

16 March 2015

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Dear Shareholder,

Renounceable Entitlement Offer – Letter to Eligible Shareholders

Magellan Flagship Fund Limited (“**MFF**”) announced to ASX on 16 March 2015 that the Board had resolved to proceed with a pro rata renounceable entitlement issue (“**Offer**”) to raise up to \$143 million¹. Under the terms of the Offer, all Eligible Shareholders registered at 7:00pm (Sydney time) on the Record Date, being 7:00pm on Monday, 13 April 2015, will be entitled to receive one (1) new share (“**New Shares**”) for every four (4) Shares held on that date (“**Entitlement**”). The Offer Price is A\$1.60 per New Share.

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

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

Eligible Shareholders

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

Offer Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Offer. Full details of the Offer are set out in an offer booklet dated 16 March 2015 (“**Offer Booklet**”), copies of which are available on the ASX website (www.asx.com.au) and MFF's website at www.magellangroup.com.au/mff/ from 16 March 2015.

Eligible Shareholders will be mailed an Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement, on or around 16 April 2015. You should read the Offer Booklet carefully and in its entirety before deciding whether to participate in the Offer.

Action required by Eligible Shareholders

Your Entitlement may have value and it is important you determine whether (in whole or in part) to take up, transfer, sell or do nothing in respect of your Entitlement. You should ensure that you understand the tax consequences of any action that you take or of doing nothing.

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

Take up an Entitlement

If you wish to take up all or part of your Entitlement, please pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form. Payment is due by no later than 5.00pm (Sydney time) on Thursday, 7 May 2015.

If you are unable to pay by BPAY® (for example if you are a New Zealand based shareholder without an Australian bank account) or are having difficulty paying by BPAY® please call Boardroom Pty Ltd on 1300 737 760 (within Australia) or +61 2 92290 9600 (outside Australia) ("**MFF Share Registry**"). If the information line operator is unable to assist you to make payment by BPAY®, you are able to pay by cheque, bank draft or money order.

Sell or transfer an Entitlement

There are a number of ways in which you can sell all or part of your Entitlement, each of which may result in a different value for those Entitlements sold:

1. If you wish to sell all of your Entitlement on ASX, you should instruct your stockbroker personally and provide them with details they request as set out on your personalised Entitlement and Acceptance Form. Entitlements can be sold on ASX from Thursday, 9 April 2015 to Thursday, 30 April 2015.
2. If you wish to take up part of your Entitlement and sell the balance on ASX, you need to:
 - a. in respect of the part of your Entitlement you are taking up, pay your Application Monies via BPAY® (or return the personalised Entitlement and Acceptance Form with the requisite Application Monies) by following the instructions set out on the Entitlement and Acceptance Form); and
 - b. in respect of Entitlements to be sold on ASX, you should instruct your stockbroker personally and provide any requested details as set out on your personalised Entitlement and Acceptance Form.
3. If you wish to transfer all or part of your Entitlement other than on ASX, you will need to complete and return a Renunciation and Transfer Form (which can be obtained through the MFF Share Registry or your stockbroker) together with the Entitlement and Acceptance Form and the transferee's Application Monies to Boardroom Pty Ltd by 5.00pm (Sydney time) on Thursday, 7 May 2015. The purchaser's address must be in Australia or New Zealand (unless MFF otherwise agrees) and the purchaser must not be in the United States or acting for the account or benefit of a person in the United States.

Please note you may incur brokerage if you choose to sell your Entitlement on ASX. Eligible Shareholders who sell their Entitlement before receiving confirmation of their Entitlement from the Entitlement and Acceptance Form do so at their own risk. You can ascertain your correct Entitlement by calling your stockbroker or the MFF Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday.

Nominees must not take up Entitlements on behalf of, or send any documents related to the Offer to, any person in the United States.

In order to exercise Entitlements, holders of Entitlements must meet certain eligibility criteria that will be set out in the Offer Booklet. In particular, persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase or trade Entitlements on ASX or take up or exercise Entitlements purchased on ASX or transferred from another person. It is the responsibility of purchasers of Entitlements on ASX to inform themselves of the eligibility criteria for exercise of Entitlements. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to take up the Entitlements and, as a result, they may receive no value for them.

Do nothing

If your Entitlements are not taken up, sold or transferred, your Entitlement will lapse and you will not receive any value. In addition, your percentage holding in MFF will be reduced.

The tax consequences of selling your Entitlement or from doing nothing may be different. Before selling your Entitlement or choosing to do nothing in respect of your Entitlement, you should seek your own tax advice.

Key dates for Eligible Shareholders

Announcement of Offer and lodgement of Offer Document with ASX	Monday, 16 March 2015
Last day for Optionholders to exercise their Options and participate in the Offer	Wednesday, 8 April 2015
Entitlement trading commences on ASX	Thursday, 9 April 2015
Record Date for eligibility for the Offer	7.00pm, Monday, 13 April 2015
Offer Document despatched to Shareholders	Thursday, 16 April 2015
Entitlement trading on ASX ends	Thursday, 30 April 2015
New Shares under the Offer commence trading on ASX on a deferred settlement basis	Friday, 1 May 2015
Interim dividend record date	Friday, 1 May 2015
Closing Date of the Offer	5.00pm, Thursday, 7 May 2015
Allotment of New Shares and dispatch of holding statements	Wednesday, 13 May 2015
New Shares commence trading on a normal settlement basis	Thursday, 14 May 2015
Interim dividend paid and shares issued pursuant to the MFF Dividend Reinvestment Plan	Friday, 15 May 2015

The above timetable is indicative only and subject to change. All times are references to Sydney time. MFF reserves the right to amend any or all of these events, dates and times without notice subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, MFF reserves the right to extend the closing date of the Offer, to accept late applications under the Offer (either generally or in particular cases), and to withdraw the Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

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

For further information on the Offer, please call the MFF Shareholder Information Line 1800 074 453 or call the MFF Share Registry on 1300 737 760 (within Australia) or +61 02 9290 9600 (outside Australia) from 8.30 am to 5.30 pm (Sydney time) Monday to Friday and read the Offer Booklet. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

The MFF Board is pleased to offer this opportunity to you.

Yours faithfully,



Richard Warburton AO LVO
Chairman

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES – IMPORTANT INFORMATION

This letter is issued by Magellan Flagship Fund Limited (ABN 32 121 977 884). This letter is not a prospectus or offer document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in MFF in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of New Shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be exercised or taken up by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of persons in the United States unless they are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Certain statements made in this release may be forward-looking statements. Any forward-looking statements are not historical facts but rather are based on MFF’s current expectations, estimates and projections and beliefs and assumptions. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of MFF, are difficult to predict and could cause actual results to differ materially from those expressed or forecast in the forward-looking statements. MFF cautions shareholders and prospective shareholders not to place undue reliance on any such forward-looking statements, which reflect the view of MFF only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. MFF does not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Please read the Offer Booklet, and if you are unsure of your position, contact your accountant, tax adviser, stockbroker or other professional adviser.