



NOTICE OF ANNUAL MEETING

MERCER GROUP LIMITED



Notice is given that the Annual Meeting of Shareholders of Mercer Group Limited (the "**Company**") convened by the Board, will be held on 30 November 2015 commencing at 3:00pm (New Zealand time) at The Langham, 83 Symonds Street, Auckland 1010.

BUSINESS

1. Chairman's Address

2. Chief Executive's Address

3. Resolutions

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

Auditor's Remuneration

Resolution 1: "That the Board of Directors be authorised to fix the auditor's fees and expenses for the coming year."

For further details see explanatory note 1.

Re-election of Directors

Resolution 2: "That John Dennehy be re-elected as a Director of the Company"

Resolution 3: "That Richard Rookes be re-elected as a Director of the Company"

A biography of each Director offering themselves for re-election is set out in explanatory note 2.

Issue of options

Resolution 4: "That the granting of options to John Dennehy or his nominee to subscribe for up to 7,571,429 ordinary shares in the Company on the terms and conditions described in the explanatory notes to this Notice of Meeting be authorised and approved".

Resolution 5: "That the granting of options to Richard Rookes or his nominee to subscribe for up to 10,857,143 ordinary shares in the Company on the terms and conditions described in the explanatory notes to this Notice of Meeting be authorized and approved".

4. General Business

Proxies

A Proxy Form is included with this Notice of Annual Meeting. Any shareholder of the Company, who is entitled to attend and vote at the Annual Meeting, is entitled to appoint a proxy to attend the Annual Meeting and vote on his or her behalf. A proxy does not need to be a shareholder of the Company.

To be valid, a completed Proxy Form must be produced to the Company by delivering, posting, faxing or emailing it to Link Market Services Limited (see Proxy Form for the address). Proxy Forms must be received no later than **3:00pm on Saturday 28 November 2015**.



Resolution requirements

All resolutions will be ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of shareholders who are entitled to vote and voting on the resolution.

Please refer to the explanatory notes that accompany this Notice of Meeting.

By order of the Board of Directors.

John Dennehy
Chairman



EXPLANATORY NOTES

1. AUDITOR'S FEES

Deloitte is automatically reappointed as auditor under section 207T of the Companies Act 1993. Resolution 1 authorises the Board to fix the fees and expenses of the auditor for the current year.

2. RE-ELECTION OF DIRECTORS

John Dennehy was appointed as a Director of the Company in February 2015 by the Board under clause 13.2 of the Company's constitution. In accordance with Listing Rule 3.3.6 and clause 13.5 of the Company's constitution, John Dennehy retires and offers himself for re-election.

Pursuant to clause 13.8 of the Company's constitution and NZX Listing Rule 3.3.11, one third of the Directors must retire by rotation at each annual meeting. In accordance with this, Richard Rookes retires and offers himself for re-election.

In addition, Garry Diack is also retiring at this annual meeting but is not standing for re-election.

John Dennehy

After graduating in Economics and Accounting, John worked in international asset finance in the City of London. He was later a founder of Marketingfile Ltd, a UK based online aggregator of marketing data. He has served on a number of UK and NZ boards, most recently as Chair of Simcro Ltd, the Hamilton based R&D, export led, agritech business which was recently majority sold to the US based Riverside Partners.

The Board considers that John qualifies as an Independent Director.

Richard Rookes

Mr Rookes is CEO of the Company and has been a Director of the Company since 2011.

Prior to becoming CEO of the Company in July 2015, he was an Investment Banker at Murray & Co where he had been since 2005. Prior to that Richard was based in London where he worked as a banker at Salomon Smith Barney and Citigroup. Richard holds a Bachelor of Commerce (Accounting) from the University of Otago, a Diploma for Graduates (Marketing) and a Postgraduate Diploma in Commerce.

Richard is a member of the NZ Institute of Directors and is also a member of the Advisory Committee of St Georges Hospital Society.

As Richard is the CEO of the Company, the Board does not consider that he would qualify as an Independent Director.

3. AUTHORISATION FOR ISSUE OF OPTIONS

Options to John Dennehy

John Dennehy ("John") provides general support and advisory services to the management team of the Company, such additional commitment and services being over and above those normally provided by a director and Board Chair. For the avoidance of doubt, the exercise of executive authority remains with the Company's executive management, led by the CEO. As part of this provision of services (subject to



obtaining the necessary approvals) the Company agrees to grant to John options as detailed in an option agreement that will be entered into between John and the Company.

The option agreement provides that John or his nominee will be granted options to subscribe for ordinary shares in the Company as follows:

- a) an option to subscribe for 4,000,000 ordinary shares in the capital of the Company at an exercise price of \$0.05 per share exercisable in August 2016; and
- b) an option to subscribe for 3,571,429 ordinary shares in the capital of the Company at an exercise price of \$0.07 per share exercisable in August 2017,

provided that John is employed or engaged by the Company at any time in the period 30 days prior to the relevant exercise date.

Options to Richard Rookes

Richard George Nelson Rookes ("**Richard**") is employed by the Company as the Chief Executive Officer, and as part of Richard's employment arrangements (subject to obtaining the necessary approvals) the Company agrees to grant to Richard options as detailed in an option agreement that will be entered into between Richard and the Company.

The option agreement provides that Richard or his nominee will be granted options to subscribe for ordinary shares in the Company as follows:

- a) an option to subscribe for 5,500,000 ordinary shares in the capital of the Company exercisable at \$0.05 per share exercisable in August 2017; and
- b) an option to subscribe for 5,357,143 ordinary shares in the capital of the Company at an exercise price of \$0.07 per share exercisable on in August 2018,

provided that Richard is employed or engaged by the Company at any time in the period 30 days prior to the relevant exercise date.

4. THE TRANSACTIONS

The issue of options to John and Richard together shall be referred to as the "**Transactions**". Assuming John exercises all of his options, the Transactions will result in the issue of 7,571,429 new ordinary shares in the Company to John or his nominee. Assuming Richard exercises all of his options, the Transactions will result in the issue of 10,857,143 new ordinary shares in the Company to Richard or his nominee. Any issue of ordinary shares to John and/or Richard will therefore dilute the shareholding of existing shareholders.

Assuming both John and Richard exercise all their respective options and no further shares in the Company are issued, John would have a maximum holding of 2.29% of the total issued capital of the Company, and Richard would have a maximum holding of 3.29% of the total issued capital of the Company.



5. GENERAL

Voting

Pursuant to Listing Rules 9.3.1 and 9.3.3, any person who is a party to, or a beneficiary of, any person who is an Associated Person of a party to, or beneficiary of, the Transactions contemplated by the Resolutions, is disqualified from voting on the relevant Resolutions. That means that John and his Associated Persons are disqualified from voting (or from acting as discretionary proxies) on Resolution 4 to the extent that they hold any shares in the Company, and Richard and his Associated Persons are disqualified from voting (or from acting as discretionary proxies) on Resolution 5 to the extent that they hold any shares in the Company.

As at the date of this notice, none of John, Richard, nor any person Associated with John or Richard, hold shares in the Company.

Approval of notice of meeting

This Notice of Meeting has been approved by NZX Limited in accordance with Listing Rule 6.1. NZX Limited accepts no responsibility for any statement contained in this Notice of Meeting.

6. LISTING RULES

The following is a detailed analysis of the application of the Listing Rules to the Issue of the Options. To enter into the Transactions, the Company is required to obtain the approval of its Shareholders, by way of an ordinary resolution, pursuant to the Listing Rules as described below.

Shareholder approval needed for issue of options

Listing Rule 7.3.1 prohibits the issue of securities (which includes options) unless the precise terms and conditions of the proposal to issue the securities have been approved by an ordinary resolution. Listing Rule 7.3.1(a) will apply to any issue of options to John, Richard (or their nominees) and, therefore, the precise terms and conditions of the issue of options to John, Richard (or their nominees) will need to be approved by existing Shareholders, by way of an ordinary resolution.

Exemption from Material Transactions requirements

Listing Rule 9.2.1 prohibits the Company from entering into a Material Transaction with a Related Party, unless the Material Transaction is approved by an ordinary resolution. Listing Rule 9.2.5 further provides that the text of any such resolution to be put to shareholders to approve a Material Transaction with a Related Party must be accompanied by an Appraisal Report from an independent and appropriately qualified person approved by NZX.

For the purposes of the Listing Rules, Related Party is defined in Listing Rule 9.2.3 and includes any person who, at the time of a Material Transaction, is or was at any time within six months before a Material Transaction, a director or executive officer of the Company. As at the date of this Notice of Meeting, both John and Richard are directors of the Company. Additionally, John provides executive services to the Company and Richard is the CEO.

In the absence of any relevant exemption, any issue of options to John and Richard (or their nominees) pursuant to the Transactions will be a Material Transaction with a Related Party requiring Shareholder approval under Listing Rule 9.2.1 by way of an ordinary resolution, because:



- c) the options issued to John (or his nominee) have an actual gross cost to the company that is likely to exceed an amount equal to 1% of the Company's Average Market Capitalisation (as that term is defined in the Listing Rules) (Listing Rule 9.2.2(e)); and
- d) the options issued to Richard (or his nominee) have an actual gross cost to the company that is likely to exceed an amount equal to 1% of the Company's Average Market Capitalisation (as that term is defined in the Listing Rules) (Listing Rule 9.2.2(e)).

However, Listing Rule 9.2.4(d) provides an exemption to Listing Rule 9.2.1. Listing Rule 9.2.4(d) provides that Listing Rule 9.2.1 shall not apply to:

An employment contract or contract for personal services with an Issuer which is a Material Transaction under Rule 9.2.2(e) where:

- i. The terms of the contract are set on an arm's length, commercial basis and have been approved by the Independent Directors of the Issuer; and*
- ii. The Independent Directors approving the contract sign and deliver to NZX a certificate stating Rule 9.2.4(d)(i) has been complied with; and*
- iii. Material particulars of the contract (including the Issuer's use of this exception) are disclosed in the next annual report of the Issuer.*

This exemption means that the Company is not required to seek the approval of the shareholders under Listing Rule 9.2.1 for a Material Transaction with a Related Party and is not required to prepare and present an Appraisal Report under Listing Rule 9.2.5, where the Independent Directors have signed and delivered to the NZX a certificate complying with Listing Rule 9.2.4(d).

In accordance with this requirement, the Independent Directors of the Company have determined that both John and Richard's option agreements are set on an arm's length, commercial basis, and will deliver the required certificate to the NZX.

The Independent Directors determined this on the basis that the terms of both John and Richard's option agreements are substantially the same as previous option agreements the Company has entered into with executives (except that John and Richard's agreements provide for a 12 month lock-up period after exercise), and on the basis that the exercise price of the options was determined by reference to the current share price and was discussed and agreed to by the full Board as appropriate and reasonable.

Summary of applicable Listing Rules

The Company is required to seek shareholder consent to the Transactions under Listing Rule 7.3.1(a). The Company is not required to seek consent for a Material Transaction to a Related Party under Listing Rule 9.2.1, and is not required to prepare an Appraisal Report under Listing Rule 9.2.5 because the Transactions are exempted under Listing Rule 9.2.4(d).