



7 October 2016

Dear Shareholder,

Re: ANNUAL GENERAL MEETING 2016

I have pleasure in inviting you to attend our 2016 Annual General Meeting and have enclosed the Notice of Meeting which sets out the items of business. The meeting will be held at The Institute of Chartered Accountants, 33 Erskine Street, Sydney on Tuesday 15 November 2016 at 10.30am.

The 2016 Annual Report may be viewed on our website at www.saundersint.com A hard copy has been mailed to you if you have requested a copy by mail.

Whether you plan to attend the AGM or not, you are encouraged to vote either directly or to appoint a proxy.

Voting may be conducted online by following the instructions on the enclosed Voting Form. Alternatively the Voting Form should be returned in the envelope provided or faxed to our Share Registry on (02) 9287 0309 so that it is received by 10:30am on Sunday 13 November 2016.

I look forward to your attendance at the meeting.

Yours sincerely,
Saunders International Limited

A handwritten signature in black ink that reads "T J Burnett".

T J Burnett
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Tuesday 15 November 2016

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Saunders International Limited (ABN 14 050 287 431) (the Company) will be held at The Institute of Chartered Accountants, 33 Erskine Street, Sydney on Tuesday 15 November 2016 at 10.30am.

The EXPLANATORY STATEMENT containing information in relation to each of the following items of business accompanies this Notice of Annual General Meeting.

AGENDA

Ordinary Business

FINANCIAL STATEMENTS AND REPORTS FOR 2016

To receive and consider the Financial Statements of the Company for the year ended 30 June 2016, consisting of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, the Directors' Report, the Directors' Declaration and the Independent Auditors' Report.

Note: There is no requirement for shareholders to approve this report

RESOLUTION 1 – Non Binding Resolution to Adopt the Remuneration Report

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

“That pursuant to and in accordance with section 250R(2) of the Corporations Act, the Remuneration Report as contained within the Director Report be adopted.”

Voting Exclusion Statement

The *Corporations Act* prohibits any votes being cast on Resolution 1 by or on behalf of a person who is disclosed in the Remuneration Report as a member of the key management personnel (KMP) of the Company (including the Directors and the Chairman) or a closely related party of that KMP. However, such a person may cast a vote on Resolution 1 as a proxy for a person who is permitted to vote if:

- the appointment of the proxy specifies the way in which the proxy is to vote on the resolution; or
- such a person is the Chairman of the meeting, and the appointment of the proxy expressly authorises the Chairman of the meeting to exercise the undirected proxies even if the resolution is connected with the remuneration of a member of the KMP.

RESOLUTION 2 – Re-election of Mr. Malcolm McComas as a Director

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

“To re-elect as a Director of the Company, Mr. Malcolm McComas, who retires by rotation in accordance with Clause 5.1 of the Company's Constitution and, being eligible, offers himself for re-election.”

RESOLUTION 3 – Approval for the Granting of Performance Rights under the Saunders Performance Rights Plan to the Managing Director

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

“That approval is given for the issue of up to 500,000 Performance Rights to the Managing Director under the Saunders Performance Rights Plan for the purposes of Listing Rule 10.14 and for all other purposes on the terms and conditions described in the Explanatory Statement”.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 3 by or on behalf of any director who is eligible to participate in the the Saunders Performance Rights Plan or any of their associates. The Company need not disregard a vote if it is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the Chairman of 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.

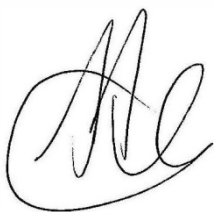
In addition, pursuant to the *Corporations Act*, the Company’s KMP and their closely related parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless the appointment of the proxy either:

- specifies the way the proxy is to vote on the resolution; or
- expressly authorizes the Chairman of the meeting to exercise the undirected proxies even if the resolution is connected with the remuneration of a member of the KMP.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Company’s Constitution and the Corporations Act 2001.

BY ORDER OF THE BOARD



Steven Dadich
Company Secretary

Dated: 7 October 2016

ENTITLEMENT TO VOTE

For the purpose of the Corporations Act 2001, the Company has determined that members holding ordinary shares at 7.00pm AEDT on Sunday 13 November 2016 will be entitled to attend and vote at the AGM.

SHAREHOLDER VOTING FORM

The enclosed Voting Form contains the instructions for direct voting and the appointment of a proxy.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Annual General Meeting of the Company convened for Tuesday 15 November 2016 commencing at 10.30am.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting.

FINANCIAL STATEMENTS AND REPORTS 2016

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial Statements and Reports for the financial year that ended 30 June 2016. Copies of these Statements and Reports are contained in the Annual Report which is available on the Saunders website - www.saundersint.com

No resolution is required for this item, but shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the meeting and shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive directors, executive directors and senior executives and is set out in the Company's 2016 Annual Report. The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be provided with a reasonable opportunity to ask questions, or make comments on, the remuneration report at the Annual General Meeting.

If you appoint the Chairman as your proxy, you can direct him to vote "for", "against" or "abstain" on Resolution 1 by marking the appropriate box on the Shareholder Voting Form. Where the Chairman is appointed as your proxy (or as your proxy by default), unless you direct the Chairman on how to vote by ticking the 'for', 'against' or 'abstain' box, you will be taken to be directing the Chairman to vote in accordance with his stated voting intention. The Chairman intends to vote any undirected proxy in favour of Resolution 1. You can appoint the Chairman as your proxy with a direction to cast your vote contrary to the Chairman's stated voting intention or to abstain from voting on Resolution 1.

Recommendation: The directors recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – RE-ELECTION OF MR. MALCOLM McCOMAS AS A DIRECTOR

In accordance with Rule 5.1 of the Company's Constitution, at each Annual General Meeting of the Company, one-third of the directors (other than the Managing Director), or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, need to retire from office by rotation. Further, and in accordance with the ASX Listing Rules, no director may retain office for more than three years without submitting himself or herself for re-election even though this would result in more than one-third of the directors retiring from office.

Accordingly, Mr McComas is required to retire by rotation at the Annual General Meeting, and being eligible, offers himself for re-election as a director.

Information on Mr McComas is as follows:-

Malcolm McComas - BEc, LLB, SFFin, FAICD - is a company director and a former investment banker and lawyer. He has experience in equity and debt capital markets, mergers and acquisitions and has worked with many growth companies across a number of sectors over a career at County NatWest (now Citi Group) where he was managing director of investment banking for 10 years and at Grant Samuel where he was a director for 11 years.

Mr McComas is currently chairman of Pharmaxis Limited and Fitzroy River Corporation Limited and a director of Royalco Resources Limited. His community roles include director of the Australian Leukaemia and Lymphoma Group (ALLG).

Mr McComas has been a director of Saunders since 5 September 2012, is Chairman of the Remuneration Committee and is considered to be an independent director.

Recommendation: The directors (excluding Mr McComas) recommend that shareholders vote in favour of Resolution 2.

RESOLUTION 3 - APPROVAL FOR THE GRANTING OF PERFORMANCE RIGHTS TO A DIRECTOR

The Saunders Performance Rights Plan (Plan) is to be used for the proposed granting of Rights to Mr Mark Benson, Managing Director, as part of his remuneration package for the FY17 financial year. Details of the Plan were presented at the 2015 AGM. The Plan has been designed to facilitate the Company achieving best practice remuneration structures for executives. A key component of effective remuneration for executives is a long term incentive to support retention, drive shared performance objectives and link remuneration to company performance.

ASX Listing Rules 10.14 requires the Company to obtain shareholder approval for the issue of securities to a director under an employee incentive scheme. Chapter 2E of the Corporations Act requires the Company to seek shareholder approval for a financial benefit to a related party of the Company. The Company is seeking shareholder approval for the proposed grant of Performance Rights to the Mr Mark Benson, Managing Director as set out below.

The features of the proposed offer of Performance Rights to the Managing Director in the period to 30 June 2017 are as follows.

Approval is sought to grant the following Performance Rights.

Tranche	Maximum as % of Total Fixed Remuneration	Maximum Number of Performance Rights	Measurement Periods Commencing in FY2017	Vesting Condition
A	20%	250,000	3 years	RTSR
B	20%	250,000	3 years	NEPSG
Total	40%	500,000		

The maximum number of performance rights will vest only if stretch objectives for each tranche are achieved. Half of the Performance Rights will vest if the target objectives are achieved. The end of the Measurement Period for a tranche of Performance Rights will be extended by up to two years at the board's discretion if significantly less than target vesting would have been achieved for that tranche at the end of the Measurement Period.

The Performance Rights will be granted at nil cost to the grantee. The Black-Scholes formula is used for calculating the maximum number of Performance Rights to be granted. The share price to be used in the formula will be the 14 ASX days (prior to the grant date) VWAP of Saunders shares.

The two Vesting Conditions to be used will be relative total shareholder return (RTSR) and normalised earnings per share growth (NEPSG).

RTSR Tranches: RTSR will be measured by comparing the Company's TSR over the Measurement Period with the TSRs achieved by companies that are in a comparator group and remain listed on the ASX at the end of the Measurement Period. Total shareholder return (TSR) is the percentage return generated from an investment in a company's shares over the Measurement Period assuming that dividends are reinvesting into the company's shares.

The vesting scale will be applied to the tranches subject to objective measurement of Saunders performance relative to the comparator group with the vesting scale ranging continuously from 100% for very good performance to 0% for very poor performance with 50% for on-target performance which would normally represent the 50th percentile of the comparator group.

NEPSG Tranches: NEPSG will be assessed as the compound annual growth rate (CAGR) reflected in the increase in normalised earnings per share (EPS) from the base year (FY2016) to normalised EPS for the final year of the Measurement Period. Normalised EPS will relate to normal operations and will exclude abnormal items as determined by the Board in its discretion.

The vesting scale will be applied to the tranches subject to objective review of Saunders performance with the vesting scale ranging continuously from 100% for very good performance to 0% for very poor performance with 50% for on-target performance.

No tax deduction is available to the company for the value of the Rights granted but it is anticipated that the Company will obtain a tax deduction equal to the value of the Rights when exercised following vesting.

1,047,768 Performance Rights under the Plan were granted to Mr. Mark Benson in FY16. These Performance Rights were granted at nil cost to the grantee. This number of Rights granted was based on the Black-Scholes Formula and the VWAP for 14 days (ending 27 April 2016) share price which was \$0.523. No other director was granted performance rights in FY16. Mr Benson is the only current director entitled to be granted Performance Rights.

No loans will be provided to Mr Benson in relation to the acquisition of Performance Rights under the Plan.

If approved, the Performance Rights will be granted to Mr Benson no later than 30 June 2017.

Recommendation: The non-executive directors recommend that shareholders vote in favour of this resolution.

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Saunders International 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

VOTING FORM

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

STEP 1 Please mark either A or B

A VOTE DIRECTLY

elect to lodge my/our vote(s) directly (mark box)

i in relation to the Annual General Meeting of the Company to be held at **10:30am on Tuesday, 15 November 2016**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

B 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 **10:30am on Tuesday, 15 November 2016 at The Institute of Chartered Accountants, 33 Erskine Street, Sydney (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 1: 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 Resolution 1, even though the Resolution is 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

	For	Against	Abstain*
1 Non Binding Resolution to Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr. Malcolm McComas as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval for the Granting of Performance Rights under the Saunders Performance Rights Plan to the Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * 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.

STEP 2

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).

STEP 3



HOW TO COMPLETE THIS SHAREHOLDER VOTING 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.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – 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 Voting Form, including where the Resolution is 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 Voting 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 Voting Form and the second Voting 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. 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 VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Sunday, 13 November 2016**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting 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 Voting 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 Voting Form).



BY MAIL

Saunders International 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.**