdued. Overall, the Australian Reserve Bank expects growth to be a little below trend over the year ahead.

The recorded rate of unemployment has increased recently, despite some improvement in most other indicators for the labour market this year. The Reserve Bank's assessment remains that the labour market has a degree of spare capacity and that it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with expected target levels even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth has picked up a little, including most recently, to businesses. The increase in residential dwelling prices continues. The exchange rate, on the other hand, remains above most estimates of its fundamental value, particularly given the declines in key commodity prices. It is offering less assistance than would normally be expected in achieving balanced growth in the economy, although very recent changes could signal the commencement of an anticipated downward correction.

Looking ahead continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2–3% target over the next two years.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 3 September 2014*

7. Travel Industry

Like many other regions, Australia is experiencing significant increases in the number international departures. Statistics show that 8.4 million travelers left Australia in the year to 30 June 2013. As a result of changes in demographics some 50% of these travelers are aged between 20-50 years, with 25% being over 50 years old, the so called "Grey Nomads".

One sector in particular the cruise sector has experienced exponential growth. In the year to 30 June 2013 in excess of 833,000 people went on cruise holidays, and increase in excess of 20% on the previous year. Australians' passion for cruising has now reached levels where it is the largest growth rate globally, equaled only by Germany. The Australian cruise industry now has the second highest population penetration rate in the world, with an unprecedented 3% of Australians taking a cruise during the year. In only four years, the number of Australians taking a cruise holiday has more than doubled, largely in response to a substantial increase in local cruise holiday offerings as well as the continuing strength of the \$A which has enticed more Australians to explore cruise options overseas. Holidaymakers are clearly embracing the variety of cruises now available as well as the value which cruising offers with its all-inclusive pricing. While the outlook for the cruise industry remains buoyant, a focus on appropriate port infrastructure and supportive government policies will be crucial to the continued growth of Australian passenger numbers. Industry experts predict this number increasing to over 1 million customers by 2016. Today the cruise industry contributes more than \$1 billion dollars to the Australian economy.

Australia is the only source market in the world, other than North America and Germany, to have reached a 3% market penetration rate Australia's share of the global cruise industry is now 3.4 %. The most popular destination for Australian passengers was the South Pacific which accounted for 36.4% of the market in 2012 (252,555 passengers). Europe is now the biggest fly-cruise market for Australians with passenger numbers rising 26% to 57,719 (8.3% of the market). The Caribbean achieved the highest growth rate with a 36% rise to 17,316 Australian passengers. Collectively, US destinations including Alaska and the Caribbean, account for 8.3% of the market (57,396 passengers). River cruising numbers continue to expand with 12% more passengers (39,275) opting for this niche holiday experience compared to 2012. Shorter cruises of 1-4 days experienced the greatest growth in 2012 rising 38%, with 76,719 Australians opting for a "short break" cruise. The first breakdown of cruise passenger age reveals almost half are under the age of 50, a quarter are aged under 40 and one-third are over 61 years. An insight into the passenger mix onboard roundtrip cruises from Australia shows Australians accounted for 84% of passengers with international travelers representing 16% or close to 100,000 passengers.

The Holiday Planet Group has a dedicated division, Cruiseplanet, focusing on the Cruise sector of the travel market. This division concentrates on high value sales rather than volume, offering World tours, African Safaris and South American tours. Unlike the more commoditized areas of the travel industry the Cruise sector enjoys healthy margins. Empirical data would suggest that there is an exceptionally high level of referral business in the cruise sector. Cruiseplanet is one of the top referrers to Princess and Cunard in Australia. Management believes that integration with Asia Escape and Motive travel will significantly increase the foot print of Holiday Planet in this sector.

The online travel industry continues to erode market share away from the traditional "brick and mortar" travel agency model. The most successful online players over the last decade have been Wotif and Webjet. Wotif has 12.8% of the OTA market, with Webjet controlling 11.63%. Wotif has concentrated on hotel bookings, whereas Webjet concentrates on flights.

8. Valuation Approach Adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ("FME")
- Discounted Cash Flow ("DCF")
- Quoted Market Price Basis ("QMP")
- Net Asset Value ("NAV")
- Market Based Assessment

A summary of each of these methodologies is outlined in Appendix 2. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. We have considered all of the above valuation methodologies and have dismissed all methodologies, with the exception of Net Asset-based valuation (NAV), as inappropriate for the current purposes for the following reasons:

- **Red Gum** has incurred operating losses in FY2012, FY2013 and FY2014.
- Management has prepared cash flow forecasts for **Red Gum** for the 12 months endings 30 June 2015. These forecasts have been prepared on the basis that **Red Gum** ceases activity in the mining sector. Consequently, they show no revenue and cash diminishing over time as costs are incurred.
- **Red Gum's** ASX share trading prices could be considered an appropriate indicator of value, given that in the six months there has been relatively high trading volumes (88% over the 6 month period to September 2014), and on that basis we propose using the QMP as a cross check to our principle measure that being Net Asset Value.

In applying an asset based approach, we consider **Red Gum's** NAV to be the most appropriate indicator of value for the following reasons, at 30 June 2014, **Red Gum** was affectively a "cash box".

In order to assess the value of **Red Gum** after the Proposed Transaction, we have also considered the following:

- Potential dilutive effects of the Proposed Transaction.
- Minority interest discount to determine the minority interest value of **Red Gum** after the Proposed Transaction.

8.1 Procedures for reviewing reasonableness of financial information

RG111.77 requires an expert to undertake critical analysis of the information on which the IER is based. The expert needs to be satisfied that critical information is not materially inaccurate.

The NAV approach was selected as the most appropriate methodology to value **Red Gum** before and after the Proposed Transaction. Application of this method requires that the balance sheets for **Red Gum** and Holiday Planet are not materially inaccurate. The primary asset for **Red Gum** is cash, for Holiday Planet – cash, trade debtors and website development.

We consider the financial information for **Red Gum** and Holiday Planet, as outlined in our Report, provides a reasonable basis upon which to undertake the NAV analysis.

8.2 Control Premium and Minority Interest Discount

In accordance with ASIC regulatory guides, we have assessed the value of Red Gum before the Proposed Transaction on a control basis. Applying an asset based approach to value Red Gum before the Proposed Transaction provides a controlling value. Accordingly, we have not included an additional premium for control.

If the Proposed Transaction is approved, the Red Gum Non-associated Shareholders together will hold a minority interest in Red Gum. Accordingly, it is necessary to apply a minority interest discount in valuing Red Gum on after the Proposed Transaction. We have assumed a minority interest discount of 10%. This is equivalent to a control premium of 12.5%, which we do not consider to be unreasonable based on our review of empirical studies and historical control premiums.

8.3 Cross Checks

As noted above, we do not consider it appropriate to value Red Gum using the capitalization of earnings or DCF methods. However, Red Gum's ASX share trading prices prior to the announcement of 14 March 2014, highlighting **Red Gum's** impairment of its mining assets, and subsequent announcements informing the market of proposed acquisitions do provide an appropriate indicator of value, given the significant trading volumes. On this basis, we propose using trading price as a cross check in our fairness assessment.

We note that an asset based approach typically provides the lowest value for an entity operating as a going concern, and is often used as a cross check to income or market based methods.

9. Valuation of Red Gum before the Proposed Transaction

9.1 Net Tangible Assets

To determine the fair market value of **Red Gum** before the Proposed Transaction, we have considered the NAV of **Red Gum** as at 30 June 2014, as set out below:

\$	\$
NAV	2,603,451
Equity of Red Gum (control)	2,603,451
Number of ordinary shares on issue	832,000,000
Value pre consolidation	\$0.003
Number of shares post 25 to 1 consolidation	33,280,000
Equity value of Red Gum per share (\$)	\$0.078
Equity value of Red Gum per share	\$0.08

Table 9.1 Valuation Summary of the fair market value of Red Gum Shares before the Proposed Transaction

In relation to the NAV of **Red Gum** before the Proposed Transaction we note the following:

- We have assumed **Red Gum** will operate as a going concern for purposes of our assessment.
- We have assumed that no material contingent liabilities exist as at the time of preparing this Report.

9.2 Valuation Conclusion

Based on the book value of **Red Gum's** tangible assets as at 30 June 2014, **Red Gum's** NAV per share pre consolidation is 0.003 cents and post consolidation is approximately 0.08 cents per share on a controlling interest basis, before the Proposed Transaction.

As noted previously, **Red Gum's** auditor has raised concerns regarding **Red Gum's** ability to operate as a going concern, and the value of assets is likely to decrease in the context of liquidation. Accordingly, adopting the book value of tangible assets is likely to be conservative for purposes of assessing the fairness of the Proposed Transaction.

10. Valuation of Red Gum after the Proposed Transaction

10.1 Net Tangible Assets

To determine the fair market value of Red Gum after the Proposed Transaction, we have considered the pro-forma NAV of Red Gum which includes the tangible assets of Holiday Planet and the cash raised as part of the transaction as at 30 June 2014, as set out below:

	Minimum Subscription	Maximum Subscription
NAV		
Equity raised pursuant to Resolution 6 – Share Placement		
Equity of Red Gum (control)	2,603,451	2,603,451
Equity of Holiday Planet	1,172,858	1,172,858
Cash raised	3,000,000	5,000,000
Total	6,776,309	8,776,309
Minority interest discount	10%	10%
Equity value of Red Gum (Minority)	6,098,678	7,898,678
Less Cash	(750,000)	(750,000)
	5,348,678	7,228,678
Potential number of ordinary shares on issue after the Proposed Transaction	68,580,000	78,580,000
Equity value of Red Gum per share (Minority) (\$)	0.078	0.09
Equity value of Red Gum per share (say) (Minority)	\$0.08 cents	\$0.09 cents

Table 10.1 Valuation Summary of the fair market value of Red Gum Shares before the Proposed Transaction

The potential number of shares on issue after the Proposed Transaction assumes that:

- Resolutions 1, 4, 5, 6 and 7 are all approved
- The minimum and maximum number of shares are issued at \$0.20 pursuant to the share placement under resolution 6

11. Valuation of Red Gum prior to the issue of the Shares, Convertible Notes and Cash Consideration

11.1 Minority Interest Value

Our analysis of the quoted market price of a **Red Gum** share is based on the pricing prior to the announcement of the issue of the Shares, Convertible Notes and Cash Consideration. This is because the value of a **Red Gum** share after the announcement may include the effect of any change in value as a result of the issue of the Shares and Convertible Notes. However, we have considered the value of a **Red Gum** share following the announcement when we have considered reasonableness in Section 13.

The daily price of **Red Gum** shares from 23 December 2013 to 28 August 2014 has ranged from a low of \$0.003 on 10 March 2014 to a high of \$0.009 on 20 May 2014 and between 23 December 2013 and 3 March 2014. During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
30/09/2014	Annual Report to Shareholders	\$0.006	\$0.005
25/09/2014	Becoming a Substantial Holder	\$0.005	\$0.006
22/09/2014	Transaction & Market Update –Australian Travel Group	\$0.006	\$0.005
18/09/2014	Trading Halt	\$0.006	\$0.006
25/08/2014	Asia Escape Holidays Share Sale Agreement Signed	\$0.005	\$0.007
08/08/2014	Change in substantial holding	\$0.006	\$0.006
04/08/2014	Motive Travel Share Sale Agreement Signed	\$0.007	\$0.006
30/07/2014	Quarterly activities report and appendix 5B	\$0.007	\$0.007
22/07/2014	Becoming a substantial holder	\$0.007	\$0.007
09/07/2014	Holiday Planet Share Sale Agreement Signed	\$0.008	\$0.007
07/07/2014	Roadshow Presentation	\$0.008	\$0.008
02/07/2014	Acquisition of additional travel business	\$0.008	\$0.008
30/06/2014	Trading Halt	\$0.008	\$0.008
17/06/2014	Second Acquisition in the Internet Travel & Leisure Industry	\$0.008	\$0.008
13/06/2014	Trading Halt	\$0.008	\$0.008
10/06/2014	Cleansing Prospectus	\$0.008	\$0.008
10/06/2014	Additional Disclosure and Appendix 3B	\$0.008	\$0.008
10/06/2014	Cancellation of Unquoted Options	\$0.008	\$0.008
04/06/2014	Red Gum to shift focus to internet travel & leisure industry	\$0.009	\$0.008
02/06/2014	Trading Halt	\$0.008	\$0.008
23/05/2014	Appendix 3B	\$0.009	\$0.008

22/05/2014	Completion of Placement	\$0.007	\$0.008
20/05/2014	Trading Halt	\$0.007	\$0.009
01/05/2014	Operations Report and Appendix 5B	\$0.006	\$0.005
30/04/2014	Cleansing Prospectus	\$0.005	\$0.006
29/04/2014	Appendix 3B	\$0.006	\$0.006
28/04/2014	Appendix 3B	\$0.007	\$0.006
17/04/2014	Appendix 3B per RRI shortfall allotment	\$0.005	\$0.005
14/03/2014	Half Yearly Report and Accounts	\$0.004	\$0.005
10/03/2014	Renounceable Rights Issue and Appendix 3B	\$0.003	\$0.004
03/03/2014	Appendix 3B	\$0.009	\$0.009
03/02/2014	Activities Report and Appendix 5B	\$0.009	\$0.009
17/01/2014	Appendix 3B for expiry of 2012 IPO restrictions	\$0.009	\$0.009
27/12/2013	Suspension from Official Quotation	\$0.009	\$0.009
23/12/2013	Trading Halt	\$0.009	\$0.009

Table 11.1a Significant ASX Announcements Source: ASX

	14 March 2014	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.004				
Volume Weighted Average	-	\$0.005	\$0.007	\$0.006	\$0.008

Table 11.1b Average market price

Source: ASX

The above volume weighted average prices are prior to the date of the announcement of the issue of the Shares and Convertible Notes, to avoid the influence of any increase in price of **Red Gum** shares that has occurred since the announcement.

An analysis of the volume of trading in **Red Gum** shares for the six months to 31 August 2014 is set out below:

	Share Price Low (\$)	Share Price High (\$)	Cumulative Volume Traded	As a % Issued Capital
1 day	0.006	0.006	-	-
10 days	0.006	0.006	35,380,859	4.25%
30 days	0.005	0.006	111,781,598	13.44%
60 days	0.005	0.006	240,678,925	28.93%
90 days	0.005	0.007	442,275,210	53.16%
180 days	0.008	0.009	737,962,697	88.70%

Table 11.1c Trading volumes for the six months to 12 September 2013

Source: ASX

This table indicates that **Red Gum**'s shares display a high level of liquidity, with 88.70% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

Clearly the volume traded would suggest that the market for **Red Gum** is "deep", with significant trades over a 180 day period. A company's securities which exhibit all of the above characteristics means that the value of its shares can be considered relevant, and given the discussion in section 8 of this Report, it would appear no other methodology is appropriate.

Red Gum's Quoted Market Price results in the following valuation range:

	Low (\$)	Midpoint (\$)	High (\$)
Quoted Market Price Value	\$0.004	\$0.0065	\$0.009
Market Price reflecting Consolidation of Capital	\$0.10	\$0.16	\$0.225

Table 11.1d Market price range

Source: ASX

Our assessment is that a range of values for a **Red Gum** share based on market pricing is between \$0.004 and \$0.009 with a midpoint value of \$0.0065, and when adjusted to reflect the consolidation, it is between \$0.10 and \$0.225 with a midpoint of \$0.16.

11.2 Control Premium

The concept of a premium for control reflects the additional value that attaches to a controlling interest. In determining whether including a control premium is appropriate in this instance, we believe there are two key considerations. Firstly, control premiums vary depending on the shareholding the buyer has in the target company with lower shareholdings (<10%) carrying lower control premiums and higher shareholdings (10% to 50%) carrying higher control premiums. It is our understanding that currently Holiday Planet shareholders have no shareholding interest in **Red Gum**. In addition we believe it is appropriate to consider the level of control held by Holiday Planet shareholders after the potential acquisition of Asia Escape and Motive Travel. Although initially Holiday Planet will hold more than 20% of the share capital of **Red Gum**, assuming the resolutions to acquire Asia Escape and Motive Travel are successful Holidays Planet shareholders share holding in Red Gum will fall below 20%. The control premium in industries like the travel industry is usually in the range of between 10 to 15%.

Based on the factors set out above we recommend a control premium of 12.5%.

In arriving at an appropriate control premium to apply we noted that observed control premia can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Level of controlling interest acquired;

- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

Based on the factors set out above, we observe no significant control premia on a company's share price are paid for acquisition in the travel industry. These significant premia in part reflect the strategic value of the target to the acquirer above the conventional level of control premium paid.

Across the general service sector, the average annual control premium paid for effective control transactions ranged between 14.8 % and 33.00% with an average of 23.9%. If the issue of the Holiday Planet is approved, Holiday Planet will obtain a maximum interest in **Red Gum** of 29%, which reduces to below 20% if the Asia Escape and Motive Travel acquisitions are approved , which represents influence, but not necessarily significant influence and certainly not an effective control over the Company.

Taking the factors above into consideration in applying a control premium to **Red Gums'** quoted market share price, we believe an appropriate range to be 15% - 25% -- which is consistent with our analysis of the implied premia within the market. The announced market premia is calculated on a company's share price and can be potentially higher if a security has a low level of liquidity which could lead to its share price not being reflective of the underlying value. We believe this range, determined from implied premia, is the most appropriate to use.

12. Is the issue of the Shares, Convertible Notes and Cash Consideration fair?

The value of a **Red Gum** share prior to the issue of the Shares compared to the value per share after the acquisition:

Ref	Minimum Subscription	Maximum Subscription
Value of Red Gum Share after the proposed transaction	\$0.08	\$0.09
Value of consideration per share before acquisition	\$0.08	\$0.08

Table 12 Valuation compared to consideration

We note from the table above that the value of a **Red Gum** share prior to the issue of the Cash Component, Shares and Convertible Notes is equal to or less than the value of shares. Given that **Red Gum**'s only real asset is cash which will continue to reduce, we consider that the issue of the Shares is fair.

In addition, looking at **Red Gum**'s market price, we note that on a consolidated basis the **Red Gum**'s share price was \$0.10 following the announcement of the asset impairment. On the assumption that no opportunities were identified it would be reasonable to assume over time for the share price to gravitate down to reflect **Red Gum** purely as a "cash box" hence \$0.08 cents. Therefore using the market price as a cross check would appear reasonable.

13. Is the issue of the Shares, Convertible Notes and Cash Consideration Reasonable?

We have considered the following factors in forming an opinion as to whether the issue of the Cash Component, Shares and Convertible Notes is reasonable and where it is reasonably practicable to do so with sufficient precision we have quantified these factors.

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of **Red Gum** a premium over the value ascribed to that resulting from the issue of the Shares to fund the acquisition of Holiday Planet.

13.2 Practical Level of Control

If the issue of Shares and Convertible Note and cash payment to s to Holiday Planet is approved, as appropriate, then Holiday Planet will hold an interest of approximately 28% in **Red Gum**. When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favor to approve a matter and a special resolution requires 75% of shares on issue to be voted in favor to approve a matter. If the issue of the Shares and Convertible Notes is approved then Holiday Planet will not be able to pass general or special resolutions but will be able to block special resolutions prior to the proposed subsequent share issues.

Holiday Planet's control of **Red Gum** following the issue of the Shares and Convertible Notes will be significant when compared to all other shareholders. In our opinion, while Holiday Planet will be able to significantly influence the activities of **Red Gum**, it will not be able to exercise a similar level of control as if it held 100% of **Red Gum**.

13.3 Consequences of Not Approving the Issue of Shares, Convertible Notes and Cash Consideration

Potential decline in share price.

We have analyzed movements in **Red Gum's** share price since the potential acquisitions were announced, and there have been significant changes in the Company's share price since the announcement, with the price increasing from a low of 0.004 in March 2014 to its current high of 0.009.

13.4 Advantages of Approving the Issue of the Shares, Convertible Notes and Cash Consideration

We have considered the following advantages when assessing whether the issue of the Shares, Convertible Notes and Cash Consideration is reasonable.

Advantage	Description
Immediate funds received	If the issue of the Shares and Convertible notes is approved and the associated capital raising is successful, Red Gum will receive cash of approximately \$3 million and possibly up to \$5 million.
Change of business	The acquisition of Holiday Planet will allow Red Gum to move away from a nonrevenue generating mining interests into a cash flow positive and profitable business.
No requirement for Red Gum to source alternative funding arrangements	To complete the acquisition by Red Gum it will be required to source additional funding. If the Shares and Convertible Notes are not issued to Holiday Planet, it is unlikely that Holiday Planet will assist with this funding. The Board of Red Gum would therefore have to explore other funding opportunities including potential joint ventures, placements. Some of these alternatives would likely be at a discount to the current market price and could potentially dilute Shareholders' interests further.
No changes to current operation arrangements	Holiday Planet is supportive of Red Gum's management and its current intentions. There has been no indication from Holiday Planet that it intends to change Red Gum's business as conducted by the current management.

Table 13.4 Advantages of Shares, Convertible Notes and Cash Consideration

13.5 Disadvantages of Approving the issue of the Shares, Convertible Notes and Cash Consideration

If the issue of the Shares, Convertible Notes and Cash Consideration is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing Shareholders interest	The issue of the Shares and Convertible Notes may result in a dilution of existing Red Gum shareholders. The capacity of shareholders to influence the operations of Red Gum will be reduced
Holiday Planet will gain a significant level of control of Red Gum	If the issue of the Shares and Convertible Notes is approved, Holiday Planet shareholders may increase their shareholding interest from 0% to approximately 28% meaning Holiday Planet shareholders may be able to influence any voting required on the activities of Red Gum .

Table 13.5 Disadvantages of Shares, Convertible Notes and Cash Consideration

14. Conclusion

We have considered the terms of the transaction including the issue of the Shares, Convertible Notes and Cash Consideration as outlined in the body of our Report and have concluded that **the issue of the Shares, Convertible Notes and Cash Consideration to acquire Holiday Planet is fair and reasonable to the Shareholders of Red Gum.**

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of **Red Gum** for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Unaudited management accounts of **Red Gum** as at 30 June 2013;
- Indicative Term Sheet between Holiday Planet dated 4 June;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of **Red Gum**.

16. Independence and Disclosure of Interest

Prior to accepting this engagement **RM Corporate Finance** considered its independence with regard to ASIC RG 111 and RG 112. **RM Corporate Finance** determined that it is independent of **Red Gum**.

RM Corporate Finance is entitled to receive a fee of approximately A\$15,000 (plus GST) for the preparation of our Report, based on time costs and disbursements. This fee is payable to **RM Corporate Finance** regardless of the outcome of the Transaction. Except for this fee, **RM Corporate Finance** has not received and will not receive any pecuniary or other benefit, whether direct or indirect in connection with the preparation of our Report.

Neither the signatory to our Report nor **RM Corporate Finance** holds shares or options in **Red Gum**. No such shares or options have been held at any time over the last two years. Neither the signatory to our Report nor **RM Corporate Finance** has had within the past two years any business relationship material to an assessment of **RM Corporate Finance**' impartiality with **Red Gum**, or their associates.

A draft of our Report was provided to **Red Gum** and its advisors for their confirmation of the factual accuracy of its contents. No changes were made to the methodologies or conclusions reached in our Report as a result of this review.

Red Gum has indemnified **RM Corporate Finance** in respect of any claim arising or in connection with **RM Corporate Finance**' reliance on information provided to **Red Gum**.

17. Qualifications

Guy Le Page is a director of **RM Corporate Finance** is part of the **RM Corporate Finance** Group, an Australian based, internationally focused corporate finance firm which specialises in the financing and management of emerging companies. The **RM Corporate Finance** Group is based in Perth, Western Australia and has additional offices throughout Australia including Sydney, Melbourne and Adelaide. The **RM Corporate Finance** Group was founded in 1998 and is independently owned. The team has significant experience in investment banking, corporate finance and all facets of mining and exploration activities. **RM Corporate Finance** has a full service Australian Financial Services License regulated by the Australian Securities and Investment Commission.

The person responsible for preparing and reviewing our Report is Guy Le Page. Mr Le Page is currently a Director of the **RM Corporate Finance** and Head of Research for RM Research, one of the largest distributors of research in Australia for small to medium sized ASX listed companies. He has extensive experience as an exploration and mining geologist as well as an analyst and corporate adviser to listed mining and exploration companies.

Mr Le Page was a Corporate Adviser at ASX listed Stockbroker Tolhurst Noall from 1998 before joining the **RM Corporate Finance** Group in 2002. Prior to his tenure at Tolhurst Noall, Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth). As Head of Research , Mr Le Page was responsible for the supervision of all industrial and Resources Research. As a Resources Analyst, Mr Le Page publishes detailed research on various mineral exploration and mining companies listed on the Australian Securities Exchange. The majority of this research involved valuations of both exploration and production assets.

Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, exploration for bulk commodities (coal, iron ore) and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters' Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from Financial Services Institute of Australasia. He is a fellow of the Financial Services Institute of Australia and Member of the Australasian Institute of Mining and Metallurgy.

18. Disclaimers and Consents

Our Report has been prepared at the request of **Red Gum** for inclusion in the Explanatory Memorandum, which will be enclosed with the Notice of Meeting. **Red Gum** has engaged **RM Corporate Finance** to prepare our Report to consider the Transaction on behalf of **Red Gum** Shareholders.

RM Corporate Finance hereby consents to our Report being included in the above Explanatory Memorandum or being made available to **Red Gum** Shareholders at their request. Apart from such use, neither the whole nor any part of our Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement or letter without the prior written consent of **RM Corporate Finance**.

RM Corporate Finance takes no responsibility for the contents of the Explanatory Memorandum other than in our Report.

RM Corporate Finance has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of **Red Gum**. **RM Corporate Finance** does not warrant that our enquiries have revealed all of the matters which an audit or extensive examination might disclose. However, **RM Corporate Finance** has no reason to believe that any of the information or explanations so supplied is false or that material information has been withheld. The statements and opinions included in our Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that **RM Corporate Finance** has no obligation to update our Report for events occurring subsequent to the date of our Report.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Guy T. Le Page', with a stylized flourish at the end.

GUY T. LE PAGE, FFIN, MAusIMM
DIRECTOR
RM Corporate Finance

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
RM Corporate Finance	RM Corporate Finance Pty Ltd
The Company	Red Gum Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
FME	Future Maintainable Earnings
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by RM Corporate Finance
Red Gum	Red Gum Resources Limited
VWAP	Volume Weighted Average Price
Shareholders	Shareholders of Red Gum not associated with either Holiday Planet
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

Net asset value (“NAV”)

Asset based methods estimate the market value of an entity’s securities based on the realizable value of its identifiable net assets. Asset based methods include:

- Orderly realization of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realization of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realization costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realization of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimate the market values of the net assets of an entity but do not take into account any realization costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realizable value of its assets as they do not recognize the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity’s assets are liquid or for asset holding companies.

2. Quoted Market Price Basis (“QMP”)

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

Capitalization of future maintainable earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalized at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortization ("**EBITDA**"). The capitalization rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

4. Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgment is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a startup phase, or experience irregular cash flows.

5. Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analyzed and the company that is being valued and then to reflect these differences in the valuation.



Red Gum Resources Limited
ABN 66 119 641 986

Lodge your vote:



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Proxy Form



Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 9:30am (Perth time) Tuesday 25 November 2014**

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

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

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

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

Attending the Meeting

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

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Red Gum Resources Limited hereby appoint



the Chairman
of the Meeting OR



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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Red Gum Resources Limited to be held at Level 3, London House, 216 St Georges Terrace, Perth WA on Thursday, 27 November 2014 at 9:30am (Perth time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business



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

	For	Against	Abstain
1. Approval for the Acquisition of Holiday Planet Pty Ltd	☐	☐	☐
2. Approval for the Acquisition of Keygate Holdings Pty Ltd	☐	☐	☐
3. Approval for the Acquisition of Jaecer Holdings Pty Ltd	☐	☐	☐
4. Consolidation of Capital	☐	☐	☐
5. Capital Raising	☐	☐	☐
6. Issue of Broker Options	☐	☐	☐
7. Change of Company Name	☐	☐	☐
8. Election of a Director - Alan Dodson	☐	☐	☐
9. Election of a Director - Michael Croy	☐	☐	☐
10. Election of a Director - Mason Adams	☐	☐	☐
11. Issue of Promoter Shares	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

RGX

999999A

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