

**12 November 2020**

Dear Shareholders

A Notice of General Meeting of Paygroup Limited (**Paygroup or the Company**) to be held on 11 December 2020 at 10.30 am is now available at <https://paygrouplimited.com/index.php/asx-announcements/>

Safety of our shareholders and staff is our paramount concern, and therefore, in line with State Government regulations and ASIC recommendations during the COVID 19 pandemic, we will hold the General Meeting by way of live video conference. There will be no physical meeting.

The consequences of this are as follows:

1. If you wish to attend the virtual meeting, you must email [oliver@ocarton.com.au](mailto:oliver@ocarton.com.au) and you will be provided with a link to enable you to join the video conference;
2. We recommend that any questions concerning the business of the meeting are submitted to [oliver@ocarton.com.au](mailto:oliver@ocarton.com.au) in advance of the meeting;
3. All resolutions will be determined by way of a poll. The poll will be conducted based on votes submitted by proxy and by Shareholders who have indicated that they intend to vote at the Meeting in accordance with the instructions below.
4. Due to the virtual nature of the Meeting, Computershare, the Company's share registry, will be facilitating voting during the Meeting. If you wish to cast your vote during the Meeting, you will need to visit [web.lumiagm.com/315586776](http://web.lumiagm.com/315586776) on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible. For further instructions on how to participate online please view the online meeting user guide at [www.computershare.com.au/onlinevotingguide](http://www.computershare.com.au/onlinevotingguide).

Shareholders are strongly encouraged to lodge a proxy form to vote at the AGM at least 48 hours before the meeting.

Yours sincerely



Oliver Carton  
Company Secretary

**PAYGROUP LIMITED**  
**ACN 620 435 038**  
**NOTICE OF GENERAL MEETING**

Notice is given that the General Meeting of the members of PayGroup Limited (**PayGroup or Company**) will be held by videoconference, at 10.30am AEDT on 11 December 2020.

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**BUSINESS**

**RESOLUTION 1 – APPROVAL OF ISSUE OF SECURITIES**

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

*That, for the purposes of ASX Listing Rule 7.1 and all other purposes, the issue of Consideration Securities as referred to in section 1 of the Explanatory Statement, is approved.*

**Short Explanation**

On 4 November 2020 the Company announced it had entered into an agreement to acquire PayrollHQ, the consideration for which comprises the Consideration Securities. This resolution is to seek approval for the issue of the Consideration Securities for the purposes of ASX Listing Rule 7.1. ASX Listing Rule 7.1 limits the number of equity securities that a listed entity may issue in any 12 month period to 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. An issue approved by Shareholders is not counted for these purposes.

**Voting Exclusion Statement**

The Company will disregard any votes cast in favour on Resolution 1 by the recipients of the Consideration Securities, or any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- A person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- The Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - The beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - The holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 2 – RATIFICATION OF PRIOR ISSUES OF SECURITIES**

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

*That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify prior issues of Securities on the terms and conditions set out in section 2 of the Explanatory Statement.*

### **Short Explanation**

The Company issued Shares to investors before the Meeting, as detailed in the Explanatory Statement. ASX Listing Rule 7.4 provides that a company may in general meeting by shareholder approval ratify a previous issue of securities (provided that the previous issue did not breach ASX Listing Rule 7.1) and those securities will then be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1. That approval is the purpose of Resolution 2.

### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of this resolution by a person who participated in the issue and any associates of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- A person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- The Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - The beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - The holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 3 – ISSUE OF OPTIONS TO DIRECTOR**

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

*That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the issue of Shares to Mr Shane Gild or his nominee, as referred to in the Explanatory Statement, is approved.*

### **Short Explanation**

The Company proposes to issue Share to the Director Mr Shane Gild utilising the Company's Share Loan Plan. Mr Gild is a related party to the Company and therefore the issue of the Shares requires Shareholder approval under ASX Listing Rule 10.14. An issue of securities under ASX Listing Rule 10.14 approved by Shareholders is an exception to ASX Listing Rule 7.1. The effect of Resolution 3 will be to allow the Company to issue the Shares to Mr Gild without using the Company's 15% annual placement capacity.

**Voting Exclusion Statement**

The Company will disregard any votes cast in favour of this resolution by or on behalf of Mr Gild, a person referred to in ASX Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question, , or an associate of those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- A person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- The Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- A holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - The beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - The holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**

A person appointed as a proxy must not vote, on the basis of that appointment, on this resolution if:

- (a) the proxy is either:
  - (i) a member of the KMP; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this resolution.

Provided the Chair is not a Resolution 3 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with remuneration of a member of the KMP.

By order of the Board:



Oliver Carton

Company secretary

Dated: 12 November 2020

## NOTES

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**IMPORTANT:** Shareholders are urged to direct their proxy how to vote by clearly marking the relevant box for each item on the proxy form.

### **VOTING IN PERSON**

To vote in person, attend the Meeting at the time, date and place set out above.

### **VOTING BY PROXY**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chairman of the meeting intends to exercise all available proxies by voting in favour of all resolutions.

To be valid, the enclosed proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged:

- a) at the offices of the Share Registry – Computershare Investor Services Pty. Limited, GPO Box 242, Melbourne, Victoria, 3001, Australia;
- b) by faxing it to the Share Registry office on fax number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- c) online: [www.investorvote.com.au](http://www.investorvote.com.au);
- d) for Intermediary online subscribers only (custodians) - electronically at [www.intermediaryonline.com](http://www.intermediaryonline.com).

not later than 48 hours before the time for commencement of the meeting, being 10.00 am AEDT on 9 December 2020.

#### **OTHER INFORMATION**

A person may attend the meeting under an appointment of corporate representative pursuant to section 250D of the Corporations Act or Power of Attorney only if a copy of that duly executed appointment or Power of Attorney is lodged with the Share Registry or produced prior to the commencement of the meeting.

The Company has determined that a person's entitlement to vote at the General Meeting will, in accordance with the Corporations Act, be the entitlement of that person set out in the register of Shareholders as at 7:00 pm on 9 December 2020. This means that any Shareholder registered at 7:00 pm on 9 December 2020 is entitled to attend and vote at the General Meeting.

Attorneys should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting, unless it had already been provided to the Share Registry.

## EXPLANATORY STATEMENT

### INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the meeting and the Resolution proposed to be considered at the General Meeting.

### 1 PAYROLL HQ ACQUISITION

#### 1.1 Background

As previously announced on ASX on 4 November 2020, the Company has entered into a binding agreement to acquire all of the shares in PayrollHQ Pty Ltd ACN 601 661 527 (PayrollHQ) (the Acquisition). The proposed resolution relates to the securities to be issued as consideration for the Acquisition (Consideration Securities).

#### 1.2 Overview of PayrollHQ and rationale for the acquisition

PayrollHQ is an Australian Company headquartered in Sydney which offers SwaS payroll processing services to Australian and New Zealand corporate clients (similar to the PayAsia business in Asia Pacific and Middle East). It was established in 2014 by a recognised industry veteran who also founded and runs the Australian Payroll Association. It currently has over 100 clients and processes over 10,000 payslips per month.

PayrollHQ reported statutory trading revenue of \$1.5M in FY20 (30 June year-end) and is expected to achieve significant sales growth over the next couple of years.

Aside from the strong sales growth and excellent sales pipeline, the Acquisition also adds a strong sales leader to the Group along with an experienced implementation and operations team fully trained in the complex Australian employment regulations. PayGroup's structure will assist PayrollHQ to win more deals and to service those deals using the existing Asia-Pacific infrastructure and resources.

The Acquisition further provides opportunities to cross-sell Talentoz's HCM suite of products as well as the Group's Treasury services to the existing and new PayrollHQ client base.

All the issued shares in PayrollHQ (PayrollHQ Shares) will be acquired under the acquisition and are owned by the entities set out in the table in section 1.4 (Vendors).

#### 1.3 Impact on capital structure of Paygroup

PayrollHQ will become a subsidiary of PayGroup Limited if Resolution 1 is passed. There will be a limited impact on the issued capital of Paygroup as follows:

<b>Shares on Issue as at the date of this Notice</b>	<b>76,755,358</b>
Shares to be issued – Resolution 1	5,528,456
<b>Total Shares on issue if Resolutions 1 is passed</b>	<b>82,283,814</b>

## 1.4 Consideration payable

The purchase price payable for the PayrollHQ Shares is the aggregate of the Completion Consideration and the Deferred Consideration, which will be paid as follows:

- 1.4.1 by the issue of the Completion Consideration Shares to the Vendors (or their nominees) in their Respective Proportions as set out in the below table; and
- 1.4.2 by the issue of the Deferred Consideration Shares to the Stakeholder to be held on trust for the Vendors (or their nominees) in their Respective Proportions as set out in the below table.

No cash is payable for the Acquisition.

Under the Acquisition Agreement:

- Completion Consideration means the consideration payable by the Purchaser to the Vendors at the completion date, being the Statutory Revenue (FY20) multiplied by 1.7 being \$2.535 million.
- Completion Consideration Shares means fully paid ordinary shares in the capital of the Purchaser calculated as:

$$\text{Completion Consideration} / \text{Issue Price} = \text{Number of Completion Consideration Shares}$$

- Deferred Consideration means the consideration payable by the Purchaser to the Vendors being the value of the estimated Statutory Revenue (FY21) less Statutory Revenue (FY20) multiplied by 1.7 being \$1.28M.
- Deferred Consideration Shares means fully paid ordinary shares in the capital of the Purchaser calculated as:

$$\text{Deferred Consideration} / \text{Issue Price} = \text{Number of Deferred Consideration Shares}$$

- Issue Price means \$0.615 per share, being PYG's 90-day VWAP to 2 November 2020.

There is a mechanism for claw-back of Deferred Consideration Shares should the FY21 estimated Statutory Revenue be less than estimated, being a reduction in Shares to be issued equal to the value of the shortfall, using the Issue Price.

All Shares issued under the Acquisition Agreement are subject to a 24 month voluntary escrow from the date of issue.

The Vendors, and their respective entitlements to Shares, are as follows:

	Vendors	Completion Consideration Shares	Deferred Consideration Shares	Total
1	<b>Michele Louise Robertson</b>	412,269	140,576	552,845
2	<b>Maria Nikoletatos</b>	82,454	28,115	110,569



3	<b>Kylie Jane Elliot</b>	412,269	140,576	552,845
4	<b>IMT Heron Pty Ltd (ACN 633 500 535) as trustee for the A Ross Family Trust</b>	2,061,347	702,881	2,764,228
5	<b>Jacqueline Maree Knight</b>	412,269	140,576	552,845
6	<b>Elizabeth &amp; Co Pty Ltd (ACN 169 473 429) as trustee for the 468 Baraka Family Trust</b>	742,086	253,038	995,124
	<b>Totals</b>	<b>4,122,694</b>	<b>1,405,762</b>	<b>5,528,456</b>

### **1.5 Plans for the Company if Resolution 1 is not passed**

If Resolution 1 is not passed, the Company will not be able to issue the Consideration Securities to complete the Acquisition. In those circumstances the Company will either seek an alternate acquisition, or negotiate with the Vendors to complete the acquisition using alternative consideration or when it can do so using its placement allowance under ASX Listing Rule 7.1.

### **1.6 Directors Recommendations**

The Directors do not have any material interest in the outcome of the Resolutions 1 other than as a result of their interest arising solely in the capacity of Shareholders of the Company. The Directors recommend that Shareholders vote in favour of Resolution 1 given the rationale for the acquisition set out in section 1.2 above.

## **2 RESOLUTION 1 – APPROVAL OF ISSUE OF CONSIDERATION SECURITIES**

### **2.1 ASX Listing Rule 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Securities:

- 2.1.1 The maximum number of securities to be issued is as set out in section 1.4.
- 2.1.2 Consideration is the acquisition of PayrollHQ. The Company will acquire all the issued shares in PayrollHQ using the formula set out in item 1.4.
- 2.1.3 The Consideration Securities will be issued to the recipients at Completion, which will occur within 3 months of the date of this meeting.
- 2.1.4 No funds will be raised from the issue of the Consideration Securities.
- 2.1.5 A voting exclusion statement is included in the Notice of Meeting.
- 2.1.6 Shares to be issued as Consideration Securities are ordinary fully paid Shares that will rank equally with other Shares on issue.

## **3 RESOLUTION 2 – RATIFICATION OF ISSUE OF SECURITIES**

### **3.1 Background**

The Board is allowed to issue or agree to issue up to 15% of its issued capital without Shareholder approval each 12 months under ASX Listing Rule 7.1, and a further 10% under certain conditions under ASX Listing Rule 7.1A. The Company has issued securities under Listing Rule 7.1 for the purposes as set out in Table 1 to Schedule 1 within this limit.

Under Listing Rule 7.4, the Company can seek Shareholder ratification of an issue made within the limit of ASX Listing Rule 7.1, and, if given, the effect of the ratification is to deem that the securities issued were issued with Shareholder approval, meaning that, from the date of the approval, the Board is again able to issue up to a further 15% of the issued capital without Shareholder approval.

If shareholder approval is not given, the Equity Securities set out in Table 1 of Schedule 1 will count in calculating the Company's 15% limit, thereby decreasing the number of Equity Securities it can issue in the 12 months following the issue dates.

### **3.2 Terms of Securities**

The Securities issued were Shares ranking equally with other Shares on issue.

### **3.3 ASX Listing Rule requirements for Resolution 2**

#### **(a) ASX Listing Rule 7.4**

As stated, ASX Listing Rule 7.4 enables the Company to ratify an issue of securities made without prior Shareholder approval under ASX Listing Rule 7.1 and 7.1A if:

- i. the issue of securities did not breach ASX Listing Rule 7.1; and
- ii. Shareholders subsequently approve the issue of those securities by the Company.

The securities issued did not breach ASX Listing Rule 7.1.

#### **(b) Technical information required by ASX Listing Rule 7.4**

Pursuant to, and in accordance with, ASX Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- i The number of securities issued is set out in Schedule 1;
- ii the issue price of the Securities and date of issue was as set out in Schedule 1;
- iii the terms of the Securities were as set out in Schedule 1;
- iv the names of the persons to whom the Company issued the Securities were as set out in Schedule 1;
- v the funds raised from the issue of the Securities were used for the purposes set out in Schedule 1.

## **RESOLUTION 3 –ISSUE OF SECURITIES TO PROPOSED DIRECTOR**

### **4.1 General**

The Company proposes, subject to obtaining Shareholder approval, to issue 181,271 Shares to the proposed Director Shane Gild under the Company's Loan Share Plan (Plan), on the terms as set out in this Notice and Explanatory Statement.

The objective of the issue of Shares is to provide a long term incentive for Mr Gild and give him a stake in the Company, thereby aligning his interest with Shareholders'.

The Directors in the absence of Mr Gild consider that the number of Shares to be issued to Mr Gild is appropriate and reasonable Director remuneration in light of his skills and experience.

The incentive represented by the Shares is cost effective and efficient, as opposed to alternative forms of incentive, such as the payment of cash compensation. The Plan constitutes an employee incentive scheme for the purposes of the ASX Listing Rules.

If the approval is given the Shares will be issued to Mr Gild. If the approval is not given, the Shares cannot be issued and the Board will consider alternate long term incentives to be given to Mr Gild such as cash.

#### **4.2 ASX Listing Rules 10.14 and 10.15**

ASX Listing Rule 10.14 provides that shareholder approval must be obtained where an entity issues equity securities to a director under an employee incentive scheme. Mr Gild is a Director of the Company.

Pursuant to and in accordance with the requirements of the ASX Listing Rules 10.15, the following information is provided in relation to the proposed issue of Options:

- I. *The names of the persons* Shane Gild
- II. *Which category of Rules 10.14.1 – 10.14.3 the persons fall within and why* Category 10.14.1 as a Director
- III. *The number of securities proposed to be issued to the persons under the scheme for which approval is being sought, which may be expressed as a maximum number or formula* 181,272 Shares
- IV. *If the person is a Director, the current remuneration of that person* The current remuneration for Mr Gild is \$70,000 per year.
- V. *The number of securities that have previously been issued to the person under the scheme, and the average acquisition price (if any) paid by the person for those securities* Mr Gild has not previously been issued with securities under the Plan
- VI. *A summary of the material terms of the securities* Securities are Shares
- VII. *The date on which the securities will be issued* The Shares will be issued within 12 months of the date of this meeting
- VIII. *The price or other consideration Paygroup will receive for the issue* Shares will be issued at a price of \$0.615 per Share and Mr Gild will be offered a limited recourse loan to acquire the Shares under the Plan, the details of which are set out below.
- IX. *A summary of the material terms of the employee incentive scheme* Details of the Plan are set out below and in the Remuneration Report section of the FY2020 Financial Report.

Under the Plan, the Board can issue securities to Eligible Employees of the Company on such terms and subject to such conditions (including the conditions set out in the Plan, the ASX Listing Rules and the Corporations Act) as they think are suitable. This includes issues to Directors. The Board can also offer a non-recourse loan to Eligible Employees to fund the acquisition of securities.

A loan offered is a limited recourse loan, the recovery of which is limited to the value of Shares when the loan becomes due to be repaid. The loan must be repaid:

- 90 days after the Participant ceases for any reason to be employed or engaged by the Company;
- by the legal personal representative of the Participant, six months after the Participant ceases to be an employee or consultant of the Company due to their death; and
- the Repayment Date which is 5 years from the date of issue of the loan.

The loan can be repaid at any time by an Eligible Employee following which the Shares the subject of the loan are free to be dealt with in any way. If a loan amount is outstanding when a repayment event occurs, Shares are forfeited to the value of the amount outstanding and can be cancelled or issued to other Eligible Employees.

Details of any securities issued under the Plan will be published in Paygroup's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.

Any additional persons covered under ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after this resolution is approved and who were not named in the Notice of Meeting will not participate until after approval is obtained under that rule.

#### **4.3 Sections 208 and 260A of the Corporations Act**

Section 208 of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 24 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Shares constitutes giving a financial benefit and Mr Gild is a related party of the Company. One of the exceptions to section 208 is the payment of reasonable remuneration. The Directors other than Mr Gild have considered that the number of Shares to be issued to him is appropriate and reasonable remuneration for the reasons set out in paragraph 4.1.

Section 260A of the Corporations Act states (inter alia) as follows:

(1) A company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company only if:

(a) giving the assistance does not materially prejudice:

- (i) the interests of the company or its shareholders; or
- (ii) the company's ability to pay its creditors; ...

The provision of a loan under the Plan to Mr Gild constitutes the giving of financial assistance to acquire Shares in the Company. In this case the Directors in the absence of Mr Gild have resolved that the giving of the loan does not materially prejudice either the interests of the Company or its Shareholders, or the ability of the Company to pay its creditors, because:

- I. Of the reasons set out in paragraph 4.1 participation by Mr Gild in the Plan is of benefit to the Company;
- II. No cash is being used under the Plan therefore there is no cash detriment to the Company. Shares are issued by the Company not acquired by them;
- III. Shares are being issued at a fair market value;
- IV. The issue of Shares is under a limited recourse loan. Mr Gild cannot sell the Shares without first repaying the loan, which will result in a cash inflow to the Company.

#### **4.4 ASX Listing Rules 7.1 and 7.2**

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares the subject of Resolution 3 as approval is being obtained under ASX Listing Rule 10.11 (Exception 14 under ASX Listing Rule 7.2). Accordingly, the issue of the Options will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

#### **4.4 Board recommendation**

The Directors other than Mr Gild recommend that Shareholders vote in favour of Resolution 3. The Chair intends to vote undirected proxies in favour of it. Mr Gild declines to make a recommendation as he has an interest in this resolution.

## Schedule 1

### Prior issues of securities

Date of issue announcement	No of securities	Date of issue	Class	Issue Price (\$)	Close market price (\$)	Discount (%)	Consideration cash (\$)	Consideration on non cash – current value	Purpose of issue	Persons issued to or basis on which those persons were determined
02.09.20	6034483	09.09.20	Shares	0.58	0.715	2.1	0.58 per share		To support Paygroup's growth plans*	Clients of Cannacord

\* Proceeds of the Placement will be used to support Paygroup's growth plans and enable the Group to realise additional strategic and synergistic benefits from the acquisitions of Astute One Limited (November 2019) and TalentOz (July 2020), which include:

- Platform enhancements;
- Expansion of the respective product & service offerings across new markets; and
- Integration of key components of existing technology.

The funds will also provide PayGroup with the resources to pursue additional strategic partnership and growth initiatives. Please refer to the announcement dated 2 September 2020 for further details.

PYG

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Need assistance?



**Phone:**

1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)



**Online:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:30 AM (AEDT) on Wednesday, 9 December 2020.**

# Proxy Form

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

### PARTICIPATING IN THE MEETING

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Paygroup Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Paygroup Limited to be held as a virtual meeting on Friday, 11 December 2020 at 10:30 AM (AEDT) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 3 (except where I/we have indicated a different voting intention in step 2) even though Resolution 3 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 3 by marking the appropriate box in step 2.

### Step 2 Items of Business

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

		For	Against	Abstain
Resolution 1	APPROVAL OF ISSUE OF SECURITIES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	RATIFICATION OF PRIOR ISSUES OF SECURITIES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	ISSUE OF OPTIONS TO DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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Computershare

