

16 March 2015

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Dear Shareholder,

Renounceable Entitlement Offer – Letter to Ineligible Shareholders

Magellan Flagship Fund Limited (“**MFF**”) announced to ASX on 16 March 2015 that the Board had resolved to proceed with pro rata renounceable entitlement issue (“**Offer**”) to raise up to A\$143 million¹. Under the terms of the Offer, all eligible shareholders registered at 7:00pm (Sydney time) on the Record Date, being Monday, 13 April 2015, will be entitled to receive one (1) new share (“**New Shares**”) for every four (4) Shares held on that date.

The Offer Price is A\$1.60 per New Share. New Shares issued under the Offer will rank equally with existing Shares, except that the New Shares will not be entitled to receive the interim dividend for the half year ended 31 December 2014 announced by MFF on 5 February 2015.

The Offer is being made in accordance with section 708AA of the *Corporations Act 2001* (Cth) (“**Corporations Act**”) (as modified by Australian Securities and Investments Commission (“**ASIC**”) Class Order 08/35), meaning that a prospectus is not required to be provided to shareholders.

This letter is to inform you about the Offer, and to explain why you will not be able to subscribe for New Shares under the Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

Eligibility Criteria for the Offer

Eligible Shareholders are those persons who are registered as a holder of MFF ordinary shares as at the Record Date, being 7.00pm (Sydney time) on Monday, 13 April 2015.

Shareholders who are not Eligible Shareholders are Ineligible Shareholders. MFF reserves the right to determine whether a shareholder is an Eligible Shareholder or an Ineligible Shareholder.

The restrictions upon eligibility to participate in the Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand and the potential costs to MFF of complying with these legal and regulatory requirements compared with the relatively small number of Shareholders in those countries, the relatively small number of existing MFF ordinary shares they hold and the relatively low value of New Shares to which they would otherwise be entitled.

MFF has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make or extend offers of this nature to shareholders in certain countries.

Unfortunately, according to our records, you do not satisfy the eligibility criteria to qualify as an Eligible Shareholder. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, MFF wishes to advise you that it will not be extending the Offer to you and

¹ If all Options are exercised prior to the Record Date, the maximum amount that could be raised under the Offer will be approximately \$185 million. The \$185 million does not include the additional amount of approximately \$109 million that would be received by the Company as a result of the Options being exercised.

you will not be able to subscribe for New Shares under the Offer. You will not be sent the documents relating to the Offer.

However, MFF will undertake the following steps to provide you with an opportunity to potentially realise some value for your rights:

- MFF will appoint a nominee in respect of Ineligible Shareholders (**Nominee**).
- MFF will issue to the Nominee the Entitlements that Ineligible Shareholders would otherwise have been entitled to apply for had they been able to participate in the Offer.
- If possible, the Nominee will sell those Entitlements on behalf of the Ineligible shareholders.
- MFF will arrange for the proceeds of the sale (if any) of those Entitlements, net of any withholding tax, to be distributed to you as soon as practicable following completion of the Offer and in accordance with the payment instructions recorded with the share registry.

Ineligible Shareholders should note that neither MFF nor the Nominee is acting as their agent and that there is no guarantee that any net proceeds will be realised from the sale of Entitlements. The ability to sell Entitlements under the sale process will be dependent on various factors, including market conditions. Neither MFF nor the Nominee will be liable, including for negligence, for any failure to sell the Entitlements or to sell those Entitlements at a particular price.

The Entitlements will be tradeable on ASX. However, the assignment, transfer and take up of the Entitlements trading on ASX will be restricted to persons meeting certain eligibility criteria. In particular, persons who are otherwise ineligible to participate in the Offer will not be eligible to purchase or trade entitlements on ASX or take up Entitlements purchased on ASX or transferred from another person.

Any proceeds received may have Australian and overseas tax consequences, depending on individual circumstances. You should seek professional tax advice regarding the taxation of any proceeds received.

Taylor Collison Limited and Bell Potter Securities Limited are Joint Lead Managers to the Offer. The Offer is not underwritten.

You are not required to do anything in response to this letter

For further information on the Offer or if you believe you are an Eligible Shareholder, please contact Boardroom Pty Ltd on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia). If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

On behalf of the Board of MFF, I thank you for your continued support.

Yours faithfully,



Richard Warburton AO LVO
Chairman