



TEMPLE & WEBSTER GROUP LTD
ABN 69 608 595 660
Unit 1, 1-7 Unwins Bridge Road
St Peters NSW 2044

23 October 2018

Dear Shareholder

I enclose a Notice of Meeting for the Annual General Meeting of Temple & Webster Group Ltd (the "**Company**") which is to be held at 10.30 am on 27 November 2018 at the Registered Office of the Company at Unit 1A, 1-7 Unwins Bridge Road, St. Peters, New South Wales 2044 ("**Meeting**").

Please refer to the attached Notice of Meeting for a full listing of the items of business.

Further details of the resolutions to be proposed at the Meeting are set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting. Shareholders should consider this material before determining how they will vote at the Meeting.

For your convenience, a Proxy Form is attached for use if you are unable to attend the Meeting.

The Company's 2018 Annual Report can be accessed on our website: www.templeandwebstergroup.com.au, or by following the link: <http://www.templeandwebstergroup.com.au/Investor-Centre/?page=reports>. Shareholders who have previously specifically requested a hard copy of the Annual Report will find it enclosed with this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Egan', written over a circular stamp or seal.

Michael Egan
Company Secretary



TEMPLE & WEBSTER GROUP LTD

ABN 69 608 595 660

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY STATEMENT

for a meeting to be held at 10.30 am on 27 November 2018 at the
Registered Office of the Company at Unit 1A, 1-7 Unwins Bridge
Road, St. Peters, New South Wales 2044

Notice is hereby given that the Annual General Meeting of the members of Temple & Webster Group Ltd (the “**Company**”) will be held at 10.30 am (Sydney time) on 27 November 2018 at the Registered Office of the Company at Unit 1A, 1-7 Unwins Bridge Road, St. Peters, New South Wales 2044 (the “**Meeting**”).

BUSINESS

Item 1: Financial Statements and Reports

To receive and consider, in respect of the Company for the year ended 30 June 2018:

1. the annual Financial Report;
2. the Directors’ Report; and
3. the Auditor’s Report.

Item 2: Adoption of Remuneration Report

Resolution 1: Remuneration Report

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

That the Remuneration Report, included in the Directors’ Report provided to shareholders as part of the Annual Report of the Company for the year ended 30 June 2018, be adopted.

Note: In accordance with section 250R of the *Corporations Act 2001* (Cth) (“**Corporations Act**”) this resolution is advisory only and does not bind the directors or the Company.

VOTING EXCLUSION STATEMENT FOR RESOLUTION 1

Votes may not be cast, and the Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the Company’s key management personnel (“**KMP**”) named in the Remuneration Report or their closely related parties (such as close family members or any controlled entities), regardless of the capacity in which the votes are cast; or
- as a proxy by members of KMP as at the date of the Meeting and their closely related parties.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a 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, even though Resolution 1 is connected with the remuneration of the Company’s KMP.

Item 3: Re-election of Director

Resolution 2: Re-election of Mr Stephen Heath as a Director

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

That Mr Stephen Heath, being a Director seeking re-election in accordance with article 68 of the Constitution of the Company and being eligible, offers himself for re-election, be hereby re-elected as a Director of the Company.

Item 4: Non-executive Directors' total aggregate maximum remuneration

Resolution 3: Non-executive Directors' total aggregate maximum remuneration

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

That the total aggregate maximum remuneration to be paid to the Non-executive Directors be increased by \$300,000 from \$400,000 to \$700,000 per annum.

VOTING EXCLUSION STATEMENT FOR RESOLUTION 3

Votes may not be cast, and the Company will disregard any votes cast, in favour of Resolution 3:

- by or on behalf of a Director or any of their associates, regardless of the capacity in which the votes are cast; or
- as a proxy by members of KMP as at the date of the Meeting and their closely related parties.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a 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, even though Resolution 3 is connected with the remuneration of the Company's KMP.

Item 5: Non-executive Directors Equity Plan

Resolution 4: Approval of Non-executive Directors Equity Plan for the purpose of exception to Listing Rule 7.1

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

*That, for the purposes of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval be given to the Non-executive Directors Equity Plan ("**Plan**") and the subsequent issue of securities under the Plan, on the terms and conditions in the Explanatory Statement.*

VOTING EXCLUSION STATEMENT FOR RESOLUTION 4

Votes may not be cast, and the Company will disregard any votes cast, in favour of resolution 4:

- by or on behalf of a Director or any of their associates, regardless of the capacity in which the vote is cast; or
- as a proxy by members of KMP as at the date of the Meeting and their closely related parties.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a 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.

Resolution 5: Issue of 181,026 Options to Mr Stephen Heath

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

That, for the purposes of ASX Listing Rule 10.14 and all other purposes, the issue of Options for the issue of 181,026 fully paid ordinary shares in the Company under the Company's Non-executive Directors Equity Plan to Mr Stephen Heath, a Non-executive Director of the Company, be approved on the terms set out in the Explanatory Statement which accompanies this Notice.

VOTING EXCLUSION STATEMENT FOR RESOLUTION 5

Votes may not be cast, and the Company will disregard any votes cast, in favour of resolution 5:

- by or on behalf of a Director or any of their associates, regardless of the capacity in which the vote is cast; or
- as a proxy by members of KMP as at the date of the Meeting and their closely related parties.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a 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.

Resolution 6: Issue of 181,026 Options to Ms Sue Thomas

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

That, for the purposes of ASX Listing Rule 10.14 and all other purposes, the issue of Options for the issue of 181,026 fully paid ordinary shares in the Company under the Company's Non-executive Directors Equity Plan to Ms Sue Thomas, a Non-executive Director of the Company, be approved on the terms set out in the Explanatory Statement which accompanies this Notice.

VOTING EXCLUSION STATEMENT FOR RESOLUTION 6

Votes may not be cast, and the Company will disregard any votes cast, in favour of resolution 6:

- by or on behalf of a Director or any of their associates, regardless of the capacity in which the vote is cast; or
- as a proxy by members of KMP as at the date of the Meeting and their closely related parties.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a 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.

Resolution 7: Issue of 181,026 Options to Mr Conrad Yiu

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

That, for the purposes of ASX Listing Rule 10.14 and all other purposes, the issue of Options for the issue of 181,026 fully paid ordinary shares in the Company under the Company's Non-executive Directors Equity Plan to Mr Conrad Yiu, a Non-executive Director of the Company, be approved on the terms set out in the Explanatory Statement which accompanies this Notice.

VOTING EXCLUSION STATEMENT FOR RESOLUTION 7

Votes may not be cast, and the Company will disregard any votes cast, in favour of resolution 7:

- by or on behalf of a Director or any of their associates, regardless of the capacity in which the vote is cast; or
- as a proxy by members of KMP as at the date of the Meeting and their closely related parties.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a 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.

EXPLANATORY STATEMENT

Further information about each item of business is set out in the Explanatory Statement accompanying and forming part of this Notice of Meeting.

ENTITLEMENT TO VOTE

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)* that those persons who are registered as holding shares in the Company at 7.00 pm (Sydney time) on 25 November 2018 will be entitled to vote at the Meeting on 27 November 2018. Any share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

PROXIES

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf. A shareholder may appoint not more than two proxies.
2. A proxy need not be a shareholder of the Company, and can be either an individual or body corporate.
3. The Proxy Form that accompanies this Notice of Meeting should be used to appoint a proxy. If any shareholder is unable to attend the Meeting they are encouraged to appoint a proxy. Shareholders can direct their proxy how to vote by following the instructions on the Proxy Form, and are encouraged to do so.
4. A shareholder that is entitled to cast 2 or more votes may appoint up to 2 proxies. Where two proxies are appointed, the shareholder may specify the number or proportion of the votes that each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half the votes. Where both appointed proxies attend the meeting and the proxy specifies each appointed proxy to vote in a different way on a resolution then neither proxy may vote on a show of hands.
5. If a shareholder appoints a body corporate as proxy, that body corporate will need to ensure that:
 - it appoints an individual as its corporate representative to exercise its powers at the meeting in accordance with section 250D of the Corporations Act; and
 - provides satisfactory evidence of the appointment of its corporate representative prior to the commencement of the meeting. Such evidence may include a letter or certificate authorising the individual as the body corporate's representative, executed in accordance with the body corporate's constitution, or a copy of the resolution appointing the representative, certified by the secretary or a director of the body corporate.
6. Where a body corporate appoints a proxy, the Proxy Form must be signed by a duly appointed attorney or by a director jointly with either another director or a company secretary or, for a proprietary company that has a sole director who is also the sole company secretary, that director.

PROXY VOTING BY KMP

Resolutions 1, 3, 4, 5, 6 and 7 on the Agenda relate to the Remuneration of KMP (which includes the Directors).

If a shareholder who is not a member of the Company's KMP appoints a member of the Company's KMP (which includes the Directors) or one of the KMP's closely related parties (such as close family members or any controlled entities) as their proxy, the proxy will not be able to cast the shareholder's votes on Resolution 1 (Remuneration Report), Resolution 3 (Non-executive Directors' Remuneration) or Resolutions 4, 5, 6 and 7 (Non-executive Directors Equity Plan), unless the proxy is directed how to vote or the Chairman of the Meeting is appointed as proxy.

If the Chairman of the Meeting is appointed as a shareholder's proxy or becomes their proxy by default and the shareholder does not mark a voting box on the Proxy Form for Resolution 1, Resolution 3, Resolution 4, Resolution 5, Resolution 6 or Resolution 7, then by completing and submitting the Proxy Form the shareholder will be expressly authorising the Chairman of the

Meeting to exercise the proxy in respect of Resolution 1, Resolution 3, Resolution 4, Resolution 5, Resolution 6 or Resolution 7 as the Chairman decides, even though the item is connected with the remuneration of the Company's KMP.

The Chairman of the Meeting intends to vote all undirected proxies in favour of each resolution to be proposed at the Meeting.

LODGEMENT OF PROXY FORMS

To appoint a proxy shareholders should complete the Proxy Form and return it (together with the original or a certified copy of the power of attorney or other authority if any, under which a proxy is signed).

In order to be effective, the Proxy Form (and accompanying documents) must be received **no later than** 10.30 am on 25 November 2018 ("**Proxy Deadline**") by one of the following methods:

- By lodging the Proxy Form online at www.linkmarketservices.com.au;
- By posting it in the reply paid envelope included with the Proxy Form; or
- Returning it by hand or posting it or faxing it to the following:

By Mail:
Temple & Webster Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By Hand:
Link Market Services Limited
1A Homebush Bay Drive,
Rhodes NSW 2138

By Fax:
+61 2 9287 0309

All Enquiries to: Telephone: +61 1300 554 474

Proxy Forms (together with any power of attorney, where relevant) must be received by the Proxy Deadline.

By order of the Board of Directors



Michael Egan
Company Secretary
23 October 2018

EXPLANATORY STATEMENT

Purpose of information

The purpose of this Explanatory Statement (which is included in and forms part of the Notice of Annual General Meeting dated 23 October 2018) is to provide shareholders with an explanation of the business of the Annual General Meeting to be held on 27 November 2018 (the “**Meeting**”), particularly in regard to the resolutions to be proposed and considered at the Meeting, and to allow shareholders to determine how they wish to vote on those resolutions.

Item 1: Reports

As required by section 317 of the *Corporations Act 2001 (Cth)* (“**Corporations Act**”) the financial report, directors’ report and auditor’s report of the Company for the most recent financial year will be presented to the Meeting. The financial report contains the financial statements of the Company.

There is no requirement for a formal resolution on this item.

The Chairman of the Meeting will allow a reasonable opportunity at the Meeting for shareholders to ask questions about, or make comments on, the management of the Company.

Shareholders will also be given a reasonable opportunity at the Meeting to ask the Company’s auditor, Ernst & Young, questions about its audit report, the conduct of its audit of the Company’s financial report for the year ended 30 June 2018, the preparation and content of its audit report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of Ernst & Young in relation to the conduct of the audit.

In accordance with section 250PA of the Corporations Act, shareholders who are eligible to cast a vote at the Meeting may also submit to the auditor a written question in relation to either the content of the auditor’s report or the conduct of the audit of the annual financial report. Questions will be answered by the auditor at the Meeting and must be given to the Company no later than 20 November 2018.

Item 2: Adoption of Remuneration Report (Resolution 1)

In accordance with section 300A of the Corporations Act the Company has prepared a Remuneration Report in its Directors’ Report for the consideration of shareholders.

As provided by section 250R(3) of the Corporations Act, Resolution 1 on the Remuneration Report is advisory only and is not binding on the Directors or the Company.

In summary, the Remuneration Report provides the principles used to determine the nature and amount of remuneration; details of remuneration and share-based compensation; and additional disclosures relating to key management personnel.

Under the Corporations Act, if 25% or more of votes are cast against the adoption of the remuneration report at two consecutive annual general meetings, shareholders will be required to vote at the second of those annual general meetings on a resolution that another meeting of the Company’s shareholders be held within 90 days at which all of the Company’s directors (other than the managing director) will cease to hold office immediately before the end of that meeting but may stand for re-election at that meeting.

Board recommendation:

Each of the Directors recommends that shareholders vote in favour of the resolution to adopt the Remuneration Report.

Item 3: Re-election of director (Resolution 2)

ASX Listing Rule 14.4 and article 68 of the Company's Constitution, provides that at each Annual General Meeting one third of the Directors (or, if their number is not a multiple of 3, then the number nearest to but not exceeding one third) retire from office but no director may retain office for more than 3 years without submitting himself or herself for re-election even though the submission results in more than one third of the directors retiring from office.

The Company's Constitution requires that the director or directors to retire are those who have been longest in office since their appointment or last election, but as between two or more directors who became directors on the same day, the directors may determine who is to retire by agreement among themselves. Any Managing Director is exempted by his or her office as Managing Director from the requirement to retire by rotation.

Current Director, Mr Stephen Heath retires from office by rotation, and being eligible for re-election, offers himself for re-election as a Director.

Details of Mr Heath may be found at page 10 of the Annual Report of the Company.

Prior to submitting himself for re-election, Mr Heath acknowledged to the Company that he would continue to have sufficient time to properly fulfil his responsibilities to the Company.

The Board conducted a formal performance appraisal of Mr Heath to determine whether to recommend his re-election to shareholders. The review considered Mr Heath's expertise, skills and experience, understanding of the Company's business, preparation for meetings, relationship with other Directors and management, awareness of ethical and governance matters and overall contribution as a Director. The Board determined that Mr Heath provided a valuable contribution to the Board and is therefore recommended to shareholders for re-election.

The Board considers Mr Heath to be an independent director.

Board recommendation:

Each of the Directors (Mr Heath abstaining) recommends that shareholders vote in favour of the re-election of Mr Heath as a Director.

Item 4: Non-executive Directors' total aggregate maximum remuneration (Resolution 3)

ASX Listing Rule 10.17 and the Company's Constitution require shareholders to approve any increase in the total annual maximum aggregate remuneration paid to Non-executive Directors. The current limit of \$400,000 was approved by shareholders on the incorporation of the Company and prior to the listing of the Company. Item 4 proposes that the maximum fee pool that can be paid to Non-executive Directors be increased by \$300,000 from \$400,000 to \$700,000 per annum.

The Directors propose that in future years remuneration for Non-executive Directors be both by way of cash and the value of any equity issued to Non-executive Directors. The Key terms of the Non-executive Directors Equity Plan and the Options proposed to be issued under the plan are set out in item 5 of this Explanatory Statement.

The Remuneration Report included in the Annual Report provides the principles used to determine the nature and amount of remuneration; details of remuneration and share-based

compensation; and additional disclosures relating to Non-executive Directors. Non-Executive Directors are remunerated via Board and Committee fees which are reviewed annually. Board and Committee fees are inclusive of statutory superannuation and reflect the time commitment and responsibilities involved, taking into account market rates and market trends. Non-Executive Directors do not receive payments on their retirement from office other than payments accruing from superannuation contributions comprising part of their remuneration.

The proposed increase would allow flexibility for market increases in the future and the capacity to appoint other Non-executive Directors as required, as well as allowing for better succession planning by facilitating the appointment of a new Non-executive Director before the retirement of an existing Non-executive Director.

The Directors consider Non-executive Directors' fees need to be market competitive to attract the best candidates considering the size and stage of development of the Company.

No securities have been issued to a non-executive director under Listing Rule 10.11 or 10.14 with the approval of the holders of the Company's ordinary securities at any time within the preceding 3 years.

Board recommendation:

Each of the Directors recommends that shareholders vote in favour of increasing the total aggregate maximum remuneration to be paid to the Non-executive Director.

Item 5: Non-executive Directors Equity Plan

Resolution 4: Approval of Non-executive Directors Equity Plan for the purpose of exception to Listing Rule 7.1

The Company has established a Non-executive Directors Equity Plan (**Plan**) to assist in the motivation, retention and reward of Non-executive Directors of the Company. A summary of the terms of the scheme are set out under Resolutions 5, 6 and 7 below.

Shares allocated to a Director when options are exercised under the Plan may be issued by the Company or acquired by on or off-market purchases by the Company or its nominee. To the extent the Company elects to issue shares, ASX Listing Rule 7.1 provides that a listed company must not issue equity securities that total more than 15% of its fully paid ordinary shares in any rolling 12-month period without shareholder approval, or unless an exception applies (**15% Capacity**). This means that if any of Resolutions 5, 6 or 7 are passed, any options granted to participants in the Plan and any resulting shares issued will not use up part of the Company's 15% Capacity under ASX Listing Rule 7.1.

Under ASX Listing Rule 7.2, exception 9(b), an issue of equity securities under an employee incentive scheme is an exception to ASX Listing Rule 7.1, if in the 3 years before the issue date, shareholders have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

Therefore, although shareholder approval is not required to adopt the Plan, shareholder approval is being sought under Resolution 4 for the issue of securities under the Plan, so that such issues would not be counted towards the Company's 15% Capacity, and that capacity would be available for other purposes.

A voting exclusion statement on this resolution is set out in the Notice of Meeting.

Resolutions 5, 6 and 7: Shareholder approval for granting Options to the Directors

The Company has established a Non-executive Directors Equity Plan (**Plan**) to assist in the motivation, retention and reward of Non-executive Directors of the Company. Under ASX Listing Rule 10.14, the Company is required to obtain shareholder approval before granting the Options to the Non-executive Directors.

In designing the Plan, the Directors have ensured that the incentives for Non-executive Directors do not conflict with their obligations to bring independent judgement to their roles. Consistent with Principle 8 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the grants of Options will better align the interests of the Non-executive Directors with the interests of Shareholders by providing an opportunity for the Directors to acquire shareholdings in the Company through the sacrifice of fees into equity. In accordance with these governance recommendations the Options are not subject to performance-based vesting conditions.

The Plan enables the Company to issue options in respect of ordinary shares in the Company to Non-executive Directors of the Company on terms determined by the Directors from time to time.

Summary of Plan

The Plan has been specifically developed for the purpose of remunerating the Company's Non-executive Directors. Pursuant to the Plan, Non-executive Directors are entitled to receive options on the terms set out in this summary (**Options**).

The value of the Options when added to the Director fees which are payable in cash will produce a total remuneration package that is intended to be market competitive and reasonable given the Company's circumstances.

In respect of the year ending 30 June 2018, the non-executive directors' fee structure is set out below:

	Fee paid to chair	Fee paid to member
Board	\$80,000	\$50,000
Audit and Risk Management Committee	\$30,000	\$10,000
Nomination and Remuneration Committee	\$30,000	\$10,000

In lieu of an increase in the cash amount payable to Directors, the Company proposes to issue Options to the Directors as an increase in their annual Director fees. As stated above, under ASX Listing Rule 10.14, the Company is required to obtain shareholder approval before granting the Options to the Directors. ASX Listing Rule 10.15 requires that certain information be provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 10.14

The key terms of the Non-executive Directors Equity Plan and the Options proposed to be issued under the plan are set out below. The information provided includes the information required to be included by ASX Listing Rule 10.15 in relation to Resolutions 5, 6 and 7.

Maximum number of Options: The maximum number of Options issued will be 543,078, as follows:

- Mr Stephen Heath (Non-executive Director): 181,026 Options;
- Ms Sue Thomas (Non-executive Director): 181,026 Options;
- Mr Conrad Yiu (Non-executive Director): 181,026 Options.

Formula: The number of Options to be issued is equivalent to \$25,000 in fees per year, for three years (i.e. a total of \$75,000 for each Director). The formula for calculating the number of Options to be issued is based on the Black-Scholes model as follows:

$$\text{Number of Options} = \frac{\text{Annual Fee Sacrifice } \$ \times \text{Number of Years of Sacrifice Agreement}}{\text{Option Value}}$$

Where

$$\text{Annual Fee Sacrifice } \$ = \$25,000$$

$$\text{Number of years of Sacrifice Agreement} = 3$$

$$\text{Option Value} = \text{Based on the Volume Weighted Average Price (VWAP) of Shares over the 10 trading days after the release of the 2018 Annual Report to the ASX. The VWAP for those 10 days was } \$0.9943.$$

The Black-Scholes valuation of \$0.4143 assumes the following inputs:

- Cost of Option = nil
- Share Price = VWAP calculation (see above)
- Dividends = nil
- Risk Free Rate = 2.2%
- Volatility = 60%
- Term = 3 years.

Issue price: No cash amount will be payable by the Directors for the Options as they are the subject of a fee sacrifice arrangement. Each Director has agreed to forego \$25,000 in fees per year, for three years (i.e. a total of \$75,000 for each participant).

Expiry Date: 30 June 2025. Options not exercised before the Expiry Date will lapse.

Exercise rights: the Company will issue all of the Options referred to above within 1 month of the Meeting. At any time prior to the Expiry Date, each Director will be entitled to exercise the number of Options that is proportionate to the length of time they have served as a Director during the three-year period. For example, assuming continuous service, on 1 January 2019 each Director will be entitled to exercise a maximum of 30,171 Options. In accordance with the rules of the Non-executive Directors Equity Plan, Directors may be entitled to exercise Options or Options may lapse in other limited circumstances (for example, if they cease to be a Director or if a change of control occurs).

Exercise Price: \$0.9943 (the Exercise Price was calculated based on the Volume Weighted Average Price (VWAP) of the Company's shares over the 10 trading days after the release of the 2018 Annual Report).

Voting, dividends and entitlements: Options do not carry voting or dividend entitlements. Each Option entitles the holder to one ordinary share in the Company. An Option holder may only

participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue.

Quotation: the Company will not apply to ASX for official quotation of the Options.

Issue or acquisition of shares: Shares allocated to a Director when Options are exercised under the Non-executive Directors Equity Plan may be issued by the Company or acquired by on or off-market purchases by the Company or its nominee. The nominee may be a trust, the purpose of which is to facilitate the operation of the plan.

No prior issues: No persons referred to in ASX Listing Rule 10.14 have received Options since the establishment of the Non-executive Directors Equity Plan.

Eligible participants: All Non-executive Directors of the Company are entitled to participate in the Non-executive Directors Equity Plan. As at the date of this Explanatory Statement, the Non-executive Directors are Mr Stephen Heath, Ms Sue Thomas and Mr Conrad Yiu. Any additional persons who become entitled to participate in the Non-executive Directors Equity Plan after the Meeting will not be issued Options until approval is obtained under ASX Listing Rule 10.14.

Voting exclusions: A voting exclusion statement on each of resolution 5, 6 and 7 is set out in the Notice of Meeting.

No loans: No loans will be made by the Company in relation to the issue of the Options.

Issue date: The Options will be issued within 1 month after the Meeting.

In respect of Resolutions 5, 6 and 7:

- as noted above, under ASX Listing Rule 10.14, the Company is required to obtain shareholder approval before granting the Options to the Directors; and
- ASX Listing Rule 10.15 requires certain information to be provided by the Company. That information is included in the summary of the Plan set out above.

Board recommendation:

Each of the Directors (with each Director abstaining in respect of their own remuneration) recommends that shareholders vote in favour of each of Resolution 5, Resolution 6 and Resolution 7.


LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Temple & Webster Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Temple & Webster Group Ltd and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:30am on Tuesday, 27 November 2018 at the Registered Office of the Company, Unit 1A, 1 – 7 Unwins Bridge Road, St Peters NSW 2044** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 3, 4, 5, 6 and 7: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 3, 4, 5, 6 and 7, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).


The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Issue of 181,026 Options to Mr Stephen Heath	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Stephen Heath as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Issue of 181,026 Options to Ms Sue Thomas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Non-executive Directors' total aggregate maximum remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Issue of 181,026 Options to Mr Conrad Yiu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Non-executive Directors Equity Plan for the purpose of exception to Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Sunday, 25 November 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Temple & Webster Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**