

NOTICE OF ANNUAL GENERAL MEETING

Tuesday 31 October 2017

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 31 October 2017 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 2017

To receive and consider the Financial Statements of the Company for the year ended 30 June 2017, 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 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.

RESOLUTION 2 – Re-election of Mr. Timothy Burnett as 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. Timothy Burnett, 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 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.

RESOLUTION 4 – Ratification of the Issue of Shares to the vendors of the business and various assets of the Civilbuild group of companies

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

“That for the purposes of listing Rule 7.4 and for all other purposes, the shareholders ratify the issue of 4,310,345 fully paid ordinary shares in the capital of the Company to the vendors of the business and various assets of the Civilbuild group of companies on the terms and conditions contained in the Explanatory Statement”.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 by or on behalf of the vendors of the business and various assets of the Civilbuild group of companies, namely Corliaj Pty Ltd, Civilbuild Developments Pty Ltd, PacBay Pty Ltd and Woodscenic Pty Ltd, their directors and associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – Ratification of the Issue of Shares to Institutional and Sophisticated Investors

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

“That for the purpose of listing Rule 7.4 and for all other purposes, the shareholders ratify the issue of 5,500,000 fully paid ordinary shares in the capital of the Company to the institutional and sophisticated investors on the terms and conditions contained in the Explanatory Statement”.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 for and on behalf of any of the entities or persons who participated in the issue and any directors or associates of those entities or persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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: 25 September 2017

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 29 October 2017 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 31 October 2017 commencing at 10.30am.

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

FINANCIAL STATEMENTS AND REPORTS 2017

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 2017. 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 2017 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. TIMOTHY BURNETT 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 Burnett 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 Timothy Burnett is as follows: -

Mr Burnett has over 42 years' experience in the management of engineering and construction projects and companies, of which 15 years was spent as Managing Director of Saunders International. Prior to joining Saunders, he was a Senior Manager with Brown & Root Inc for 9 years where he managed the construction of marine oil and gas facilities in Europe, Asia and Australia. Mr Burnett has a Bachelor of Engineering (Civil) degree from Melbourne University and a MBA degree from Harvard University. Mr Burnett has been a Director of Saunders International since 1990 and is currently the Chairman of the Board.

Recommendation: The directors (excluding Mr Burnett) 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 FY18 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 Rule 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 2018 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
C	20%	250,000	3 years	RTSR
D	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 (FY2017) 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.

476,190 Performance Rights under the Plan were granted to Mr. Mark Benson in FY17. 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 20 March 2017) share price which was \$0.54. No other director was granted Performance Rights in FY17. 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 2018.

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

RESOLUTION 4 – RATIFICATION OF THE ISSUE OF SHARES TO THE VENDOR OF THE BUSINESS AND VARIOUS ASSETS OF THE CIVILBUILD GROUP OF COMPANIES

On 27 February 2017, the Company announced to the ASX that it had entered into a binding agreement to acquire the business and various assets of the Civilbuild group of companies. On 3 April 2017, the Company announced to the ASX that it had completed the acquisition for an upfront consideration of \$3.7 million and the issue of 4,310,345 ordinary shares to the vendors of the business and various assets of the Civilbuild group of companies, valued at that time at approximately \$2.3 million (\$0.53 cents per share).

Resolution 4 seeks to ratify the issue of 4,310,345 ordinary shares to the vendors as part consideration of the acquisition.

Listing Rule Requirements

Listing Rule 7.1 provides that a Company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not break Listing Rule 7.1) those securities will be deemed to be made with shareholder approval for the purpose of Listing Rule 7.1

By ratifying the issue of shares under the Placement, the Company will retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain Shareholder approval.

Resolution 4 is an ordinary resolution.

The following information is provided for the purpose of Listing Rule 7.5:

- (a) 4,310,345 shares were issued on 31 March 2017.*
 - (b) The shares were issued at an issue price of \$0.53 per Share.*
 - (c) 1,724,138 shares rank pari passu with the Company's existing shares.*
 - (d) 2,586,207 shares rank pari passu with the Company's existing shares except they are in escrow for 12 months from the date of issue.*
 - (e) The shares were issued to the vendors of the business and various assets of the Civilbuild group of companies, and the number of shares issued were:*
 - Corliaj Pty Ltd 1,195,294*
 - A.C.N. 002 075 989 Pty Ltd 531,357*
 - PacBay Pty Ltd 1,894,709*
 - Woodscenic Pty Ltd 688,985*
- | | |
|--|------------------|
| | <u>4,310,345</u> |
|--|------------------|
- (f) The issues of the shares is part consideration for the purchase of the business and various assets of the Civilbuild group of companies*
 - (g) A voting exclusion statement in respect of Resolution 4 is set out under Resolution 4 in the Notice of Annual General Meeting preceding this Explanatory Statement.*

Recommendation

The Directors recommend that shareholders vote in favour of Resolution 4

RESOLUTION 5 – RATIFICATION OF THE ISSUE OF SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS

On 6 September 2017, the Company announced that it had successfully completed a placement of 5,500,000 ordinary shares to institutional and sophisticated investors at a fixed price of \$0.50 per share to raise gross proceeds of \$2.75 million. This placement was announced in conjunction with a fully underwritten non-renounceable Rights Offer to Shareholders.

Resolution 5 seeks to ratify the issue of 5,500,000 shares under the placement pursuant to Listing Rule 7.4

Listing Rule Requirements

Listing Rule 7.1 provides that a Company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to be made with shareholder approval for the purpose of Listing Rule 7.1.

By ratifying the issue of shares under the Placement, the Company will retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain Shareholder approval.

Resolution 5 is an ordinary resolution.

The following information is provided for the purpose of Listing Rule 7.5:

- (a) 5,500,000 shares were issued to the institutional and sophisticated investors on or about 14 September 2017.*
- (b) The shares were issued at an issue price of \$0.50 per share.*
- (c) The shares issued rank pari passu with the Company's existing shares.*
- (d) The shares were issued to certain clients of Taylor Collison Limited who are institutional and sophisticated investors who participated in the Placement under section 708 of the Corporations Act. None of the recipients of shares under the placement were related parties of the Company.*
- (e) Funds raised from the issue of the shares will be used to enable the Company to hold the cash reserves required for its ongoing initiatives over the medium term as more fully described in the ASX Announcement dated 6 September 2017.*
- (f) A voting exclusion statement in respect of Resolution 5 is set out under Resolution 5 in the Notice of Annual General Meeting preceding this Explanatory Statement.*

Recommendation

The Directors recommend that shareholders vote in favour of Resolution 5.