



## Recoilless Technologies International Corp. Limited

*XXI Century Pioneer of Recoilless Technologies*

### **2007 ANNUAL GENERAL MEETING MINUTES 18 JANUARY 2008**

The Annual General Meeting of Recoilless Technologies International Corp Limited ("RTI") was held on Friday 18 January 2008 at Hemisphere Conference Centre, 488 South Road, Moorabbin, Victoria, commencing at 6.30pm.

3.94% of Shareholders attended in person with 70.08% attending in proxy.

Executive Director and Chief Operations Officer of RTI Mr Geoffrey Morgan chaired the Annual General Meeting and commenced proceedings by welcoming Shareholders and guests, followed by outlining the structure of the meeting.

1. Conduct the formal business, namely taking of a quorum to ensure proposed resolutions can be decided on;
2. Receive and consider the Financial Report;
3. Receive and consider the Directors' Report;
4. Vote on three special resolutions;
5. Vote on four ordinary resolutions pertaining to the election of Directors; and
6. Close the meeting at the conclusion of voting and questions.

Prior to the commencement of formal proceedings Mr Morgan introduced the additional members of the RTI Board:

- Mr Richard Giza, Chairman and Managing Director
- Mr Joseph Vella, Executive Director
- Mr Adam Vella, Non Executive Director

Mr Morgan advised that Mr Adam Vella was on a leave of absence and sent his apologies for not attending the Annual General Meeting as he was interstate participating in competition for the Beijing Olympic Clay Target Shooting Team selections.

Mr Morgan thanked Shareholders for their continued support and assured them that the Board and Executives are committed to RTI and the realisation of its objectives and the proper and ethical conduct of its business.

Mr Morgan confirmed that the Annual General Meeting was a fully constituted meeting of RTI members and declared there was a quorum present in accordance with both the Constitution and the Corporations Act to enable the proposed resolutions to be considered at this meeting.

Mr Morgan confirmed that the minutes from the 17 November 2006 Annual General Meeting have been accepted and signed by the Chairman.

It was recommended to Shareholders that they vote in favour of all resolutions.

#### **Ordinary Business**

##### **Item 1 – Financial Report**

Shareholders were asked to consider the Financial Report for the financial year ended 30 June 2007. Shareholders were given the opportunity to ask questions in relation to the Financial Report and answers were provided by Mr Morgan.

- Q. How do the Company losses increase from \$0.9 million to \$5.2 million in 12 months? (SRN 1114)
- A. The main reason for the increase of losses is due to expensing the share options that have been granted to former and existing employees i.e. \$4,268,250. This is based on the new accounting standards relating to Share Based Transaction requirements and is actually a non-cash expense.



### Proposed Motion

Mr Morgan proposed a motion to accept the Financial Report.

Seconded by SRN 1176

Nil Shareholders opposed the Financial Report therefore the motion was carried.

### **Item 2 – Directors' Report**

Shareholders were asked to consider the Directors' Report for the financial year ended 30 June 2007. Mr Morgan provided a summary of events from the previous twelve months and then invited a guest speaker to make a special announcement that was not included in the Directors' Report-

- Successful fundraising of \$4,213,525.72 through a public Prospectus enabling RTI to repay a significant amount of debt and to continue with the enhancement of internal capabilities, increase IP security and progress commercial discussions.
- Restructure of the RTI Board with the resignation of the majority of Non Executive Directors enabling the dramatic reduction of expenditure for Non Executive Director related expenditure and RTI heavily focussing its efforts on Research and Development.
- Technology advancements and demonstrations :
  - Substantially advanced Recoilless Technology allowing more powerful ammunition and charges to be used in the latest prototypes under development.
  - Multiple mechanical arrangements of the Recoilless Technology covering the principal of totally controlling recoil in addition to the already eliminated recoil.
  - Several new prototypes and furniture components for the prototypes under development.
  - Upgraded technology demonstrations utilising the new prototypes to be offered to Shareholders in the coming months.
- Intended strategic partnership with a major weapons manufacturer in Poland and is part of a group of some 20 companies that manufacture almost everything related to land warfare.
  - The Group has initially agreed to provide RTI with human and physical resources to implement the Recoilless Technology across their entire range of weapons, weapons systems and platforms.
  - Personnel from the Group to be sent to Australia to work together with Mr Giza for the implementation of the Recoilless Technology.
  - Costs of this exercise is to be met by the Group i.e. remuneration of their personnel, travel and accommodation costs etc.
  - Negotiations yet to be finalised and formalised at this stage so RTI's Legal Counsel in Poland will continue to work with the group to formalise the strategic partnership by way of a formal agreement duly executed by both parties.
- On 26 January 2007 a Letter of Intent was signed between RTI and HSW in Poland.
  - HSW manufactures a large number of high quality products including small arms, artillery equipment, armoured vehicles and other military hardware.
  - Under the Letter of Intent, the parties agree to the possibility of future cooperation in utilising both parties Intellectual Property to develop certain weapons solutions according to the conditions of the Letter of Intent.
- On 22 November 2007 a subsidiary of RTI was incorporated in New Zealand and currently in the process of establishing an office in Poland and registering a subsidiary.
- Further granting of patents taking the total number of granted patents to 15.



- A \$43,635 Export Marketing and Development Grant received from Austrade.
- Negotiations and preparations for Stock Exchange Listing.
- A proposal to purchase a Metal Fabrications Company.
- Progressed negotiations for the provision of firearms by a significant European Small Arms Company for RTI to take to "Proof of Concept Stage."

Mr Morgan then invited Mr Sam Tropeano from Madison Partners to make a special announcement.

Mr Tropeano introduced himself to Shareholders and advised that some exciting news came to fruition for RTI in the week leading up to the Annual General Meeting.

RTI is currently in the process of negotiating and finalising a Letter of Intent with a United States based Company that will see the transfer of the Recoilless Technology assets to this US Company. In return shares in the US Company will be issued to Shareholders of RTI.

It is the intention of the US Company that it be listed on the US Stock Market, most likely the NASDAQ, as soon as possible and as soon as the Letter of Intent and then a formal agreement can be finalised.

This deal also enables substantial funding to be raised in the US that will allow the transfer of the Recoilless Technology assets and support the concept demonstration project detailed in the Directors' Report. In addition the funding raised will support the stock exchange listing in the United States.

On completion of the signing of the Letter of Intent and finalisation of the formal agreement, RTI will have made significant steps forward in not only moving towards a stock exchange listing but also embarking on the project of adapting the Recoilless Technology to the weapons being provided by a significant European Small Arms Company.

Madison Partners will be involved with providing interim funding whilst the Letter of Intent and final agreement are formalised which will then allow the more substantial long term funding to flow. Madison Partners will also be responsible for the accounting requirements associated with the interim funding.

Mr Tropeano advised that further details of the entire proposal will be made available to all Shareholders for consideration in the very near future and it is possible that an Extraordinary General Meeting of Shareholders will be held for discussion and subsequent approval.

Mr Tropeano returned the meeting to Mr Morgan and Mr Morgan provided Shareholders with the opportunity to ask questions in relation to the Directors' Report.

Q. When is RTI going to list on the stock exchange? (SRN 1135 and 1491)

A. As outlined by Mr Sam Tropeano, RTI is in the process of finalising a Letter of Intent with a US based Company that is proposing to arrange a stock exchange listing in the US. As soon as this Letter of Intent is finalised, a special announcement will be made to Shareholders by way of an Extraordinary General Meeting.

Q. What is the explanation for the dramatic organisational changes in the last 2 years from a modest set-up then to an elaborate structure with too many Non Executive Directors and now back to what it was 2 years ago? Who was or who were the persons directing the Board to make such changes? (SRN 1114)

A. The organisational changes over the past few years have been necessary for a number of reasons. Initially it was determined that a Board made up of a number of highly recognised individuals would enable RTI to raise its profile on both a local and international level. This goal was achieved with RTI being able to make contact with many defence organisations and weapons companies worldwide. Having achieved this it was also recognised that to maintain such a Board structure was going to become beyond the Company's resources, primarily financial, and the decision was made to restructure and reduce the size of the Board and refocus efforts on Research and Development. It was also the decision of the Board members themselves, at that time, to take this decision.

Q. Does the Board consider that the new structure will meet its immediate and long term goals or will there be more changes again? (SRN 1114)

A. The current Board does consider that the new structure will and is meeting its immediate and long term goals and there are no major changes planned at the present time.



- Q. Apart from Poland, why haven't any other patents been granted in Europe? (SRN 1114)
- A. The Polish Patent Office has advised that the Polish patent is to be granted but currently has not been and therefore the patent certificate is yet to be received. The Europe application which covers 25 countries including Germany, Spain, France, United Kingdom and Italy, is currently undergoing examination and we are hopeful that the Europe application will be approved for Grant in the coming months. A copy of the latest Patent Attorney Report, together with patent certificates for those patents that have been granted, can be downloaded from the RTI website.
- Q. A lot of effort seems to be spent on establishing a subsidiary in New Zealand when it could be questioned whether any potential rewards from a nation less than 5 million could justify the cost and effort. (SRN 1114)
- A. The establishment of the New Zealand subsidiary is regarded as important to RTI because it can provide substantially enhanced capabilities in relation to Research and Development. The gun laws in New Zealand are more relaxed than in Australia.
- Q. How binding is the Letter of Intent with HSW? Does the document have any legal standing? (SRN 1114)
- A. A Letter of Intent is an outline of two Company's intentions to further collaborate and in the case of RTI and HSW the intention to commercially collaborate in the areas of a joint research and development agreement and also for the purchase of weapons. The Letter of Intent as it currently stands is not a legally binding document and hence a formal agreement is in the processes of being negotiated.
- Q. It seems odd that the organisational restructuring was allowed to jeopardise the joint agreement with TAG which at the time was one of the most important breakthroughs for RTI. An explanation is required as to why progress was allowed to stall and that a proposal was required to continue with the process. Why would there be any doubt as to why the process should not continue? Why was there such a delay in re-establishing contact and why has there not been any contact since July 2007? This is not encouraging and it appears that the joint agreement may have some problems. Is there any reason to believe that the TAG joint agreement is not in good shape? (SRN 1114)
- A. The joint agreement with TAG still exists and RTI has been attempting to make contact with TAG since July 2007 but have received no response. There have been recent enquiries made to RTI by the United States Department of Treasury in relation to TAG which is of concern to RTI and may explain the lack of response we have received from them. RTI will continue to pursue negotiations with TAG and will advise Shareholders of the outcome.
- Q. The proposal to purchase a Metal Fabrication Company appears very ambitious and unsound at this stage considering the very poor financial position that RTI is in with accumulated losses of \$12.5 million. How does RTI propose to purchase such a venture without firstly floating the Company on the stock exchange? (SRN 1114)
- A. The original intention of the Board was to purchase the Metal Fabrications Company on completion of a successful stock exchange listing. Because of the delays in the listing process it was determined to continue this process providing satisfactory finance can be arranged. The matter is still under investigation and consideration will only proceed based on strong supporting professional advice. The metal fabrication Company in question is extremely successful and profitable, well managed and has good prospects for RTI into the future.
- Q. With regards to the Letter of Intent, if RTI lists in America and Shareholders get issued with shares, how will this arrangement work? (SRN 1333)
- A. The arrangement is currently in its infancy. It is anticipated that shares in the US entity will be issued to RTI Shareholders in exchange for the Intellectual Property and as soon as the finer details of the transaction have been finalised then Shareholders will be informed. Advisors have been engaged by RTI to ensure appropriate methods are used. The basic details of the arrangement have been defined. The defence market in the US much greater than in Australia and also greater expenditure on Research and Development. This arrangement has been in progress for well over a year and is finally coming to fruition and money is starting to be advanced from Madison Partners.
- Q. So does that mean that RTI will not float in Australia but instead in the US and therefore there will be no control? (SRN 1333)
- A. The intention is to retain control but Mr Giza and Mr Vella are finding it more difficult. If some form of control has to be given to the professionals and it is considered the best deal and arrangement for RTI then this is the path that will be taken. There is a chance to enhance Shareholders investments with this proposed arrangement and this will mean a move to the US to make it happen. Too much focus has been put on raising funds instead of focussing on the technology and its development. A rough draft of the Letter of Intent has been signed and



this will need to be turned into a more formal and legally binding document. For the first time in RTI history venture capital does not want 51% ownership in RTI but below this.

- Q. It was mentioned in the announcement made by Mr Tropeano that there is an intention to transfer the Intellectual Property to the US entity. The Intellectual Property is currently in Vader and not in RTI so will Vader transfer the Intellectual Property to RTI or will there be a separate agreement? (SRN 1575)
- A. Again the final details of the arrangement are yet to be finalised. The Intellectual Property is owned by Vader and RTI has access to the technology under a Collaborative Research and Development and Licence Agreement. There is an 'In Principle Agreement' between Vader and RTI for the transfer of the Intellectual Property between Vader and RTI. The Intellectual Property from Vader will also be transferred to the US entity and this will be in consideration for shares in the foreign entity. The stock exchange listing will be on a serious market and the initial plans are for the NASDAQ.
- Q. Can you please clarify if Vader is receiving shares in exchange for the Intellectual Property and who is currently holding the Intellectual Property? (SRN 1579)
- A. Vader currently holds the Intellectual Property but has no right to transfer it. There are currently 12 shares in Vader and nothing else except for the Intellectual Property. The aim is to float the company on a US exchange and to do this it needs to be ensured that the US entity owns the Intellectual Property. The deal needs to be structured in the best possible way to ensure Shareholders interests are continually retained. The assets of both Vader and RTI will be transferred to the US entity of which all RTI Shareholders will be Shareholders.
- Q. What monies have been advanced to RTI by Madison Partners? (SRN 1171)
- A. The first tranche of \$100k has been advanced and up to \$1m will be forthcoming.
- Q. What is the time frame for this arrangement and the listing on a stock exchange? (SRN 1114)
- A. The US company has already undertaken negotiations with other partners in the US ie end users of the technology. At this stage a precise time cannot be given but somewhere in the vicinity of 12 to 24 months would be considered reasonable. This cannot happen in one month or within a couple of months as there is a great deal of work involved. Venture Capital in the US would like to list the entity on the US market within six to 12 months so it needs to be determined what the most appropriate time frame is.
- Q. The proposal under the Letter of Intent appears to be a suitable arrangement and all Shareholders are seeking is assurance. The Research and Development over the previous years has been funded by RTI and the interests of Shareholders therefore will need to be protected by the Directors and the benefits of this arrangement should come to Shareholders. (SRN 1575)
- A. The more advice that RTI can receive then the better the final arrangement will be. Ultimately Mr Giza and his colleagues will be responsible for the decision and the Advisors will ensure all is well done. The Letter of Intent includes a clause stating that the interests of RTI Shareholders is paramount.
- Q. If the Intellectual Property is held in Vader for protection is the reason for this changing to benefit Mr Giza and Mr Vella? (SRN 1579)
- A. The arrangement will not change and the aim is not to benefit Mr Giza and Mr Vella. The benefits etc for Vader are covered in the Collaborative Research and Development and Licence Agreement.
- Q. Many Shareholders invested in RTI some time ago and in what was believed to be a final product. Now Shareholders are being advised that further research and development is required. Is this the case? (SRN 1279)
- A. The product has never been completed so the source of information behind this question is inaccurate.
- Q. What are the intentions for purchasing the metal fabrications company? (SRN 1084)
- A. The metal fabrications company will be used to assist RTI with research and development. This company will be an excellent asset for RTI and the purchase will only go forward with proper and professional financial advice and support. Currently the facilities are being utilised by RTI in exchange for shares and these include the provision of workmanship, materials, office space, boardroom etc. RTI established a deeper relationship with the metal fabrications company and the owner of this company decided that he would like to sell and it would be great to set the premises up as a research and development facility alongside a profitable business.

### Proposed Motion

Mr Morgan proposed a motion to accept the Directors' Report.

Seconded by SRN 1176.



Nil Shareholders opposed the Directors' Report therefore the motion was carried.

Mr Morgan moved to the Special Resolution – agenda items relating to the Appointment of the Auditor, Remuneration of the Auditor and the increase in Authorised Capital.

### **Special Resolutions**

#### **Special Resolution 1 – Appointment of Auditor**

Mr Morgan proposed that Deloitte Touche Tohmatsu be appointed the Audit firm for RTI in replacement of BDO Chartered Accountants and Advisors as a result of the merger between the two entities effective 14 August 2006.

Nil questions were asked by Shareholders in relation to Special Resolution 1.

Seconded by SRN 1262

Nil Shareholders both present and by proxy opposed the appointment of Deloitte Touche Tohmatsu as RTI's Audit firm therefore the motion was unanimously passed.

#### **Special Resolution 2 – Remuneration of Auditor**

Mr Morgan proposed that Deloitte Touche Tohmatsu be remunerated an amount of \$20,000 plus GST for the financial year end audit including reviewing the accounts.

Nil questions were asked by Shareholders in relation to Special Resolution 2.

Seconded by SRN 1176

Nil Shareholders both present and by proxy opposed the remuneration of Deloitte Touche Tohmatsu therefore the motion was unanimously passed.

#### **Special Resolution 3 – Authorised Capital**

Mr Morgan proposed that the Board of RTI be authorised to issue up to 70 million ordinary shares in the capital of RTI and that the Constitution be amended accordingly to reflect the increase from 58 million authorised shares to 70 million authorised shares.

There were a number of questions tabled relating to Special Resolution 3.

- Q. Why does the Company need to issue another 12 million shares when Mr Giza and Mr Joe Vella are holding another 26 million ordinary shares in Giza Global Group and a further 3.8 million shares in RTI? Any further issue of shares will diminish the value of existing shares. Shareholders should be compensated with an increase of 20% in their shareholdings which is equivalent to the increase from 58 to 70 million shares. (SRN 1114)
- A. The reason for seeking approval to issue a further 12 million shares is based on the need to ensure that RTI has sufficient capital available to raise sufficient funds to support working capital, further research and development together with the protection of the intellectual property and launching of new patents. In fact this week the process commenced to lodge a new patent and there are additional patents to follow. Increasing the authorised capital will also allow RTI to raise funds to proceed with the projects as outlined in the Directors' Report. However once the Letter of Intent is finalised with the US entity, this may negate the need to actually use any of the additional 12 million shares but we need to ensure that the option is available should we need to proceed along that path.
- Q. By issuing more shares would it be correct to assume that this is in fact diluting Shareholder value?
- A. If RTI does not raise funding then the company cannot operate so it is a circular argument. RTI needs to raise money and needs to raise new shares and we do not want the company to fail because there are insufficient shares available to accept investments. The value for Shareholders is ascertained when RTI lists on the stock exchange and not before.

Seconded by SRN 1185.



19.92% of Shareholders opposed the increase in authorised capital but the motion was still passed as votes in favour by far outweighed those opposed.

### **Ordinary Resolutions**

#### **Ordinary Resolution 1 – Election of Director Mr Richard Giza**

Mr Morgan proposed that Mr Richard Giza be elected to the Board.

Nil questions were raised by Shareholders in relation to Ordinary Resolution 1.

Seconded by SRN 1019

Nil Shareholders both present and by proxy opposed the election of Mr Richard Giza to the Board therefore the motion was unanimously passed.

#### **Ordinary Resolution 2 – Election of Director Mr Joseph Vella**

Mr Morgan proposed that Mr Joseph Vella be elected to the Board.

Nil questions were raised by Shareholders in relation to Ordinary Resolution 2.

Seconded by SRN 1362

Nil Shareholders both present and by proxy opposed the election of Mr Joseph Vella to the Board therefore the motion was unanimously passed.

#### **Ordinary Resolution 3 – Election of Director Mr Geoffrey Morgan**

Mr Giza proposed that Mr Geoffrey Morgan be elected to the Board.

Nil questions were raised by Shareholders in relation to Ordinary Resolution 3.

Seconded by SRN 1176

Nil Shareholders both present and by proxy opposed the election of Mr Geoffrey Morgan to the Board therefore the motion was unanimously passed.

#### **Ordinary Resolution 4 – Election of Director Mr Adam Vella**

Mr Morgan advised Shareholders that due to Mr Adam Vella's upcoming sporting commitments he has chosen to retire as a Director in accordance with Clause 67 of the Company's Constitution and not be re-elected as a Director. Although Mr Vella has not chosen to be re-elected he has advised that he will assist RTI in the best way possible to help the Company reach its full potential. Therefore Ordinary Resolution 4 did not require consideration at the meeting.

At the conclusion of voting and formal business, Shareholders were provided the opportunity to ask questions which were addressed by the Board.

- Q. It is hard to understand that so many of the Non Executive Directors who served for about 12 months or less are able to walk away with \$4,268,250 of share based payments. An explanation is warranted on who is responsible for such an outrageously generous scheme. (SRN 1114)
- A. The Non Executive Directors were allocated options based on the decision of the Board at this time. RTI had no alternative other than to issue the options allocated as a result of such a decision.
- Q. Why is the exercise price on option shares set so low at \$0.01? This greatly diminishes the value of investor's shares who have paid \$1.00 per share. (SRN 1114)
- A. On 17 June 2005 an Extraordinary General Meeting of Shareholders was held to address a number of issues and pass a number of resolutions as a requirement to finalising the 2005 Prospectus document. One of the ordinary resolutions put to Shareholders was the introduction of an Employee Share Option Plan and the reasons for doing so which include attracting, motivating and retaining the best talent, encouraging high performance at all



levels and so on. The exercise price of \$0.01 per option was outlined to Shareholders at the Extraordinary General Meeting. The motion was put to a vote and 94.20% of Shareholders voted in favour.

- Q. The 5% increase in shares to existing Shareholders given last year is a very poor gesture considering the number of years that some investors have been in and considering the very risky nature of the investment. The generosity that former Directors have been shown pales the Shareholders increase into significance. (SRN 1114)
- A. The 5% increase in shares to existing Shareholders was made as a gesture of good faith and in recognition of Shareholder loyalty to RTI. The Board felt that at least some recognition was warranted and agreed that 5% was appropriate at the time. As indicated in the question, investments carry a high degree of risk, as clearly outlined in the 2005 Prospectus, and RTI is conscious that this risk has to be managed with care and responsibility.

As there were no further questions and no further business the meeting was declared closed at 8.30pm AEDT.

Signed as a true record:

A handwritten signature in cursive script, appearing to read 'G Morgan'.

Geoffrey Morgan  
Chairman of AGM &  
Executive Director of RTI

Dated: 11/03/2008