
Aristocrat Leisure Limited

Notice of Annual General Meeting 2011 and Explanatory Statement

Tuesday, 3 May 2011 at 10.00am (Sydney time)

2011 Annual General Meeting

Dear shareholder

On behalf of the Board, I am pleased to invite you to attend the 2011 Annual General Meeting of Aristocrat Leisure Limited (Company), my first as Chairman, which has been scheduled as follows:

Date: Tuesday, 3 May 2011

Time: 10.00am (Sydney time) with registration available from 9.00am

Location: The Mint, 10 Macquarie Street, Sydney, New South Wales

A map and transportation instructions follow for your information.

If you would like to attend the Meeting, please bring the enclosed proxy form with you, as the barcode printed on it will assist your registration and admission.

The Notice of Meeting in the following pages details the business of the Meeting and, together with the explanatory statement, contains important information in relation to the matters to go before shareholders.

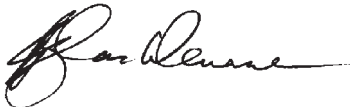
Shareholders unable to attend the Meeting will be able to watch and listen to the business of the Meeting via webcast. Please note that viewing the webcast does not count as attendance at the Meeting. The webcast will be accessible from a link on the Company's website.

If you are unable to attend the Meeting but wish to appoint a proxy, please complete and return the enclosed proxy form so that it is received prior to 10.00am on Sunday, 1 May 2011. You can do this online or by returning it to our share registry, Registries Limited. Details of how to complete and submit the proxy form are included on the proxy form.

We have also enclosed a form for those who cannot attend the Meeting but would like to submit questions on any shareholder matters that may be relevant to the Meeting. I invite you to submit any questions you might have on this enclosed form and return it with the proxy form. While time restrictions may not permit me to address all the questions submitted, I will endeavour to address as many of the more frequently raised shareholder issues as possible during the course of the Meeting.

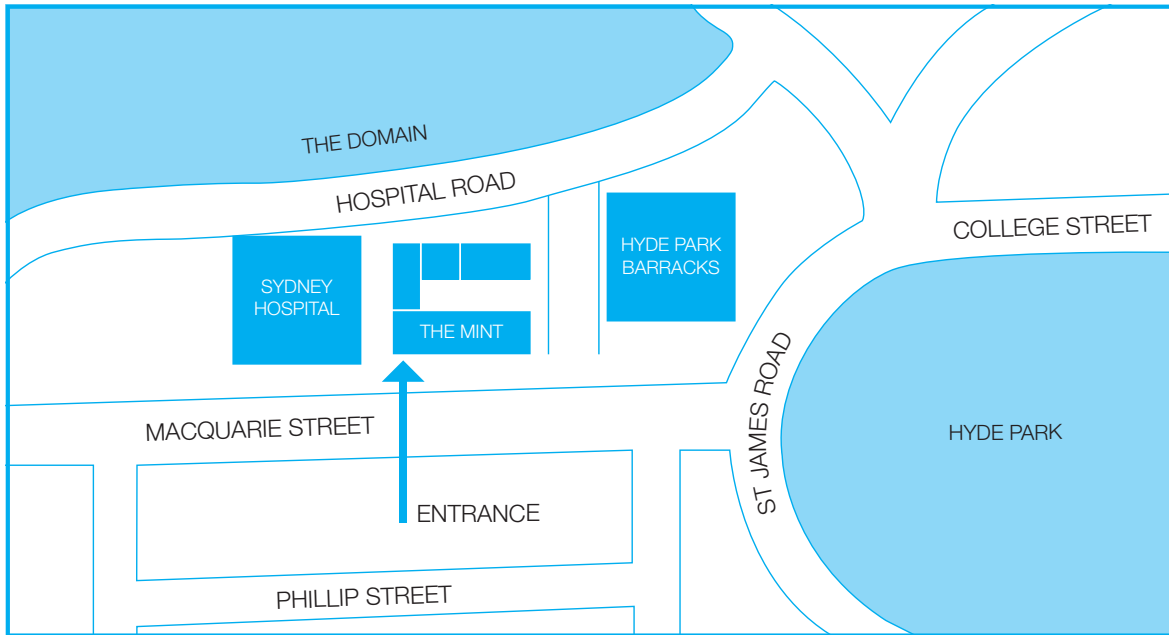
I look forward to introducing myself as Chairman and seeing you at the Annual General Meeting on Tuesday, 3 May 2011.

Yours sincerely



Dr Ian Blackburne
Chairman

The Mint – Map and Transport



Parking

There is no public parking at The Mint.

The Domain car park (St John Young Crescent, Woolloomooloo, entry via St Mary's Road) is a 10 minute walk from The Mint. Paid parking is also available at Sydney Hospital (enter via Hospital Road).

Metered street parking in the Royal Botanic Gardens and Hyde Park surrounds is also available.

Public Transport

The Mint is less than five minutes' walk from St James Station (City Circle Line) or it is a 10 minute walk from Martin Place Station (Eastern Suburbs Line).

For more specific information about public transport routes and timetables, contact the State Transit Authority on 131 500 or visit 131500.com.au

Notice of Annual General Meeting 2011

Notice is given that the Annual General Meeting (Meeting) of the shareholders of Aristocrat Leisure Limited (Company) will be held at the time and location, and to conduct the business, specified below:

Date: Tuesday, 3 May 2011
Time: 10.00am (Sydney time)
Location: The Mint
10 Macquarie Street
Sydney NSW 2000

For shareholders unable to attend the Meeting, you will be able to watch and listen to the business of the Meeting via webcast. Viewing the webcast does not count as attendance at the Meeting. For further information about the webcast, please visit the Company's website, www.aristocratgaming.com.

The Explanatory Statement to this Notice of Meeting provides further details.

Business of the Meeting

Ordinary business

1. Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the year ended 31 December 2010.

2. Resolution 1 – Appointment of Director – Mr DCP Banks

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

"That Mr DCP Banks, in accordance with clause 12.6 of the Constitution of the Company, be appointed as a Director of the Company, with such appointment not to take effect until the receipt of, and subject to, all relevant regulatory pre-approvals".

3. Resolution 2 – Appointment of Director – Mr LG Flock

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

"That Mr LG Flock, in accordance with clause 12.6 of the Constitution of the Company, be appointed as a Director of the Company, with such appointment not to take effect until the receipt of, and subject to, all relevant regulatory pre-approvals".

4. Resolution 3 – Re-election of Director – Mr RA Davis

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

"That Mr RA Davis who, in accordance with clause 12.3 of the Constitution of the Company, retires from office by rotation and, being eligible, offers himself for re-election, be re-elected as a Director of the Company".

5. Resolution 4 – Approval for the grant of Performance Share Rights to the Chief Executive Officer and Managing Director

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

"That Mr JR Odell, Chief Executive Officer and Managing Director, be granted 1,020,000 Performance Share Rights pursuant to the Company's Long Term Incentive Program, in the manner set out in the Explanatory Statement to this Notice of Meeting and that this be approved for all purposes, including for the purpose of ASX Listing Rules 7.1 and 10.14".

Voting exclusion: As required by the ASX Listing Rules, the Company will disregard any votes cast on this Resolution by Mr JR Odell and any Director of the Company (except anyone who is ineligible to participate in any employee incentive scheme in relation to the Company) and by any of their associates.

6. Resolution 5 – Remuneration Report

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

"That the Remuneration Report for the Company (included in the Directors' Report) for the year ended 31 December 2010 be adopted".

Special business

7. Resolution 6 – Adoption of Constitution

To consider, and if thought fit, pass the following resolution as a special resolution:

"That, pursuant to section 136 of the Corporations Act, the Constitution contained in the document submitted to this Meeting and signed by the Chairman for identification purposes be approved and adopted as the Constitution of the Company in substitution for the existing Constitution of the Company with effect from the end of the Meeting".

Voting exclusion note: Where a voting exclusion applies, 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 to vote 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.

By order of the Board.



A Korsanos
Company Secretary
30 March 2011

Notes

These Notes and the following Explanatory Statement form part of the Notice of Meeting.

Determination of entitlement to attend and vote

For the purposes of determining an entitlement to vote at the Meeting, shares will be taken to be held by the persons who are registered as shareholders at 10.00am (Sydney time) on Sunday, 1 May 2011.

Proxies

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy. If a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

An instrument appointing a proxy must be signed by the shareholder appointing the proxy or by the shareholder's attorney duly authorised in writing or, if the shareholder is a corporation, under seal or such other means as is contemplated by the *Corporations Act 2001 (Cth) (Act)* and the shareholder's constitution. A proxy need not be a shareholder of the Company and may be an individual or body corporate.

A proxy has the same rights as a shareholder to speak at the Meeting, to vote (but only to the extent allowed by the appointment) and to join in a demand for a poll. Where a proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands.

Where more than one joint holder votes, the vote of the holder whose name appears first in the register of shareholders shall be accepted to the exclusion of the others, whether the vote is given in person or by proxy or by representative or by attorney.

Shareholders who have appointed a proxy may still attend the Meeting. However, the proxy's rights to speak and vote are suspended while the shareholder is present.

The Chairman of the Meeting intends to vote undirected proxies in favour of all of the resolutions. The Company encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution.

A proxy form which is signed under power of attorney or other authority must be accompanied by that power of attorney or authority or a copy of that power of attorney or authority certified as a true copy by statutory declaration, unless it has previously been provided to and been accepted by the share registry.

An instrument appointing a proxy (accompanied by the power of attorney or other authority (if any) under which it is signed) must be lodged as follows by no later than 10.00am (Sydney time) on Sunday, 1 May 2011 in order to be effective:

- online, by following the instructions on the proxy form accompanying this Notice of Meeting;
- by mail, addressed to Aristocrat Leisure Limited, c/- Registries Limited, GPO Box 3993, Sydney NSW 2001, Australia;
- by fax to the share registry, Registries Limited, fax (61) 2 9290 9655; or
- in person to the share registry, Registries Limited, Level 7, 207 Kent Street, Sydney, New South Wales 2000, Australia.

Corporate representatives

A body corporate which is a shareholder or which has been appointed as a proxy may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been provided to and been accepted by the share registry.

If such evidence is not received prior to the commencement of the Meeting, then the individual will not be permitted to act as the shareholder's representative or representative of the shareholder's proxy.

Voting

Every resolution arising at the Meeting will be decided on a show of hands subject to the Company's Constitution and the Act. On a show of hands, every shareholder who is present in person or by proxy, representative or attorney will have one vote. Upon a poll, every shareholder who is present in person or by proxy, representative or attorney will have one vote for each share held by that shareholder.

Asking questions at the Meeting

The Meeting is intended to give shareholders the opportunity to hear the Chairman and the Chief Executive Officer and Managing Director talk about the year that has just passed and to give some insight into the Company's prospects for the year ahead. The Company welcomes shareholders' questions at the Meeting. However, in the interests of those present, questions or comments should be confined to matters directly relating to the management of the Company or the resolutions before the Meeting and should be relevant to shareholders as a whole. Shareholders are also invited to ask questions in advance of the Meeting. You may do so by filling out the "Areas of Interest" form that accompanies this Notice of Meeting and lodging it in accordance with the instructions set out on the form.

Explanatory Statement

This Explanatory Statement is intended to provide shareholders of the Company with information to assess the merits of the proposed resolutions in the accompanying Notice of Meeting.

The Directors recommend that shareholders read the Explanatory Statement in full before making any decision in relation to the following.

Ordinary business

Financial Report, Directors' Report and Auditor's Report

This item of business calls for shareholders to formally receive the Financial Report for the year ended 31 December 2010 (which includes all the financial statements and notes), the Directors' Report and the Auditor's Report. The Financial Report, the Directors' Report and the Auditor's Report are set out in the 2010 Annual Report. Shareholders who elected to receive a printed copy of the Annual Report should have received the 2010 Annual Report with this Notice of Meeting. The 2010 Annual Report is available from the Company website, www.aristocratgaming.com.

While shareholders are not required to vote on the Financial Report, the Directors' Report and the Auditor's Report, there will be reasonable opportunity at the Meeting to raise questions on the Reports. The Auditor will be in attendance at the Meeting and can answer questions on the conduct of the audit and the contents of the Auditor's Report.

Resolution 1: Appointment of Director – Mr DCP Banks

Brief biographical details of Mr DCP Banks are set out below:

Age: 59 Years

Occupation: Company Director

Academic and professional qualifications: Bachelor of Business, Monash University

Mr Banks has over 25 years' experience in the industrial, entertainment and gaming industries in financial, operating and strategic planning roles, including as Chief Executive (Casinos Division) of Tabcorp Holdings Limited and as Chief Executive Officer of Star City Holdings Limited. Mr Banks was most recently Group Chief Operating Officer of Galaxy Entertainment Group based in Macau.

Mr Banks is one of a small number of executives in Australia with deep gaming experience. He has been the President of the Australasian Casinos Association and a Director of the Australian Gaming Council.

Mr Banks was nominated to be a Director (Elect) of the Company on 25 October 2010, subject to the receipt of all relevant regulatory pre-approvals. If Mr Banks' appointment is approved by shareholders at the Meeting, it will only be effective on and from the time all relevant regulatory pre-approvals are received.

Until such time as all relevant regulatory pre-approvals are received, Mr Banks may attend meetings of the Board of Directors by invitation; however he will not have any power to vote on Board resolutions.

The Board of Directors supports the appointment of Mr Banks as a Director of the Company and recommends that shareholders vote in favour of Resolution 1.

Resolution 2: Appointment of Director – Mr LG Flock

Brief biographical details of Mr LG Flock are set out below:

Age: 57 Years

Occupation: Company Director

Academic and professional qualifications: Bachelor of English, San Francisco State University

Mr Lewis (Kelly) Flock is based on the West Coast of the United States and has over 20 years' experience in the video gaming industry in North America. He has held senior roles with some of the largest gaming brands in the world, including Sony, THQ and LucasArts Entertainment.

Mr Flock has extensive production, marketing, and intellectual property management experience. He has also successfully led the turnaround of several video gaming studios.

Mr Flock was nominated to be a Director (Elect) of the Company on 17 December 2010, subject to the receipt of all relevant regulatory pre-approvals. His nomination became effective on 1 February 2011. If Mr Flock's appointment is approved by shareholders at the Meeting, it will only be effective on and from the time all relevant regulatory pre-approvals are received.

Until such time as all relevant regulatory pre-approvals are received, Mr Flock may attend meetings of the Board of Directors by invitation; however he will not have any power to vote on Board resolutions.

The Board of Directors supports the appointment of Mr Flock as a Director of the Company and recommends that shareholders vote in favour of Resolution 2.

Resolution 3: Re-election of Director – Mr RA Davis

Brief biographical details of Mr RA Davis are set out below:

Age: 59 Years

Occupation: Company Director

Academic and professional qualifications: Bachelor of Economics (Honours), University of Sydney; Master of Philosophy, Oxford, United Kingdom.

Mr Davis is Consulting Director – Investment Banking at Rothschild Australia Limited and a Director of Territory Insurance Office, Trust Company Limited, Charter Hall Office Management Limited, Ardent Leisure Limited, Chartis Australia Limited and Bank of Queensland Limited. Mr Davis has been a senior executive at Citicorp and CitiGroup Inc in the United States and Japan and a senior executive at ANZ Banking Group Limited.

Mr Davis has been a Director of the Company since 20 June 2005. Mr Davis chairs the Nomination and Governance Committee and the Audit Committee. He is also a member of the Innovation and Development Committee.

The Board of Directors supports the re-election of Mr Davis as a Director of the Company and recommends that shareholders vote in favour of Resolution 3. Mr Davis abstained from voting in respect of the Board's recommendation.

Resolution 4: Approval for the grant of Performance Share Rights to the Chief Executive Officer and Managing Director

Shareholder approval for the grant of 1,020,000 Performance Share Rights (PSRs) to Mr Odell under the Company's Long-Term Incentive Program (LTIP) is sought for all purposes, including for the following purposes:

- (a) Under ASX Listing Rule 10.14, the acquisition of securities by a director under an employee incentive scheme requires shareholder approval. Shareholder approval is therefore sought for the acquisition of PSRs and shares upon vesting of PSRs by Mr Odell.
- (b) ASX Listing Rule 7.1. places certain restrictions on the extent to which a listed company may issue securities. The effect is that shareholder approval is required before the Company may issue securities representing more than 15% of the capital of the Company within a 12 month period. Shareholder approval is being sought so that a maximum of 1,020,000 PSRs granted to Mr Odell may be disregarded for the purposes of determining the number of securities which the Company may issue within a 12 month period.

Overview of the Long-Term Incentive Program

The LTIP provides for eligible employees to be offered conditional entitlements to fully paid ordinary shares in the Company through the grant of PSRs, such that shares may be allocated to them, subject to meeting certain performance conditions within a set performance period.

Grants under the LTIP will be tested at the end of the applicable three year performance period. No retesting will occur. If the relevant performance conditions are satisfied at the end of the performance period then the PSRs will vest, and participants will automatically be allocated shares in the Company. No amounts will be payable by the participants upon vesting of the PSRs. Shares allocated on vesting of the PSRs will carry full dividend and voting rights from the date of allocation. Shares allocated under the LTIP may be forfeited by the participant but only in limited circumstances such as where the participant has acted fraudulently or dishonestly.

Specific terms of the grant

The recommended number of PSRs to be granted to Mr Odell has been calculated by dividing Mr Odell's 2011 long-term incentive entitlement (LTI Entitlement) by the estimated fair value of the PSRs (Estimated Fair Value) granted to Mr Odell, calculated as at 1 January 2011, being the commencement of the performance period.

In determining the LTI Entitlement, the Board took into account the nature of the position, the context of the current market, the function and purpose of the long-term component of the Company's remuneration strategy and other relevant information provided by external consultants, Deloitte.

The Estimated Fair Value is based on an accounting valuation performed by Deloitte. The Estimated Fair Value will not be equal to the market value of a share at the commencement of the performance period as PSRs are contingent rights to shares in the future. The Estimated Fair Value at the commencement of a performance period is influenced by the Company's share price, the volatility of the underlying shares, the risk-free rate of return, the expected dividend yield, the time to maturity and the likelihood that vesting conditions will be met.

Performance Target

Following a detailed review of the Company's LTIP during 2010, including an assessment of alternative performance measures commonly adopted by leading ASX companies and the Company's business fundamentals, the Board has determined that changes to the way the performance measures are applied are appropriate to enhance the linkage of long-term shareholder wealth to long-term remuneration outcomes. The Board has determined that the following performance metrics should be applied to the 2011 grant:

- (a) Total shareholder return (TSR) of the Company relative to the return on the S&P/ASX100 Index (Relative TSR) in relation to thirty percent (30%) of the PSRs granted; and
- (b) Growth in fully diluted earnings per share from operating activities (EPS) of the Company compared to targets set by the Board (Relevant EPS) in relation to seventy percent (70%) of the PSRs granted.

At the appropriate time Relative TSR and Relevant EPS will be measured to determine the proposed vesting percentages which will then be considered and determined by Board resolution.

Relative TSR performance condition (30% of total PSRs)

Relative TSR performance will be assessed over a three year period which will commence at the start of the financial year during which the PSRs are granted.

TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares.

In order for any of the PSRs to vest pursuant to the Relative TSR performance condition, the Company's compound TSR must be equal to or greater than the compound TSR return on the S&P/ASX 100 Index over the performance period.

The link between the Company's TSR performance and the percentage of the PSRs which will vest pursuant to the Relative TSR performance condition is represented in the following table:

Company TSR performance	% of vesting of PSRs
Less than the return on the S&P/ASX 100 Index	0%
Equal to the return on the S&P/ASX 100 Index	50%
Exceeding the return on the S&P/ASX 100 Index by up to 10% per year (compound)	Proportion of TSR grant vesting increases in a straight line between 50% and 100%
Exceeding the return on the S&P/ASX 100 Index by more than 10% per year (compound)	100%

Relevant EPS performance condition (70% of total PSRs)

The Relevant EPS performance condition is measured by comparing the Company's aggregate EPS (expressed as a cumulative dollar amount) over three years against the aggregate threshold (or minimum) EPS target and the maximum EPS target, as set by the Board at the beginning of the performance period. EPS is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations. The EPS targets set by the Board for the performance period will be disclosed in the Remuneration Report published in respect of the year in which PSR vesting is tested.

As the Relevant EPS component is determined as the aggregate EPS performance over a three year period, the extent of vesting of the EPS component of the LTI cannot be determined until the conclusion of the three year performance period.

The link between the Company's EPS performance and the percentage of the PSRs which will vest pursuant to the Relevant EPS performance condition is represented in the following table:

Company's aggregate EPS performance	% of vesting of PSRs
Less than the aggregate threshold EPS target	0%
Equal to the aggregate threshold EPS target	50%
Greater than the aggregate threshold EPS target, up to the aggregate maximum EPS target	Between 50% and 100%, increasing on a straight line basis
Greater than the aggregate maximum EPS target	100%

Summary of the LTIP rules

The Board is responsible for administering the LTIP in accordance with the LTIP Rules and the terms and conditions of the specific grants to participants in the LTIP.

If a participant in the LTIP ceases employment with the Company before the performance conditions are tested, then any PSRs will lapse. If the cessation is due to death or redundancy, or where the Board otherwise consents, a proportionate number of PSRs may vest at the Board's discretion. Where a participant acts fraudulently, dishonestly, or is in the Board's opinion, in breach of his or her obligations to the Company, then any unvested PSRs will lapse. The Directors have discretion to determine that the PSRs will vest in the event of a change of control, subject to pro-rata performance up to the relevant date.

Once the PSRs have vested, the Board will decide at that time whether to purchase the shares required on market or to issue new shares. This decision will depend on factors such as dilution and cost to the Company. It is the Company's intention at this time that the relevant shares will be sourced from the Aristocrat Employee Equity Trust holding.

Disposal of shares by the participant once released from the LTIP will be subject to the Company's share trading policy.

Disclosures made for the purposes of Listing Rules 7.1 and 10.15:

- (a) The maximum number of PSRs that can be awarded to Mr Odell under this approval is 1,020,000;
- (b) The price payable on the issue or exercise of each PSR is nil, so no funds will be raised;
- (c) As approved by shareholders at the 2010 Annual General Meeting, 449,572 PSRs were allocated at no cost to Mr Odell during 2010;
- (d) Mr Odell is the only Director entitled to participate in the LTIP;
- (e) There is no loan proposed in relation to the proposed award of PSRs to Mr Odell;
- (f) The PSRs that are awarded to Mr Odell are intended to be awarded on or around 31 May 2011 and in any event will not be awarded later than three months after the Meeting; and

(g) The terms of the PSRs are as described above.

A voting exclusion statement is included in the main body of the Notice of Meeting.

In the Non-Executive Directors' view, it is in the best interests of shareholders to approve PSR grants to Mr Odell because they appropriately align Mr Odell's remuneration with shareholder returns due to the significant performance hurdles the Company must achieve for the long-term incentives to vest.

The Board of Directors (with Mr Odell abstaining) recommend that shareholders vote in favour of Resolution 4.

Resolution 5: Remuneration Report

Section 300A of the Act requires the disclosure, in a dedicated part of the Directors' Report under the heading "Remuneration Report", of the remuneration paid to the key management personnel of a listed company. The Act, by reference to the Australian accounting standards, defines "key management personnel" as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Remuneration Report for the financial year ended 31 December 2010 is set out in the Directors' Report which forms part of the 2010 Annual Report. It is also available on the Company's website, www.aristocratgaming.com.

Shareholders of the Company are asked to adopt the Remuneration Report, which sets out, in detail, the Company's policy for determining the remuneration for its Directors and other key management personnel, including:

- An explanation of the Board's policies in relation to the objectives and structure of remuneration;
- A discussion of the relationship between the policies and the Company's performance;
- A detailed summary of performance conditions, why they were chosen and how performance is measured against them; and
- The remuneration details for each Director and for each of the key management personnel of the Company.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the Meeting.

In accordance with the Act, this resolution is advisory only and does not bind the Company. However, the Board will take the outcome of the vote into consideration in future reviews of the remuneration policy for Directors and key management personnel.

Noting that each Director has a personal interest in his or her own remuneration from the Company as described in the Remuneration Report, the Board of Directors recommends that shareholders vote in favour of Resolution 5.

Special business

Resolution 6: Adoption of Constitution

The Company's current Constitution was adopted by shareholders at the 2005 Annual General Meeting and amended by shareholders on 2 May 2006. Since that time there have been a number of significant developments in law, corporate governance principles and general corporate and commercial practice for ASX listed companies.

The Board recommends that the Company adopt a new Constitution which reflects these developments and makes a number of other changes which are specific to the Company, given that it operates in a highly regulated environment. Many of the proposed changes are administrative or relatively minor in nature. A single resolution is proposed to adopt all changes by replacing the existing constitution in its entirety. If the special resolution seeking this approval is passed, the new Constitution will have effect at the end of the Meeting.

A copy of the Company's existing Constitution and the proposed new Constitution (which highlights the changes from the existing Constitution for ease of reference) are available on the Company's website, www.aristocratgaming.com.

What voting majority is required for the resolution to adopt the new Constitution?

The resolution to adopt the new Constitution is a special resolution. Accordingly, to be effective it must be passed by at least 75% of the votes cast by shareholders (either in person or by proxy, attorney or corporate representative) entitled to vote on it.

Key proposed changes

The principal substantive differences between the current Constitution and the proposed new Constitution are summarised below. Please note that the summary is not exhaustive and does not identify all of the differences between the proposed new Constitution and the existing Constitution. Clause references are in relation to the proposed new Constitution unless otherwise stated.

Share capital

New clauses 2.4 to 2.15 have been added to set out the terms on which preference shares may be issued (including typical limited voting rights) and the terms on which and the manner in which the preference shares can be redeemed. This gives the Company a framework, should it decide to issue another class of shares in future. There is no present intention to issue preference shares.

New clauses 2.19 to 2.24 specify how the Company will recognise two or more persons who are registered as the holders of any shares. The holders will be treated as joint tenants with rights of survivorship (so, for example, the shares continue to be held by the remaining shareholder/s if one shareholder dies).

New clauses 2.35 to 2.37 permit the Company to pay brokerage fees and commissions in respect of share issues. Such a provision is commonly found in constitutions of listed companies.

Gaming regulation – limitation on ownership

The Company operates in a highly regulated environment and is required to hold licences in most jurisdictions in which it operates. Both the existing and the proposed new Constitutions include provisions empowering the Company to do certain things to ensure that it can promptly satisfy its licence conditions.

Clause 9 allows the Company to sell a shareholder's shares, where that shareholding may result in a regulatory licence being revoked, suspended, refused or made subject to adverse conditions. A number of changes to the operation of that clause have been made:

- Under clause 9.5, shareholders will acknowledge that they have no right of action against any officers of the Company, as a result of their exercising the sale powers under clause 9. This clause previously only protected directors, but not other officers of the Company involved in a forced sale process;
- Clause 9.12 has been amended so that the minimum sale price for an on-market sale conducted by the Company is calculated in a manner which is consistent with the on-market buy-back pricing rules under the ASX Listing Rules (that is, 95% of the five day volume weighted average price, before the date of the sale). This clause has also been amended so the price is calculated from day to day, rather than being fixed for the whole 30 trading day sale period. Previously, the minimum sale price was fixed by reference to the 30 day period in which the shareholder was requested to sell their shares. If the share price had fallen since that period, the Company would not be able to sell the shares at that price, exposing the Company to risk of regulatory action; and
- Clause 9.21 has been amended to clarify that shareholders need to comply with any requirements of the Company or a regulator, in connection with a licence of the Company or any subsidiary. This ensures the Company can respond to any requirements imposed on it or its subsidiaries by regulators.

Directors

A number of changes have been made to clause 13, to reflect the Company's practices and corporate governance standards:

- The right for a director, or their firm, to act for the Company in a professional capacity has been removed. Such an appointment could pose a significant conflict for the Company and the director;
- Directors who retire by rotation and wish to stand for re-election now need to give notice to the Company. This ensures the Board and each director must give due consideration to whether a retiring director will stand for re-election;

- Clause 13.21 has been simplified to prohibit a director or company secretary being formally appointed to that role or exercising voting powers until the required approvals have been obtained. This provision reflects the current regulatory restrictions applying to the appointment of directors and company secretaries; and
- Clause 13.21 (c) has been amended to require any officer, not just directors, to resign immediately if that individual's position would cause any breach of a gaming law or revocation or suspension of a material licence of the Company or any of its subsidiaries. Many of the Company's subsidiaries hold relevant licences and hence the extension of the power to include such entities. These changes protect the Company in the event an individual, other than a director, needs to be removed from a Group company due to regulatory requirements.

Powers and duties of Directors Elect

The Company's practice is that an individual who has been nominated for appointment is a "Director Elect" until such time as the regulatory pre-approvals for his or her appointment have been received and shareholders have approved the appointment as a director. The role of a Director Elect is not currently recognised under the Constitution, in connection with matters such as the right:

- To receive notices of meeting;
- To obtain legal advice at the Company's expense;
- To inspect books and records; and
- To be indemnified by the Company, to benefit from the Company's Directors and Officers insurance policies and to enter an access and indemnity deed.

A new clause 14 has been added, to recognise these limited rights in the Constitution. The new clause provides that Directors Elect have no voting rights, which is necessary to comply with the regulatory regime applying to the Company. The new clause also requires that the remuneration of Directors Elect must be within the cap on Non-Executive Directors' fees approved by shareholders from time to time.

Powers of the Company and Directors

A number of changes have been made to reflect the Company's current practice and corporate governance standards:

- The right to appoint an alternate director has been removed. Directors are expected to be reasonably available to attend meetings, in person or by telephone, so it is not considered appropriate for a director to be able to nominate an alternate, particularly given the need for regulatory approvals for all directors; and
- Clause 15 has been amended to acknowledge that the Board has power to adopt policies and charters from time to time and that the Board and its committees operate in accordance with such policies and charters. Examples of the Board charter and policies can be found on the Company's website, www.aristocratgaming.com.

Dividends

Section 254T of the Act was amended with effect from 1 July 2010, to remove the restriction that dividends may only be paid out of the profits of the Company. Clause 20.1 has been amended to allow for payment of dividends in accordance with the law, where the financial position of the Company justifies it, rather than payments being permitted solely out of profits of the Company. Clause 20 should also accommodate any future changes to relevant provisions of the Act.

There are a number of consequential amendments, including the treatment of reserves and deletion of the reference to interim dividends, which have been made to clause 20.

The Constitution previously provided that any unclaimed dividends must be reinvested unless the Board determined otherwise. This provision has been amended to give the Directors discretion with respect to the treatment of unclaimed dividends. The amendment also reflects the Company's current practice.

Limitations on indemnities to Directors (clause 25)

Clauses 25.1 and 25.2 have been amended as there are now specific limitations on the Company's ability to indemnify directors and officers under the Competition and Consumer Act 2011 (formerly the Trade Practices Act), as a result of amendments to the Trade Practices Act made in 2007.

Proportional takeover provisions

The Act permits a company to include in its constitution provisions (called "takeover approval provisions") requiring that a proportional or partial takeover offer (that is, an offer for less than 100% of the shares but for the same proportion of each shareholder's shares) be approved by a majority of shareholders, before it may proceed.

The proposed new constitution contains proportional takeover approval provisions which will have effect for three years from the adoption of the new constitution, unless renewed by shareholders by special resolution. The current constitution also has such provisions, which were last renewed for three years at the 2008 Annual General Meeting.

The following information is provided under section 648G of the Act.

Operation of the takeover approval provisions

By inserting the proposed provisions into the Company's Constitution the registration of a transfer of shares acquired under a proportional takeover offer will be prohibited unless an approving resolution is passed by shareholders in the Company.

If a proportional takeover offer is made for ordinary shares in the Company, the Directors must seek shareholder approval by a majority vote to register transfers under the proportional takeover bid. Those shareholders who are entitled to vote at the general meeting are the shareholders (other than the bidder and its associates) who are recorded on the register of members at the end of the day on which the first of the takeover offers under the proportional takeover bid is made.

The resolution must be voted on at least 14 days before the last day of the offer period under the proportional takeover bid. If no such resolution has been voted on at least 14 days before the last day of the bid period, then a resolution to approve the registration of transfers under the bid is taken to have been passed.

If the resolution is not passed by a majority of the shares voted, then the offer will be deemed to be withdrawn and registration of any transfer of shares resulting from the offer will be prohibited. Acceptances will be returned and any contracts formed by acceptance will be rescinded. If the resolution is approved, transfers of shares to the bidder will be registered provided they comply with the other provisions of the Constitution.

No current acquisition proposals

As at the day on which this Explanatory Statement is prepared, none of the Directors is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Advantages and disadvantages of the proposed provisions to shareholders

Potential advantages of the inclusion of the takeover approval provisions are:

- The takeover approval provisions may enable shareholders to act together and so avoid the coercion of shareholders that might otherwise arise where they believe a partial offer is inadequate, but nevertheless accept through concern that a significant number of other shareholders will accept;
- The takeover approval provisions may provide shareholders with protection against being coerced into accepting a partial bid at a high premium where the bidder indicates its intention to mount a subsequent bid for the remaining shares at a much reduced price. This puts pressure on shareholders to accept the initial bid in order to maximise their returns;
- If a partial bid is made, the takeover approval provisions may make it more probable that a bidder will set its offer price at a level that will be attractive to shareholders;
- The body of shareholders may more effectively advise and guide the directors' response to a partial bid; and

- The takeover approval provisions may make it more probable that any takeover offer will be a full bid for the whole shareholding of each shareholder, so that shareholders will have the opportunity of disposing of all their shares rather than only a proportion.

Potential disadvantages of including the takeover approval provisions are:

- By placing obstacles in the way of partial offers, the proposal may tend to discourage partial offers, thus reducing the opportunity for shareholders to sell a portion of their holding;
- It is possible that the existence of the takeover approval provisions might have an adverse effect on the market value of the Company's shares by making a partial offer less likely, thus reducing any takeover speculation element in the share price;
- An individual shareholder who wishes to accept a partial offer will be unable to sell to the offeror unless a majority of shareholders vote in favour of the partial takeover scheme; and
- If a partial takeover offer is made, the Company will incur the cost of calling a shareholders meeting.

Advantages and disadvantages of the proposed provisions for the directors

- If the directors consider that a partial bid should be opposed, they will be assisted in preventing the bidder from securing control of the Company as the bidder will need a majority of votes to be cast in its favour by the independent shareholders, before the bidder can succeed.
- On the other hand, under the takeover approval provisions, if a partial takeover offer is received, the directors must call a meeting to seek the shareholders' views. They must do so even if the directors believe that the offer should be accepted.
- At present, it is only the directors who express any formal view on the adequacy or otherwise of a takeover bid, on behalf of the Company. Under the takeover approval provisions the most effective view on a partial bid will become the view expressed by the vote of the shareholders themselves, at the meeting.
- The takeover approval provisions may make it easier for the directors to discharge their fiduciary and statutory duties as directors in the event of a partial takeover bid.

The Board considers that the new Constitution is appropriate and in the interests of shareholders. Accordingly, the Board recommends that shareholders vote in favour of Resolution 6.