



NOTICE OF GENERAL MEETING

HYPERION FLAGSHIP INVESTMENTS LIMITED ABN 99 080 135 913

Notice is hereby given that a general meeting of members of Hyperion Flagship Investments Limited ('Company') will be held at the offices of Wilson HTM Investment Group, Level 38, Riparian Plaza, 71 Eagle Street, Brisbane, Queensland at 12 noon on Thursday, 9 August 2007.

SPECIAL BUSINESS

1. APPROVAL OF ISSUE OF SHARES

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

'That for the purposes of ASX Listing Rule 7.1, members approve the issue (with a priority participation entitlement to existing members) of shares to raise up to \$30 million having regard to the information contained in the explanatory memorandum accompanying this Notice of Meeting.'

DATED 9 July 2007.

By Order of the Board

A handwritten signature in black ink, appearing to read "IW Harrison".

IW Harrison
Company Secretary

IMPORTANT NOTE - PROXIES

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the enclosed proxy form. This form must be received by the Company's Share Registry not later than 48 hours before the meeting. Please detach and send your completed form to the Company's Share Registry, ComputerShare Investor Services Pty Limited at Level 19, 307 Queen Street, Brisbane, Queensland, 4000 or by facsimile to (07) 3237 2152. A member entitled to attend and vote is entitled to appoint not more than 2 proxies. Where more than 1 proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the Company. For the purposes of determining a member's entitlement to vote at the General Meeting, a person will be recognised as a member of the Company if that person is registered as a holder of Company shares as at Midday on Tuesday 7 August 2007, being the second business day prior to the date of the General Meeting.

EXPLANATORY MEMORANDUM

HYPERION FLAGSHIP INVESTMENTS LIMITED ABN 99 080 135 913 ('Company')

This Explanatory Memorandum has been prepared to accompany the Notice of General Meeting and is intended to provide an explanation regarding the resolution seeking member approval relating to the raising of funds by the Company by a share offer.

1. SHARE OFFER

- 1.1 The Company announced today that it would make a share offer to existing members and the public, in order to raise up to \$30million.
- 1.2 The maximum price for each of the shares to be offered will be the volume weighted average market price ('VWAP') for the Company's ordinary shares over the last 5 days on which share sales are recorded on the ASX before the date of the prospectus proposed to be issued in relation to the intended offer. However, the directors will have a discretion to allow a discount to the VWAP such that the issue price is not less than a discount of 7% to the net asset value per share ('NAV') on an ex dividend basis. The Company's shares have been trading in the range of between \$2.09 (high) and \$2.06 (low) between 1 June 2007 and 30 June 2007 and last traded at \$2.08 on 4 July 2007 as compared to the NAV of \$2.14 as at 30 June 2007 which was announced on 5 July 2007.

2. PRIORITY PARTICIPATION ENTITLEMENT FOR EXISTING MEMBERS

- 2.1 Up to one third of the total offered shares will be set aside for existing shareholders who are registered holders as at 7.00pm on the day before the issue of the prospectus. For example, if the total value of shares to be offered under the prospectus represented \$30million then the existing shareholders would be entitled to collectively apply for up to \$10million worth of those shares. The priority for existing members to apply for shares under the offer is not a rights issue entitlement. The offer simply reflects that the loyalty of existing members will be recognised so that they have a 'reserved' allocation of shares collectively available to them so that they will have priority to allotted shares out of the reserved allocation. Any shares not taken up under this allocation shall be subject to the terms of the public offer. The prospectus intended to be issued (subject to shareholder approval) will explain how members will be able to apply for shares and the applicable dates relevant to the opening and closing of the offer. However, having regard to ASX Listing Rule 7.3.8, the Company will limit the number of ordinary shares it issues to the higher of 5% of all the shares being offered under the priority allocation and the number the holder would be entitled to under a pro-rata issue of all of those shares.

3. ADDITIONAL INFORMATION ON SHARE OFFER

- 3.1 All shares to be offered through the prospectus will have the same issue price. All shares to be issued under the offer will be fully paid ordinary shares and will rank equally in all respects with other fully paid ordinary shares on issue, save that the offered shares will not be eligible for a dividend for the financial year ended 30 June 2007. The joint lead managers of the offer will be Commonwealth Securities Limited and Wilson HTM Corporate Finance Limited.
- 3.2 The share offer is expected to raise at least \$10million with the potential to raise up to \$30million. Funds raised under the share offer will be utilised by the Company to:
 - (a) expand the Company's gross assets beyond the current level of approximately \$34.8million (based on 31 December 2006 financial statements) to up to approximately \$63million;

- (b) correspondingly increase the size and value of the Company's investments; and
- (c) increase the number of Company shareholders beyond the current level ie approximately 429 shareholders.

4. FINANCIAL EFFECT

- 4.1 On the basis that all funds raised under the share offer are received, and, after allowing for costs of the issue, approximately between \$9.5million and \$28.8million in new funds will be utilised for investment. Further disclosure concerning the share offer will be made in the prospectus proposed to be issued, if shareholder approval is given to the resolution specified in the notice of meeting.
- 4.2 The Company currently has approximately 17.1million fully paid ordinary shares on issue. If, for the purposes of providing an example, the offer price per Share determined under paragraph 1.2 was \$2.00 per share, approximately:
- (a) 5 million new shares will issue if \$10million was raised; and
 - (b) 15 million new shares will issue if \$30million was raised.

Depending on the number of new shares to issue, there would be an effect on the Company's net tangible assets ('NTA') after estimated issue expenses. The consequential outcomes can be summarised as follows:

- (a) an estimated NTA of \$2.09 per share will arise (after tax on realised gains only) if the share offer raised \$10million or \$1.92 per share (after tax on realised and unrealised gains) if the share offer raised \$10million;
- (b) an estimated NTA of \$2.04 per share will arise (after tax on realised gains only) if the share offer raised \$30million or \$1.92 per share (after tax on realised and unrealised gains) if the share offer raised \$30million.

5. ASX LISTING RULES INFORMATION

- 5.1 ASX Listing Rule 7.1 operates to prevent a company from issuing any more than 15% of its issued shares in any 12 month period without obtaining shareholder approval. The intended offer of shares will be in excess of the 15% allowable threshold under this Rule, hence the need for seeking the approval of members.
- 5.2 For the purposes of ASX Listing Rule 7.3, certain additional information is provided to members as follows:
- (a) the maximum number of shares that the Company may issue is to be calculated by the following formula ie:

$$\text{The total number of new shares to issue} = \frac{\text{\$Amount raised under the offer}}{\text{(intended issue price (\$) per share)}}$$
 - (b) for the purposes of the above formula, the issue price per share (as a maximum) will be the calculated VWAP for a Company share as traded on the ASX over the last 5 days on which sales in Company shares were recorded before the date of issue of the proposed prospectus for the share offer. The price so determined may then be discounted, as determined at the discretion of the directors, but so that the price is not less than a 7% discount to the NAV (after allowing for a dividend). (A discount to NAV may be offered for the purposes of making the share offer attractive to both existing and new shareholders).
- 5.3 Shares are intended to be issued within 3 months of the date of the general meeting. It is the intention of the directors of the Company to issue all shares on the same date.
- 5.4 The issue price of the shares under the offers will be the same but rounded up or down at the Directors' discretion to the nearest whole number.

- 5.5 The names of allottees will be those persons who subscribe for the offered shares whether as members or as new shareholders having regard to the terms of the offer.
- 5.6 The securities which issue as a result of the offers will be fully paid ordinary shares ranking equally in all respects with existing fully paid ordinary shares on issue.
- 5.7 The Company intends to utilise the funds raised from the share offer for the purposes of building the company's financial resources thereby permitting it to substantially grow the Company's investment portfolio whilst at the same time also expanding the Company's shareholder base and improving market liquidity in Company shares. The date of allotment of shares under the offer will be the same date (to be specified in the proposed prospectus) though, in any event, will be within 3 months of the date of this general meeting. It is not proposed that there be any limitations associated with the public offer. Any existing member will, after participation in the share pool reserved for application from members, be able to apply for additional shares under the public offer.

6. ADVANTAGES AND DISADVANTAGES

- 6.1 The share offer will have advantages as well as disadvantages for existing members.
- 6.2 The number of shareholders will increase, and this should also assist in providing greater market liquidity in terms of share trading. There will also be an increase in the amount of funds available for investment by the Company.
- 6.3 Disadvantages associated with the share offer include the dilution of interests of members who do not take up any new shares and a decrease in the net tangible assets per share.

7. DIRECTORS' RECOMMENDATION

The Company's directors unanimously recommend that members vote in favour of the resolution.