

# McGrath

14 October 2016

Dear Shareholder

## McGrath Limited 2016 Annual General Meeting

On behalf of the Board of Directors of McGrath Limited (**McGrath**), I have pleasure in enclosing the Notice of Meeting for the Annual General Meeting (**AGM** or **Meeting**) to be held at 191 New South Head Road, Edgecliff, New South Wales at 2.00pm (AEDT time) on Wednesday, 23 November 2016.

If you are attending the AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to attend the AGM, I encourage you to complete and return the enclosed Proxy Form no later than 2.00pm (AEDT time) on Monday, 21 November 2016 in one of the ways specified in the Notice of Meeting and Proxy Form.

I also encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and consider directing your proxy how to vote on each resolution by marking either the “for” box, the “against” box or the “abstain” box on the Proxy Form.

Subject to the abstentions noted in the Explanatory Memorandum, the Directors of McGrath unanimously recommend that shareholders vote in favour of all resolutions.

Following the conclusion of the AGM, you are welcome to join the Board and Management for light refreshments.

Thank you for your continued support of McGrath. The Directors and I look forward to your attendance and the opportunity to meet with you.

Yours sincerely,



**Cass O'Connor**  
**Chair**  
**14 October 2016**

## **Notice of Annual General Meeting**

**McGrath Limited**  
**ABN 61 608 153 779**

Notice is given that the 2016 Annual General Meeting (**AGM** or **Meeting**) of shareholders of McGrath Limited (**Company**) will be held:

Date: Wednesday, 23 November 2016

Time: 2.00pm (AEDT time)

Venue: 191 New South Head Road, Edgecliff, New South Wales

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum, Entitlement to Attend and Vote section and Proxy Form are part of this Notice of Meeting.

### **A. CONSIDERATION OF REPORTS**

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report (**Reports**) of the Company for the financial year ended 30 June 2016.

All shareholders can view the Annual Report which contains the Financial Report for the year ended 30 June 2016 on the Company's website (available at <https://investor.mcgrath.com.au/Investor-Centre/>).

### **B. QUESTIONS AND COMMENTS**

Following the consideration of Reports, the Chair will give shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- a. the conduct of the audit;
- b. the preparation and content of the Independent Auditor's Report;
- c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d. the independence of the Auditor in relation to the conduct of the audit.

The Chair will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of relevant written questions submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the Meeting.

## **C. ITEMS FOR APPROVAL**

### **Resolution 1. Election of Director – Elizabeth Crouch**

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

*“That Elizabeth Crouch, who retires in accordance with clause 4.7(a) of the Company’s Constitution and being eligible for election, is elected as a Director of the Company.”*

### **Resolution 2. Remuneration Report**

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

*“That the Company’s Remuneration Report for the financial year ended 30 June 2016, as set out in the Directors’ Report, is adopted.”*

The Remuneration Report is contained in the 2016 Annual Report (available at <https://investor.mcgrath.com.au/Investor-Centre/>). Please note that, in accordance with section 250R(3) of the *Corporations Act 2001 (Cth)* (**Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

#### **Voting Exclusion Statement**

A vote on Resolution 2 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a. a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2016 Remuneration Report; or
- b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

- a. the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- b. the vote is cast by the Chair of the Meeting and the appointment of the Chair as proxy:
  - i. does not specify the way the proxy is to vote on the resolution; and
  - ii. expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

“Key management personnel” and “closely related party” have the same meaning as set out in the *Corporations Act 2001 (Cth)*.

### **Resolution 3. Appointment of KPMG as Auditor**

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

*“That, in accordance with section 327B(1)(a) of the Corporations Act 2001 (Cth) and for all other purposes, KPMG having been nominated by a shareholder and consented in writing to act in the capacity of Auditor, be appointed as the Auditor of McGrath Limited.”*

#### **Resolution 4. McGrath Equity Incentive Plan**

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

*“That for the purpose of ASX Listing Rule 7.2, exception 9 and all other purposes, the McGrath Equity Incentive Plan, as described in the Explanatory Memorandum accompanying the Notice of Meeting be approved for the issue of securities under the McGrath Equity Incentive Plan.”*

##### Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by any Director of the Company and their associates, except one who is ineligible to participate in any of the Company’s employee incentive schemes.

However, the Company need not disregard a vote cast on Resolution 4 if:

- a. 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
- b. 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.

In addition, a vote must not be cast on Resolution 4 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with the directions provided by the person. This restriction on voting undirected proxies does not apply to the Chair of the Meeting because the Company’s proxy appointment expressly authorises the Chair of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

#### **Resolution 5. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A**

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

*“That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, the shareholders of the Company approve the issue of equity securities up to 10% of the issued capital of McGrath Limited (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Memorandum which forms part of the Notice of Meeting.”*

##### Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 5 by a person who may participate in the 10% placement facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of shares, if this resolution is passed and any associates of those persons. At this point in time, there are no potential allottees to whom shares may be issued under this resolution.

However, the Company need not disregard a vote cast on Resolution 5 if:

- a. 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
- b. 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 handwritten signature in black ink, appearing to be 'MS' followed by a long horizontal stroke.

Morgan Sloper  
Company Secretary  
14 October 2016

## **ENTITLEMENT TO ATTEND AND VOTE**

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (AEDT time) on 21 November 2016, being two days before date of Meeting will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

### *“Appointment of Proxy”*

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D the *Corporations Act 2001 (Cth)* (**Act**) to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder’s votes.

To be effective, the proxy must be received by the Share Registry Company no later than 2.00pm on Monday, 21 November 2016 (48 hours before AGM). Proxies must be received before that time by one of the following methods:

- |                        |   |
|------------------------|---|
| By post:               | McGrath Limited<br>C/- Link Market Services Limited<br>Locked Bag A14<br>Sydney South NSW 1235<br>Australia |
| By facsimile:          | (02) 9287 0309 (within Australia)<br>+61 2 9287 0309 (from outside Australia)                               |
| By delivery in person: | Link Market Services Limited<br>1A Homebush Bay Drive<br>Rhodes NSW 2138                                    |
| Online:                | <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>                            |

### *“Power of Attorney”*

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than Monday, 21 November 2016, being 48 hours before the AGM.

## Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative. A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

IMPORTANT: If you appoint the Chair of the Meeting as your proxy, or the Chair becomes your proxy by default, and you do not direct your proxy how to vote on resolutions 2 (remuneration report) and 3 (McGrath Equity Incentive Plan), then by submitting the proxy form you will be expressly authorising the Chair to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

## **SHAREHOLDER QUESTIONS**

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), select Voting then click 'Ask a Question'.

To allow time to collate questions and prepare answers, please submit any questions by 5.00pm Wednesday, 16 November 2016 (being no later than the fifth business day before the AGM is held). Questions will be collated and, during the AGM, the Chair will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

## **ENCLOSURES**

Enclosed are the following documents:

- proxy form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on the Company's share registry's website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) to ensure the timely and cost effective receipt of your proxy; and
- a reply paid envelope for you to return the proxy form.

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of shareholders of the Company (**Shareholders**) in relation to the business to be conducted at the Company's AGM to be held on Wednesday, 23 November 2016.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions.

Subject to the abstentions noted below, the Directors unanimously recommend Shareholders vote in favour of all Resolutions. The Chairman of the Meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions 1, 3 and 4 are ordinary resolutions, which require a simple majority of votes cast by Shareholders present and entitled to vote on the resolution.

Resolution 2, relating to the Remuneration Report, is advisory and does not bind the Directors or the Company.

Resolution 5 is to be voted on as a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

### **Resolution 1. Election of Director – Elizabeth Crouch**

Elizabeth Crouch was appointed as an independent Non-executive Director of the Company on 25 August 2016. In accordance with clause 4.7(a) of the Constitution, Elizabeth Crouch retires from office at the conclusion of the AGM and is eligible for re-election as a Director of the Company.

Elizabeth is the Chair of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee.

Elizabeth is currently Deputy Chancellor of Macquarie University and on the Board of the Macquarie University Hospital and the Museum of Applied Arts and Sciences. Elizabeth chairs the Audit and Risk committees of the City of Sydney and the NSW Government's Health Infrastructure and is a Non-Executive Director of SGS Economics and Planning.

Elizabeth has served as Chair of Railcorp, Non-Executive Director of Chandler Macleod for 4 years and CEO of the Housing Industry Association for 9 years. Her strengths are in strategy and governance, enterprise risk management and in building high performing teams.

Elizabeth is a Fellow of the Australian Institute of Company Directors.

*The Directors, with Elizabeth Crouch abstaining, unanimously recommend Shareholders vote in favour of this Resolution.*



## **Resolution 2. Remuneration Report**

Section 250R(2) of the *Corporations Act 2001 (Cth)* (**Act**) requires that the section of the Directors' Report dealing with the remuneration of directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of shareholders for adoption by way of a non-binding vote.

Broadly, the Remuneration Report details the remuneration policy for the Company and:

- explains the structure of and rationale behind the Company's remuneration practices and the link between the remuneration of executives and the Company's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and
- discusses the relationship between the policy and Company performance.

Shareholders can view the full Remuneration Report in the Annual Report which is available on the Company's website at (available at <https://investor.mcgrath.com.au/Investor-Centre/>).

Following consideration of the Remuneration Report, the Chair of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this resolution is advisory only and does not bind the Directors of the Company. However the Board will take the outcome of the vote into account in setting remuneration policy for future years.

*The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.*

## **Resolution 3. Appointment of KPMG as Auditor**

KPMG has been the auditor of the Company since its incorporation in September 2015.

Under section 327A(2) of the Act, KPMG holds office until the Company's first AGM. Thereafter, section 327B(1)(a) of the Act requires the Company to appoint an auditor at its first AGM. KPMG has given, and has not withdrawn, its consent to act as external auditor of the Company.

In accordance with section 328B(1) of the Act, notice in writing nominating KPMG as auditor has been given to the Company by a Shareholder. A copy of this notice is contained in Attachment A to this Notice of Meeting.

*The Directors unanimously recommend Shareholders vote in favour of this Resolution.*

#### **Resolution 4. McGrath Equity Incentive Plan**

The following information is provided for the purpose of Listing Rule 7.2 exception 9. A voting exclusion statement is included in the Notice of Meeting accompanying this Explanatory Memorandum.

##### *The ASX Listing Rules*

The ASX Listing Rules generally restrict listed companies from issuing more than 15% of their issued share capital in any 12 month period without shareholder approval. However, there are exceptions to this restriction, one of which states that general Listing Rule requirements for shareholder approval will not apply to an issue under an employee incentive scheme if, within three years before the date of the issue, shareholders approve the issue of securities under the scheme as an exception to the rule.

If the McGrath Equity Incentive Plan is approved by Shareholders, issues under the McGrath Equity Incentive Plan over the next three years will fall under this ASX Listing Rule exception and will not affect the Company's ability to separately issue up to 15% of its total ordinary securities in any 12 month period (without having to obtain further Shareholder approval). However, the exception does not apply to Directors and their associates, who are deemed related parties of the Company, and issues to such persons will require separate approval under Listing Rule 10.14.

##### *The purpose of the McGrath Equity Incentive Plan*

The McGrath Equity Incentive Plan is:

- a long term incentive plan established to assist in the motivation, retention and reward of senior management and high performing agents; and
- designed to align the interests of Executives and senior management and high performing agents with the interests of Shareholders by providing an opportunity for the participants to receive an equity interest in the Company.

##### *Terms of the McGrath Equity Incentive Plan*

The terms of the McGrath Equity Incentive Plan are set out in the Plan Rules. The key elements of the McGrath Equity Incentive Plan are as follows:

<b>Eligibility to participate</b>	Offers may be made at the Board's discretion to permanent employees or contractors of McGrath and any other person that the Board determines to be eligible to receive a grant under the McGrath Equity Incentive Plan.
<b>Types of securities</b>	One or more of the following may be granted to eligible participants under the McGrath Equity Incentive Plan: <ul style="list-style-type: none"><li>a. <b>performance share rights:</b> the right to be allocated or issued a share subject to the satisfaction of any applicable performance conditions or trading restrictions and the terms of the individual offer;</li><li>b. <b>options:</b> the right to a share subject to the payment of the applicable exercise price, the satisfaction of any applicable performance conditions or trading restrictions and the terms of the individual offer; and/or</li><li>c. <b>restricted shares:</b> a share issued to an eligible participant subject to the restrictions set out in the McGrath Equity Incentive Plan, which may include a trading restriction and the right of McGrath to buy back or</li></ul>

facilitate the transfer to a third party to discharge any financial assistance applicable to the grant of the restricted shares.

<b>Offers</b>	<p>The Board, in its absolute discretion, may make offers to eligible participants to:</p> <ul style="list-style-type: none"><li>a. participate in a grant of performance share rights or options on the terms set out in the McGrath Equity Incentive Plan and additional terms and conditions that the Board determines apply to an individual offer; and/or</li><li>b. acquire restricted shares (separate to, and independent from, any shares acquired under a performance share right or option) subject to the specific terms contained in an individual offer letter.</li></ul>
<b>Consideration payable</b>	<p>Unless otherwise determined by the Board, no payment is payable by an eligible participant on grant of a performance right, option or restricted share.</p>
<b>Vesting</b>	<p>Each grant of security under the McGrath Equity Incentive Plan is subject to the terms of the individual offer.</p> <p>Subject to the Board's discretion and the participant complying with the conduct requirements under the McGrath Equity Incentive Plan, performance share rights vest on satisfaction of the performance conditions that apply to an individual offer, unless otherwise waived by the Board acting in its sole discretion.</p> <p>Subject to the participant complying with the conduct requirements under the McGrath Equity Incentive Plan, options only become exercisable if the performance conditions and other relevant conditions applicable to an individual offer are satisfied. The exercise of an option will be effected in the manner determined by the Board and must be accompanied by the exercise price.</p> <p>The Board may determine in its absolute discretion that a performance share right or option will be satisfied by the payment of a cash payment to the participant in lieu of allocating shares to the participant.</p> <p>Restrictions applied to restricted shares cease to apply on the earlier of:</p> <ul style="list-style-type: none"><li>a. change of control event; or</li><li>b. the satisfaction of any conditions that apply to an individual offer.</li></ul>
<b>Cessation of employment</b>	<p>Generally, if a participant ceases to be an eligible participant before the vesting date of a performance share right or the exercise of an option, the performance share right or option lapses, unless otherwise determined by the Board in its discretion and subject to the individual offer documents.</p>
<b>Restriction on dealing with shares</b>	<p>The Board may, in its discretion, impose restrictions on dealing with:</p> <ul style="list-style-type: none"><li>a. shares allocated or issued on vesting of a performance share right or option; or</li><li>b. restricted shares.</li></ul>

**Change of control** On the occurrence of a change of control event, the Board may, in its absolute discretion, determine that all or a specified number of a participant's performance share rights immediately vest or options be immediately exercisable or restricted shares will cease to be subject to restrictions.

*The number of securities issued under the scheme since the date of last approval*

This is the first time Shareholders have been asked to approve the McGrath Equity Incentive Plan.

*The Directors unanimously recommend Shareholders vote in favour of this Resolution.*

**Resolution 5. Approval of additional share issue capacity under ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A enables certain companies to seek shareholder approval by special resolution to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue on a non-pro-rata basis over a 12 month period (**10% Placement Facility**). This is in addition to the existing 15% placement capacity permitted by ASX Listing Rule 7.1.

A company is eligible to seek shareholder approval for this additional placement capacity if it satisfies both of the following criteria at the date of the AGM:

- a. it has a market capitalisation of \$300 million or less; and
- b. it is not included in the S&P/ASX 300 Index.

The Company currently satisfies both the above criteria, and it is anticipated that it will satisfy both these criteria at the date of the AGM.

For illustrative purposes, the Company's market capitalisation was \$158 million based on a closing price of \$1.16 on 16 September 2016.

Accordingly, Resolution 5 is seeking approval of ordinary Shareholders by special resolution for the issue of such number of equity securities as calculated under the formula in ASX Listing Rule 7.1A.2, at an issue price as permitted by ASX Listing Rule 7.1A.3 to such persons as the Board may determine, on the terms as described in this Explanatory Memorandum.

At the date of this Notice, the Company has on issue 136,488,913 fully paid ordinary shares. 2,335,684 shares were issued during the year as part of the current 15% capacity under ASX Listing Rule 7.1. Therefore the Company has capacity to issue:

- a. 20,122,984 (15%x 134,153,229) equity securities under ASX Listing Rule 7.1; and
- b. 13,415,323 (10%x 134,153,229) equity securities under ASX Listing Rule 7.1A (subject to approval of Resolution 5).

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

The effect of Resolution 5 will be to allow the Company to issue equity securities under ASX Listing Rule 7.1A up to 10% of the Company's fully paid ordinary securities on issue during the period up to 12 months after the AGM, without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

#### **Information required by ASX Listing Rule 7.3A**

For the purposes of ASX Listing Rule 7.3A, the following information is provided:

- **Minimum price at which the equity securities may be issued** – The minimum price at which the equity securities will be issued will be no less than 75% of the volume weighted average price for ordinary shares calculated over the 15 trading days on which trades are recorded immediately before:
  - a. the date on which the price at which the shares are to be issued is agreed; or
  - b. if the shares are not issued within 5 trading days of the date in paragraph a., the date on which the shares are issued.
- **Risk of economic and voting dilution** – If Resolution 5 is approved by Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing ordinary Shareholders face the risk of economic and voting dilution as a result of the issue of equity securities which are the subject of this Resolution, to the extent that such equity securities are issued, including:
  - a. the market price of equity securities may be significantly lower on the issue date than on the date on which this approval is being sought; and
  - b. the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date,which may have an effect on the amount of funds raised by the issue of the equity securities.
- The following table gives examples of the potential dilution of existing ordinary Shareholders on the basis of the market price of shares and the number of ordinary securities for variable "A", calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at 16 September 2016.

The table also shows:

- a. two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- b. two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

No. of Shares on Issue <sup>1</sup>	Dilution			
	Issue price (per Share)	\$0.58 50% decrease in Issue Price	\$1.16 Issue Price	\$2.32 100% increase in Issue Price
<b>134,153,229 (Current<sup>1</sup>)</b>	<b>Shares issued</b>	13,415,323	13,415,323	13,415,323
	<b>Funds raised</b>	\$7,780,887	\$15,561,775	\$31,123,549
<b>201,229,844 (50% increase)</b>	<b>Shares issued</b>	20,122,984	20,122,984	20,122,984
	<b>Funds raised</b>	\$11,671,331	\$23,342,662	\$46,685,324
<b>268,306,458 (100% increase)</b>	<b>Shares issued</b>	26,830,646	26,830,646	26,830,646
	<b>Funds raised</b>	\$15,561,775	\$31,123,549	\$62,247,098

- The table has been prepared on the following assumptions:
  - the Company issues the maximum number of equity securities available under the 10% Placement Facility in ASX Listing Rule 7.1A;
  - no convertible redeemable preference shares are redeemed before the date of issue of ordinary shares under ASX Listing Rule 7.1A;
  - the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
  - the table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the AGM;
  - the table shows only the effect of issues of equity securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;
  - the issue of equity securities under the 10% Placement Facility consists only of shares; and
  - the issue price is \$1.16 per share<sup>2</sup>, being the closing price of the shares on ASX on 16 September 2016.
- Date by which the Company may issue the securities** – If any of the shares being approved by this Resolution are issued, they will be issued during the placement period, that is, within 12 months of the date of the AGM (i.e. by 23 November 2017) and the approval being sought under Resolution 5 will cease to be valid if ordinary Shareholders approve a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) prior to 23 November 2017.

<sup>1</sup> Variable "A" in Listing Rule 7.1A.2

<sup>2</sup> Closing price on 16 September 2016 was \$1.16 per share.

- **Purpose for which the equity securities may be issued** – The Company may seek to issue the equity securities for the following purposes:
  - a. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued development of the Company's current assets and/or general working capital; or
  - b. non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.
- The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any equity securities.
- **Details of the Company's allocation policy for issues under approval** – The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of allottees of any equity securities that may be issued (subject to Shareholder approval of Resolution 5) have not been determined as at the date of this Notice, but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties or associates the Company. Any potential allottees will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:
  - a. the methods of raising funds available to the Company (including but not limited to, rights issue or other issues in which existing security holders can participate), while balancing interest from potential allottees with the interests of existing Shareholders;
  - b. the effect of the issue of equity securities on the control of the Company and balancing the interests of existing Shareholders. Allocation will be subject to takeover thresholds;
  - c. the financial situation and solvency of the Company and its need for working capital at any given time; and
  - d. advice from corporate, financial and broking advisors (if applicable).
- As this is the Company's first AGM since its admission to the official list in December 2015, the Company has not previously sought or obtained approval under ASX Listing Rule 7.1A.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting. Potential allottees under the 10% Placement Facility (should it be approved) have not been identified as at the date of this Notice, but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties or associates of the Company.

Resolution 5 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

*The Directors unanimously recommend Shareholders vote in favour of this Resolution.*

**Attachment A**  
**Notice of Nomination of Auditor of McGrath Limited**

11 October 2016

Cass O'Connor, Chairperson

Dear Ms O'Connor

**NOMINATION OF KPMG AS AUDITOR OF McGRATH LIMITED (ABN 61 608 153 779)**

I, Paul Hauenschild, being a shareholder of McGrath Limited, nominate KPMG for the appointment as auditor of McGrath Limited at its 2016 Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an attachment to the Notice of Meeting and Explanatory Memorandum for the 2016 Annual General Meeting of McGrath Limited as required by section 328B(3) of the Corporations Act 2001 (Cth).

Yours faithfully,



**Paul Hauenschild**



## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



### BY MAIL

McGrath Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000



### ALL ENQUIRIES TO

Telephone: +61 1300 554 474

## PROXY FORM

I/We being a member(s) of McGrath Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm on Wednesday, 23 November 2016 at McGrath Offices, 191 New South Head Road, Edgecliff, NSW, 2027** (the **Meeting**) and at any postponement or adjournment of the Meeting.

**Important for Resolutions 2 and 4:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2 and 4, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

#### Resolutions

1 Election of Director – Elizabeth Crouch

For Against Abstain\*

☐ ☐ ☐

5 Approval of Additional Share Issue Capacity

For Against Abstain\*

☐ ☐ ☐

2 Remuneration Report

☐ ☐ ☐

3 Appointment of KPMG as Auditor

☐ ☐ ☐

4 McGrath Equity Incentive Plan

☐ ☐ ☐


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

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Monday, 21 November 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

McGrath Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
  
or  
  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**