



VICTORY OFFICES LIMITED
ACN 616 150 022

Notice of General Meeting

Explanatory Statement and Proxy Form

Date of Meeting:
1 June 2021

Time of Meeting:
12.00pm (AEST)

Due to the ongoing COVID-19 pandemic, the meeting will be held virtually via a webinar conferencing facility. If you are a shareholder who wishes to attend and participate in the virtual meeting, please register in advance as per the instructions outlined in this Notice of Meeting. Shareholders are strongly encouraged to lodge their completed proxy forms in accordance with the instructions in this Notice of Meeting.

No hard copy of the Notice of Extraordinary General Meeting and Explanatory Statement will be circulated. The Notice of Meeting has been given to those entitled to receive notice by use of one or more technologies.

The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders

This Notice of General Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor without delay.

VICTORY OFFICES LIMITED

ACN 616 150 022

Registered office: Level 2, 420 Collins Street, Melbourne, VIC 3000

Notice is hereby given that, the General Meeting of Shareholders of Victory Offices Limited (the "Company" or "Victory") will be held virtually via a webinar conferencing facility at 12.00pm (AEST) on 1 June 2021 ("General Meeting", "GM" or "Meeting").

The health and safety of members and personnel, and other stakeholders, is the highest priority and the Company is acutely aware of the current circumstances resulting from COVID-19. While the COVID-19 situation remains volatile and uncertain, based on the best information available to the Company at the time of preparing the Notice of General Meeting ("Notice"), the Company intends to conduct a poll on the resolutions in the Notice using the proxies filed prior to the Meeting.

Shareholders are strongly encouraged to submit their proxies as early as possible and in any event prior to the cut-off for proxy voting as set out in the Notice. To lodge your proxy, please follow the directions on your personalised proxy form which will be delivered to you by email or post (depending on your communication preferences).

Shareholders attending the GM virtually will be able to ask questions and the Company has now made provision for Shareholders who register their attendance before the start of the meeting to also cast their votes on the proposed resolution. Shareholders who intend to join the GM are asked to dial-in 30 minutes prior to the start of the meeting to allow the Company to take your details. The virtual meeting can be attended using the following details:

When: 1 June 2021
Topic: Victory Offices General Meeting

Register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_2dghvuNIQTS8YqFjOS0IDQ

After registering, you will receive a confirmation email containing information about joining the Meeting. The Company strongly recommends its Shareholders to lodge a directed proxy as soon as possible in advance of the Meeting even if they are planning to attend the Meeting online.

The Company is happy to accept and answer questions submitted prior to the Meeting by email to claire.newstead-sinclair@victoryoffices.com. Where a written question is raised in respect of the key management personnel of the Company, the Resolution to be considered at the Meeting, the Company will address the relevant question during the course of the Meeting or by written response after the Meeting (subject to the discretion of the Company not to respond to unreasonable and/or offensive questions). If the situation in relation to COVID-19 were to change in a way that affected the position above, the Company will provide a further update ahead of the Meeting by releasing an announcement to ASX.

Any shareholders who wish to attend the GM online should monitor electronic communications (including email) for any updates about the GM. If it becomes necessary or appropriate to make alternative arrangements for the holding or conducting of the meeting, the Company will make further information available through these electronic communications.

Shareholders should consider if they wish to obtain independent financial, accounting, tax or legal advice as to the possible consequences of the matters contained in this material.

VICTORY OFFICES LIMITED

ACN 616 150 022

Registered office: Level 2, 420 Collins Street, Melbourne, VIC 3000

AGENDA

The Explanatory Statement and Proxy Form, which accompany and form part of this Notice, include defined terms and describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement and the Proxy Form in their entirety.

ORDINARY BUSINESS

Resolution 1: Approval for issue of shares to Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter)

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

"That, subject to Resolutions 2 and 3 being passed and for the purposes of section 611, item 7 of the Corporations Act 10.11 and for all other purposes, shareholders approve and authorise the Company to issue 59,746,674 fully paid ordinary shares in the Company at an issue price of (\$0.25106) per share (being the 10-day VWAP as at close of trade 20 April 2021) to Victory Group Holdings Pty Ltd ACN 169 888 359 (a company associated with the Company's Managing Director and Chief Executive Officer) which at the date of this Notice is a substantial shareholder holding 48% of the Company's total issued capital, on the terms and conditions described in the Explanatory Statement."

Resolution 2: Approval for conversion to equity of (\$2,050,751) loans owing to Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter)

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

"That, subject to Resolutions 1 and 3 being passed and for the purposes of section 611, item 7 of the Corporations Act 10.11 and for all other purposes, shareholders approve and authorise the Company to issue 8,168,370 fully paid ordinary shares in the Company at an issue price of (\$0.25106) per share (being the 10-day VWAP as at close of trade 20 April 2021) to Victory Group Holdings Pty Ltd ACN 169 888 359 (a company associated with the Company's Managing Director and Chief Executive Officer which at the date of this Notice is a substantial shareholder holding 48% of the Company's total issued capital, in conversion of (\$2,050,751) loans outstanding on the terms and conditions described in the Explanatory Statement."

Resolution 3: Approval for conversion to equity of (\$2,041,864 million) loans owing to Victory Petroleum Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter)

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

"That, subject to Resolutions 1 and 2 being passed and for the purposes of section 611, item 7 of the Corporations Act 10.11 and for all other purposes, shareholders approve and authorise the Company to issue 8,132,972 fully paid ordinary shares in the Company at an issue price of (\$0.25106) per share (being the 10-day VWAP as at close of trade 20 April 2021) to Victory Group Holdings Pty Ltd ACN 169 888 359 (a company associated with the Company's Managing Director and Chief Executive Officer which at the date of this Notice is a substantial shareholder holding 48% of the Company's total issued capital, in conversion of (\$2,041,864) loans outstanding on the terms and conditions described in the Explanatory Statement."

By the order of the Board



Claire Newstead-Sinclair
Company Secretary

Dated:
30 April 2021

Notes

1. **Entire Notice:** The details of the Resolutions contained in the Explanatory Notes accompanying this Notice of Meeting should be read together with, and form part of, the Notice of Meeting.
2. **Record Date:** The Company has determined that for the purposes of the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 12.00pm 30 May 2021 48 hours before the date of the General Meeting. Only those persons will be entitled to vote at the General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

3. Proxies

- a. Votes at the General Meeting may be given personally or by proxy, attorney or representative.
- b. Each shareholder has a right to appoint one or two proxies.
- c. A proxy need not be a shareholder of the Company.
- d. If a shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution or the Corporations Act.
- e. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.
- f. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
- g. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
- h. To be effective, Proxy Forms must be received by the Company no later than 48 hours before the commencement of the General Meeting, this is no later than 12.00pm 30 May 2021. Any proxy received after that time will not be valid for the scheduled meeting.

4. Corporate Representative

A Member of the Company who is a body corporate and who is entitled to attend and vote at the meeting, or a proxy who is a body corporate and who is appointed by a Member of the Company entitled to attend and vote at the meeting, may appoint a person to act as its representative at the meeting by providing that person with:

- a. a letter or certificate, executed in accordance with the body corporate's constitution, authorising the person as the representative; or
- b. a copy of the Resolution, certified by the secretary or a director of the body corporate, appointing the representative.

5. How the Chairman will vote Undirected Proxies

The Chair of the meeting will vote undirected proxies in favour of all of the proposed Resolutions.

6. Enquiries

Shareholders are invited to contact the Company Secretary on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

7. Voting Exclusions

The Company will disregard any votes cast on the Resolutions by Victory Group Holdings Pty Limited, Victory Petroleum Pty Ltd and any of their Associates (including Mr Baxter).

However, this does not apply to vote cast in favour of a resolution by:

- a. a person as a proxy or attorney for a person who is entitled to vote on the Resolutions, in accordance with directions given to the person or attorney to vote on the resolution in that way; or
- b. the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolutions, in accordance with a direction given to the 'chair to vote on the resolution as the chair decides; or
- c. a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person being excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder in that way.

CHAIRMAN'S LETTER

29 April 2021

Dear Investor,

Proposed \$19 million equity contribution by Founding Shareholder

On 26 February 2021, the Company released its half year results for the period ending 31 December 2020.

We announced at that time that the Company had arranged a new \$15 million lending facility from entities associated with Mr Dan Baxter, the Company's founding shareholder, Chief Executive Officer and Managing Director, to enable the Company to successfully navigate FY2021 and beyond, while moving towards an anticipated return to profitability in FY2022.

The Board is now pleased to announce that, in place of the \$15 million lending facility, Mr Baxter has now agreed to subscribe \$15 million in cash for new ordinary shares at an issue price of (\$0.25106) per share (being the 10-day VWAP as at close of trade 20 April 2021) (**Share Placement**), subject to the approval of the Company's non-associated shareholders.

At the same time, entities associated with Mr Baxter have also agreed to convert approximately \$4 million of existing loans into ordinary shares at the same issue price of (\$0.25106) per share (**Debt Conversion**), also subject to the approval of the Company's non-associated shareholders (the Share Placement and Debt Conversion are together referred to as **Proposed Transaction**).

New shares issued will rank equally with existing shares in all respects. If non-associated shareholders approve the Proposed Transaction, the aggregate shareholding of entities associated with Mr Baxter will increase from 48% to 73.13 %. The Board considers that the Proposed Transaction represents the optimal form of capital-raising available to the Company at present in order to maximise the Company's balance sheet strength and cash liquidity, as the Company continues to manage the ongoing impacts of COVID-19 and a challenging and unpredictable operating environment.

Independent Expert

The Independent Directors have appointed RSM Corporate Australia Pty Ltd as an Independent Expert to assess the Proposed Transaction. After considering overall the relative advantages and disadvantages of the Proposed Transaction, the Independent Expert has concluded that **the Proposed Transaction is not fair but is reasonable to the Company's non-associated shareholders**.

The reason the Independent Expert has deemed the Proposed Transaction as "not fair" is that it has applied a "control premium" to the "fair value" of a VOL Share based on the 53% shareholding held by non-associated shareholders prior to the Proposed Transaction.

However, in the view of the Independent Directors, entities associated with Mr Baxter (by virtue of their aggregates 48% shareholding) already exert effective practical control over the affairs of the Company.

The Independent Director has confirmed that, in the absence of the application of a control premium, the Proposed Transaction would have been assessed as "fair".

Notice of Meeting

In accordance with the requirements of the Corporations Act, the Share Placement and Debt Conversion require approval by the non-associated shareholders of the Company by ordinary resolution (Mr Baxter and associated entities are precluded from voting on these resolutions). Please find enclosed a Notice of Meeting, Explanatory Memorandum (and proxy form) convening a General Meeting of Shareholders on **Tuesday 1 June 2021** to consider the requisite resolutions (**Resolutions**).

Advantages of the Proposed Transaction

The Independent Directors believe the key advantages of the Proposed Transaction include:

- **Strengthening of VOL cash reserves and balance sheet** - the Proposed Transaction provides VOL with access to cash reserves to fund ongoing working capital needs to continue operating while its business locations recover from the detrimental impact of COVID-19 and occupancy rates recover back towards pre COVID-19 levels.
- **More favourable than financing alternatives** - in the absence of the Proposed Transaction, entities associated with Dan Baxter have committed to provide \$15 million debt funding. This will require servicing by VOL through the future repayment of interest and capital, which will place pressure on VOL's cash flows in future and may impair VOL's ability to obtain favourable credit terms. If VOL sought \$15 million equity investment from third party

Disadvantages of the Proposed Transaction

- **Dilutionary Impact:** Non-associated shareholders will, collectively, be diluted from 52% aggregate shareholding to 26.9%. With an ownership interest in VOL of over 50%, VGH and associates will have the ability to pass ordinary resolutions without other shareholder approval. The Directors believe that dilution of shareholdings will be offset at least in part by the improved cash reserves to continue operating as a result of the Proposed Transactions. Further, if VOL sought \$15 million equity investment from third party investors, it is likely such investment would need to be priced at a much greater discount than under the Proposed Transaction and would be more dilutive to non-associated shareholders.
- **Potential Reduction in Liquidity:** whilst the Proposed Transaction will increase the total number of shares on issue, the existence of a single group of associated shareholders owning 73.1% of the Company may result in reduced market interest in the acquisition of VOL shares and less liquidity for Non-Associated Shareholders.

Recommendation of Independent Directors

The Independent Directors recommend that Shareholders vote **IN FAVOUR** of the Resolutions and intend to vote **IN FAVOUR** in respect of their own shareholdings.

Victory Group Holdings Pty Limited and any Associate of Victory Group Holdings Pty Limited (including Victory Petroleum and Mr Baxter) are not eligible to vote on the Resolutions.

Further Information

The accompanying Notice of Meeting and Explanatory Memorandum contain additional information regarding the Proposed Transaction and the independent Expert's full report and opinion in Annexure 1.

Yours sincerely,



Steve Bracks

Chairman Victory Offices Limited

EXPLANATORY MEMORANDUM

Purpose of Information

This statement is provided to shareholders of the Company (**Shareholders**) and explains the items of business to be considered at the general meeting of the Shareholders (**General Meeting**) and should be read in conjunction with the notice of meeting.

1. Resolution 1: Approval for issue of shares to Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter)

Background

On 29 April 2021, the Company announced that Victory Group Holdings Pty Ltd, a related entity of Mr Dan Baxter, Director, Managing Director and Chief Executive Officer of the Company, would, subject to shareholder approval, subscribe \$15 million in cash for new Shares (**Placement Shares**) as summarised below:

| Number of Shares | Price per Share |
|------------------|--|
| 59,746,674 | \$0.25106, being the 10-day VWAP as at close of trade 20 April 2021. |

Resolution 1 seeks Shareholder approval for the purposes of section 611, item 7 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, for the issue of Placement Shares to an entity associated with the above-named Director of the Company.

If the resolution is not approved, the Company will proceed with a \$15 million debt facility arrangement with Mr Baxter (on terms no less favourable to the Company than arm's length market terms).

Resolution 2: Approval for conversion to equity of (\$2,050,751) loans owing to Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter)

On 29 April 2021, the Company announced, subject to shareholder approval, (\$2,050,751) of loans owing to Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter) would be converted to equity by the issue of new Shares (**Conversion Shares**) as summarised below:

| Number of Shares | Price per Share |
|------------------|--|
| 8,168,370 | \$0.25106, being the 10-day VWAP as at close of trade 20 April 2021. |

Resolution 2 seeks Shareholder approval for the purposes of section 611, item 7 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, for the issue of Shares for the above-named Director of the Company.

If the resolution is not approved, the Company will continue with a \$2.0 million loan arrangement with Mr Baxter (on terms no less favourable to the Company than arm's length market terms).

Resolution 3: Approval for conversion to equity of (\$2,041,864) loans owing to Victory Petroleum Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter)

On 29 April 2021, the Company announced, subject to shareholder approval, (\$2.0 million) of loans owing to Victory Petroleum Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter) would be converted to equity by the issue of new Shares (**Conversion Shares**) as summarised below:

| Number of Shares | Price per Share |
|------------------|--|
| 8,132,972 | \$0.25106, being the 10-day VWAP as at close of trade 20 April 2021. |

Resolution 3 seeks Shareholder approval for the purposes of section 611, item 7 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, for the issue of Shares for the above-named Director of the Company.

If the resolution is not approved, the Company will continue with a \$2.0 million loan arrangement with Mr Baxter (on terms no less favourable to the Company than arm's length market terms).

2. Section 606 of the Corporations Act

a. Section 606(1) Prohibition

Under section 606(1) of the Corporations Act, a person is prohibited from acquiring a relevant interest in issued voting shares of a listed company through a transaction in relation to securities entered into by or on behalf of the person if, because of the transaction, that person's or someone else's Voting Power in the company increases to more than 20%, unless one of the exceptions in section 611 of the Corporations Act applies.

Generally, under section 608, a person has a relevant interest in securities if they:

- are the holder of the securities;
- have power to exercise, or control the exercise of, a right to vote attached to securities; or
- 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.

The Voting Power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (second person) will be an "Associate" of the other person (first person) if:

- the first person is a body corporate and the second person is:
 - a body corporate the first person controls;
 - a body corporate that controls the first person; or
 - a body corporate that is controlled by an entity that controls the first person;
- the second person has entered or proposed to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- the second person is a person with whom the first person is acting, or proposing to act, in concern in relation to the company's affairs.

As at the date of this Notice, Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter) already holds 48% of the Company's total issued capital and (in the view of the Board) effectively controls the Company. In addition, VGH and VP have advanced in aggregate (\$4,092,615) of unsecured loans to the Company.

For the reasons given in the Chairman's Letter and set out further below, the Board strongly believes that the issue of the Placement Shares and the conversion of the Loans to equity by

the issue of the Conversion Shares are in the best interests of the Company and all non-associated shareholders.

However, if the Company issues the Placement Shares and Conversion Shares to VGH or VP in absence of approval by the Resolutions, VGH and VP would be in contravention of section 606 (in the absence of an exemption applicable to it).

b. Approval under section 611, item 7 of the Corporations Act

Section 611 of the Corporations Act sets out various exceptions in which acquisitions of a relevant interest are exempt from the prohibition under section 606. Specifically, section 611, item 7 provides that an acquisition will be exempted from the prohibition if approved by a resolution passed at a general meeting of the company in accordance with the requirements of section 611, item 7.

Resolutions 1, 2 and 3 seek the approval of Shareholders to the issue of 59,746,674 Placement Shares and 16,301,342 Conversion Shares to VGH (or its Associates) for the purpose of satisfying section 611, item 7 of the Corporations Act.

Section 611, item 7 of the Corporations Act requires that no votes are cast in favour of the Resolutions 1, 2 and 3 by the person proposing to make the acquisition and their Associates.

Section 611, item 7 of the Corporations Act also requires that the Shareholders be given all information known to the person proposing to make the acquisition or their Associates, or known to the Company that is material to the decision on how to vote on the Resolutions. In addition, ASIC Regulatory Guide 74 Acquisitions approved by members (RG 74) also sets out the disclosure requirements which should be considered by Shareholders for the purposes of approving the issue of the Consideration Shares and the Placement Shares under section 611, item 7 of the Corporations Act. The following paragraphs set out information required to be provided to the Shareholders under section 611, item 7 and RG 74.

(i) Identity of the persons proposing to make the acquisitions and their Associates

The Placement Shares and the Conversion Shares will be issued to Victory Group Holdings Pty Ltd (a company associated with the Company's Managing Director - Mr Dan Baxter) or its Associates.

(ii) Maximum extent of the increase in the VGH's Voting Power

As at the date of this Explanatory Memorandum, the Voting Power held by VGH and its Associates is approximately 48% of the Company's total issued capital.. In aggregate, 76,048,016 million new Shares are proposed to be issued to VGH and Associates comprising 59,746,674 million Placement Shares and 16,301,342 million Conversion Shares which will result in the Voting Power held by VGH and its Associates increasing from 48% to 73.03% of the Company's total issued capital as summarised in the following table:

| Event | Voting Shares before Event | Voting Shares issued at Event | Voting Shares after Event | VGH's Voting Power | VP's Voting Power |
|----------------------------|----------------------------|-------------------------------|---------------------------|--------------------|-------------------|
| Issue of Placement Shares | 39,233,334 | 59,746,674 | 98,508,008 | 69.93% | Nil |
| Issue of Conversion Shares | 98,508,008 | 8,168,370 | 107,148,378 | 71.57 % | Nil |
| Issue of Conversion Shares | 106,676,243 | 8,132,972 | 115,281,350 | 67.88% | 5.15% |

The passing of Resolutions 1, 2 and 3 are conditional upon each other being approved by the Shareholders. Accordingly, if you intend to vote in favour of either Resolution 1, 2 or 3, you should vote in favour of all of Resolutions 1, 2 and 3.

Resolutions 1, 2 and 3 are ordinary resolutions.

3. Why you should vote in favour of the Resolutions

The Independent Directors believe the key advantages of the Proposed Transaction include:

- **Strengthening of VOL cash reserves and balance sheet** - the Proposed Transaction provides VOL with access to cash reserves to fund ongoing working capital needs to continue operating while its business locations recover from the detrimental impact of COVID-19 and occupancy rates recover back towards pre COVID-19 levels.
- **More favourable than financing alternatives** - in the absence of the Proposed Transaction, entities associated with Dan Baxter have committed to provide \$15 million debt funding. This will require servicing by VOL through the future repayment of interest and capital, which will place pressure on VOL's cash flows in future and may impair VOL's ability to obtain favourable credit terms. If VOL sought \$15 million equity investment from third party, it is likely such investment would need to be priced at a much greater discount than under the Proposed Transaction and would be more dilutive to non-associated shareholders.

4. Why you might vote against the Resolutions to approve the Proposed Transactions

a. Dilution of current shareholdings

The issue of the Placement Shares and the Conversion Shares will dilute the holdings of current Shareholders. The effect of the issue of the New Shares on the equity position of the Company is set paragraph 3.7 of the attached report of the Independent Expert.

The Independent Directors believe that dilution of shareholdings will be offset by enhancing the strength of the Company's balance sheet and improving the Company's cash liquidity position. If VOL sought \$15 million equity investment from third party, it is likely such investment would need to be priced at a much greater discount than under the Proposed Transaction and would be more dilutive to non-associated shareholders.

b. Control Implications

If Shareholders approve the Resolutions and the Company issues the Placement Shares and the Conversion Shares, the Voting Power of VGH (and its Associates) will increase from 48% to 73.03 %.

At present, in the view of the Independent Directors VGH and its Associates (by virtue of its 48% shareholding) already exerts practical control of the Company, including in relation to matters requiring shareholder approval, such as the election of directors and significant corporate transactions. If the Resolutions are approved and the Voting Power of VGH (and its Associates) increases to 73.03%, VGH will be guaranteed the ability to pass ordinary (but not special) resolutions of the Company.

c. Liquidity of the Shares

If the Resolutions are approved and the New Shares issued, VGH's 73.03% shareholding in the Company will reduce the free float of the Shares (on a percentage basis) and may reduce the liquidity from current levels. It is possible the relatively low free float could negatively impact future liquidity of the Shares.

The Board has no present intention to seek to have the Company delisted from ASX.

5. Consequences if the Proposed Transaction Does Not Proceed

If the Proposed Transaction does not proceed:

a. No change to business, scale and management

There will be no change to the Company's business, management team, or scale of the business.

b. No dilution of existing Shareholders

The proposed issue of the Placement Shares and the Conversion Shares will not occur and as a result there will be no corresponding dilution of existing Shareholders.

c. Debt arrangements

The Loans will remain outstanding as liabilities of the Company (ranking ahead of shareholders equity) and the Company will proceed with the new \$15 million loan arrangement previously announced (also ranking ahead of shareholders equity). This will require servicing by VOL through the future repayment of interest and capital, which will place pressure on VOL's cash flows in future and may impair VOL's ability to obtain favourable credit terms. If VOL sought \$15 million equity investment from third party, it is likely such investment would need to be priced at a much greater discount than under the Proposed Transaction and would be more dilutive to non-associated shareholders.

6. Effect on Financial Position: Pro forma Consolidated Balance Sheet (unaudited) as at [30 June 2021]

| Proforma Consolidated Balance Sheet (unaudited) | Audited 30-Jun-20 | Unaudited 31-Dec-20 | Adjustments | Unaudited 30-Jun-21 |
|---|----------------------|------------------------|--------------------|------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 670,702 | 4,423,161 | 15,000,000 | 19,423,161 |
| Trade and other receivables | 4,618,626 | 2,932,654 | | 2,932,654 |
| Other financial assets | 2,041,864 | 2,041,864 | | 2,041,864 |
| Total current assets | 7,331,192 | 9,397,679 | 15,000,000 | 24,397,679 |
| Non-Current Assets | | | | |
| Other financial assets | 28,904,258 | 30,316,625 | | 30,316,625 |
| Property, plant & equipment | 180,639,619 | 193,773,108 | | 193,773,108 |
| Deferred tax | 11,320,992 | 14,528,778 | | 14,528,778 |
| Total Non-Current Assets | 220,864,869 | 238,618,511 | - | 238,618,511 |
| Total Assets | 228,196,061 | 248,016,190 | 15,000,000 | 263,016,190 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Trade and other payables | 4,392,682 | 4,293,255 | | 4,293,255 |
| Borrowings | - | 713,000 | | 713,000 |
| Lease liabilities | 12,371,506 | 16,098,729 | | 16,098,729 |
| Income tax | 2,598,515 | 2,598,515 | | 2,598,515 |
| Provisions | 323,527 | 325,149 | | 325,149 |
| Other liabilities | 3,207,404 | 2,909,928 | | 2,909,928 |
| Total Current Liabilities | 22,893,634 | 26,938,576 | - | 26,938,576 |
| Non-Current Liabilities | | | | |
| Trade and other payables | 13,160,127 | 13,160,127 | (4,092,615) | 9,067,512 |
| Borrowings | 2,566,085 | 1,917,909 | | 1,917,909 |
| Lease liabilities | 150,257,095 | 169,596,945 | | 169,596,945 |
| Provisions | 2,402,984 | 2,554,949 | | 2,554,949 |
| Other liabilities | 302,257 | 250,728 | | 250,728 |
| Total Non-Current Liabilities | 168,688,548 | 187,480,658 | (4,092,615) | 183,388,043 |
| Total Liabilities | 191,582,182 | 214,419,234 | (4,092,615) | 210,326,619 |
| Net Assets | 36,613,879 | 33,596,956 | 19,092,615 | 52,689,571 |
| Equity | | | | |
| Issued capital | 28,164,585 | 42,830,004 | 19,092,615 | 61,922,619 |
| Retained profits/(accumulated losses) | 8,449,294 | (9,233,048) | - | (9,233,048) |
| Total Equity | 36,613,879 | 33,596,956 | 19,092,615 | 52,689,571 |

7. Voting Exclusion

A voting exclusion statement is set out in Note 7 of the Notice.

8. Recommendation of Independent Directors

The Independent Directors recommend that Shareholders vote **IN FAVOUR** of the Resolutions. The Chair of the Meeting intends to vote undirected proxies in favour of the Resolutions.

For personal use only

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

“\$” means Australian Dollars;

“**ASX**” means ASX Limited ABN 76 616 150 022 or the Australian Securities Exchange, as the context requires;

“**AEST**” means Australian Eastern Standard Time.

“**Associate**” has the meaning given to the term by section 12 and 16 of the Corporations Act.

“**Board**” means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors;

“**Chairman**” means the person appointed to chair the Meeting of the Company convened by the Notice;

“**Company**” or “**VOL**” means Victory Offices Limited ACN 616 150 022;

“**Conversion Shares**” means 16,301,342 new Shares at an issue price of (\$0.25106) per share (being the 10-day VWAP as at close of trade 20 April 2021) payable by way of repayment in full of the Loans;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Director**” means a Director of the Company;

“**Explanatory Statement**” means the explanatory statement which forms part of this Notice;

“**Independent Directors**” means Hon Steve Bracks AC, Mr Alan Jones and Mr Ted Chwasta, being the Non-Executive Directors of the Company;

“**Independent Expert**” means RSM Corporate Australia Pty Ltd ABN 82 050 508 024 AFSL No 255847;

“**Loans**” means the aggregate of \$4,092,615 owing from the Company to VGH and its associated entities.

“**New Shares**” means the Placement Shares and the Conversion Shares;

“**Non-Associated Shareholders**” means Shareholders who are not a party to, or associated to a party, to the Proposed Transaction;

“**Notice**” means this Notice of Meeting including the Explanatory Statement;

“**Placement Shares**” 59,746,674 new Shares in the Company at an issue price of (\$0.25106 per share (being the 10-day VWAP as at close of trade 20 April 2021) payable in cash;

“**Proposed Transaction**” means the issue of Shares to be effected pursuant to the Resolutions;

“**Proxy Form**” means the proxy form attached to the Notice;

“**Resolution**” means a resolution referred to in the Notice;

“**Section**” means a section of the Explanatory Statement;

“**Share**” means a fully paid ordinary share in the capital of the Company;

“**Shareholder**” means shareholder of the Company;

“**VGH**” means Victory Group Holdings Pty Ltd ACN 169 888 359 (a company associated with the Company’s Managing Director and Chief Executive Officer);

“**VP**” means Victory Petroleum Pty Ltd ACN * (a company associated with the Company’s Managing Director and Chief Executive Officer); “**Voting Power**” has the meaning given to that term in section 610 of the Corporations Act; and

“**VWAP**” means the arithmetic average of the volume-weighted average price of the Company’s shares calculated over the ten consecutive trading days as at close of trade 20 April 2021 based on the price for Shares published on ASX.