

CML GROUP LIMITED [ACN 098 952 277]

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

TIME: 11:00am (Sydney time)

DATE: Thursday, 9 March 2017

PLACE: Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061

CML GROUP LIMITED
ACN 098 952 277

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of CML Group Limited (the **Company** or **CML**) will be held at Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061 on Thursday 9 March 2017 at 11:00am (Sydney, NSW time).

Further details in respect of the Resolution proposed in this Notice of General Meeting (**Notice**) are set out in the Explanatory Memorandum (**Memorandum**) accompanying this Notice. The details of the Resolution contained in the Memorandum should be read together with, and forms part of, this Notice.

GENERAL BUSINESS

Resolution: Issue of Options to a Director – Daniel Riley

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

'That, for the purpose of ASX Listing Rule 10.11, shareholders approve the issue of up to 10,000,000 unlisted options to acquire fully paid ordinary shares in the Company to Mr Daniel Riley, a Director of the Company (or his nominee), expiring and exercisable on 9 March 2022 and with an issue price of at least 2 cents (\$0.02) and an exercise price, each to be determined as provided for in the Memorandum which accompanies and forms part of this Notice.'

Voting Exclusion Statements:

The Company will disregard any votes cast on this Resolution by Daniel Riley and any of his associates.

However, the Company need not disregard a vote on this resolution 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.*

Dated: 3 February 2017

By the order of the Board



Steve Shin
Company Secretary

The accompanying Memorandum (including Annexure A) and Proxy and Voting Instructions form part of this Notice.

PROXY AND VOTING INSTRUCTIONS

PROXY INSTRUCTIONS

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

- one proxy if the member is only entitled to one vote; and
- 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 the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to the Company's registered office on (02) 9267 1567 not less than 48 hours before the time for holding 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 Corporations Act. 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.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy.

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 Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7pm on 7 March 2017 (Sydney, NSW Time) 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.

HOW THE CHAIR WILL VOTE UNDIRECTED PROXIES

The Chair of the meeting will vote undirected proxies in favour of the proposed resolution.

CML GROUP LIMITED
ACN 098 952 277
("the Company")

2017 GENERAL MEETING
EXPLANATORY MEMORANDUM

PURPOSE OF INFORMATION

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Notice of General Meeting (**Notice**) for a general meeting of the Company to be held at Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061 on Thursday 9 March 2017 at 11:00am (Sydney, NSW time) (**Meeting**). The Notice incorporates, and should be read together with, this Memorandum.

The attached Annexure A forms part of this Memorandum. This Memorandum and the Notice that it accompanies are important documents. Please read them carefully.

Resolution: Issue of Options to a Director – Daniel Riley

The Company proposes issuing up to 10,000,000 unlisted options to a Director, Mr Daniel Riley (or his nominee), as a means of aligning Mr Riley's financial interests with those of the Company's shareholders.

The unlisted options are to be issued at an issue price equal to the greater of 2 cents (\$0.02) or the fair market value of the unlisted options determined by an independent third party valuer as the average closing price of the Company's shares for the twenty trading days prior to shareholders approving issue of the unlisted options.

The unlisted options are to have an exercise price calculated in accordance with the terms of options annexed as Annexure A. The unlisted options expire on, and are exercisable on or before, 9 March 2022, being the date which is five years after the Meeting, in accordance with the terms of options annexed as Annexure A.

The issue price and exercise price of the unlisted options is to be determined on or about, or following, the date of the Meeting as described in Annexure A.

By way of example only, assuming an average closing price of the Company's shares for the twenty trading days prior to approval of the issue of 25.5 cents (\$0.255), the minimum exercise price would be 27.5 cents (\$0.275). Applying a Black and Scholes valuation methodology, assuming a risk free interest rate of 4%, the 5 year option term, volatility of 25% and a dividend yield rate of 4%, the value and issue price of the options would be 4 cents (\$0.04). If the exercise price were to be higher than 27.5 cents, on the same assumptions the value of the options would be lower, but in any event the issue price of the options will not be less than the minimum 2 cent issue price. It is not possible to state at this point in time the precise issue price and exercise price as these will be dependent on the price of the Company's shares on ASX on the twenty trading days prior to approval of the issue and the respective risk free interest rate, volatility and dividend yield rates, however the issue price will be at least 2 cents and the exercise price will be not less than 2 cents above the twenty day average closing price.

The unlisted options may only be exercised as set out in Annexure A and vest upon the achievement by the Company of the vesting conditions as set out in the table below (provided Mr Riley is a Director of the Company at the time of achievement of the vesting condition):

Vesting condition (CML share price)	Number of unlisted options vested
Equal to or greater than \$0.30 and less than \$0.35	2,000,000
Equal to or greater than \$0.35 and less than \$0.40	2,000,000
Equal to or greater than \$0.40 and less than \$0.45	2,000,000
Equal to or greater than \$0.45 and less than \$0.50	2,000,000
Equal to or greater than \$0.50	2,000,000
Total	10,000,000

In the event Mr Riley ceases to be a Director of the Company, any unvested options as at that date shall either be sold or bought back by the Company as set out in Annexure A.

Corporations Act

The Board considers the issue of the unlisted options to Mr Riley will not require shareholder approval under section 208 of the Corporations Act, as the issue of the unlisted options will constitute "reasonable remuneration" in accordance with section 211 of the Corporations Act. In reaching this view, the Company has considered the anticipated terms of the unlisted options, recent and current share values, Mr Riley's position, responsibility and

overall remuneration package and the need for the Company to effectively incentivise its Directors, while aligning their financial interests with financial interests of shareholders and the desirability of preserving cash resources in the Company. The Board has also formed the view that the issue of options to Mr Riley is on arms' length terms, having regard to the terms of the unlisted options set out in Annexure A, in particular the issue price payable to acquire the unlisted options.

ASX Listing Rules

Under ASX Listing Rule 10.11, shareholder approval is required for the issue of equity securities to a related party of a listed company. Once approval is obtained pursuant to Listing Rule 10.11, the Company is entitled to rely on Listing Rule 7.2, Exception 14 as an exception to any requirements that may otherwise apply requiring shareholder approval under Listing Rule 7.1.

Shareholder approval is being sought under Listing Rule 10.11 and therefore approval is not required under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 10.13:

- The unlisted options will be issued to Mr Daniel Riley, a Director of the Company (or his nominee).
- The maximum number of securities to be issued is 10,000,000 unlisted options to acquire fully paid ordinary shares in the Company.
- A summary of the terms of the unlisted options is annexed as Annexure A.
- The issue price of the unlisted options is to be the greater of 2 cents (\$0.02) or the fair market value of the unlisted options on the date of issue as determined by an independent third party valuer.
- The unlisted options shall vest in accordance with the table set out above and as described in Annexure A.
- In the event Mr Riley ceases to be a Director of the Company all unvested options shall either be sold or bought back by the Company as described in Annexure A.
- The Company will issue the unlisted options as soon as practicable following the date of the Meeting and, in any case, within one (1) month of the Meeting.
- Mr Daniel Riley is a Director of the Company.
- Funds raised from the issue will be applied to the Company's working capital requirements. Any funds raised upon exercise of the unlisted options will be applied to the Company's working capital requirements at the time of exercise.
- The non-associated Directors of the Company recommend shareholders vote in favour of this Resolution.
- A voting exclusion statement for this Resolution is contained in the Notice accompanying this Memorandum.

NOTE: Unless otherwise specified, all monetary amounts are expressed in Australian dollars.

ANNEXURE A

SUMMARY OF TERMS OF PROPOSED UNLISTED OPTIONS

- Each unlisted option (**Option**), upon satisfaction of certain conditions, entitles the holder to acquire one fully paid ordinary share (**Share**) of the Company.
- The issue price of the Options shall be the greater of 2 cents (\$0.02) or the fair market value of the Options determined by an independent third party valuer as the average closing price of the Company's Shares for the twenty trading days prior to shareholders approving issue of the Options (**Purchase Price**).
- Each Option will have an exercise price of a minimum of \$0.02 (2 cents) above the average closing price of the Company's Shares for the twenty trading days prior to shareholders approving the issue of Options.
- Options expire on 9 March 2022, being the first business day that is five (5) years from the date of the Meeting (**Trading Date**). This date will be varied if the Meeting is adjourned. Options do not expire until 11:59pm (Sydney time) on the Trading Date.
- Options vest upon satisfaction of the vesting conditions as set out in the table below:

Vesting condition (CML share price)	Number of Options vested
Equal to or greater than \$0.30 and less than \$0.35	2,000,000
Equal to or greater than \$0.35 and less than \$0.40	2,000,000
Equal to or greater than \$0.40 and less than \$0.45	2,000,000
Equal to or greater than \$0.45 and less than \$0.50	2,000,000
Equal to or greater than \$0.50	2,000,000
Total	10,000,000

- Options may not be exercised, sold, mortgaged, charged or otherwise disposed of or encumbered until the occurrence of the earliest of:
 - the Trading Date; or
 - the business day on which Mr Daniel Riley (**Mr Riley**) ceases to be a Director of the Company (**Executive Event**); or
 - the first business day following the occurrence of one of the following events (each a **Trigger Event**):
 - the Company merging with, or consolidating into, another company;
 - The acquisition of a minimum of 50% of the Company's fully paid ordinary shares by an individual party or multiple associated parties as defined in the Corporations Act,

and may not be exercised by the holder (and the Company will not be required to issue shares upon such exercise) if it would be unlawful to do so.

- The exercise price is payable in full upon exercise of Options. Options may be exercised by completing and delivering to the Company an exercise notice together with payment for the number of Shares in respect of which the Options are exercised.
- Where the holder determines to exercise some, but not all, vested Options, the total amount payable to exercise the Options must be a minimum of \$1,000.
- The Company may, its complete and unfettered discretion, determine to pay the holder cash equal to the difference between the closing price of the Company's Shares on the date of exercise less the exercise price of the Option rather than issue Shares.
- All Shares issued upon exercise of Options will rank pari passu in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of Options, subject to any restriction obligations imposed by ASX. The Options will not give any right to participate in dividends until shares are issued pursuant to the exercise of the relevant Options.

- There are no participation rights or entitlements inherent in the Options. The holder is not entitled to participate in new issues of securities offered to shareholders without first exercising Options. The Company will send notices to the holder at least five (5) business days prior to the record date (or such shorter period allowed by the ASX Listing Rules) applying to offers of securities to shareholders during the currency of the Options.
- In the event of any reconstruction (including consolidation, subdivision, 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 ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction.
- In the event the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by dividend reinvestment) the number of Shares to be issued upon exercise of an Option will be increased by the number of Shares which would have been received if the Option had been exercised before the record date for the bonus issue and no change will be made to the exercise price of the Option.
- Any Options (either vested or unvested) held at 11:59pm (Sydney time) on the Trading Date or upon the occurrence of a Trigger Event will be sold or bought back by the Company (at the Company's sole discretion).
- Where an Executive Event occurs because of the one the following events (each a **Bad Leaver Event**):
 - (a) Mr Riley engages in serious misconduct, fraud, defalcation or fails to meet the terms of his employment agreement; or
 - (b) The Company determines Mr Riley engaged in serious misconduct, fraud, defalcation or fails to meet the terms of his employment agreement; or
 - (c) Mr Riley, or the holder if the holder is Mr Riley's nominee, breaches these option terms; or
 - (d) Mr Riley is declared bankrupt,all unvested Options as at the date of the Executive Event occurring will be sold or bought back by the Company for the lesser of the Purchase Price or the market value of the Options at the date of the Executive Event. Any unexercised, vested Options at 11:59pm on the date of the Executive Event will lapse.
- Where an Executive Event occurs due to circumstances other than a Bad Leaver Event all unvested Options and vested, unexercised options will be sold or bought back by the Company at the Purchase Price.
- Subject to the Corporations Act, the ASX Listing Rule and the Constitution of the Company, Options are not transferrable except in circumstances where the Company is to sell or buy back the Options, in which case such Options are transferrable.
- Where Options are to be sold, Mr Riley irrevocably appoints the Company, or a person authorised by the Company, to sell the Options on his behalf.
- The holder agrees to be bound by the Constitution of the Company.

CML Group

CML Group

Payroll & Finance

ACN 098 952 277

CGR

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 11:00am (Sydney Time) Tuesday, 7 March 2017**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of CML Group Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our 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, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of CML Group Limited to be held at Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061 on Thursday, 9 March 2017 at 11:00am and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business



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

1 Issue of Options to a Director – Daniel Riley

For

Against

Abstain

☐☐☐

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

CGR

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Computershare +