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# **MCS** Services Ltd

ACN 119 641 986

## NOTICE OF GENERAL MEETING

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**A general meeting of the Company will be held at the offices of Stantons International, Level 2, 1 Walker Avenue, West Perth, Western Australia on Thursday, 30 November 2017 commencing at 10:00 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 on Thursday, 30 November 2017 commencing at 10:00 am (WST)

The Explanatory Memorandum provides additional information on the matters 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 28 November 2017 at 7.00 pm (Sydney time).

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

### **Agenda**

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#### **Financial Report**

To receive and consider the Annual Financial Report of the Company and its controlled entities, the Directors' Report and the Auditors' Report for the year ended 30 June 2017.

#### **Resolution 1 – Adoption of the Remuneration Report**

To consider, and if thought fit, to pass the following as a **non-binding resolution**:

*“That, in accordance with section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2017 be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum.”*

**Voting Prohibition:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person is appointed as proxy by writing that specifies how the proxy is to vote on the proposed resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy:
  - (i) does not specify the way the proxy is to vote on the resolution; and
  - (ii) expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

**Note:** This Resolution is advisory only and does not bind the Directors or the Company.

#### **Resolution 2 – Election of Director – Mr Matthew Ward**

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

*“That, for the purposes of rule 36.2 of the Constitution and for all other purposes, Mr Matthew Ward, being a director of the Company appointed under rule 36.1 of the Constitution, retires, and being eligible, is elected as a director of the Company.”*

### **Resolution 3 – Election of Director – Mr Geoffrey Martin**

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

*“That, for the purposes of rule 36.2 of the Constitution and for all other purposes, Mr Geoffrey Martin, being a director of the Company appointed under rule 36.1 of the Constitution, retires, and being eligible, is elected as a director of the Company.”*

### **SPECIAL BUSINESS**

### **Resolution 4 – Issue of Options to a Director – Mr Bob Kucera**

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

*“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue Mr Bob Kucera (or his nominee) 3,000,000 Options on the terms and conditions and in the manner set out in the Explanatory Memorandum.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Mr Bob Kucera and any of his associates.

However, the Company will not disregard a vote on this Resolution if:

- (a) 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
- (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.

#### **Voting Prohibition**

In accordance with the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy if:

- (a) the person is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way in which the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the person is the Chairman; and
- (d) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

### **Resolution 5 – Issue of Options to a Director – Mr Matthew Ward**

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

*“That, subject to Resolution 2 being passed by the requisite majority, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue Mr Matthew Ward (or his nominee) 3,000,000 Options on the terms and conditions and in the manner set out in the Explanatory Memorandum.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Mr Matthew Ward and any of his associates.

However, the Company will not disregard a vote on this Resolution if:

- (a) 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
- (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.

#### **Voting Prohibition**

In accordance with the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy if:

- (a) the person is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way in which the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the person is the Chairman; and
- (d) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

### **Resolution 6 – Issue of Options to a director – Mr Geoffrey Martin**

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

*“That, subject to Resolution 3 being passed by the requisite majority, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue Mr Geoffrey Martin (or his nominee) 3,000,000 Options on the terms and conditions and in the manner set out in the Explanatory Memorandum.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Mr Geoffrey Martin and any of his associates.

However, the Company will not disregard a vote on this Resolution if:

- (a) 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
- (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.

#### **Voting Prohibition**

In accordance with the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy if:

- (a) the person is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of a member of the Key Management Personnel; and
- (b) the appointment does not specify the way in which the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the person is the Chairman; and
- (d) the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

### **Resolution 7 – Approval of Additional 10% Placement Capacity**

To consider, and if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purpose of Listing Rule 7.1A and all other purposes, approval be given for the allotment and issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula set out in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, and any associate of those persons.

However, the Company will not disregard a vote on this Resolution if:

- (a) 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
- (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.

As at the date of the Notice, the Company has not approached any particular existing Shareholders or class of security holders in relation to the proposed Additional 10% Placement Capacity. Accordingly, no existing Shareholder will be excluded from voting on this Resolution under the voting exclusion statement in the Notice.

Dated: 30 October 2017

By order of the Board

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

**Jonathan Asquith**

Company Secretary

## Important Notes

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### Proxies

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

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.

An appointment of a proxy or power of attorney is not effective for the Annual General Meeting unless and until the Company receives:

- (a) in the case of a proxy, the Proxy Form and, if it is executed by an attorney, the relevant power of attorney or a certified copy of it; and
- (b) in the case of an attorney, the power of attorney or a certified copy of it.

Proxy Forms must be received by the Company no later than 10:00 am (WST) on 28 November 2017, being at least 48 hours before the Meeting.

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

### Nominating the Chairman as proxy

The Chairman intends to vote all undirected proxies in favour of Resolutions 1 to 6.

If the Chairman is to act as your proxy (whether by appointment or by default) and you have not given directions on how to vote in the voting directions section of the Proxy Form for Resolutions 1, 4, 5 and 6, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention notwithstanding the fact that Resolutions 1, 4, 5 and 6 are connected with the remuneration of Key Management Personnel.

### Corporate representatives

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or present to the Company, before the Meeting.

### Enquiries

Shareholders are asked to contact the Company by telephone on +61 (0)438 885 055 if they have any queries in respect of the matters set out in these documents.

**EXPLANATORY MEMORANDUM**

## Introduction

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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 Thursday, 30 November 2017 commencing at 10:00 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 Resolutions will be voted.

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

## Annual Financial Report

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The Corporations Act requires the Annual Financial Report, the Directors' Report, and the Auditor's Report ("Annual Report") to be received and considered at the Meeting. The Corporations Act does not require Shareholders to vote on the Annual Report. However Shareholders attending the Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the financial statements and reports contained within the Annual Report which can be downloaded from the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX:MSG).

The Company's auditor will be present at the Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies, and the independence of the auditor.

## Resolution 1 – Adoption of the Remuneration Report

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The Directors' Report for the year ended 30 June 2017 contains a Remuneration Report which sets out:

- the Board's policy for the remuneration of Directors and executive officers; and
- the remuneration details of each Director and each executive officer named in the Remuneration Report.

In accordance with section 250R of the Corporations Act, the Company submits its Remuneration Report for the year ended 30 June 2017 to Shareholders for consideration and adoption by way of a non-binding resolution.

The Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors or the Company, nor does it affect the remuneration paid or payable to the Company's Directors or executives. However, the Board will take the outcome of the Resolution into account when considering future remuneration policy.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, a resolution ("spill resolution") must be put to Shareholders at the second of those meetings to determine whether the Directors who were in office at the date of approval of the applicable directors' report must stand for re-election.

If the spill resolution is passed by the requisite majority (being an ordinary resolution), then the Company must convene a general meeting of Shareholders (a “spill meeting”) within 90 days of the second annual general meeting, at which all of those Directors will cease to hold office but may offer themselves for re-election. This is being referred to as the ‘2 strikes rule’.

At the Company’s 2016 AGM, less than 25% of the votes cast on the resolution to adopt the Company’s 2016 remuneration report voted against its adoption. As such, regardless of the voting on Resolution 1, a spill resolution is not required to be considered at the 2017 AGM.

The Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

## Resolutions 2 and 3 – Election of Directors

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### **Background**

The Constitution allows the Board to appoint at any time a person to be a Director but only where the total number of Directors does not any time exceed the maximum number for the time being allowed under the Constitution. Any Director so appointed holds office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr Matthew Ward was appointed on 29 November 2016 and Mr Geoffrey Martin was appointed on 14 July 2017 and, in accordance with rule 36.2 of the Constitution, each retire and, being eligible, will seek election as a Director of the Company.

The experience, qualifications and other information about Mr Matthew Ward and Mr Geoffrey Martin appear below.

### **Resolution 2 – Election of Director – Mr Matthew Ward**

Mr Matthew Ward is a chartered accountant who has worked in senior positions for domestic companies including Wesfarmers and internationally including KPMG in London. He has over 30 years of financial and commercial experience including involvement in a range of corporate activities such as acquisitions, divestments, capital raisings, strategic reviews, investment analysis and contract negotiations.

The Directors (excluding Mr Ward) recommend that Shareholders vote in favour of Resolution 2.

### **Resolution 3 – Election of Director – Mr Geoffrey Martin**

For many years Mr Geoffrey Martin was occupied with the development of the family retailing business, Archie Martin and sons. As a director and joint managing director, Mr Martin oversaw the conversion of the business into a public company, its ASX listing and eventual takeover by Parrys Ltd. Mr Martin served for six years on the Board of Racing and Wagering WA and is presently a Board member of RSL Care WA

The Directors (excluding Mr Martin) recommend that Shareholders vote in favour of Resolution 3.



## Resolutions 4, 5 and 6 – Issue of Options to Directors

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### Background

Resolutions 4, 5 and 6 seek Shareholder approval for the issue of a total of 9,000,000 Options to Directors (or their nominees) as follows:

Resolution	Director	Quantity	Exercise Price	Expiry Date
Resolution 4	Mr Bob Kucera	3,000,000	4 cents	30 November 2022
Resolution 5	Mr Matthew Ward	3,000,000	4 cents	30 November 2022
Resolution 6	Mr Geoff Martin	3,000,000	4 cents	30 November 2022

The terms and conditions of the Options are set out in Annexure A.

The specific number of Options for each of Mr Kucera, Mr Ward and Mr Martin was chosen by the Board (excluding Mr Kucera, Mr Ward and Mr Martin respectively) as an appropriate number to attract and also retain directors of their particular skills and experience, to form part of a reasonable remuneration package and to provide a realistic and meaningful incentive to Mr Kucera, Mr Martin and Mr Ward. In this regard, the Option exercise price is at a premium to the Company's share price as at 25 October 2017, the last date practicable before finalising this document.

The issue of Options to Mr Kucera, Mr Ward and Mr Martin is a more cost effective incentive for the Company as opposed to the payment of additional cash compensation to those directors. Alternatives such as providing higher directors fees, cash payments or cash bonuses to Mr Kucera, Mr Ward and Mr Martin were considered by the Board (excluding Mr Kucera, Mr Ward and Mr Martin respectively) however, these were considered inappropriate by the Board (excluding Mr Kucera, Mr Ward and Mr Martin respectively) because they would reduce the Company's cash position at a time when the Company wishes to minimise cash expenditure and preserve its cash reserves.

### Listing Rule 10.11

Listing Rule 10.11 provides that the Company must not issue equity securities to a related party (such as a director of the Company) unless one of a number of exceptions applies, or shareholder approval is obtained. Accordingly, Resolutions 4, 5 and 6 seek the approval of the Company's shareholders to the proposed issue of Options to each of Mr Bob Kucera, Mr Matthew Ward and Mr Geoffrey Martin (or their nominee(s)) for the purposes of Listing Rule 10.11.

As the Company is seeking Shareholder approval under Listing Rule 10.11 pursuant to Resolutions 4, 5 and 6, the Company is not required to seek separate Shareholder approval under ASX Listing Rule 7.1. Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue, or agree to issue, during any 12 month period any equity securities (or other securities with rights to conversion to equity), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period. Accordingly, one of the effects of passing Resolutions 4, 5 and 6 will be to allow the Company to issue the 9,000,000 Options proposed to be issued without using up any of the Company's 15% placement capacity.

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in respect of the 9,000,000 Options proposed to be issued under Resolutions 4, 5 and 6:

- (a) **(names of the person receiving the securities):** the Options will be issued to Mr Bob Kucera, Mr Matthew Ward and Mr Geoffrey Martin, each a Director of the Company (or their nominee(s));
- (b) **(maximum number of securities):** the combined maximum number of Options to be issued by the Company to Messrs Kucera, Ward and Martin (or their nominee(s)) is 9,000,000 Options in the proportions set out in the table above;
- (c) **(date of issue):** subject to receiving Shareholder approval, the Options will be issued as soon as practicable following the Meeting and in any event no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);

- (d) **(issue price and terms of the securities)**: the issue price for the Options will be nil and the Options will be exercisable at 4 cents each. The terms and conditions of the Options are set out in Annexure A;
- (e) **(voting exclusion statement)**: voting exclusion statements in respect of Resolutions 4, 5 and 6 are included in the Notice; and
- (f) **(use of funds)**: no funds will be raised by the issue of the Options although the Company will raise 4 cents per Option if and when those Options are exercised. Any funds raised will be used to fund the Company's ongoing activities and for general working capital purposes.

## **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits an Australian public company from providing a financial benefit to a related party unless a specific statutory exception applies or prior shareholder approval is obtained to the giving of the financial benefit. A related party under the Corporations Act includes each director of a public company. "Financial benefit" has a wide meaning and includes the issue of securities by a public company to a director. The issue of Options to Messers Kucera, Ward and Martin amounts to the provision of a "financial benefit" to a related party.

One of the exceptions to the requirement to obtain Shareholder approval in accordance with Chapter 2E of the Corporations Act applies where the financial benefit constitutes part of the related party's "reasonable remuneration".

In relation to Resolution 4, the Board (other than Mr Kucera who was not able to consider the matter due to his interest in the issue of the Options to himself) considers that the issue of the Options to Mr Kucera constitutes part of Mr Kucera's remuneration as an officer of the Company and to give this remuneration is reasonable given the circumstances of both the Company and Mr Kucera (including the responsibilities involved in the office that Mr Kucera holds as the non-executive chairman of the Company). Accordingly, the Board (excluding Mr Kucera) has decided that Shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required for the issue of the options to Mr Kucera.

In relation to Resolution 5, the Board (other than Mr Ward who was not able to consider the matter due to his interest in the issue of the Options to himself) considers that the issue of the Options to Mr Ward constitutes part of Mr Ward's remuneration as an officer of the Company and to give this remuneration is reasonable given the circumstances of both the Company and Mr Ward (including the responsibilities involved in the office that Mr Ward holds as a non-executive director of the Company). Accordingly, the Board (excluding Mr Ward) has decided that Shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required for the issue of the options to Mr Ward.

In relation to Resolution 6, the Board (other than Mr Martin who was not able to consider the matter due to his interest in the issue of the Options to himself) considers that the issue of the Options to Mr Martin constitutes part of Mr Martin's remuneration as an officer of the Company and to give this remuneration is reasonable given the circumstances of both the Company and Mr Martin (including the responsibilities involved in the office that Mr Martin holds as a non-executive director of the Company). Accordingly, the Board (excluding Mr Martin) has decided that Shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required for the issue of the options to Mr Martin.

## **Directors' recommendation**

The Directors (other than Mr Kucera), having considered the alternatives to an issue of Options to Mr Kucera (such as a higher cash-based component of remuneration), believe that the issue of Options to Mr Kucera is reasonable and appropriate and constitutes an important component in his remuneration package and recommend Shareholders vote in favour of Resolution 4.

The Directors (other than Mr Ward), having considered the alternatives to an issue of Options to Mr Ward (such as a higher cash-based component of remuneration), believe that the issue of Options to Mr Ward is reasonable and appropriate and constitutes an important component in his remuneration package and recommend Shareholders vote in favour of Resolution 5.

The Directors (other than Mr Martin), having considered the alternatives to an issue of Options to Mr Martin (such as a higher cash-based component of remuneration), believe that the issue of Options to Mr Martin is reasonable and appropriate and constitutes an important component in his remuneration package and recommend Shareholders vote in favour of Resolution 6.

The Chairman of the meeting intends to vote any undirected proxies in favour of Resolutions 4, 5 and 6.

## Resolution 7 – Approval of Additional 10% Placement Capacity

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### Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital over a 12 month period after the annual general meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution (**Additional 10% Placement Capacity**). The Additional 10% Placement Capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity for the purposes of Listing Rule 7.1A.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the Additional 10% Placement Capacity. The exact number of Equity Securities to be issued under the Additional 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer below).

The Company continues to proactively investigate opportunities that will maximise value for Shareholders. The Company may use the Additional 10% Placement Capacity to raise funds and/or acquire new projects or businesses.

### Overview of Listing Rule 7.1A

#### (a) Shareholder approval

The ability to issue Equity Securities under the Additional 10% Placement Capacity is subject to Shareholder approval by way of a special resolution at an annual general meeting. Accordingly, Resolution 7 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) in order to be passed.

#### (b) Equity Securities

Any Equity Securities issued under the Additional 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of the Notice, the Company has two classes of quoted Equity Securities on issue, being Shares and quoted options exercisable at \$0.44 each and expiring on 15 November 2017. As at the date of this Notice, the Company has 187,901,928 Shares and 4,000,047 quoted options on issue.

#### (c) Formula for calculating Additional 10% Placement Capacity

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 10% Placement Period, the number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement to issue:

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 or 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (D) less the number of fully paid shares cancelled in the 12 months.

*Note that "A" has the same meaning as in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

Based on the 187,901,928 Shares on issue as at the date of this Notice, subject to Shareholder approval being obtained under Resolution 7, 18,790,193 Equity Securities will be permitted to be issued in accordance with Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer above).

**Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the approval of the Additional 10% Placement Capacity:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders upon the issue of the maximum number of Equity Securities under the Additional 10% Placement Capacity, using different variables for the number of ordinary securities for variable "A" (as defined in Listing Rule 7.1A) and the market price of Shares.

The table shows:

- (i) examples where variable "A" is at its current level and where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of

ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) examples of where the issue price of ordinary securities is at the current market price as at close of trading on 25 October 2017, being \$0.025, and where the issue price has decreased by 50% and increased by 100%.

The dilutionary effect will always be 10% if the maximum number of Equity Securities that may be issued under the Additional 10% Placement Capacity are issued.

Variable "A" in Listing Rule 7.1A.2	Dilution	50% decrease in issue price	Issue Price	100% increase in issue price
		\$0.0125	\$0.025	\$0.050
Current Variable "A" 187,901,928 Shares	10%	18,790,193	18,790,193	18,790,193
	Funds raised	\$234,877	\$469,755	\$939,510
50% increase in Current Variable "A" 281,852,892 Shares	10%	28,185,290	28,185,290	28,185,290
	Funds raised	\$352,316	\$704,632	\$1,409,264
100% increase in Current Variable "A" 375,803,856 Shares	10%	37,580,386	37,580,386	37,580,386
	Funds raised	\$469,755	\$939,510	\$1,879,019

**Note:** The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the Additional 10% Placement Capacity.
  - (ii) No options over Shares are exercised into Shares before the date of the issue of the Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vii) The issue of Equity Securities under the Additional 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (c) Approval of the Additional 10% Placement Capacity will be valid during the period from the date of the Meeting and will cease to be valid on the earlier to occur of:
- (i) the date that is 12 months after the date of the Meeting; or
  - (ii) in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking),
- (the **10% Placement Period**).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new projects or businesses. In such circumstances the Company will comply with the minimum issue price limitation under Listing Rule 7.1.A.3 in relation to such issue and will release the valuation of the non-cash consideration to the market; or
  - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards investing in new business opportunities (including an acquisition of new projects or businesses and expenses associated therewith) and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities under the Additional 10% Placement Capacity.

- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the Additional 10% Placement Capacity. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the Additional 10% Placement Capacity have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company or introduced by way of advice from corporate, financial and broking advisers (if applicable).

- (f) The Company has previously obtained Shareholder approval under Listing Rule 7.1A at the Company's annual general meetings held on 29 November 2012, 7 November 2013 and 27 November 2014.

For the purposes of Listing Rule 7.3A.6, the Company had 201,610,212 Equity Securities on issue on 30 November 2016, being the date that is 12 months preceding the date of the Meeting. The Company has issued 4,291,716 Equity Securities (all being Shares) in the 12 months preceding the date of the Meeting which represents 2.1% of the Equity Securities on issue at the start of the 12 months preceding the date of the Meeting. Please refer to Annexure B of this Explanatory Memorandum for details of the Equity Securities issued by the Company in the 12 months preceding the date of the Meeting.

- (g) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholders votes will therefore be excluded under the voting exclusion in the Notice.

### **Directors' recommendation**

The Board believes that Resolution 7 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of the Resolution.

## Schedule 1 – Definitions

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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.

**Chairman** means the chairman of the Meeting from time to time.

**Closely Related Party** has the meaning given to that term in the Corporations Act.

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

**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.

**Equity Securities** has the meaning given to that term in the Listing Rules.

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

**Key Management Personnel** has the meaning given to that term in the Corporations Act.

**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 resolutions set out in the Notice, or any one of them, as the context requires.

**Schedule** means a schedule to the Explanatory Memorandum.

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

**Shareholder** means a registered holder of a Share.

**Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP** means volume weight average price.

## Annexure A – Terms and Conditions of the Options

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- (a) Each Option entitles the holder to subscribe for one Share upon payment of the exercise price of \$0.04 per Share (“Exercise Price”).
- (b) The Options are exercisable on or before 30 November 2022.
- (c) The Options may be exercised in whole or in part, by notice in writing to the Company at any time prior to 30 November 2022.
- (d) Option holders will be permitted to participate in new issues of securities on the prior exercise of the Option in which case the option holders will be afforded at least 10 business days’ notice prior to and inclusive of the books close date, (to determine entitlements to the issue) to exercise the Option.
- (e) Shares issued on the exercise of the Options will be issued not more than 14 business days after receipt of a properly executed Notice of Exercise of Options.
- (f) If at any time the issued capital of the Company is reorganised, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.
- (g) These terms and conditions may be varied by the Company to comply with the Listing Rules of the Australian Securities Exchange.
- (h) The Options do not confer the right to a change in exercise price or a change in the number of underlying securities over which the Options can be exercised.
- (i) The Options will be unlisted and quotation of the Options will not be sought.



## Annexure B – Securities issued in previous 12 months

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<b>Date of issue</b>	<b>Number of securities issued</b>	<b>Class of equity security</b>	<b>Summary of the terms of class of equity security</b>	<b>Names of persons who received securities or basis on which those persons was determined</b>	<b>Price</b>	<b>Cash/non-cash consideration</b>	<b>Current value of non-cash consideration</b>
16 December 2016	4,291,716	Shares	Same as existing Shares <sup>1</sup>	The Shares were issued to various Shareholders who elected to participate in the Company's dividend reinvestment plan announced on 2 November 2016 ( <b>DRP</b> )	\$0.025 per Share (representing a discount of approximately 4% to the market price of \$0.026 at the time of issue)	Non-cash consideration of \$107,293, this figure being equal to the number of Shares issued pursuant to the DRP multiplied by the deemed issue price	\$107,293

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<sup>1</sup> The terms of fully paid ordinary shares are set out in the Constitution. This includes the right to share in the surplus assets of the Company on a winding up and the right to attend and vote at general meetings.