



MAGELLAN
FLAGSHIP FUND LIMITED

Magellan Flagship Fund Limited
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26 May 2015

Attention: Ms Violetta Codreanu
Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Ms Codreanu

**Magellan Flagship Fund Limited (Company)
Change of Director's Interest Notice – John Ballard**

We refer to your letter to the Company dated 22 May 2015 in relation to the Appendix 3Y Change of Director's Interest Notice – John Ballard lodged on 15 May 2015 and advise as follows:

1. Why the Appendix was lodged late.

The Appendix 3Y in relation to the conversion of 386 options to ordinary shares by an entity associated with Mr John Ballard on 7 April 2015 was lodged late due to an oversight by the Director in notifying the Company. This was identified as part of the process of notification of entitlements taken up under the Company's rights issue which were notified to ASX within the requisite 5 business days.

2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?

The Company and its Directors are aware of their obligations under the ASX Listing Rules, including Listing Rules 3.19A and 3.19B. Pursuant to the terms of their Agreement with the Company, each Director is obliged to provide information to the Company regarding the securities that they hold in the Company and of any changes to those holdings.

In addition, the Company's Trading Policy regulates the pre-approval and notification processes in respect of trading in the Company's securities.

3. If the current arrangements are inadequate or not being enforced, what additional steps does the Company intend to take to ensure compliance with listing rule 3.19B?

The Company believes that the current arrangements are adequate and are being enforced and that this was an isolated incident.

Yours faithfully,

**Geoffrey Stirton
Company Secretary**

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22 May 2015

Mr Geoffrey Stirton
Company Secretary
Magellan Flagship Fund Limited
Level 7, 1 Castlereagh Street
Sydney NSW 2000

By Email: geoffrey.stirton@magellangroup.com.au

Dear Geoffrey,

Magellan Flagship Fund Limited (the "Company")

We refer to the following:

1. The Appendix 3Y lodged by the Company with ASX Limited ("ASX") on 15 May 2015 for John Ballard (the "Appendix 3Y").
2. Listing rule 3.19A which requires an entity to tell ASX the following:

3.19A.2 *A change to a notifiable interest of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust). The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs.*
3. Listing rule 3.19B which states as follows.

An entity must make such arrangements as are necessary with a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director.
4. The Companies Update dated 27 June 2008, reminding listed entities of their obligation to notify ASX within 5 business days of the notifiable interests in securities held by each director and outlining the action that ASX would take in relation to breaches of listings rules 3.19A and 3.19B.

As the Appendix 3Y indicated that a change to the director's notifiable interest occurred on 7 April 2015, it appears the Appendix 3Y should have been lodged with ASX by 14 April 2015. As it was lodged on 15 May 2015, it appears that there may have been a breach by the Company of listing rules 3.19A and/or 3.19B. It also appears that the director concerned may have breached section 205G of the Corporations Act.

Please note that ASX is required to record details of breaches of the listing rules by listed companies for its reporting requirements.

ASX reminds the Company of its contract with ASX to comply with the listing rules. In the circumstances, ASX considers that it is appropriate that the Company make necessary arrangements to ensure there is not a reoccurrence of a breach of the listing rules.

Having regard to listing rules 3.19A and 3.19B and Guidance Note 22: "Director Disclosure of Interests and Transactions in Securities - Obligations of Listed Entities", we ask that you answer each of the following questions.

1. Why was the Appendix 3Y lodged late?
2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?
3. If the current arrangements are inadequate or not being enforced, what additional steps does the Company intend to take to ensure compliance with listing rule 3.19B?

Your response should be sent to me by e-mail or by facsimile on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

A response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e., before 9.30 a.m. AEST) on Wednesday, 27 May 2015.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a form suitable for release and should separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Violetta Codreanu
Adviser, Listings Compliance (Sydney)

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