

# ***BKM MANAGEMENT LIMITED***

ABN: 61 009 146 543

## **NOTICE OF ANNUAL GENERAL MEETING**

**Incorporating Explanatory Memorandum and Proxy Form**

**To Be Held On:**

Friday 25<sup>th</sup> of November, 2005

**At:**

10:30am

**At:**

Suite 1  
1233 High Street  
Armadale  
VICTORIA 3143.

**Notice of 2005 Annual General Meeting**

Notice is given that the 2005 Annual General Meeting of Shareholders (the "Meeting") of BKM Management Limited (the "Company") will be held at 10.30am on Friday, the 25<sup>th</sup> of November 2005, at our offices at Suite 1, 1233 High Street, Armadale Victoria 3143.

**BUSINESS**

**2005 ANNUAL FINANCIAL STATEMENTS**

To present before the Meeting the Annual Financial Statements of the Company comprising the Annual Financial Report, the Directors' Report and the Auditor's Report.

**RESOLUTIONS - ORDINARY BUSINESS**

To consider and, if deemed advisable, to adopt the following resolutions as ordinary resolutions with or without amendment:

**Resolution 1: Re-Election of Mr. Clive McKee to serve as a Director**

"That Mr. Clive McKee, who retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

**Resolution 2: Approval of Previous Issue of Ordinary Shares to Employees & Consultants**

"That the issue of 1,470,000 fully paid ordinary shares of the Company to consultants of the Company, as described and under the terms set forth in the Explanatory Memorandum to the Notice of Meeting, be and hereby is approved."

**Resolution 3: Approval of Placement**

"That, the Directors are authorised to allot and issue up to 40,000,000 fully paid ordinary shares with a free attaching option in the Company, to raise up to \$560,000 before costs, for the purposes of working capital, on the terms and conditions, and in the manner, described in the Explanatory Memorandum."

**Resolution 4: Participation by Directors and Associates**

"That, subject to Resolution 3 being approved, shareholders approve the Directors of BKM Management Limited and their associates subscribing for new shares, on the same basis as other subscribers, up to a total value of \$140,000, being 10,000,000 ordinary shares with a free attaching option, as described in the Explanatory Memorandum."

**Resolution 5: Change of Company Auditor**


"That, subject to ASIC approval, Mr. Jeffrey Luckins of Webb Callaway Paton be hereby appointed external auditor of the company, replacing the incumbent auditor, Bentleys MRI Melbourne, and that proper professional fees be paid as remuneration to the new auditor."

**Resolution 6: Non-Binding Adoption of Remuneration Report**

"That, members hereby adopt the 2005 Remuneration Report as published in the Directors Report section of the Company's 2005 Annual Report."

**Date:** Tuesday 18<sup>th</sup> October 2005

By Order Of The Board



**Phillip Hains**  
Company Secretary

The accompanying Explanatory Memorandum and the following information for shareholders form part of this Notice of Meeting.

**INFORMATION FOR SHAREHOLDERS:**

**Voting Exclusion Statement**

In accordance with the Australian Stock Exchange, or ASX, Listing Rule 14, the Company will disregard votes cast:

- a) **On Resolution 2 by:**
  - Darren Tieste
  - Kent Bangay
  - The CFO Solution HQ Pty Ltd
  - An associate of the above named person/entity
  
- b) **On Resolution 3 by:**
  - A participant of the Placement
  - An associate of the above named person/entity
  
- c) **On Resolution 4 by:**
  - A Director of the Company
  - An associate of the above named person/entity

However, the Company need not disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**BKM MANAGEMENT LIMITED**  
**ABN: 61 009 146 543**  
**2005 ANNUAL GENERAL MEETING**

**PROXY FORM**

**Shareholder's Name**

Please write your name(s) above

**Appointment of Proxy**

I/We appoint as proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy or Chairman sees fit) at the Annual General Meeting (Meeting) of the Company to be held at Suite 1, 1233 High Street, Armadale, VICTORIA 3143 on Friday, the 25<sup>th</sup> of November 2005. (and at any adjournment thereof).

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote on the items below, please mark this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of any of these items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on these items and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of these items.

**Or**

*the Chairman of the Meeting*

Name of person you are appointing (if not the meeting Chairman)

**Resolution 1:** Re-Election of Mr. Clive McKee to Serve as a Director

| <b><u>For</u></b> | <b><u>Against</u></b> | <b><u>Abstain</u></b> |
|-------------------|-----------------------|-----------------------|
|                   |                       |                       |

**Resolution 2:** Approval of Previous Issue of Ordinary Shares to Employees & Consultants

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**Resolution 3:** Approval of Placement

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**Resolution 4:** Participation by Directors and Associates

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**Resolution 5:** Change of Company Auditor

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**Resolution 6:** Non-Binding Approval of Remuneration Report

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\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Appointing a Second Proxy**

**Or**

%

The number of shares applicable to this proxy form

The percentage of your voting rights

**Contact Telephone Number**

Area Code

Telephone Number

**Signature(s)**

Shareholder 1

Shareholder 2

Shareholder 3

Director

Director/Secretary

Sole Director and Secretary

Company Seal (if required)

Proxies may be lodged by fax on (03) 9822 7735, mailed to PO Box 8649, Armadale, Victoria, 3143 or delivered to the nominated office of the Company at Suite 1, 1233 High Street, Armadale, Victoria, 3143. To be valid, a proxy form must be received at the nominated address of the Company not less than 48 hours before the time appointed for the General Meeting. For assistance in completing this form, please refer to the accompanying instructions.

**Proxy Instructions**

A member who is entitled to vote at a meeting may appoint:

- (a) one proxy if the member is only entitled to one vote; and
- (b) one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and proof of the power of attorney or other authority satisfactory to the Directors) must be lodged at or sent by facsimile transmission to the registered office of the Company at Suite 1, 1233 High Street, Armadale, Victoria, 3143, or mailing address at PO Box 8694, Armadale VIC 3143, or facsimile +61 3 9822 7735, not less than 48 hours before the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Australian Corporations Act 2001. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice.

**Statement Regarding Undirected Proxies**

As disclosed on the proxy form it is the intention of the Chairman of the Meeting to vote any undirected proxies in favour of all resolutions. Pursuant to changes to the ASX Listing Rules, which came into effect for shareholder meetings held after 1 January 2002, the proxy form is required to contain certain disclosures regarding the voting intentions of the Chairman regarding undirected proxies. Shareholders are advised to read the proxy form carefully. By marking the box at the top of the proxy form, proxy holders acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark the box at the top of the proxy form or alternatively each resolution your proxy may be considered invalid.

**Corporate Representatives**

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

**Voting Entitlement**

For the purposes of the Australian Corporations Act 2001 and corporations Regulations, shareholders entered on the company's Register of Members as at 5:00pm, the 23<sup>rd</sup> of November, 2005 are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

**BKM MANAGEMENT LIMITED**

ABN: 61 009 146 543

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum dated 18 October 2005, has been issued by BKM Management ABN 61 009 146 543 (the "Company"). This Explanatory Memorandum forms part of and should be read in conjunction with the Notice of 2005 Annual General Meeting of the Company scheduled to be held on Friday, the 25<sup>th</sup> of November, 2005, to which this Explanatory Memorandum is attached. This Explanatory Memorandum has been prepared to assist shareholders of the Company in the consideration of the resolutions proposed in the Notice of 2005 Annual General Meeting.

The Board of Directors of the Company recommends that shareholders vote in favour of the resolutions described in this Explanatory Memorandum. Certain Directors withhold their recommendation in regard to specific resolutions, where the passing of the specific resolution may result in a benefit to that Director, in accordance with the Australian Stock Exchange, or ASX, Listing Rule 14, as detailed in the Voting Exclusion Statement attached to the Notice of Meeting.

**PRESENTATION OF 2005 ANNUAL FINANCIAL STATEMENTS**

The 2005 Annual Financial Statements of the Company will be presented to the shareholders at the Meeting, in accordance with the Australian Corporations Act 2001. Shareholders will be given the opportunity to ask the Board of Directors and a representative of the accounting firm that audited the Company's financial statements questions in respect of the 2005 Annual Financial Statements.

**RESOLUTIONS – ORDINARY BUSINESS**

**1. Re-Election of Mr. Clive McKee to Serve as a Director**

At each Annual General Meeting of the Company, one third of the directors of the Company (except a Managing Director) must retire from office by rotation, in accordance with the Company's Constitution. No director (except a Managing Director) shall retain office for a period in excess of three years without submitting himself or herself for re-election. A director who retires from office by rotation and is eligible for re-election may offer him or herself for re-election.

Mr McKee has extensive experience in global asset management and corporate finance. He has previously held positions with securities and fund management companies that include Yamaichi Securities, Societe General, and Australian and New Zealand Banking Group (ANZ). Mr McKee is currently Chairman of Orchid Capital.

Mr. McKee currently serves as an Independent Non-Executive Chairman of the Company and was last re-elected by shareholders at the 2002 AGM.

**2. Approval of Previous Issue of Ordinary Shares to Employees & Consultants**

According to ASX Listing Rule 7.1, an entity must not issue or agree to issue equity securities exceeding 15% of the share capital of the Company within a 12 month period without shareholder approval. ASX Listing Rule 7.4 provides for a Company to refresh its 15% capacity by obtaining subsequent approval for a prior issue of securities, as long as at the time of the issue, the Company did not breach ASX Listing Rule 7.1. As such, the Company is seeking shareholder approval of the prior issue of ordinary shares certain persons and entities in order to have the flexibility to issue up to 15% of the Company's share capital in a rolling 12 month period.

On the 11<sup>th</sup> of March 2005, the Company issued 100,000 shares (BKM) to Mr. Daren Tieste, and 50,000 shares (BKM) to Mr. Kent Bangay at a value of \$0.014 per share. Mr. Tieste is a consultant to the Company and Mr. Bangay is an employee of the Company.

On the 1<sup>st</sup> of July 2005, the Company issued 1,320,000 to The CFO Solution HQ Pty Ltd in lieu of \$13,200 (issued at \$0.01 per share), as part payment for services rendered for the months of December 2004 – May 2005. The CFO Solution HQ Pty Ltd provides Company Secretarial, accounting and ASX compliance services to BKM Management Ltd.

At the time of the above issues of securities, the Company was in compliance with ASX Listing Rule 7.1.

**3. Approval of Placement**

The purpose of this approval to issue Shares and Options under Resolution 3 is to provide the Company with the flexibility to make additional placements of Shares and Options to raise funds to take advantage of opportunities that provide the potential for growth in revenue and profitability; to meet costs associated with assessing any new projects and business opportunities (these have not been identified at present) and to meet corporate overheads and provide additional working capital as and when required by the Company. The Company proposes, for the above purposes, to be able to issue up to 40,000,000 fully paid ordinary Shares together with a free attaching Option to acquire one fully paid ordinary Share to raise a minimum of \$560,000, before issue of costs. The proposed issue of 40,000,000 fully paid ordinary Shares together with a free Option to acquire one fully paid ordinary Share will be approximately 18.51% of the Company's fully-diluted share capital on the assumption that all share and option issues contemplated by the Notice of Meeting proceed; all existing options on issue in the Company are exercised; and there are no further equity investments issued by the Company.

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of the Company to enlarge its capital by the issue of equity securities. ASX Listing Rules 7.1 provides generally that a company may not issue securities equal to more than 15% of the Company's issued capital in any 12 months without obtaining shareholder approval. ASX Listing Rule 7.3 requires the following information to be given to Shareholders and approval is sought from Shareholders for the issue of securities in the Company on the following terms:

- a) The maximum number of Shares to be issued is 40,000,000 and the maximum number of Options to be issued is 40,000,000;
- b) The securities will be issued no later than 3 months after the date of Shareholder approval;
- c) The Shares will be issued at an issue price not less than \$0.014 per Share with a free attaching option;
- d) The names of the participants are presently unknown. The participants will be chosen at the discretion of the Directors. Other than described in Resolution 4 of this Explanatory Memorandum, remaining participants will not be directors or related parties, as defined in the Corporation Act and ASX Listing Rules;
- e) The terms of the securities to be issued are as follows:
  - i. The Shares to be issued (if any) are fully paid ordinary shares on the same terms as existing fully paid ordinary Shares in the Company (ASX Code: BKM); and
  - ii. The Options to be issued (if any) are to acquire one fully paid ordinary share per option at an exercise price of \$0.04 per share, expiring on 30 June 2008. These Options will rank pari passu with existing unquoted options (ASX Code BKMAI);
- f) The intended use of the funds raised under the issue is to meet costs associated with assessing new projects and business opportunities and to meet corporate overheads and provide additional working capital as and when required by the Company; and
- g) The securities will be allotted progressively as and when funds are required for any of the purposes outlined above and in any event not later than 3 months after the date of Shareholder approval.

Assuming 100% of the above placement is issued, the capital structure of the company will be as follows:

|                         | Shares   | Options                                     | Total If All Options Exercised        |
|-------------------------|--|---|---------------------------------------|
| Currently               | 261,617,140  | 90,500,000<br>@ \$0.04 before 30 June 2008  | 352,117,140                           |
| Proposed Placement      | 40,000,000<br>(7.1% of issued shares<br>(excluding options) post<br>placement) | 40,000,000<br>@ \$0.04 before 30 June 2008  | 80,000,000<br>(18.51% post placement) |
| Post Placement Quantity | 301,617,140  | 130,500,000<br>@ \$0.04 before 30 June 2008 | 432,117,140                           |

Value of the placement share with attaching option:

On 12 October 2005 the closing price for ordinary shares was \$0.009. Based on a Black - Scholes Option pricing model calculation, the value of the option is \$0.007. The assumptions for this calculation are:

|                                 |         |
|---------------------------------|---------|
| Option Exercise Price           | \$0.04  |
| Share Price                     | \$0.009 |
| Expected life (years)           | 2.75    |
| Volatility                      | 202.4%  |
| Risk free rate                  | 5.32%   |
| Dividend yield                  | 0.00%   |
| Vesting period                  | 0       |
| Resultant option value          | \$0.007 |
| Share and Option combined value | \$0.016 |
| Issue discount to market        | 12.5%   |

During the last 12 months, the share has traded at value ranging between \$0.018 per share (on the 4<sup>th</sup> of March 2005) and a low of \$0.008 per share (on the 23<sup>rd</sup> & 30<sup>th</sup> of May 2005, & 22 September 2005).

**BKMAI Option Terms**

- BKMAI options are an existing class of unquoted options, exercisable at \$0.04 on or before 30 June 2008.
- There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate on new issues of capital offered to shareholders during the currency of the options. The Company will ensure that options holders will be allowed at least 10 business days notice to allow for the conversion of options prior to the Record Date in relation to any offer of securities made to shareholders.
- In the event of any reconstruction (including consolidation, sub division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of options or the exercise price of the options or both shall be reconstructed in accordance with the Listing Rules.

**4. Participation by Director and Associates**

The Directors of BKM Management Limited and their associates are seeking approval of shareholders to participate in the issue of up to 40,000,000 shares with a 1:1 free attaching option. Pursuant to the ASX Listing Rules directors of a company are precluded from participating in any placement of securities in a company without the prior approval of shareholders. It is the intention of Directors and their associates to subscribe for new Shares up to a value of \$140,000 which would represent approximately 50% of the proposed placement. Subject to shareholders approving participation, it is the intention of Directors and their associates to subscribe for shares at the same price as they are offered to other subscribers under Resolution 3 (i.e. at an issue price not less than \$0.014 per Share with a free attaching option) on the following basis:

Evan McGregor and/or associates up to \$140,000 (being 10,000,000 ordinary shares, each with a free attaching option)

The Shares and options to be allotted will rank pari passu in all respects with the shares to be allotted pursuant to Resolution 3 above. Subject to receiving shareholder approval, the securities will be issued progressively as applications are received and in any event within 1 month of the date of the meeting. The use of funds raised by the issue will be the same as set out above in respect of Resolution 3.

Subject to the approval of Resolutions 3 and 4, Mr Evan McGregor's indirect interest in the Company will increase from 30,995,000 fully paid ordinary shares (11.847%) to approximately 40,995,000 fully paid ordinary shares (14.40%).

|                                | <b>Shares</b>                                  | <b>Options</b>                             | <b>Total If All Options Exercised</b>                     |
|--------------------------------|--|--|---|
| <b>As at 1 July 2005</b>       | 30,995,000<br>11.847% of issued shares         | 32,850,000<br>@ \$0.04 before 30 June 2008 | 63,845,000<br>18.13% of shares and options                |
| <b>Post Placement Quantity</b> | 40,995,000<br>13.591% of shares post placement | 42,850,000<br>@ \$0.04 before 30 June 2008 | 83,845,000<br>19.40% of shares and options post placement |

The calculations above take into consideration that the proposed placement will be fully subscribed. In the case that the Placement is not fully subscribed, Mr. McGregor has stated that he will participate to a level not reaching or exceeding 20% of the undiluted or fully diluted share capital of the Company.

Participation by Mr. McGregor in the proposed placement is not a remuneration based entitlement. However, in the interest of full disclosure, as set out in the Remuneration Report for the financial year ended 30 June 2005, Mr. McGregor's remuneration for his position as Managing Director was \$72,000.

Directors Recommendation:

Mr. McGregor has an interest in this resolution and does not make a recommendation. The rest of the Board members do not have an interest in this resolution. Directors other than Mr. McGregor recommend shareholders vote in favor of the resolution. Mr. McGregor has been Managing Director since 24 June 2004 and a Director since 7 March 2003. His commitment to the company is demonstrated through him acquiring additional shares on market (refer change of Directors interest 1 July 2005) and offering to providing additional working capital through the above placement at commercial discount to market of 12.5% (as calculated in the Black – Scholes calculation of Resolution 3 of this Explanatory Memorandum).

The approval of resolution 4 is required under ASX Listing Rule 10.11 and as a consequence approval under Listing Rule 7.1 will not be required. Approval under ASX Listing Rule 7.1 is not required as ASX Listing Rule 7.2, exception 14 applies.



**5. Change of Auditor**

The Board has conducted an appraisal of the external audit services provided and invited submissions. The Board has endorsed that subject to ASIC approval, Bentleys MRI Melbourne be replaced as external auditor of the Company by Mr. Jeffrey Luckins of Webb Callaway Paton in Hawthorn East Melbourne. Mr. Luckins has been nominated by a Member of the Company to be external auditor.

A copy of the nomination accompanies this Notice of Meeting.

**6. Non Binding Adoption of Remuneration Report**

Pursuant to the Corporations Act 2001 the Annual General Meeting of a listed company must propose a resolution that the Remuneration Report be adopted. Also pursuant to the Corporation Act, the vote on this Resolution is advisory only and does not bind either the directors or the Company.

The purpose of Resolution 6 is to lay before the Shareholders the Company's Non-binding Remuneration Report so that Shareholders may ask questions about or make comments on the management of the Company in accordance with the requirements of the Corporations Act 2001 and vote on a non-binding resolution to adopt the Remuneration Report for the year ended 30 June 2005.



# The CFO Solution HQ Pty. Ltd.

ACN: 054 583 612 ABN: 85 054 583 612

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The Directors  
BKM Management Limited  
PO Box 8694  
Armadale  
VICTORIA 3143

Dear Mr. McGregor,

I write on behalf of The CFO Solution HQ Pty Ltd, a member of BKM Management Limited.

I understand that Bentley's MRI Melbourne, the Company Auditor, have indicated their intention to vacate the position, subject to ASIC approval.

I herby nominate Mr. Jeffrey Luckins, of Webb Callaway Paton in Hawthorn East, Melbourne, Victoria, to fill the position of Company Auditor for BKM Management Limited.

Yours sincerely,

**Phillip Hains**  
Sole Director / Principal  
The CFO Solution HQ Pty Ltd.