

Information Memorandum

ACN 610 937 598 Limited proposed to be renamed

Michael Hill International Limited

ACN 610 937 598

For an application for admission to the official list of ASX

Information Memorandum

1. Purpose of this Information Memorandum

This Information Memorandum is dated 9 June 2016 and has been prepared by ACN 610 937 598 Limited (proposed to be renamed Michael Hill International Limited ACN 610 937 598) (**MHI Australia** or the **Company**) in connection with its application for:

- (a) admission to the official list of ASX; and
- (b) official quotation of its Shares on the securities market conducted by the ASX.

The application by MHI Australia to admission to the official list of ASX is an integral part of the proposed corporate restructure and re-domicile of the Group.

The Group is proposing a corporate restructure and re-domicile to Australia by MHI Australia becoming the new parent company of the Group, listing on ASX and applying for listing on the NZX Main Board as a dual listed issuer (**Restructure**).

For further information on the Restructure, please refer to the Scheme Booklet which is incorporated by reference into this Information Memorandum.

This Information Memorandum is not a prospectus complying with the *Corporations Act 2001* (Cth) and will not be lodged with the Australian Securities & Investments Commission.

This Information Memorandum does not constitute or contain any offer of Shares for subscription or purchase or any invitation to subscribe for or purchase Shares.

A number of words and terms used in this Information Memorandum have defined meanings which appear in the Glossary of this Information Memorandum. Otherwise, capitalised terms used in this Information Memorandum will have the meaning given to those terms in the Scheme Booklet.

2. MHI Australia - Background

MHI Australia is a special purpose entity incorporated and established in Australia for the purposes of the Restructure. It holds no other assets and does not carry on any other operation other than discharging its obligations under the Restructure, which includes seeking admission to and quotation of its Shares on ASX.

Under the Restructure, each shareholder in Michael Hill International (NZ) will effectively exchange their shares for new shares in MHI Australia on a one-for-one basis. Shareholders (other than Ineligible Shareholders) will receive the same number of MHI Australia Shares as they presently hold in Michael Hill International (NZ). Ineligible Shareholders will receive cash consideration following the on market sale of the Shares that would otherwise have been issued to them by an independent foreign holder nominee.

MHI Australia has not raised any capital for the 3 months before, and it will not need to raise any capital for 3 months after, the date of this Information Memorandum.

3. Incorporation of documents by reference

The Scheme Booklet (including the Independent Adviser's Report) has been incorporated by reference into this Information Memorandum.

Information Memorandum

4. ASX Listing

Application has or will be made to the ASX on or about the date of this Information Memorandum for MHI Australia to be admitted to the official list of the ASX and for its Shares to be granted official quotation on the securities market conducted by ASX.

The fact that ASX may admit MHI Australia to the official list of the ASX and permit its Shares to be granted official quotation on the securities market conducted by the ASX is not to be taken, in any way, as an indication of merits of MHI Australia.

ASX does not take any responsibility for in the contents of this Information Memorandum.

5. Disclosure requirements of this Information Memorandum

This Information Memorandum contains all information that investors and their professional advisors would reasonably require to make an informed assessment of the:

- (a) rights and liabilities of the Shares to be issued under the Restructure by MHI Australia; and
- (b) assets and liabilities, financial position and performance, profits and losses and prospects of MHI Australia,

as if this Information Memorandum were a prospectus offering for subscription the same number of Shares for which quotation is sought on ASX (**Disclosure Obligations**).

It is noted that, in line with section 710 of the *Corporations Act 2001* (Cth), the Disclosure Obligations would require that the Information Memorandum must only include information to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in the Information Memorandum. In deciding what information should be included, the MHI Australia has had regard to, relevantly:

- (a) the matters that likely investors may reasonably be expected to know; and
- (b) the fact that certain matters may reasonably be expected to be known to their professional advisers.

Accordingly, the Disclosure Obligations have been discharged by MHI Australia because:

- (a) Michael Hill International (NZ) is an entity listed on NZX and therefore subject to regular reporting and disclosure obligations. Under those obligations, the Michael Hill International (NZ) is obliged to comply with all applicable continuous disclosure and reporting requirements in the NZX Listing Rules;
- (b) the continuous disclosure and reporting requirements in the NZX Listing Rules are substantively the same as the corresponding ASX Listing Rules;
- (c) on completion of the Restructure, MHI Australia will replace Michael Hill International (NZ) as the listed parent entity of the Group;
- (d) no new capital is being raised;
- (e) there will be no change to the existing levels of the Group's funding facilities;
- (f) the operations of the Group will continue without any change following the Restructure; and

Information Memorandum

- (g) information about MHI Australia is already known or provided to the investors, their advisors and the market generally as a consequence of:
 - (1) Michael Hill International (NZ)'s disclosure requirements imposed by the NZX Listing Rules;
 - (2) MHI Australia replacing Michael Hill International (NZ) as the ultimate parent entity of Group;
 - (3) the Group's financial performance and position and operations generally remaining unchanged;
 - (4) the additional information disclosed in this Information Memorandum and the Scheme Booklet.

MHI Australia will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Anticipated Listing Date:

- (a) The Group's annual financial report for the period ending 30 June 2015 (**Annual Report**);
- (b) The Group's reviewed half-yearly financial statements for the Company for the period ending 31 December 2015; and
- (c) any other financial statements or trading result announcements and any continuous disclosure notices given by Michael Hill International (NZ) to NZX, in the period starting immediately after release of the Annual Report and ending on the Anticipated Listing Date.

A description of the Group's business is contained in its most recent the Annual Report, available at the Michael Hill International (NZ)'s website: www.michaelhill.com.

The NZX Announcements that Michael Hill International (NZ) has made since the date of lodgement of the Annual Report are set out in Appendix A of this Information Memorandum. Copies of these NZX announcements may be obtained by requesting a copy from MHI Australia, on the NZX website <https://www.nzx.com/companies/MHI/announcements> or Michael Hill International (NZ)'s website: www.michaelhill.com.

MHI Australia will issue a supplementary information memorandum should MHI Australia become aware of any of the following between the date of this Information Memorandum and the date MHI Australia's securities are quoted on ASX:

- (a) a material statement in this Information Memorandum is misleading or deceptive;
- (b) there is a material omission from this Information Memorandum;
- (c) there has been a significant change affecting a matter included in this Information Memorandum; or
- (d) a significant new circumstance has arisen and it would have been required to be included in this Information Memorandum.

6. Capital Structure

The table below shows the existing and proposed capital structure of MHI Australia, broken down to show:

Information Memorandum

- (a) the number and class of each equity security and each debt security currently on issue (See Section 1 of the table);
- (b) the number and class of each equity security and each debt security proposed to be issued between the date of this Information Memorandum and the date the entity is admitted to the ASX official list (See Section 2 of the table); and
- (c) the resulting total number of each class of equity security and debt security proposed to be on issue at the date the entity is admitted to the official list (See Section 2 of the table).

No equity securities are proposed to be issued following admission in accordance with any material contracts or agreements.

| | Equity Security | Class | Number | Holder | Comment |
|--|-----------------|--|--------------------|--|---|
| SECTION 1 | | | | | |
| <i>Current - prior to Hill HoldCo acquisition and Implementation</i> | | | | | |
| MHI (NZ) | Shares | Fully paid ordinary | 202,644,452 | Hill HoldCo | Hill HoldCo to be acquired by MHI Australia prior to Implementation |
| | | | 180,494,061 | MHI(NZ) Shareholders (Other than Hill HoldCo). | Shares to be acquired by MHI Australia upon Implementation. |
| | | Total | 383,138,513 | | |
| | | Fully paid ordinary (denoted as treasury shares) | 14,677 | MHI (NZ) | To be cancelled prior to Implementation |
| | | TOTAL | 383,153,190 | | |
| | Options | | 13,750,000 | Various employees of Group | To be novated to MHI Australia upon Implementation |
| | | | | | |
| MHI Australia | Shares | Class A RPS (Redeemable Preference Shares) | 1 | Founder shareholder | To be redeemed and cancelled upon issue of ordinary shares. |

Information Memorandum

| | | | | | |
|---|---------|---------------------|--------------------|---|--|
| SECTION 2 | | | | | |
| <i>Post-Implementation¹ and upon ASX listing</i> | | | | | |
| MHI (NZ) | Shares | Fully paid ordinary | 202,644,452 | Hill HoldCo (Note MHI Australia will hold 100% of Hill HoldCo). | |
| | | | 180,494,061 | MHI Australia | |
| | | Total | 383,138,513 | | |
| MHI Australia | Shares | Fully paid ordinary | 202,644,452 | Hill HoldCo shareholders | To be issued upon completion of Hill HoldCo acquisition. |
| | | | 180,494,061 | Persons who were MHI(NZ) shareholders (other than Hill HoldCo) prior to Implementation. | To be issued upon Implementation. |
| | | Total | 383,138,513 | | |
| | Options | See section 7. | 13,750,000 | Various employees of Group | To be novated from MHI (NZ) upon Implementation |
| | | | | | |

7. Group Options

As part of the Restructure, the Employee Options, originally issued by Michael Hill International (NZ) as the listed parent, will be novated from Michael Hill International (NZ) to MHI Australia on substantially the same terms except:

- (a) that the shares issued on exercise of the Employee Options will relate to MHI Australia Shares in the place of shares in Michael Hill International (NZ); and
- (b) to ensure compliance with the ASX Listing Rules, the Further Options Terms contained in Appendix B will apply to the Employee Options with effect from the novation.

Details of the Employee Options (including the Exercise Price) are included in Appendix C.

¹ Which will occur prior to ASX listing.

Information Memorandum

8. Corporate Governance

8.1 Corporate Governance Charter

MHI Australia has adopted a Corporate Governance Charter (**Corporate Governance Charter**).

The Corporate Governance Charter can be obtained, at no cost, from MHI Australia's registered office and is also available on the Group's website www.michaelhill.com.

The following summary of the Corporate Governance Charter is provided pursuant to Condition 13 of Listing Rule 1.1.

8.2 General

To the extent applicable, commensurate with MHI Australia's size and nature, MHI Australia has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**). The Directors will seek, where appropriate, to provide accountability levels that meet or exceed the Recommendations, which are not prescriptions, but guidelines.

MHI Australia's main corporate governance policies and practices are outlined below.

8.3 Board of Directors

The Board oversees MHI Australia's business and is responsible for the overall corporate governance of MHI Australia. It monitors the operational, financial position and performance of MHI Australia and oversees its business strategy, including approving the strategy and performance objectives of MHI Australia.

The Board is committed to maximising performance and generating value and financial returns for shareholders. To further these objectives, the Board has created a framework for managing MHI Australia, including the adoption of relevant internal controls, risk management processes and corporate governance policies and practices which the Board believes are appropriate for the business and which are designed to promote the responsible management and conduct of MHI Australia.

8.4 Composition of the Board

The Board is currently comprised of five non-executive Directors, including the Chairperson. Biographies of the Directors are provided in the Scheme Booklet.

As MHI Australia's activities increase in size, nature and scope, the size of the Board required to adequately govern MHI Australia's activities will be reviewed, and the optimum number of Directors will be determined within the limitations imposed by the Constitution.

In assessing the independence of directors, MHI Australia has regard to Principle 2 of the Recommendations. The Corporate Governance Charter sets out further matters that the Board will consider when determining the independence of directors of MHI Australia.

Each Director has confirmed to MHI Australia that he or she anticipates being available to perform his or her duties as a non-executive director, without constraint from other commitments.

8.5 Corporate Governance Committee

The Board does not consider it appropriate to establish a corporate governance committee at this time. Instead, the Board members will share the responsibility of ensuring that MHI

Information Memorandum

Australia meets its corporate governance obligations under the relevant provisions of the Corporations Act and ASX Listing Rules. The Board will review this position and adopt a corporate governance committee if appropriate.

8.6 Identification and Management of Risk

MHI Australia has established an audit and risk committee (**Audit and Risk Management Committee**) to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to MHI Australia. The Audit and Risk Committee will be responsible for reviewing and making recommendations to the Board in relation to the adequacy of MHI Australia's processes for managing risks and developing an appropriate risk management policy framework to provide guidance to company management.

8.7 Remuneration Committee

The Board has established a people, development and remuneration committee (**Remuneration Committee**) to ensure that remuneration is fair and adequate, and accords with MHI Australia's capacity and business plan. The Remuneration Committee's role is to review and make recommendations in relation to management remuneration and incentive plans and policies, as well as in relation to MHI Australia's recruitment, retention and termination policies and procedures for senior management.

8.8 Nominations Committee

The Board has not formally established a nominations committee at this time as the Board considers that it is able to deal efficiently and effectively with Board composition and succession issues without establishing a separate nomination committee and in doing so, the Board will be guided by the Corporate Governance Charter and applicable provisions of the ASX Listing Rules and Corporations Act.

8.9 Diversity Policy

Historically, the people, development and remuneration committee of Michael Hill International (NZ) has monitored and made recommendations regarding Group diversity at senior executive and Board level. MHI Australia will continue to maintain this practice through its newly adopted diversity policy (**Diversity Policy**), which the Remuneration Committee is to be tasked with overseeing. Broadly, the Diversity Policy seeks to ensure that MHI Australia is attuned to diverse corporate, business and market opportunities and strategies to achieve the Company's corporate targets through managing and facilitating the collective skills and experience of personnel within the Company's systems and culture.

The Diversity Policy can be found in full in the Corporate Governance Charter.

8.10 Ethical Standards

MHI Australia is committed to the establishment and maintenance of appropriate ethical standards. Accordingly, MHI Australia has adopted a Corporate Ethics Policy and a corporate Code of Conduct. The Code of Conduct establishes the principles, standards and responsibilities to which MHI Australia is committed with respect to both its internal dealings with employees and consultants, and external dealings with Shareholders and the community at large.

The responsibilities contained within the Code of Conduct include:

- (a) to increase shareholder value within an appropriate framework which safeguards the rights and interests of MHI Australia's Shareholders and the financial community;

Information Memorandum

- (b) compliance with all legislative and common law requirements which affect its business;
- (c) compliance with the applicable legal rules regarding privacy, privileges, private and confidential information; and
- (d) compliance with the laws and regulations of the countries in which its businesses operate and acting in an ethical manner, consistent with the principles of honesty, integrity, fairness and respect.

8.11 Share Trading Policy

MHI Australia has adopted a Trading Policy which is intended to ensure that persons who are discharging managerial responsibilities including but not limited to directors, do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods leading up to an announcement of MHI Australia.

Under the terms of the Trading Policy, a 'Restricted Person' (as identified in the Trading Policy) must not deal with securities of MHI Australia unless a clearance to deal is obtained in accordance with the Trading Policy or the dealing is an Excluded Dealing (as identified in the Trading Policy). Further, a Restricted Person must not deal with securities of MHI Australia if such a dealing would involve:

- (a) use of inside information;
- (b) short-term selling;
- (c) short selling; or
- (d) hedging transactions.

8.12 Compliance with Recommendations

The table below summarises how MHI Australia complies with the Recommendations, and, in the case of non-compliance, why not. The Board is of the view that with the exception of the departures from the Recommendations noted below it otherwise complies with all of the Recommendations.

| Principle Number | Best Practice Recommendation | Compliance (Yes/No) |
|------------------|--|---------------------|
| 1 | <i>Lay solid foundations for management and oversight</i> | |
| 1.1 | Disclose the respective roles and responsibilities of the board and management and those matters expressly reserved to the board and those delegated to management. | Yes |
| 1.2 | Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in MHI Australia's possession relevant to a decision on whether or not to elect or re-elect a director. | Yes |
| 1.3 | Have a written agreement with each director and senior executive setting out the terms of their appointment. | Yes |
| 1.4 | The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Yes |
| 1.5 | <ul style="list-style-type: none"> • Have a diversity policy which includes requirements for the board or a relevant committee of the board to set | Yes |

Information Memorandum

| | | |
|----------|--|-----------------------|
| | <p>measurable objectives for achieving gender diversity and to assess annually both the objectives and MHI Australia's progress in achieving them.</p> <ul style="list-style-type: none"> • Disclose that policy or a summary of it. • Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with MHI Australia's diversity policy and its progress toward achieving them and either the respective proportions of men and women on the board, in senior executive positions across the whole organisation (including how the entity has defined "senior executive" for these purposes) or if MHI Australia is a relevant employer" under the <i>Workplace Gender Equality Act 2012 (Cth)</i>, MHI Australia's most recent "Gender Equality Indicators", as defined in and published under that Act. | |
| 1.6 | Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose whether a performance evaluation was undertaken in accordance with that process. | Yes |
| 1.7 | Have and disclose a process for periodically evaluating the performance of senior executives and disclose whether a performance evaluation was undertaken in accordance with that process. | Yes |
| 2 | <i>Structure the Board to add value</i> | |
| 2.1 | Does the Board have a nomination committee. If the Board does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | No (See Section 8.8). |
| 2.2 | Have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | No (See Note 1). |
| 2.3 | <ul style="list-style-type: none"> • Disclose the names of the directors considered by the Board to be independent directors. • If a director has an interest, position, association or relationship that might cause doubts about the independence of a director, disclose the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion. • Disclose the length of service of each director. | Yes |
| 2.4 | The majority of the Board should be independent directors. | Yes |
| 2.5 | The chair of the Board should be an independent director and, in particular, should not be the same person as the chief executive officer. | No (See Note 2). |
| 2.6 | Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Yes |
| 3 | <i>Act ethically and responsibly</i> | |
| 3.1 | Have a code of conduct for directors, senior executives and employees and disclose that code or a summary of it. | Yes |
| 4 | <i>Safeguard integrity in corporate reporting</i> | |
| 4.1 | The Board should have an audit committee which: | Yes |

Information Memorandum

| | | |
|----------|---|--------------------|
| | <ul style="list-style-type: none"> • has at least three members, all of whom are non-executive directors; and • a majority of whom are independent directors; and • be chaired by an independent director who is not the chair of the board; and • disclose the charter of the committee, the relevant qualifications and experience of the members of the committee; and • in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | |
| 4.2 | The Board should, before it approves the entity's financial statements for a financial period, receive from its chief executive officer and chief financial officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Yes. (See Note 3). |
| 4.3 | Ensure that MHI Australia's external auditor attends the annual general meeting and is available to answer questions from security holders relevant to the audit. | Yes |
| 5 | <i>Make timely and balanced disclosure</i> | |
| 5.1 | Establish a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and disclose that policy or a summary of it. | Yes |
| 6 | <i>Respect the rights of shareholders</i> | |
| 6.1 | Provide information about MHI Australia and its governance to investors via MHI Australia's website. | Yes |
| 6.2 | Design and implement an investor relations program to facilitate effective two-way communication with investors. | Yes |
| 6.3 | Disclose policies and processes in place to facilitate and encourage participation at meetings of security holders. | Yes |
| 6.4 | Give security holders the option to receive communications from, and send communications to, MHI Australia and its security registry electronically. | Yes |
| 7 | <i>Recognise and manage risk</i> | |
| 7.1 | <p>Have a committee or committees to oversee risk, each of which has:</p> <ul style="list-style-type: none"> • at least three members; and • a majority of whom are independent directors; and • are chaired by an independent director; and • disclose the charter of the committee and the members of the committee; and • at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | Yes |
| 7.2 | The Board or committee of the board should review MHI Australia's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has | Yes |

Information Memorandum

| | | |
|----------|---|-----------------|
| | taken place. | |
| 7.3 | Disclose if it has an internal audit function, how the function is structured and what role it performs or if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes. | Yes |
| 7.4 | Disclose whether MHI Australia has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks. | Yes |
| 8 | <i>Remunerate fairly and responsibly</i> | |
| 8.1 | The Board should have a remuneration committee which has: <ul style="list-style-type: none"> • at least three members, all of whom are independent directors; and • is chaired by an independent director; and • disclose the charter of the committee, the members of the committee; and • at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings. | No (See Note 4) |
| 8.2 | Separately disclose policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Yes |
| 8.3 | Have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it. | Yes |

Note 1 – Board skills matrix

MHI Australia has not adopted a board skills matrix at this time. MHI Australia is satisfied that it currently, has an appropriate, balanced, rich and diverse range of skills and knowledge among the Board members, necessary to govern MHI Australia. MHI Australia's People, Development and Remuneration Committee will ensure that the necessary breadth and depth of skills and experience is maintained amongst Board members, in furtherance of the committee's obligations under the Corporate Governance Charter.

Note 2 – Independent Chair

The Chair of MHI Australia is Emma Hill, a non-independent director. Ms Hill has a comprehensive understanding of the Group and its business. In light of this, the MHI Australia Board consider Ms Hill to be the most appropriate candidate for the role of Chair. Given that the MHI Australia Board is constituted by a majority of independent directors, it is considered the governance will not be adversely affected by there being a non-independent Chair. Ms Hill is not the Chief Executive Officer of MHI Australia.

Note 3 – Approval of Financial Statements

This is not specifically addressed in the Corporate Governance Charter however will be discharged by MHI Australia pursuant to its obligation under section 295A of the Corporations Act.

Information Memorandum

Note 4 – Membership of Remuneration Committee

Ms Hill is one of the three members of the Remuneration Committee. Given the small size of the Board and Ms Hill's relevant expertise, MHI Australia considers it appropriate for Ms Hill to be a member.

9. Dividend Distribution Policy

The current dividend distribution policy of MHI (NZ) (**Distribution Policy**) is set out below. The Distribution Policy has also been adopted by MHI Australia to apply upon ASX listing.

9.1 Policy

The board is committed to a policy of providing consistent dividend streams to shareholders while maintaining a strong balance sheet and retaining flexibility to meet the businesses financial needs.

9.2 Policy Guidelines

- (a) Dividends declared will take into account current year earnings, trading outlook in our various markets, capital requirements and desired long term capital structure.
- (b) The target equity ratio is in the range of 50% to 70% however abnormal circumstances or events could take the equity ratio outside this range from time to time.
- (c) Other relevant economic factors can also impact the company's Distribution Policy and the board reserves the right to set dividends taking into account any external factors affecting the business.
- (d) Wherever possible dividends will be fully imputed however this is dependent on the level of imputation credits available to attach at the time of payment.

10. Director and CEO Contracts

10.1 Non-executive director appointment terms

Each of the Directors and Proposed Directors of MHI Australia has agreed to the terms of their appointment as a non-executive director pursuant to a non-executive director appointment letter (**NED Letter**).

The NED Letter contains terms that are customary for the appointment of a non-executive director to the board of a public company listed on the ASX. The fees payable to the Directors and Proposed Directors are set out in section 11.2.

Otherwise, there are no employment, service or consultancy agreements between any Director or Proposed Director, or any related party of a Director or Proposed Director.

10.2 CEO Employment Agreement – Mike Parsell

Mike Parsell (**CEO**) commenced his employment with the Group in 1981 (**Commencement Date**) and in 2004 was engaged to act as CEO of the Group, which will continue following completion of the Restructure. In accordance with the ASX Listing Rules a summary of the material terms of Mr Parsell's employment (**CEO Agreement**) are set out below.

The CEO has been engaged by Michael Hill Jeweller (Australia) Pty Ltd ACN 003 181 333 (**MHJ Aust**) to act as chief executive officer of the Group in 2004 and continues to be engaged

Information Memorandum

in that role until terminated by either party in accordance with the agreement. The CEO Agreement confirms that the Commencement Date is required to be used for the purposes of calculating entitlements, redundancy and exit packages of the CEO.

The CEO is entitled to a remuneration package constituted by a base salary, car allowance, bonus remuneration and superannuation. The bonus remuneration is calculated as a percentage of the amount the Group's net profit before tax for the relevant financial year exceeds a benchmark asset based return for the corresponding period.

The CEO remuneration package is to be reviewed by the Board annually. The total remuneration package paid to the CEO under the CEO Agreement for the financial year ended 30 June 2015 was \$1,156,000.

The CEO is entitled to receive employee share options. On completion of the Restructure, the CEO will hold 6,000,000 options in MHI Australia. Further details of the Employee Options can be found at Appendix C.

The CEO has agreed not to operate or participate in the management or operations of a competing business during the term of the CEO engagement and for up to 12 months after cessation of his employment.

Either party may terminate the CEO Agreement in writing by giving 1 year's notice or, in the case of MHJ Aust, payment in lieu of notice. MHJ Aust may terminate the CEO immediately and without payment in lieu of notice if the CEO misappropriates MHJ Aust property or fails to fulfil his duties for an extended period without proper cause. On termination (other than by MHJ Aust for cause) the CEO Agreement provides for the payment of an exit package to the CEO of up to 2 years remuneration based on an increasing scale commensurate with the CEO's length of employment in the Group at the time of termination.

11. Director Interests

11.1 Statement of Directors Interests

The nature and extent of the interest (if any) that any of the Directors or Proposed Directors of MHI Australia will hold on completion of the Restructure, or held at any time during the last two years in:

- (a) the formation or promotion of MHI Australia;
- (b) property acquired or to be acquired by MHI Australia in connection with:
 - (1) its formation or promotion;
 - (2) the Restructure; or
- (c) the Restructure,

is set out below or elsewhere in this Information Memorandum.

Other than as set out below or elsewhere in this Information Memorandum, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to any Director or Proposed Director:

- (a) to induce them to become, or to qualify as, a Director of the MHI Australia; or

Information Memorandum

- (b) for services provided by a director in connection with:
- (1) the formation or promotion of MHI Australia; or
 - (2) the Restructure.

Set out below are details of the Relevant Interest each Director and Proposed Director will have in the securities of MHI Australia immediately following completion of the Restructure. Interest includes those securities held directly and indirectly.

| Director | Number of Shares | Number of Options Vested |
|----------------------|------------------|--------------------------|
| Janine Allis | Nil | Nil |
| Robert Fyfe | Nil | Nil |
| Emma Jane Hill | 185,012,276 | Nil |
| Richard Michael Hill | 164,330,600 | Nil |
| Gary Smith | 30,000 | Nil |

11.2 Directors Fees

No remuneration has been paid to the Directors or Proposed Directors, as a director of MHI Australia, for the previous 2 years.

Each of the Directors and Proposed Directors of MHI Australia (all being non-executive directors) are entitled to be paid directors' fees in the amounts specified in the table below.

| Director | Remuneration (\$AUD) per annum. |
|----------------------|---------------------------------|
| Emma Jane Hill | \$190,000 |
| Robert Ian Fyfe | \$115,000 |
| Gary Warwick Smith | \$115,000 |
| Michael Richard Hill | \$95,000 |
| Janine Suzanne Allis | \$95,000 |

The Board considers that these fees are reasonable remuneration pursuant to section 211 of the *Corporations Act* and accordingly, member approval is not required.

The maximum aggregate amount of directors' fees that may be paid to all of the entity's non-executive directors has been set at AUD \$840,000 per annum and may only be increased in accordance with the ASX Listing Rules.

Information Memorandum

The following sets out the total remuneration that has been paid to the Directors or Proposed Directors, who were during the previous 2 years, directors of Michael Hill International (NZ):

| Director | Remuneration |
|----------------------|----------------|
| Robert Ian Fyfe | NZ\$ 226,416 |
| Emma Jane Hill | NZ\$ 303,190 |
| Michael Richard Hill | NZ\$ 289,693 |
| Gary Warwick Smith | AUD \$ 220,940 |

12. Disclosure of interests

12.1 Pursuant to Listing Rule 1.4.5, other than as set out in the Scheme Booklet:

- (a) no Director or proposed Director, and no firm in which a Director or a proposed Director is a partner, has, at the date of this Information Memorandum, or has had in the two years before the date of this Information Memorandum, any interest in the promotion of MHI Australia or in the property acquired or proposed to be acquired by MHI Australia; and
- (b) no amounts (whether in cash or in shares or otherwise) have been paid or agreed to have been paid by any person to any Director or any proposed Director or any firm in which a Director or a proposed Director is a partner, either to induce him or her to become, or to qualify him or her as, a Director or a proposed Director, or otherwise for services rendered by him or her or by the firm in connection with the promotion or formation of MHI Australia.

12.2 Pursuant to Listing Rule 1.4.6, other than as set out in the Scheme Booklet, no expert, and no firm in which any expert is a partner, has, at the date of this Information Memorandum, any interest in the promotion of MHI Australia or in the property acquired or proposed to be acquired by MHI Australia.

13. Glossary

Words defined in this Scheme Booklet have the same meaning where used in this Information Memorandum, unless the context otherwise requires. In addition, the following definitions apply in this Information Memorandum, unless the context otherwise requires.

Anticipated Listing Date means 7 July 2016.

Associate has the meaning given to that term in the Corporations Act.

Board means the board of directors of MHI Australia following completion of the Restructure.

Director means a director of MHI Australia.

Group means:

- (a) before the Restructure, Michael Hill International (NZ) and its subsidiaries; and
- (b) after the Restructure, MHI Australia and its subsidiaries (including Michael Hill International (NZ)).

Information Memorandum

MHI Australia or the **Company** means ACN 610 937 598 Limited (proposed to be renamed Michael Hill International Limited ACN 610 937 598).

Michael Hill International (NZ) means Michael Hill International Limited, the current New Zealand incorporated parent company of the Group.

Proposed Director means a person proposed to be appointed as a Director on or before the listing of MHI Australia on the ASX, as at the date of this Information Memorandum.

Relevant Interest has the meaning given to that term in the Corporations Act.

Restructure has the meaning given in section 1.

Scheme Booklet means the explanatory statement in relation to the Scheme and that was dispatched to Scheme Participants and is incorporated by reference into this Information Memorandum.

Scheme Participant has the meaning given in the Scheme Booklet.

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

14. Directors' statement

Each Director and Proposed Director has provided written authorisation of this Information Memorandum and for it to be signed for them and on their behalf, by Emma Jane Hill.

The Directors and Proposed Directors at the date of this Information Memorandum who authorised or caused the issue of the Information Memorandum, accept responsibility for the information contained in this Information Memorandum.

To the best of the knowledge and belief of the Directors and Proposed Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is accurate and complete in all material respects.

Signed for and on behalf of each Director and Proposed Director:

Dated: 9 June 2016

Emma Jane Hill

Information Memorandum

Appendix A – NZX Announcements

Set out below is a list of NZX Announcements made by Michael Hill International (NZ) since the date of lodgement of its Annual Report, which can be located at <https://www.nzx.com/companies/MHI/announcements>.

| Title | Date |
|---|------------------|
| 3 months Trading results to 30 September 2015 | 8 October 2015 |
| Notice of Annual Meeting of Shareholders | 18 November 2015 |
| Results of resolutions passed at the Annual Meeting today | 4 December 2015 |
| CEO's presentation made at the Annual Meeting 4/12/15 | 4 December 2015 |
| Michael Hill International considers ASX Listing | 8 January 2016 |
| 6 Months Trading Update to 31 December 2015 | 8 January 2016 |
| Issue of Options | 22 January 2016 |
| HY Results to be announced 12 February 2016 - Correction | 9 February 2016 |
| Half Year results to 31 December 2015 | 12 February 2016 |
| Ongoing Disclosure of Senior Managers' Relevant Interests | 19 February 2016 |
| Half Year Report to 31 December 2015 | 2 March 2016 |
| 9 Months Trading Update to 31 March 2016 | 8 April 2016 |
| MHI to seek approval for primary listing on ASX | 13 April 2016 |
| SSH Notice - Peters MacGregor Capital Management Limited | 20 April 2016 |
| Application for Order Relating to Scheme of Arrangement | 12 May 2016 |
| MHI announces appointment of Chief Marketing Officer | 24 May 2016 |
| Scheme Booklet , Notice of Meeting and Independent Adviser's Report | 8 June 2016 |
| Court Orders relating to scheme | 8 June 2016 |
| RSVP Card | 8 June 2016 |
| Proxy Form | 8 June 2016 |
| Share Register arrangements | 8 June 2016 |
| Register removal request form | 8 June 2016 |
| Special Shareholders' meeting to vote on scheme | 8 June 2016 |

Information Memorandum

Appendix B – Further Option Terms

1. The Exercise Price of each Option is as set out in the Option Deed currently denominated in New Zealand dollars. On exercising any Options, the Optionholder must pay to MHI Australia the total exercise price in equivalent Australian dollars. The relevant exchange rate will be exchange rate published by the Reserve Bank of Australia (**RBA**) on the date of the notice of exercise given by the Optionholder to MHI Australia under the Option Deed or the next Business Day that the RBA publishes exchange rate if the RBA does not publish any exchange rate on the date of the notice of exercise.
2. Upon the valid exercise of the Options and payment of the Exercise Price, MHI Australia will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
3. The Optionholder does not have any right to participate in new issues of securities in MHI Australia made to shareholders generally. MHI Australia will, where required pursuant to the ASX Listing Rules, provide the Optionholder with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
4. The Optionholder does not participate in any dividends unless the Options are exercised and the resultant shares of MHI Australia are issued prior to the record date to determine entitlements to the dividend;
5. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of MHI Australia:
 - a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
6. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:
$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

| | | |
|-------|---|--|
| O^n | = | the new exercise price of the Option; |
| O | = | the old exercise price of the Option; |
| E | = | the number of underlying securities into which one Option is exercisable; |
| P | = | the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date; |
| S | = | the subscription price for a security under the pro rata issue; |
| D | = | dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue); |
| N | = | the number of securities with rights or entitlements that must be held to receive a right to one new security. |
7. If there is a bonus issue to the holders of shares in MHI Australia, the number of Shares over which the Option is exercisable may be increased by the number of shares which the

Information Memorandum

Optionholder would have received if the Option had been exercised before the record date for the bonus issue;

8. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in MHI Australia approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options;
9. MHI Australia does not intend to apply for listing of the Options on the ASX; and
10. MHI Australia shall apply for listing of the resultant shares of MHI Australia issued upon exercise of any Option.
11. Where MHI Australia is required to determine the Exercise Price:
 - a) in Australian dollars, it shall be based on exchange rate published by the RBA on the date on which MHI Australia is required to determine the Exercise Price in Australian dollars;
 - b) based on a VWAP following any announcement, it shall be based on the VWAP for MHI Australia securities on the ASX following an announcement to the ASX by MHI Australia.
12. Any reference in the Option Deed to:
 - a) 'Act' shall be deemed to be a reference to the *Corporations Act 2001 (Cth)* of Australia;
 - b) 'Business Day' shall be deemed to be a reference to the definition of 'Business Day' in the Deed of Novation;
 - c) 'NZX' shall be deemed to be a reference to the ASX Limited.
13. The "Option Deed" is the option deed under which Michael Hill International (NZ) issued the Employee Options to each Employee and the "Optionholder" is the relevant employee holding the Employee Option, the details of which are contained in the Scheme Booklet.

Information Memorandum

Appendix C – Details of Employee Options

| Name | Issue Date (date of agreement) | Vesting Date | Number of Employee Options as at the date of this Information Memorandum | | | Exercise Price (\$NZ) | Exercise Period |
|--------------|--------------------------------|--------------|--|----------|------------------|-----------------------|-------------------|
| | | | Vested | Unvested | Total | | |
| Mike Parsell | 7/11/2007 | 7/11/2007 | 2,000,000 | | | \$1.25 | 17/8/12 - 30/9/17 |
| | 18/12/2009 | 8/11/2010 | 400,000 | | | \$0.94 | 15/8/14 - 30/9/19 |
| | 18/12/2009 | 8/11/2010 | 400,000 | | | \$0.88 | 14/8/15 - 30/9/20 |
| | 18/12/2009 | 16/09/2011 | 400,000 | | | \$1.16 | See Note 4 |
| | 18/12/2009 | 19/09/2012 | 400,000 | | | \$1.41 | See Note 5 |
| | 18/12/2009 | 18/09/2013 | 400,000 | | | \$1.82 | See Note 6 |
| | 2/12/2013 | 2/12/2013 | 2,000,000 | | | \$1.82 | See Note 3 |
| | | | | | 6,000,000 | | |
| Phil Taylor | 7/11/2007 | 7/11/2007 | 750,000 | | | \$1.25 | 17/8/12 - 30/9/17 |
| | 18/12/2009 | 18/12/2009 | 150,000 | | | \$0.94 | 15/8/14 - 30/9/19 |
| | 18/12/2009 | 17/09/2010 | 150,000 | | | \$0.88 | 14/8/15 - 30/9/20 |
| | 18/12/2009 | 16/09/2011 | 150,000 | | | \$1.16 | See Note 7 |
| | 18/12/2009 | 19/09/2012 | 150,000 | | | \$1.41 | See Note 8 |
| | 18/12/2009 | 18/09/2013 | 150,000 | | | \$1.82 | See Note 9 |
| | 2/12/2013 | 2/12/2013 | 750,000 | | | \$1.82 | See Note 10 |
| | | | | | 2,250,000 | | |
| Stewart Silk | 2/12/2013 | 2/12/2013 | 500,000 | | | \$1.82 | See Note 11 |
| | 2/12/2013 | 18/09/2014 | 100,000 | | | \$1.63 | See Note 12 |
| | 2/12/2013 | 22/01/2016 | 100,000 | | | \$1.14 | See Note 13 |
| | 2/12/2013 | N/A | | 300,000 | | See Note 1 | See Note 2 |
| | | | | | 1,000,000 | | |

Information Memorandum

| | | | | | | | |
|------------------|------------|------------|-------------------|------------------|-------------------|------------|-------------------|
| Tony Van Der Ark | 2/12/2013 | 2/12/2013 | 500,000 | | | \$1.82 | See Note 11 |
| | 2/12/2013 | 18/09/2014 | 100,000 | | | \$1.63 | See Note 12 |
| | 2/12/2013 | 22/01/2016 | 100,000 | | | \$1.14 | See Note 13 |
| | 2/12/2013 | N/A | | 300,000 | | See Note 1 | See Note 2 |
| | | | | | 1,000,000 | | |
| Galina Hirtzel | 2/12/2013 | 2/12/2013 | 500,000 | | | \$1.82 | See Note 11 |
| | 2/12/2013 | 18/09/2014 | 100,000 | | | \$1.63 | See Note 12 |
| | 2/12/2013 | 22/01/2016 | 100,000 | | | \$1.14 | See Note 13 |
| | 2/12/2013 | N/A | | 300,000 | | See Note 1 | See Note 2 |
| | | | | | 1,000,000 | | |
| Lindsay Corfield | 2/12/2013 | 2/12/2013 | 500,000 | | | \$1.82 | See Note 11 |
| | 2/12/2013 | 18/09/2014 | 100,000 | | | \$1.63 | See Note 12 |
| | 2/12/2013 | 22/01/2016 | 100,000 | | | \$1.14 | See Note 13 |
| | 2/12/2013 | N/A | | 300,000 | | See Note 1 | See Note 2 |
| | | | | | 1,000,000 | | |
| Darcy Harkins | 7/11/2007 | 7/11/2007 | 500,000 | | | \$1.25 | 17/8/12 - 30/9/17 |
| | | | | | 500,000 | | |
| Brett Halliday | 7/11/2007 | 7/11/2007 | 500,000 | | | \$1.25 | 17/8/12 - 30/9/17 |
| | | | | | 500,000 | | |
| Kevin Stock | 22/09/2009 | 22/09/2009 | 100,000 | | | \$0.94 | 15/8/14 - 30/9/19 |
| | 17/09/2010 | 17/09/2010 | 100,000 | | | \$0.88 | 14/8/15 - 30/9/20 |
| | 16/09/2011 | 16/09/2011 | 100,000 | | | \$1.16 | See Note 14 |
| | 16/09/2011 | 19/09/2012 | 100,000 | | | \$1.41 | See Note 15 |
| | 16/09/2011 | 18/09/2013 | 100,000 | | | \$1.82 | See Note 16 |
| | | | | | 500,000 | | |
| Total | | | 12,550,000 | 1,200,000 | 13,750,000 | | |

Information Memorandum

Note 1: The options will vest in 3 equal tranches (**Tranches**) in September 2016, September 2017 and September 2018 (**Tranche Year**). Upon vesting, the exercise price per ordinary share will be 30% above the volume weighted average price of the Company's ordinary shares in the 20 business days following the ASX announcement in August of the relevant year of the Company's results for the financial year immediately preceding the relevant calendar year.

Note 2: For each Tranche, the exercise period is the period immediately following the announcement of the Company's annual financial results for the financial year ending on 30 September in the 5th year after the Tranche Year.

Note 3: Exercise period commences immediately following the announcement of the Company's annual financial results for the year ending 30 June 2018 to NZX (or any other registered securities exchange on which the Company's Ordinary Shares are at the relevant time listed) and ending on 30 September 2023.

Note 4: Exercise period commences immediately following the announcement of the Company's annual financial results for the year ending 30 June 2016 through to 30 September 2021.

Note 5: Exercise period commences immediately following the announcement of the Company's annual financial results for the year ending 30 June 2017 through to 30 September 2022.

Note 6: Exercise period commences immediately following the announcement of the Company's annual financial results for the year ending 30 June 2018 through to 30 September 2023.

Note 7: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2014 and ends on 30 September 2019.

Note 7: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2014 and ends on 30 September 2019.

Note 8: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2015 and ends on 30 September 2020.

Note 9: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2016 and ends on 30 September 2021.

Note 10: Exercise period commences immediately following the announcement of the Company's annual financial results for the year ending 30 June 2018 and ending on 30 September 2023.

Note 11: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2018 and ends on 30 September 2023.

Note 12: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2019 and ends on 30 September 2024.

Note 13: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2020 and ends on 30 September 2025.

Note 14: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2016 and ends on 30 September 2021.

Note 15: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2017 and ends on 30 September 2022.

Note 16: Exercise period commences on the date immediately following the announcement of the Company's annual financial results for the year ending 30 June 2018 and ends on 30 September 2023.