

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Magellan Flagship Fund Limited

ABN

32 121 977 884

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Options to acquire ordinary shares in the capital of the Company |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 114,948,118 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options to acquire ordinary shares exercisable at \$1.05 per Option on or before 5:00pm (Sydney time) on 31 October 2017. |

+ See chapter 19 for defined terms.

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<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Not applicable to the Options. Ordinary shares issued on exercise of the Options will rank equally with existing ordinary shares from the date of issue</p>						
<p>5 Issue price or consideration</p>	<p>No application money is payable for the grant of the Options</p>						
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>No funds will be raised from the issue of the Options. It is intended that any funds raised on the exercise of any Options will be applied for further investment consistent with the Company's investment objectives.</p>						
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>17 October 2012</p>						
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1489 877 1534">Number</th> <th data-bbox="877 1489 1281 1534">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1534 877 1624">344,844,354</td> <td data-bbox="877 1534 1281 1624">Ordinary Shares</td> </tr> <tr> <td data-bbox="686 1624 877 1686">114,948,118</td> <td data-bbox="877 1624 1281 1686">Options</td> </tr> </tbody> </table>	Number	+Class	344,844,354	Ordinary Shares	114,948,118	Options
Number	+Class						
344,844,354	Ordinary Shares						
114,948,118	Options						

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	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)		Not Applicable
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not Applicable	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	No	
12 Is the issue renounceable or non-renounceable?	Not Applicable	
13 Ratio in which the +securities will be offered	1 for 3	
14 +Class of +securities to which the offer relates	Options	
15 +Record date to determine entitlements	10 October 2012	
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not Applicable	
17 Policy for deciding entitlements in relation to fractions	Fractions will be rounded down to the nearest whole number	
18 Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	All countries except Australia and New Zealand	
19 Closing date for receipt of acceptances or renunciations	Not Applicable	

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20	Names of any underwriters	Not Applicable
21	Amount of any underwriting fee or commission	Not Applicable
22	Names of any brokers to the issue	Not Applicable
23	Fee or commission payable to the broker to the issue	Not Applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not Applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not Applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	17 October 2012
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not Applicable
28	Date rights trading will begin (if applicable)	Not Applicable
29	Date rights trading will end (if applicable)	Not Applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not Applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not Applicable

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- 32 How do +security holders dispose of their entitlements (except by sale through a broker)? Not Applicable
- 33 +Despatch date 17 October 2012

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

(THIS SECTION IS NOT APPLICABLE)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities

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Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	Not Applicable					
39	Class of +securities for which quotation is sought	Not Applicable					
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Not Applicable					
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	Not Applicable					
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	<table border="1"> <thead> <tr> <th data-bbox="710 1518 1013 1552">Number</th> <th data-bbox="1013 1518 1300 1552">+Class</th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="710 1552 1300 1760">Not Applicable</td> </tr> </tbody> </table>	Number	+Class	Not Applicable		
Number	+Class						
Not Applicable							

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Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:  Date: **27/09/2012**
Legal Counsel & Company Secretary

Print name: **Leo Quintana**

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