

CHAIRMAN'S ADDRESS

Annual General Meeting, 31 October 2016 9.00am

Welcome

Good morning ladies and gentlemen and welcome to the Michael Hill International Limited 2016 Annual General Meeting.

I am Rob Fyfe, Independent Director on the Michael Hill Board and Chair of the People, Development and Remuneration Committee.

Unfortunately our Board Chair Emma Hill is unable to be with us today so I will be acting as chair for today's meeting. Emma is joining the meeting on-line, so will be available to answer any questions you wish to direct to her personally, otherwise myself and my fellow directors will do our best to respond to any questions or comments you may have.

The Company Secretary has confirmed that a quorum is present, so I formally declare the meeting open.

Directors

This is our first AGM since listing on the ASX. The move to our primary listing of the ASX was a significant decision for your Board and only occurred after a thorough evaluation of the net benefits of the move. The work effort to ensure a smooth transition was significant but there always remains some element of uncertainty about how markets will react.

We are pleased to note that following the ASX move and the pragmatic resolution of our long running dispute with the New Zealand tax authorities we have seen significant interest in the Company from new Australian investors and a corresponding appreciation of the share price which acknowledges the underlying value of our business.

When we listed on the ASX, we formed our new Board consisting of Sir Michael, Emma Hill as Chair and three independent directors – myself, Janine Allis and Gary Smith. Having participated in several companies at Board and executive level over the last 3 decades, I am honoured to be a member of the Michael Hill Board. My fellow directors bring diversity of thought, experience and personal style to the Board room, are highly

engaged, are passionate about what they do, and are totally committed to building a world class company.

I would like to introduce your directors and some of Michael Hill's senior executives that are on stage beside me.

Seated next to me are our directors, Sir Michael Hill, Gary Smith (Chairman of the Audit & Risk Management Committee), Janine Allis (member of the Audit & Risk Management Committee) and Emma Hill, our Board Chair is on-line.

On my left is our Acting Chief Executive Officer and Chief Financial Officer, Phil Taylor.

Also to my left is our Company Secretary, Mary-Anne Greaves.

In addition, we have seated in the audience some of Michael Hill's Executive's including:

Galina Hirtzel, Group Executive Merchandising

Anna Shaw, Chief Marketing Officer

Matt Keays, Chief Information Officer

Stewart Silk, Group Human Resources Executive

Kevin Stock, Retail General Manager, Australia

Tish Mina Retail General Manager Emma & Roe and

Brett Halliday, President North America

Ms Alison de Groot, a partner of Ernst & Young, the company's auditor, is also present.

Please be advised that recording devices, photographic equipment and mobile phones may not be used during the meeting. The meeting is being professionally recorded and a webcast will be made available on our website.

I am pleased to report a record EBIT result of \$47.1m for the Michael Hill Group for the year ending June 30,2016. All the details of our results can

be found in the Directors' Report which has been made available to all shareholders. Phil Taylor will talk to the result and the recent quarter in more detail shortly.

Your Board was pleased with this result in what has been a challenging market for many retailers. We believe the result demonstrates the continuing strength and resilience of the Michael Hill brand and business model in Australia and New Zealand and our growing strength in Canada.

But we are not pausing to reflect on last year's performance, our sights are fixed firmly on the future and an exciting array of opportunities and choices that lie in front of us both for the Michael Hill and Emma and Roe brands.

We have a simple strategy that, well executed, with creativity, attention to detail and a strong performance discipline will see us thrive in the rapidly changing retail landscape.

The way customers shop has changed more in the last 10 years than it has in the previous 50 and looking forward, that rate of change will only accelerate.

In the next 10 years, the retailers that will continue to prosper will be those that develop authentic differentiated brands, offer a customer-centric engaging experience and are agile and can adapt at speed.

The first point I want to talk to is differentiated collections.

While many of our competitors are presenting identical generic collections to customers with the only competitive differentiator being price and promotion, we have been working for some time now to differentiate our ranges with unique jewellery collections designed in-house. We currently have 13 proprietary collections that all have a meaningful story behind their creation. These stories build emotional engagement and create a layer of value on each individual piece which out-weighs the precious metals and beautiful gemstones that they contain. An example of this is our Spirits Bay collection which is designed by Christine Lady Hill and inspired by the Totorere shells, which is a beautiful natural form, shaped by the elements and washed up on New Zealand beaches. Spirits Bay is a symbol of strength and resilience and a celebration of the spirit of strong women. On a personal note, my partner, her daughters and mother along with some of our closest friends all now wear Spirits Bay necklaces – it's

become a symbol of the bond of love and friendship between us and a part of our family story, just as the collection was inspired by Sir Michael and Christine's beautiful love affair which began over 50 years ago. We will be rolling out the Spirits Bay collection to all New Zealand stores over the coming year and 50 key sites internationally. This unique collection, like others, will be supported by a very distinctive advertisement telling the story.

Building compelling collections like Spirits Bay is a core focus and over time we see them becoming the dominant part of our business enabling us to drive customer preference and superior margin performance!

The second area that sets us apart is our retail experience. Retailers of the future need to offer far more than a transactional opportunity to purchase. Both physical and on-line stores must enable customers to explore and engage with the brand, they must entertain and inspire – shopping should be enjoyable and fun.

Providing a superior customer experience has always been in our DNA. Since opening our very first store in Whangarei, Sir Michael's vision and beliefs have never wavered and remain as relevant today as they were 37 years ago. Sir Michael continues to remind us that our success is built on our core competency in exceptional salesmanship and outstanding customer service. We have, I believe, the best sales training and productivity model in the world, it's the driving force that motivated me to join the Michael Hill Board and learn from the master. Our managers are trained and developed to be gifted sales coaches. Their mandate is to seek daily improvement through coaching and training of their team on the floor so when a customer visits they have an enjoyable experience that wins their trust. We don't get it right 100% of time, but our pursuit of excellence is relentless. We are totally committed to investing in and building the world's best sales professionals. Few retailers focus on this the way we always have, and always will.

Thirdly we are focused on all aspects of the customer experience. We don't care how they reach us, as long as they arrive. The customer experience has changed enormously over the last decade. 55% of our customers now visit our online store before visiting a physical store. They are more informed, have less time, and are more connected than ever before. We are working hard to ensure we really know our customers – so

we can talk to them at the right time in ways that are relevant and meaningful to them. These physical and on-line stores will become increasingly integrated and seamless over time enabling the customer the freedom to interact with us when and how they choose. We are currently investing in the systems to support this evolution. It's an exciting area for us, with the opportunity to build far greater customer loyalty and the chance to grow the depth and breadth of our customer relationships. This year we will make big strides in our customer relationship management program, to enable a single customer view and ensure we know our customers preferences, whichever channel they choose to engage with us through.

While setting the vision and making the right strategic choices sets the foundation, our success will ultimately be a function of our ability to execute our strategy with laser sharp precision. This in turn requires that we have exceptional leadership from CEO through to our store managers.

As you will be aware, we have had some recent changes. Mike Parsell, our CEO of 15 years, stepped down in August. He has had a truly remarkable career, rising from the shop floor in Whangarei to lead the Group into Australia and North America and most recently, in developing the Emma & Roe brand. On behalf of the Board and our shareholders I want to thank Mike for his contribution to the Group and for making a meaningful impact on so many people. He can be incredibly proud of what he has achieved – we certainly are.

Phil Taylor, our long standing CFO, is Acting CEO while we conduct both an internal and external global search for our next leader, to take us from \$500m to \$1bn in revenue. Phil has been with the Company since 1987, when he helped with the original listing on the NZX, and then joined Mike to establish the Australian arm of the business later that year. He was appointed the Group's Chief Financial Officer in 2003 and his expertise has provided a strong foundation for our growth. With Phil at the helm we are in exceptional hands while we go through this leadership transition.

Thank you for the opportunity to share my perspectives with you.

I will now ask our Acting CEO, Phil Taylor to address the meeting on the annual and first quarter results.

We will now move to the business of the meeting.

Voting

Each shareholder who registered today would have received a blue voting card. On a show of hands I will ask you to raise the voting card to assist the counting of votes. That card will also be used for the holding of a poll. All resolutions other than the first resolution is to be voted on by way of a poll which will be conducted at the end of the meeting and results released to the ASX and NZX immediately following the counting of those votes.

Notice of Meeting

The notice of meeting was sent to all shareholders. If there is no objection, I propose that the notice of meeting be taken as read.

Then I'll put the motion. All those in favour of taking the notice of meeting as read, please raise your blue voting card.

Procedure for the meeting

The first item of ordinary business is the tabling of the financial reports and the directors' and auditors' reports.

As is common practice with most companies, the reports will be tabled, but will not be the subject of a resolution, as it is not required by the *Corporations Act 2001*.

We will go through the formal business of the AGM as per the notice of meeting. Shareholders and proxies will have the opportunity to ask questions or make comments on each resolution.

Financial Reports

It is appropriate for me to advise that, under the *Corporations Act 2001*, the company is obliged to lay before this meeting the last audited financial statements and reports, which were circulated, and which are dated 18 August 2016.

No resolution is required, but I now invite shareholders and their proxies to comment or ask questions on the reports or the business of the company.

I would ask that questions on any of the other items of business be deferred until we come to that particular item.

Questions may also be asked of the auditors in relation to the conduct of the audit, content of the audit report, accounting policies adopted by the Company and the independence of the auditor in carrying out the audit.

Could you please address all questions to the chair and, if you wish to speak, could you please raise your hand.

When I direct, please state your name before speaking and hold your blue voting card so that I can see that you are a shareholder or a proxy.

Are there any comments or questions?

As there are no further questions we will now move to the second item of business.

Remuneration Report

Under the *Corporations Act 2001*, listed companies are required to include as part of their directors' report a remuneration report, which includes specified information.

The directors have prepared a remuneration report to 30 June 2016 and it is included in the annual report on pages 35 to 42 that has been made available to shareholders.

The Act also requires companies to put to shareholders a non-binding vote to enable shareholders to voice their opinion on matters included in the report.

I now move that the remuneration report for the year ended 30 June 2016 (as set out in the Directors' Report) be adopted by passing an ordinary resolution as set out in the notice of meeting.

Are there any comments or discussion?

I will advise you of the proxy votes received, which are as follows:

For	248,137,989
Against	789,844
Abstain	139,250
Open proxies	498,139 of which 198,019 in favour of the Chair, shall be voted For the resolution

Changes to the *Corporations Act 2001* also mean that there are consequences for the company should there be a vote of greater than 25 per cent vote by shareholders AGAINST the adoption of the remuneration report.

With this in mind, your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

Election of directors

We will now move to Item 3 on the agenda, the election of director – Mr Gary Smith.

As stated in the notice, Gary Smith retires in accordance with the Company's Constitution and Listing Rule 14.5 and, being eligible, offers himself for re-election as a Non-Executive Director. Gary's experience and details are set out in the directors' report on page 28 of the annual report and in the explanatory memorandum which accompanied the Notice of Meeting, so I will not repeat those details.

I will now deal with the resolution and should tell you that each of the directors, other than Gary Smith standing for re-election, recommends the re-election of Mr Smith.

I have pleasure in moving that Mr Gary Smith, who retires by rotation in accordance with Listing Rule 14.5 and Article 38.4 of the Company's Constitution and, being eligible, is re-elected a director of the company.

Are there any comments or questions?

The proxy votes received are as follows:

For	269,983,805
Against	19,960
Abstain	46,900
Open proxies	472,619 of which 157,499 in favour of the Chair, shall be voted For the resolution

Mr Gary Smith will not vote on this matter.

Your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

Grant of Share Rights under Company's Incentive Plan

We will now move to Item 4 on the agenda, the introduction of a long term incentive plan providing for the issue of share rights to key employees which was approved by the Board on 18 August 2016.

I have pleasure in moving that for the purposes of Listing Rule 7.2 (exception 9(b)) and for all other purposes, Shareholders approve the issue of securities under the Company's Incentive Plan approved by the Board on 18 August 2016 as an exception to Listing Rule 7.1.

Are there any comments or questions?

The proxy votes received are as follows:

For	248,369,187
Against	354,432
Abstain	185,965
Open proxies	457,619 of which 157,499 in favour of the Chair, shall be voted For the resolution

Your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to

be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

Approval of giving termination benefits in connection with the Incentive Plan

We will now move to Item 5 on the agenda, the giving of termination benefits in connection with the Incentive Plan.

I have pleasure in moving that approval be given of the purposes of section 22B and 200E of the Corporations Act and for all other purposes, for the giving of Acceleration Benefits to any present or future Eligible Participant under the Plan in connection with such person ceasing to hold a managerial or executive office or position of employment in the Company or a Related Body Corporation, as described in the Explanatory Memorandum which accompanied the Notice of Meeting.

We had a number of questions from shareholders in advance of the meeting on this resolution and as a result the Board has determined that in the event there is a significant change to the incentive plan rules or Michael Hill Executive remuneration policy then the Board will seek re-approval of this resolution at the subsequent AGM. This will be noted in the minutes of this meeting.

Are there any comments or questions?

The proxy votes received are as follows:

For	241,235,526
Against	8,907,420
Abstain	141,885
Open proxies	457,619 of which 157,499 in favour of the Chair, shall be voted For the resolution

Your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to

be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

Approval of the giving of termination benefits to Michael Parsell by the Hill Family and the Company

We will now move to Items 6 and 7 on the agenda, a payment by the Hill Family and the Company of termination benefits to Michael Parsell, the Company's previous CEO.

I have pleasure in moving Resolution 5 that for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the Hill Family give Michael Parsell benefits, constituted by the Hill Payment on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting, in connection with Mr Parsell retiring from office as the Chief Executive Officer of Michael Hill Jeweller (Australia) Pty Ltd, a Related Body Corporate of the Company.

Are there any comments or questions?

The proxy votes received are as follows:

For	246,389,098
Against	3,709,733
Abstain	118,800
Open proxies	524,819 of which 154,699 in favour of the Chair, shall be voted For the resolution

Your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

I have pleasure in moving Resolution 6 that for the purposes of sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the Company giving Michael Parsell benefits, constituted by the Company Payment, on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting, in

connection with Mr Parsell retiring from office as the Chief Executive Officer of Michael Hill Jeweller (Australia) Pty Ltd, a Related Body Corporate of the Company.

Are there any comments or questions?

The proxy votes received are as follows:

For	67,693,181
Against	14,983,889
Abstain	167,605,561
Open proxies	459,819 of which 164,699 in favour of the Chair shall be voted For the resolution

Your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

Appointment of Auditor

We will now move to Item 8 on the agenda, the appointment of Ernst & Young as the Company's auditor.

Ernst & Young were appointed as the auditor of the Company by the Board in accordance with section 327A(1) of the Corporations Act on 24 February 2016.

In accordance with section 327A(2) of the Corporations Act, that appointment will lapse at this first Annual General Meeting of the Company and section 327B(1)(a) of the Corporations Act requires Shareholders to approve the appointment of the auditor as this AGM.

I have pleasure in moving that for the purpose of section 327B of the Corporations Act 2001 (Cth) and for all other purposes, Ernst & Young, having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor be appointed as auditor of the Company with effect from the close of this meeting.

Are there any comments or questions?

The proxy votes received are as follows:

For	269,971,522
Against	55,888
Abstain	16,900
Open proxies	479,819 of which 164,699 in favour of the Chair, shall be voted For the resolution

Your Board believes it appropriate that the voting on this item be conducted by poll rather than by a show of hands. I now call for a poll to be held on this resolution which will be held at the end of this meeting, together with any poll on any other resolution.

Poll

As determined earlier in the meeting, a poll would be held on Resolutions 1, 2, 3, 4, 5, 6 and 7 at the conclusion of all other business of the AGM.

We will now hold the poll on those resolutions.

Poll Procedures

Shareholders and proxy holders would have received, on registration, a blue voting paper, that provides for the holding of a poll on any of the resolutions put to shareholders.

A poll has been called by myself as Chair of the meeting on Resolutions 1, 2, 3, 4, 5, 6 and 7.

We will now hold the poll on Resolutions 1, 2, 3, 4, 5, 6 and 7 and a representative of the Company's Share Registrar has been engaged to conduct a review of the poll papers and procedures before a determination of the results is made.

Where no instructions have been given to the chair how to vote, as set out in the proxy form circulated to holders, the Chair has been expressly authorised to exercise those votes and intends to vote those shares in favour of the resolution to which those proxies apply.

If you have any questions, please ask one of Computershares' officers before lodging your voting paper in the poll boxes located at the exits.

After the votes have been counted and reviewed by the appointed scrutineer, the results of the poll will be released to ASX and NZX and will be displayed on the Company's website.

Closure

That concludes the formal part of the annual general meeting. I now invite shareholders who may have questions or comments not related to the specific business of the meeting to speak.

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Thank you all for your attendance and interest and we look forward to your continued support in the coming year.