

McGrath

29 June 2018

Dear Shareholder

Extraordinary General Meeting

On behalf of the Directors of McGrath Limited (**McGrath**), I am pleased to invite you to attend an Extraordinary General Meeting (**EGM** or **Meeting**) to be held at 2:00pm (AEDT) on Tuesday, 31 July 2018 at 191 New South Head Road, Edgecliff, New South Wales.

The meeting is being held to seek your approval for the second tranche of a \$10.7 million strategic investment in McGrath by AL Capital Holding Pty Ltd as trustee for the AL Capital No 1 Unit Trust, which is part of the Aqualand Group, which will provide McGrath with additional capital and resources to grow and expand to benefit you, our valued Shareholders.

Under the first tranche, which has now been completed, Aqualand acquired a stake of 8.7% in McGrath. This second tranche will give Aqualand a further interest of 6.3% in the Company, making Aqualand the second largest shareholder with a 15% relevant interest. Aqualand is one of Australia's highest quality property development and investment groups with a portfolio of 18 sites with a collective gross development value of approximately \$5 billion.

A Notice of the Meeting and Explanatory Statement (**Notice**) is set out on the following pages.

If you are attending the EGM, please bring your Proxy Form with you to assist with the registration process. If you are unable to attend the Meeting in person, I encourage you to appoint a proxy to attend and vote on your behalf, or alternatively complete and return the enclosed Proxy Form no later than 2:00pm (AEDT) on the 29 July 2018.

At the Meeting, we will ask shareholders to vote on the following item of business:

1. Approval for the second tranche of 11,568, 042 ordinary shares to be issued to Aqualand at an issue price of \$0.425 for a total consideration of \$4,916.417.85

The second tranche will give Aqualand a further interest of 6.3% in the Company, making Aqualand the second largest shareholder with a 15% relevant interest. Founder and Executive Director, John McGrath, will remain the largest shareholder.

The Board unanimously recommend that shareholders vote in favour of the proposed resolution. The Directors intend to vote any shares they hold, which are eligible to be voted on the resolution, in favour of the resolution.

Please read the notice of meeting carefully and if you have any questions about the proposal, please consult your professional adviser.

Thank you for continued support of McGrath. Along with my fellow Directors, I look forward to welcoming you and extend a warm invitation to join us for refreshments at the conclusion of the Meeting.

Yours faithfully



Peter Lewis
Chair

MCGRATH LIMITED
ABN 61 608 153 779

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Date: 31 July 2018

Time: 2.00pm (AEDT time)

Venue: Office of McGrath, 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 EGM. The Explanatory Memorandum, Entitlement to Attend and Vote section and Proxy Form are part of this Notice of Meeting.

ITEMS FOR APPROVAL

Resolution. Approval to issue Placement 2 Shares

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

*"That, for the purposes of Listing Rule 7.1, approval is given for the Company to issue 11,568,042 fully paid ordinary shares at \$0.425 per share (**Placement 2 Shares**), as described in the Explanatory Memorandum."*

Voting Exclusion Statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a. a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of the Placement 2 Shares, except a benefit solely by reason of being a holder of ordinary securities in the Company; and
- b. an associate of those persons.

However, the Company will not disregard a vote 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.

Any votes cast by shareholder, AL Capital Holding Pty Ltd as trustee for the AL Capital No.1 Trust (and its associates) in favour of the Resolution will be disregarded by the Company.

BY ORDER OF THE BOARD



MELISSA CAMPBELL JONES
Company Secretary
29 June 2018

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 29 July 2018, being two days before the date of the Meeting, will be entitled to attend and vote at the EGM as a shareholder.

If more than one joint holder of shares is present at the EGM (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 of the Corporations Act 2001 (Cth) (the **Act**) to exercise its powers as proxy at the EGM.

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 at the Share Registry of the Company no later than 2.00pm (AEDT) on 29 July 2018 (48 hours before the EGM). Proxies must be received before that time by one of the following methods:

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

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

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), together with an original or certified copy of any authority under which the power of attorney was signed or executed, must be received by the Company no later than 2.00pm (AEDT) on 29 July 2018, being 48 hours before the EGM.

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 EGM. The appointment of the representative must comply with the requirements under section 250D of the Act. The representative should bring to the EGM 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.

ENCLOSURES

Enclosed are the following documents:

- proxy forms to be completed if you would like to be represented at the EGM by proxy. Shareholders are encouraged to use the online facility that can be accessed on McGrath's share registry's website at 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 Extraordinary General Meeting to be held on 31 July 2018 (**EGM**).

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 Resolution.

The Directors unanimously recommend Shareholders vote in favour of the Resolution in the absence of a superior proposal. The Chair of the Meeting intends to vote all available undirected proxies in favour of the Resolution in the absence of a superior proposal.

The Resolution is an ordinary resolution, which requires a simple majority of votes cast by Shareholders present and entitled to vote on the Resolution.

RESOLUTION – APPROVAL OF ISSUE OF PLACEMENT 2 SHARES

A. BACKGROUND

Subscription Agreement

As announced on 20 June 2018, the Company and AL Capital Holding Pty Ltd as trustee for the AL Capital No 1 Unit Trust (**Aqualand**), which is part of the Aqualand group, entered into a Subscription Agreement (**Subscription Agreement**) under which the Company proposed to raise a total of \$10,705,699 via the placement of 25,189,880 new ordinary shares to Aqualand, at an issue price of \$0.425 per share, via two placements (**Share Placements**) as described further below. The issue price of the Equity Raising being \$0.425 per share represents a:

- a. 25.0% premium to the last closing price of \$0.34 per share on 19 June 2018; and
- b. 16.9% premium to the 60 day VWAP of \$0.364 per share as at 19 June 2018.

The Share Placements comprise:

- a. an initial placement to Aqualand, completed on 19 June 2018, of 13,621,838 ordinary shares at \$0.425 per share to raise \$5,789,281.15 (**Placement 1**); and
- b. a second conditional placement to Aqualand of 11,568,042 ordinary shares at \$0.425 per share to raise \$4,916,417.85 (**Placement 2**). Completion of Placement 2 and the issue of shares under Placement 2 is conditional on passing the Resolution at the EGM to approve the issue of the shares.

Under Placement 1, Aqualand acquired an initial 8.7% interest in the Company. If the Resolution is passed at the EGM and Placement 2 takes place, Aqualand will acquire an additional 6.3% interest in the Company, bringing Aqualand's total interest in the Company to 15%. This significant stake achieves strategic commercial alignment between the Company and the Aqualand group.

The Subscription Agreement also provides that Aqualand will have a right to participate in any new issues of shares in McGrath on the same terms and conditions as other participants in that share issue up to such additional number of equity securities sufficient to maintain their ownership percentage in McGrath. This right is subject to receipt of a waiver from the ASX of Listing Rule 6.18. The right will terminate on the earlier of: 3 years from the date of the issue of the Placement 2 shares; Aqualand ceasing to hold a 15% interest in the Company (where Placement 2 shares have been issued) or a 8.7% interest in the Company (where Placement 2 shares have not been issued); termination of the Aqualand Projects Agreement (described below); or such earlier time required by ASX pursuant to a waiver of Listing Rule 6.18.

The Subscription Agreement also allows Aqualand to nominate one director to the Company's board, provided that, where Placement 2:

- has not completed, Aqualand holds at least 8.5% of the shares in the Company; or
- has completed, Aqualand holds at least 10% of the shares in the Company.

Aqualand's nominee to the Company's board is the CEO of Aqualand, Wayne Mo. As announced on 27 June 2018, Wayne was appointed to the Company's board on 27 June 2018.

Further agreement entered into with Aqualand Projects Pty Ltd (Aqualand Projects Agreement)

In addition, Aqualand Projects Pty Ltd (**Aqualand Projects**), which is also a member of the Aqualand group, entered into an agreement with the Company on 19 June 2018. The Aqualand group is a leading property development and investment group. Aqualand has advised that it was established in Australia in 2014 and has since generated a portfolio of 18 sites, with a collective gross development value of approximately \$5 billion.

Under this agreement, Aqualand Projects has agreed to grant McGrath the first right to discuss, for a limited window, being appointed as an agent for new Aqualand group projects expected to come to market in future years or provide property management services in respect of leased apartments within new projects. Aqualand Projects retains discretion as to whether or not to appoint McGrath. The agreement has an initial term of 5 years (subject to termination rights) and can be renewed for two further terms of 3 years each by agreement between the parties. In addition to customary termination events, the agreement terminates on a change of control of McGrath or if John McGrath ceases to have a substantial holding in McGrath and ceases to be actively involved in the management of McGrath.

B. APPROVAL OF ISSUE OF PLACEMENT 2 SHARES

The Resolution relates to the approval of the 11,568,042 shares to be issued pursuant to Placement 2 (**Placement 2 Shares**). Further details of this approval, including the information required by the ASX Listing Rules, are outlined below.

ASX Listing Rule 7.1 provides that (subject to certain exceptions) prior approval of shareholders is required for an issue or agreement to issue equity securities, if the securities will, when aggregated with the equity securities issued or agreed to be issued by the company during the last 12 months, exceed 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period (**15% Limit**).

The number of shares issued under Placement 1 was within the maximum number that could be issued without exceeding the 15% Limit.

Pursuant to ASX Listing Rule 7.1B.2, a company may agree to issue securities which would otherwise exceed the 15% Limit if that issue is conditional on shareholders approving the issue before the issue is made. Accordingly, Shareholders are asked to approve the issue of the Placement 2 Shares pursuant to the Subscription Agreement for the purposes of ASX Listing Rule 7.1.

If shareholder approval is not obtained, no shares will be issued under Placement 2.

The Directors unanimously recommend that Shareholders vote in favour of the Resolution in the absence of a superior proposal. Each Director intends to vote all shares held under their control (which are eligible to be voted on the resolution) in favour of the resolution in the absence of a superior proposal.

C. SPECIFIC INFORMATION REQUIRED BY LISTING RULE 7.3

The following information is provided for the purposes of ASX Listing Rule 7.3:

- a. The maximum number of shares the Company may issue under Placement 2 is 11,568,042.
- b. The Placement 2 Shares will be issued on or about 1 August 2018 and in any event no later than three months after the date of the Meeting.
- c. The Placement 2 Shares will be issued at an issue price of \$0.425 per share.
- d. The Placement 2 Shares will be issued to Aqualand.
- e. The Placement 2 Shares are ordinary shares of the Company.
- f. The proceeds from Placement 2 will be used for general corporate purposes, including business development and potential growth opportunities as they may arise.
- g. A voting exclusion statement is included in the Notice.

LODGE YOUR PROXY



ONLINE

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



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

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 Extraordinary General Meeting of the Company to be held at **2:00pm (AEDT) on Tuesday, 31 July 2018 at the McGrath Offices, 191 New South Head Road, Edgecliff, NSW, 2027** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of the 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

For Against Abstain*

- 1 Approval of the issue by the Company of 11,568,042 fully paid ordinary shares

☐ ☐ ☐

* 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.

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:

- 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
- 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 together with an original or certified copy of any authority under which the power of attorney was signed or executed. 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.

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 (AEDT) on Sunday, 29 July 2018**, 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

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 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

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

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