

**DV01 Mechelle Limited**  
**ACN 061 343 959**  
**(Company)**  
**Information Statement**

This Information Statement and the enclosed Buy Back Facility invites you to participate in the buy backs to be conducted by the Company. This Information Statement has been prepared by the Directors and contains all information known to the Company that is material to the Shareholders' decision on whether or not to approve the equal access buy back scheme and the terms and conditions of the Facility, and on approval by the Shareholders, whether or not to participate in a buy back under the terms and conditions of the Facility. Capitalised words which are not defined in this Information Statement have their meaning as defined in the Facility.

**Procedure**

- 1 Under the Corporations Act, a buy back (including the terms and conditions of the Facility and all information sent to Shareholders in relation to the buy back) must first be notified to the Australian Securities and Investments Commission (**ASIC**) and then approved by the Shareholders of the Company at a general meeting of the Company called for that purpose. A general meeting of the Company is to be held on 14th December 2012.
- 2 The Facility constitutes an equal access buy back scheme for the purposes of section 257B of the Corporations Act, as the opportunity to sell Shares to the Company is offered to all Shareholders on an equal basis.
- 3 A company must seek shareholder approval pursuant to section 257C of the Corporations Act for the terms of a buy back agreement, if the number of votes attaching to the voting shares in the company which are bought back pursuant to the agreement in a 12 month period exceeds 10% of the number of votes attaching to all voting shares of the company.
- 4 It is possible that the total number of Shares to be bought back pursuant to the Facility will exceed this limit, and accordingly, the terms and conditions of the Facility must be approved by an ordinary resolution of the Shareholders, namely a resolution passed by more than 50% of the total number of votes cast on the resolution at the general meeting.
- 5 The buy backs will not occur unless the terms and conditions of the Facility are approved by an ordinary resolution of the Shareholders.
- 6 On approval by the Shareholders of the terms and conditions of the Facility, the Company will offer all Shareholders the opportunity to participate in a buy back in respect of each Buy Back Period pursuant to the terms and conditions of the Facility. Participating Shareholders will need to complete the Election Form accompanying the Facility. A faxed executed Election Form (together with any original Share Certificate) must be received by the Investment Manager no later than 5:00pm (Australian Western Standard Time, Perth) on the relevant Closing Date for the Buy Back Period, followed by the original executed Election Form to the Investment Manager before the end of the relevant Buy Back Period, to participate in that Buy Back Period. Election Forms received after these times will participate in the following Buy Back Period.

## Terms of the Buy Back Facility

- 7 The material terms and conditions of the Facility are as follows:
- 7.1 **(Eligible Shareholders)**: all Shareholders are eligible to participate in the Facility, subject to the right of the Directors to determine that a Shareholder may not participate in the Facility where the law of Australia, or that of another country, makes that Shareholders' participation illegal, impossible or impracticable;
  - 7.2 **(Request for buy back)**: a Shareholder may request the Company to buy back some or all of their Shares by lodging an Election Form with the Investment Manager;
  - 7.3 **(Buy Back Period)**: in respect of the first Buy Back Period, the period ending on 31st December 2012, and thereafter each Buy Back Period is a period of 3 consecutive calendar months commencing on the first day of each calendar quarter and ending on the last day of each calendar quarter;
  - 7.4 **(Price of Share buy back)**: the Company will buy back Shares under the Facility at a price equal to the After-Tax NAV per Share as at the last Business Day of the relevant Buy Back Period (**Buy Back Price**);
  - 7.5 **(Minimum buy back)**: the Company need not give effect to an Election Form under the Facility in respect of a request to buy back less than 1,000 Shares, unless the buy back is in respect of the entire shareholding of a Shareholder;
  - 7.6 **(Maximum buy back)**: the maximum number of Shares that can be bought back by the Company in each Buy Back Period is the number of Shares with an aggregate issued capital equal to 12.5% of the issued capital of the Company at the end of the relevant Buy Back Period. Where requests for a buy back exceed this limit, the Company will pro-rata each request to ensure that the Company only buys back a number of Shares equal to this limit;
  - 7.7 **(Costs to participating Shareholders)**: So that existing Shareholders do not continually bear the transaction costs resulting from the buy back of Shares that are made, the Directors may in their discretion apply a transaction costs allowance to be deducted from the proceeds of the Shares bought back under this Facility before payment to participating Shareholders. The transaction costs allowance will be equal to the Director's reasonable estimate fixed from time to time of the pro-rata transaction costs that would be incurred in selling all the Company's assets. The Directors may alternatively determine a reasonable estimate of the actual amount necessary to avoid an adverse impact on other Shareholders due to the disposal of assets carried out because of a particular buy back of Shares and therefore instead apply this as the transaction cost for that particular buy back of Shares; and
  - 7.8 **(Modification and termination)**: the Facility may be varied, modified, suspended or terminated by the Directors (subject to the Company's constitution and the Corporations Act) at any time by an instrument in writing, and the Directors may settle any disputes in relation to the Facility in any manner they deem fit.
- 8 A copy of the Facility in relation to the buy backs accompanies this Information Statement.

## Share capital of the Company

- 9 As at the 19th November 2012, there were 10,914,088 Shares on issue and issued capital was \$12,851,266. The number of issued Shares will decrease at the end of each Buy Back Period by the number of Shares to be bought back by the Company.
- 10 In addition, Shareholders should note that the Company intends to raise further capital by the issue of additional Shares in the Company. A copy of the information memorandum or prospectus document will be available to Shareholders and potential investors at our website [www.dvo1.com](http://www.dvo1.com) or by calling us on +61 8 9483 5200.

## Reasons for the buy backs

- 11 The buy backs are being implemented as part of the Company's capital management strategy and to provide an opportunity to Shareholders to sell down their Shares on a quarterly basis at the end of each Buy Back Period. Shareholders who do not wish to participate in the buy backs do not need to take any action.
- 12 The Directors believe individual Shareholders face difficulties if they want to dispose of their Shares because the Company is unlisted and there is no secondary market for trading. The Facility alleviates the need for Shareholders to arrange their own sales with third parties which may otherwise result in a significant haircut in the sale price received relative to the After-Tax NAV per Share of the Company.
- 13 The Facility is seen as an alternative to paying all Shareholders larger dividends. Shareholders who wish to see a higher dividend regardless of franking, may choose to participate in the Facility without necessarily receiving the full franking benefits on the dividend component.

## Advantages of the buy backs

- 14 The Directors have identified the following advantages in carrying out the buy backs:
- 14.1 All eligible Shareholders will have an equal opportunity to participate in a buy back on a quarterly basis at the end of each Buy Back Period under the terms and conditions of the Facility. In particular, this will benefit those Shareholders who seek to sell down their shareholding in the Company but who do not have the current opportunity to do so as there is no open market for trading.
- 14.2 Subject to the Buy Back Limit, Shareholders will have the ability to choose whether or not to participate in the buy backs and importantly, will retain the flexibility to select a level of participation which suits their own individual circumstances, that is whether to request a buy back for some or all of their Shares.

## Potential disadvantages of the buy backs

- 15 The Directors have identified the following disadvantages in carrying out the buy backs:
- 15.1 There will be a reduction in the number of Shares on issue and thus the issued capital of the Company. As the Company is an investment company, remaining Shareholders may have to bear the higher proportional costs per Share for audit, accounting, administration and legal fees of the Company.
- 15.2 In respect of each Buy Back Period, if the Company receives requests from Shareholders to buy back a greater number of Shares than the Buy Back

Limit, participating Shareholders will have their requests scaled back to the Buy Back Limit

### **Financial effect of the buy backs on the Company**

- 16 The Directors intend to use capital, cash reserves and retained earnings to fund the payment of the buy backs.
- 17 The Directors have duly considered the financial affairs of the Company and have unanimously agreed that the Company has sufficient retained earning and capital to support the buy backs.
- 18 Each of the Directors of the Company have satisfied themselves as to the solvency of the Company following the proposed buy backs and the Directors are satisfied that the proposed buy backs will not materially prejudice the ability of the Company to pay its creditors.
- 19 The proposed buy backs will lead to a reduction in the issued share capital of the Company by the number of Shares to be bought back. In addition, the dividend component of the buy back may be franked and accordingly the franking account of the Company may be reduced.
- 20 A copy of the latest financial report for the Company is available at [www.dvo1.com](http://www.dvo1.com) or by calling us on +61 8 9483 5200. In addition, the Administrator will provide all Shareholders monthly statements on the Net Asset Value of the Company.

### **Effect of a buy back on Shareholders' voting rights**

- 21 Up until the end of the Closing Date for the relevant Buy Back Period, Shareholders will still retain all voting rights in respect to their Shares, regardless of whether or not Shareholders have participated in the buy back. Immediately following the Closing Date, the Company will not permit voting to occur in respect of those Shares which are to be bought back. Shortly after the end of the relevant Buy Back Period, any Shares bought back will be cancelled by the Company and their voting rights will cease to exist.

### **What are the Australian tax implications for Shareholders?**

- 22 Where you agree to participate in a Share buy back, either of the following may apply:
- 22.1 Your Shares may be bought back by the Company (Share buy back); or
- 22.2 The Investment Manager may arrange a transaction with a third party to purchase the Shares from you (Sale to Third Party).
- 23 The following is a summary of the Australian tax consequences that may be relevant to Shareholders who hold their Shares in the Company for long term investment (that is, on capital account). This summary is current as at the date of the Information Statement. The taxation implications of the Share buy back or the Sale to Third Party are specific to each individual Shareholder. We recommend that you obtain your own independent professional advice in respect of the Australian tax consequences.

#### **Australian resident Shareholders**

- 24 If you are unsure about the Australian tax implications that may apply to you, please seek advice from your tax adviser.

#### ***Share buy back***

- 25 The following Australian tax consequences may apply to you if your Shares are bought back by the Company:
- 25.1 A portion of the Buy Back Price shall be debited to the Company's capital account and the balance shall be debited against retained earnings.
  - 25.2 You will be deemed to receive a dividend in respect of the amount debited against the Company's retained earnings. This dividend may be franked if franking credits are available to the Company. If the dividends are franked, this may entitle you to a tax offset. Your assessable amount in respect of the dividend component will be equal to the dividend plus any tax offsets (if any).
  - 25.3 In respect to the capital portion, you are taken to have disposed of your Shares for the Buy Back Price less the amount which is treated as a dividend. This disposal may give rise to a capital gain (or capital loss) where the capital proceeds is more than (or less than) your cost base (or reduced cost base). Certain Shareholders (such as individuals, complying superannuation funds and trusts) may be entitled to discount their capital gains by 50% in the case of individuals and trusts or 33 1/3% for complying superannuation funds, where they have held their Shares for more than 12 months.
- 26 The Administrator will provide you with further information in respect of the capital proceeds, the dividend portion of your Share buy back and any franking credits (if available) following the completion of the buy-back

### ***Sale to Third Party***

- 27 If the Directors arrange for your Shares to be purchased by a third party, then you are taken to have disposed of your Shares for the sale price. This disposal may give rise to a capital gain (or capital loss) where the capital proceeds is more than (or less than) your cost base (or reduced cost base). Certain Shareholders (such as individuals, complying superannuation funds and trusts) may be entitled to discount their capital gains by 50% in the case of individuals and trusts or 33 1/3% for complying superannuation funds, where they have held their Shares for more than 12 months. No amount is required to be included as a dividend in this case.

### **Non-Australian resident Shareholders**

#### ***Share buy back***

- 28 The following Australian tax consequences may apply to you if your Shares are bought back by the Company:
- 28.1 A portion of the Buy Back Price shall be debited to the Company's capital account and the balance shall be debited against retained earnings.
  - 28.2 You will be deemed to receive a dividend in respect of the amount debited against the Company's retained earnings. There may be Australian withholding tax payable in respect of the dividend depending on your country of residence and the franking credits attaching to the dividend.
  - 28.3 In respect to the capital portion, you are taken to have disposed of your Shares for the Buy Back Price less the amount which is treated as a dividend. This disposal may give rise to a capital gain (or capital loss) where the capital proceeds is more than (or less than) your cost base (or reduced cost base). However, the capital gain will not be subject to Australian tax where you hold less than 10% of the issued Shares in the Company. If you hold more than 10% of issued Shares in the Company, the Company will advise you whether your capital gains are subject to

Australian tax as this depends on whether more than 50% of the Company's assets are comprised of Australian real property.

- 29 The Administrator will provide you with further information in respect of the capital proceeds and the dividend portion of your Share buy back following the completion of the buy back.

### ***Sale to Third Party***

- 30 If the Directors arrange for your Shares to be purchased by a third party, then you are taken to have disposed of your Shares for the sale price. This disposal may give rise to a capital gain (or capital loss) where the capital proceeds is more than (or less than) your cost base (or reduced cost base). However, the capital gain will not be subject to Australian tax where you hold less than 10% of the issued Shares in the Company. If you hold more than 10% of issued Shares in the Company, the Company will advise you whether your capital gains are subject to Australian tax as this depends on whether more than 50% of the Company's assets are comprised of Australian real property.

### **Directors' associations**

- 31 The Directors comprising the board of the Company are eligible to participate in the buy backs in their own right but have determined not to participate in excess of an aggregate of 100,000 Shares in any given Buy Back Period with respect of the Shares legally or beneficially held by them.
- 32 Mr Curtis Larson has advised the board that he intends to resign as a Director of the Company effective 30th November 2012, and both he and his related parties will be able to participate in the Buy-Back for their total holdings.
- 33 As at the 19th November 2012, the Directors had the following relevant interests in the Company, they include shares held by the Director in his own right, Shares held through body corporates or trusts which the Director has an interest in and shares held by each Directors spouse or children on the same basis.

Director	Total Shares	Total as a percentage issued Capital (prior to any Buy-Back)
Gregory Madden	1,877,336	17.20%
Craig Hughes	117,432	1.01%
Steven Robinson	72,036	0.66%
Curtis Larson	347,910	3.19%

Dated: 14th December 2012