
MCS Services Ltd

ACN 119 641 986

NOTICE OF GENERAL MEETING

**A general meeting of the Company will be held at the offices of Stantons International,
Level 2, 1 Walker Avenue, West Perth, Western Australia 6005 on Tuesday, 19 September 2017
commencing at 10:30 am (WST)**

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

*Should you wish to discuss any matter please do not hesitate to contact the Company by
telephone on +61 (0)438 885 055*

Shareholders are urged to attend or vote by lodging the proxy form attached to this Notice.

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NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of MCS Services Limited (Company) will be held at the offices of Stantons International, Level 2, 1 Walker Avenue, West Perth, Western Australia 6005 on Tuesday, 19 September 2017 commencing at 10:30 am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on the matter to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 17 September 2017 at 7.00 pm (Sydney time).

Terms and abbreviations used in this Notice (including the Explanatory Memorandum) are defined in Schedule 1.

AGENDA

SPECIAL BUSINESS

1. RESOLUTION - APPROVAL OF SELECTIVE SHARE BUY-BACK AGREEMENT

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That, pursuant to and in accordance with section 257D of the Corporations Act and for all other purposes, the Shareholders approve the terms of the 2017 Buy-Back Agreement for the selective buy-back of 18,000,000 Shares from Mr John Bartholomew Boardman on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by:

- (a) Mr John Bartholomew Boardman; and
- (b) an associate of Mr John Bartholomew Boardman.

However, the Company will not disregard a vote if:

- (c) 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
- (d) 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.

The Chairman intends to exercise all available proxies in favour of the Resolution.

Dated: 16 August 2017

By order of the Board

A handwritten signature in black ink, appearing to read 'Jonathan Asquith', written over a horizontal line.

Jonathan Asquith

Company Secretary

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of Stantons International, Level 2, 1 Walker Avenue, West Perth, Western Australia 6005 on Tuesday, 19 September 2017 commencing at 10:30 am (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolution will be voted.

A Proxy Form is located at the end of this Explanatory Memorandum.

2. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolution.

2.1 Proxies

A Proxy Form is attached to this Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 10:30 am (WST) on 17 September 2017, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. RESOLUTION - APPROVAL OF SELECTIVE SHARE BUY-BACK AGREEMENT

3.1 Background

In September 2016, the Company announced to the ASX that it had entered into a selective buy-back agreement with Mr John Bartholomew Boardman (**2016 Buy-Back Agreement**) to buy back 18,000,000 Shares held by Mr John Bartholomew Boardman (**Buy-Back Shares**).

The Buy-Back Shares had been issued to Mr John Bartholomew Boardman in connection with the purchase of all the issued capital in John Boardman Pty Ltd (trading as Intiga Security) (**JBL**) by the Company pursuant to a sale and purchase agreement (**SPA**). In consideration for buying back the Buy-Back Shares, the Company agreed to issue Mr John Bartholomew Boardman with 27,000,000 unlisted options to acquire ordinary fully paid shares in the capital of the Company (**Options**) and to release Mr John Bartholomew Boardman from certain potential liability under the SPA. The Options were to have an exercise price of \$0.06 and were to expire on 30 October 2020. Shareholders approved the Company completing the 2016 Buy-Back Agreement at the Company's 2016 Annual General Meeting (**2016 AGM**).

However, as announced to the ASX on 18 April 2017, the 2016 Buy-Back Agreement was not completed and a dispute arose between the Company and Mr John Bartholomew Boardman as to whether Mr John Bartholomew Boardman was still required to complete the sale of the Buy-Back Shares. The Company sought and obtained an injunction from the Supreme Court of Western Australia to, amongst other things, prevent Mr John Bartholomew Boardman from transferring the Buy-Back Shares to anyone other than the Company whilst the dispute regarding the respective parties' obligations to complete the 2016 Buy Back Agreement was resolved (**Proceedings**). The injunction pursuant to those Proceedings remains operative as at the date of this Notice

The Company and Mr John Bartholomew Boardman have now reached agreement on the terms of a new buy-back agreement (**2017 Buy-Back Agreement**) to effect the buy-back of the Buy-Back Shares and to settle the disputes arising in relation to the 2016 Buy-Back Agreement,.

Under the terms of the 2017 Buy-Back Agreement, the Company has agreed to buy-back the Buy-Back Shares (**Buy-Back**) in consideration for the Company paying Mr John Bartholomew Boardman a cash sum of \$57,960 (**Consideration Amount**), rather than the previous arrangement to issue 27,000,000 Options to Mr John Bartholomew Boardman.

The Buy-Back is conditional on obtaining the approval of the Company's shareholders, which is the subject of the Resolution set out in the Notice. The Buy-Back pursuant to the 2017 Buy-Back Agreement will not take place unless and until the Resolution is approved by Shareholders. The Company has agreed not to take further steps in relation to the Proceedings whilst the parties are seeking to complete the Buy-Back pursuant to the 2017 Buy-Back Agreement

3.2 What happens if the Buy-Back is approved?

If Shareholders approve the Resolution, then the Company will pay Mr John Bartholomew Boardman the Consideration Amount of \$57,960 in consideration for the buy-back and cancellation of the Buy-Back Shares.

Further, on completion of the Buy-Back:

- (a) the Company will discontinue the Proceedings (with each party to the Proceedings bearing their own costs);
- (b) the Company will irrevocably release and discharge Mr John Bartholomew Boardman from any liabilities that may arise from the SPA due to the provision of information to the Company relating to employee costs;
- (c) Mr John Bartholomew Boardman, and the third party that had sought to acquire the Buy-Back Shares from Mr John Bartholomew Boardman, each irrevocably release and discharge the Company from any claims they may have now or in the future in relation to or in connection with the Buy-Back Shares, the 2016 Buy-Back Agreement or the Proceedings and agree not to bring any claim or proceeding against the Company in connection with these matters.

Other than to the extent of the release set out in section 3.2(b) above, any potential liabilities of the Company and Mr John Bartholomew Boardman in respect to the SPA are unaffected by the 2017 Buy-Back Agreement and the payment of the Consideration Amount to Mr John Bartholomew Boardman. Similarly, save to the extent required for the Company to release Mr John Bartholomew Boardman from liabilities which may have arisen in respect of employee costs, the warranties provided by the Company and Mr John Bartholomew Boardman in the SPA are unaffected by the 2017 Buy-Back Agreement and the payment of the Consideration Amount to Mr John Bartholomew Boardman.

3.3 What happens if the Buy-Back is not approved?

In the event that the Resolution is not passed, the Buy-Back Shares owned by Mr John Bartholomew Boardman will not be bought back and cancelled pursuant to the 2017 Buy-Back Agreement, and Mr John Bartholomew Boardman will retain approximately 8.74% of the issued share capital of the Company subject to resolution of the Proceedings. In this instance there will be no obligation on the Company to discontinue the Proceedings and, after a period of 30 days after the Meeting, the Company may take any further steps in the Proceedings.

3.4 Rationale for the Buy-Back and payment of the Consideration Amount under the 2017 Buy-Back Agreement

The Board considers that the 2017 Buy-Back Agreement is a cost effective mechanism of buying back the Buy-Back Shares and at the same time resolving the ongoing uncertainty associated with the Proceedings and the disputes arising from the 2016 Buy-Back Agreement.

In reaching this position, the Board has taken into account the costs that have already been incurred, as well as the costs that are likely to be incurred, in relation to the Proceedings and the enforcement of the 2016 Buy-Back Agreement. The Board also believes that given the dispute between the parties, the payment of the Consideration Amount in a cash sum is preferable to issuing Options to Mr John Bartholomew Boardman. The Consideration Amount implies a value on each Buy-Back Share of \$0.0032 per Share, which represents a 85% discount to the closing price of the Company's shares on ASX on 15 August 2017 (being the last practicable trading day prior to finalising this Notice) of \$0.021.

The Board considers that the buy back of the Buy-Back Shares on the terms of the 2017 Buy-Back Agreement are in the best interests of the Company.

3.5 Effect of Buy-Back on control and issued capital of the Company

The Company has 205,901,928 Shares on issue as at the date of this Notice.

The 18,000,000 Buy-Back Shares held by Mr John Bartholomew Boardman represents 8.74% of the Company's issued share capital. If the Buy-Back is completed, the Company will have 187,901,928 Shares on issue.

The Buy-Back will result in Mr John Bartholomew Boardman no longer being a substantial holder of the Company for the purposes of the Listing Rules or the Corporations Act.

The Buy-Back will not trigger any person, whether an existing Shareholder or not, to acquire a relevant interest in Shares exceeding 20%. The effect of the Buy-Back on the shareholding of the substantial Shareholders (excluding Mr John Bartholomew Boardman) is shown below:

Shareholder	Shareholding	Current %	Post Buy-Back %
PR &M Simmons Pty Ltd	32,500,000 Shares	15.78%	17.30%
JP Morgan Nominees Pty Ltd	20,986,498 Shares	10.19%	11.17%
National Nominees Pty Ltd	13,527,078 Shares	6.57%	7.20%
Mr Stephen Andrew Wood	10,250,000 Shares	4.98%	5.45%

3.6 Advantages and disadvantages of the Buy-Back

3.6.1 Advantages

Under the 2017 Buy-Back Agreement, the consideration payable by the Company is the payment of the Consideration Amount, being a certain cash sum. Given the size of the Consideration Amount, the Buy-Back will not materially prejudice the Company's ability to pay its creditors.

In addition to achieving the buy back and cancellation of the Buy-Back Shares, a principal advantage of the 2017 Buy-Back Agreement is that it also resolves the disputes arising from the 2016 Buy-Back Agreement and enables Company management to focus primarily on the Company's operations. In the absence of completing the 2017 Buy-Back Agreement, the Company may incur significant costs over an extended period of time in seeking to enforce the 2016 Buy-Back Agreement, with there being no guarantee that the Company would ultimately be successful in such enforcement.

Another potential advantage of the Buy-Back is that the share capital of the Company will be reduced (from 205,901,928 Shares to 187,901,928 Shares) without issuing Options. Other than Mr John Bartholomew Boardman, each Shareholder's percentage interest in the Company will increase at no cost to the Company or the Shareholder (except in relation to the payment of the Consideration Amount).

3.6.2 Disadvantages

Under the 2016 Buy-Back Agreement, the Company had agreed to issue 27,000,000 Options to Mr John Bartholomew Boardman in part consideration for the buy-back and cancellation of the Buy-Back Shares, whereas under the 2017 Buy-Back Agreement the Company has agreed to pay Mr John Bartholomew Boardman a cash sum of \$57,960. Some Shareholders may view the payment of a cash sum by the Company to be a potential disadvantage when compared to the issue of unlisted Options.

Another potential disadvantage is that the 2017 Buy-Back Agreement provides that the Company releases Mr John Bartholomew Boardman from any potential liability relating to the provision of information by him relating to employee costs of JBL under the SPA. The Board notes that the 2016 Buy-Back Agreement contains the same release in favour of Mr John Bartholomew Boardman.

3.6.3 Conclusion of the Board

Having taken into account both the potential advantages and disadvantages of the Buy-Back, the Board considers that the potential disadvantages are outweighed by the potential advantages to the Company. Accordingly, the Board believes the Buy-Back is in the best interests of the Company.

3.7 Division 2, Part 2J.1 the Corporations Act

A company incorporated under, and subject to the provisions of, the Corporations Act may buy-back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures in Division 2 of Part 2J.1 of the Corporations Act.

In accordance with section 257D of the Corporations Act, the terms of a buy-back agreement must be approved by either:

- (a) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

Shareholder approval may be obtained prior to entering into the buy-back agreement or the agreement may be conditional on such approval.

Under section 257H of the Corporations Act:

- (a) all rights attaching to the buy-back shares are suspended once the parties enter into the buy-back agreement;
- (b) the company must not dispose of the buy-back shares once they are bought back; and
- (c) immediately after the registration of the transfer to the company of the shares bought back, the shares must be cancelled.

The Buy-Back is conditional on Shareholder approval under section 257D of the Corporations Act.

The Resolution is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

3.8 Information required by section 257D of the Corporations Act

The information set out in this Explanatory Memorandum and information previously disclosed to Shareholders constitutes all information known to the Company that is material to the decision as to how to vote on the Resolution.

3.9 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the Resolution.

SCHEDULE 1: DEFINITIONS

In this Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Buy-Back has the meaning given in Section 3.1.

2016 Buy-Back Agreement has the meaning given in Section 3.1.

2017 Buy-Back Agreement has the meaning given in Section 3.1.

Buy-Back Shares has the meaning given in Section 3.1.

Chairman means the person appointed to chair the Meeting, or any part of the Meeting, convened by the Notice.

Company means MCS Services Limited (ACN 119 641 986).

Consideration Amount has the meaning given in Section 3.1.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means the notice of meeting which comprises of the notice, agenda, Explanatory Memorandum and Proxy Form.

Option means an option which entitles the holder to subscribe for one Share.

Proxy Form means the proxy form attached to the Notice.

Resolution means the resolution contained in the Notice.

Schedule means a schedule to the Explanatory Memorandum.

Section means a section of the Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Australian Western Standard Time, being the time in Perth, Western Australia.